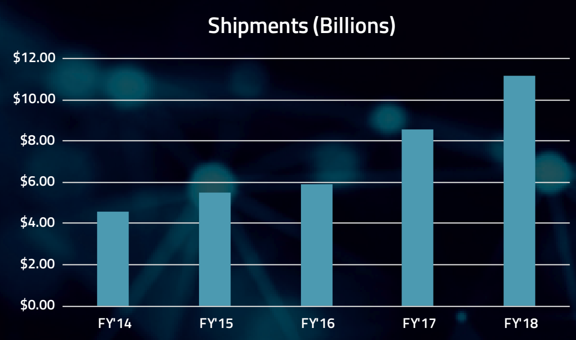
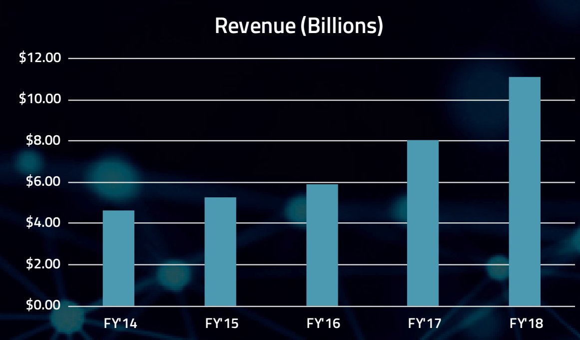
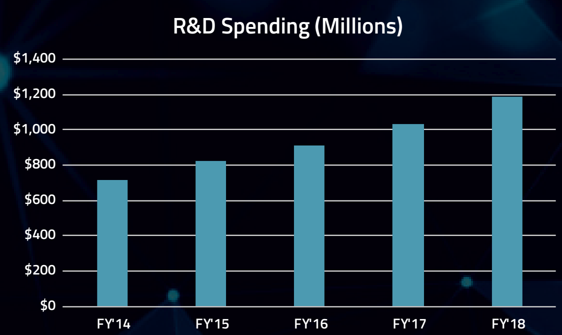
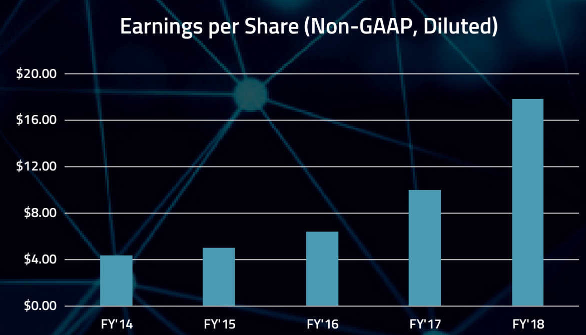
ANNUAL REPORT 2018

The future of Lam Research is inextricably linked to the data economy that is redefining the global semiconductor industry. The opportunities for silicon-based technologies offered through artificial intelligence and innovations in applications and services are extraordinary and touch a broad fabric of our social economy, from climate change to transportation to health care, to name a few. To capture these opportunities, our customers must solve the challenges associated with the increasingly sophisticated demands on semiconductor device performance. Our combined expertise in innovative, complex systems engineering and the integration of hardware, software, process, process control, and materials enables us to create differentiated technologies and productivity solutions that help our customers achieve their aspirations. In doing so, we strive to collaborate as strategic partners with our customers in helping them solve their most critical challenges. Once our products are installed in our customers' facilities, our customer support organization plays a vital role in building customer trust, increasing our competitive differentiation, and contributing to our profitable growth. We believe this focus on customers, combined with our differentiated expertise, strong operating execution, and unique values-based culture, position Lam to continue to create long-term value for our stockholders.









A reconciliation of U.S. GAAP results to non-GAAP results can be found at www.lamresearch.com

LETTER TO OUR STOCKHOLDERS

Dear Lam Research Stockholders,

Let us start by thanking you for your investment in Lam Research. We believe that our partnership with our customers, employees, suppliers, the semiconductor ecosystem, and you, our investors, has enabled us to build our track record of multi-year outperformance. Fiscal year 2018 was no exception. Lam concluded the strongest fiscal year in our history with revenue at $11 billion, representing a five-year compound annual growth rate, or CAGR, of 25%. Fully diluted earnings per share was $13.17 on a GAAP basis and $17.87 on a non-GAAP[1] basis, with a five-year CAGR of over 80% and 50% respectively.

We are in one of the most dynamic and exciting periods of the semiconductor industry's history. The fast-rising data economy has become increasingly intertwined with the pressing demands of our social economy in vital areas including climate change, education, food and water, transportation, security, and health care. Technology-enabled collection, transmission, and analysis of growing amounts of data is creating the opportunity to develop previously unthinkable solutions to major global challenges, and that, in turn, is fueling tremendous demand for advanced semiconductors that can harness the power of data.

Through our leading position in certain critical process steps that enable semiconductor manufacturing, Lam plays an increasingly crucial role supporting device roadmaps of our customers and, by extension, the industry. Our combined expertise in innovative, complex systems engineering and the integration of hardware, software, process, process control, and materials enables us to create differentiated technologies and productivity solutions that help our customers achieve their aspirations. We partner with our customers to help them solve their most critical challenges in an era when the demands on semiconductor device performance are pushing past traditional innovation boundaries such as Moore's Law.

We believe Lam is uniquely positioned to address these unprecedented industry challenges, not just because of our technology capabilities but also because of our values-based culture, disciplined and accomplished management team, experienced and effective Board of Directors, and commitment to our future through our significant investment in research and development ("R&D"). In fiscal year 2018, we spent over $1 billion in R&D and approximately $4.7 billion over the last five years.

Over the last few years, we have incorporated stockholder perspectives on various governance topics, including capital redistribution. Our priorities for cash are first, to invest in the business and then, return excess cash to our stockholders. As such, in March, the Board authorized a capital return plan including an additional $2 billion share repurchase program, increasing the total authorized repurchases since November 2017 to $4 billion, a 120% increase in quarterly dividends from $0.50 to $1.10 per share, and a plan to return at least 50% of free cash flow[2] to our stockholders over the next five years.

1. A reconciliation of U.S. GAAP results to non-GAAP results can be found at www.lamresearch.com
2. Free cash flow = Cash Flow From Operating Activities minus Capital Expenditures
3. A copy of our CSR report can be found at www.lamresearch.com

We have also heard from you about your views on topics including proxy access, director tenure, board refreshment, director skills and experiences, board and workforce diversity, and environmental and social governance matters. Consistent with the feedback shared with us, we have adopted proxy access as well as enhanced our proxy statement and Corporate Social Responsibility ("CSR")[3] Report disclosures. We encourage you to continue to engage with us as your input helps us improve our governance practices.

We are excited about our future and will continue to work hard to deliver excellence in our work—from the solutions we create for our customers, to the investments we make in our employees, to the value we deliver to our stockholders. Our strong management team and engaged Board are intensely focused on steering Lam toward a future of even greater success that builds on the strong foundation that has been created over more than three decades.

Again, thank you very much for your support and the trust that you have placed in us.

Sincerely,

Martin B. Anstice
Chief Executive Officer

Stephen G. Newberry
Chairman of the Board

September 7, 2018

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

STOCK LISTING

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

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 9:30 a.m. Pacific Standard Time on Tuesday, November 6, 2018, at the Company's corporate headquarters.

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. We have identified some, but not all, of the forward-looking statements in the Letter and Report by use of future-oriented words and phrases such as "aim," "believe," "future," "vision," "expected," "commitment," "continue," "will," "outlook," "position," and "opportunity." 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: investment in R&D and our future growth, and the impact thereof; our expectations regarding Lam's performance compared to wafer fabrication equipment spending (at the industry and segment levels) in terms of future opportunities for our business; the prospects for, ability of our products to address and impact upon product demand from industry-driving technology inflections; the drivers and opportunities (e.g., in terms of amount and timing) for growth of our market segments and the served available market; the pace, nature and impact of innovation with respect to industry applications; the requirements of technological advancements; the drivers for semiconductor product demand, Lam's technology opportunities and extent of and prioritization of our investment therein; Lam's innovation; the impact of our products, and their importance to the success of our customers and the industry; our expectations and opportunities for market expansion and growth, and our projected growth from our installed base business; the key differentiators in and drivers of our future performance opportunities; the type of, ability to deliver, and the extent of delivered, value to our customers, employees and stockholders through our products and services support; the contributions of our products and services support in addressing our customers' needs and the resulting effects; our positioning, drivers and ability to sustain Lam's performance; our capital allocation plans, priorities, and strategies; and our business plans and strategies. These statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect, including without limitation macroeconomic conditions, the actions of our competitors, political disruptions such as wars and terrorist events, government actions, technology changes and those 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 2018 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. These 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

September 26, 2018

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2018 Annual Meeting of Stockholders. The annual meeting will be held on Tuesday, November 6, 2018, at 9:30 a.m. Pacific Standard Time in the Building CA1 Auditorium at the principal executive offices of Lam Research Corporation, which is located at 4650 Cushing Parkway, Fremont, California 94538.

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"; to approve the adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan (the "ESPP"), as amended and restated; and to ratify the appointment of the independent registered public accounting firm for fiscal year 2019. The Board of Directors recommends that you vote in favor of each director nominee, Say on Pay, the adoption of the ESPP, as amended and restated, and the ratification of the appointment of the independent registered public accounting firm for fiscal year 2019. Management will not provide a business update during this meeting; please refer to our latest quarterly earnings report for our current outlook.

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

Sincerely yours,

Lam Research Corporation

Stephen G. Newberry
Chairman of the Board

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Notice of 2018 Annual Meeting of Stockholders

Lam Research

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

Date and Time	Tuesday, November 6, 2018 9:30 a.m. Pacific Standard Time
Place	Lam Research Corporation Building CA1 Auditorium 4650 Cushing Parkway Fremont, California 94538

Items of Business

1. Election of nine directors to serve until the next annual meeting of stockholders, and until their respective successors are elected and qualified
2. Advisory vote to approve our named executive officer compensation, or "Say on Pay"
3. Approval of the adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended and restated
4. Ratification of the appointment of the independent registered public accounting firm for fiscal year 2019
5. Transact such other business that may properly come before the annual meeting (including any adjournment or postponement thereof)

Record Date

Only stockholders of record at the close of business on September 7, 2018, the "Record Date," are entitled to notice of and to vote at the annual meeting.

Voting

Please vote as soon as possible, even if you plan to attend the annual meeting in person. You have three options for submitting your vote before the annual meeting: by the internet, telephone, or mail. The proxy statement and the accompanying proxy card provide detailed voting instructions.

Internet Availability of Proxy Materials

Our Notice of 2018 Annual Meeting of Stockholders, Proxy Statement, and Annual Report to Stockholders are available on the Lam Research website at *https://investor.lamresearch.com* and at *www.proxyvote.com*.

By Order of the Board of Directors,

Sarah A. O'Dowd
Secretary

This proxy statement is first being made available and/or mailed to our stockholders on or about September 26, 2018.

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LAM RESEARCH CORPORATION
Proxy Statement for 2018 Annual Meeting of Stockholders

TABLE OF CONTENTS

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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 proposals and voting recommendations, the Company's director nominees, highlights of the director's key qualifications and skills, board composition, the Company's corporate governance, and executive compensation. For more complete information about these topics, please review the complete proxy statement.

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.

Figure 1. Proposals and Voting Recommendations

Voting Matters	Board Vote Recommendation
Proposal No. 1: Election of Directors	FOR each nominee
Proposal No. 2: Advisory Vote to Approve Our Named Executive Officer Compensation, or "Say on Pay"	FOR
Proposal No. 3: Approval of the Adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan, as Amended and Restated	FOR
Proposal No. 4: Ratification of the Appointment of the Independent Registered Public Accounting Firm for Fiscal Year 2019	FOR

Figure 2. 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 2018, and their biographical information is contained in the "*Voting Proposals – Proposal No. 1: Election of Directors – 2018 Nominees for Director*" section below.

	Director			Committee Membership			
Name	Age	Since	Independent(1)	AC	CC	NGC	Other Current Public Boards
Martin B. Anstice	51	2012	No	*			
Eric K. Brandt	56	2010	Yes	C/FE			Altaba (formerly Yahoo!), Dentsply Sirona, Macerich
Michael R. Cannon	65	2011	Yes	M/FE		M	Dialog Semiconductor, Seagate Technology
Youssef A. El-Mansy	73	2012	Yes		M		
Christine A. Heckart	52	2011	Yes	M			
Catherine P. Lego	61	2006	Yes	*	C	M	Cypress Semiconductor, IPG Photonics
Stephen G. Newberry	64	2005	Yes	*			Splunk
Abhijit Y. Talwalkar	54	2011	Yes (Lead Independent Director)	*	M	C	Advanced Micro Devices, iRhythm Technologies, TE Connectivity
Lih Shyng (Rick L.) Tsai	67	2016	Yes				MediaTek, USI Corporation

(1) Independence determined based on Nasdaq rules.
AC – Audit committee
CC – Compensation committee
NGC – Nominating and governance committee
C – Chairperson
M – Member
FE – Audit committee financial expert (as determined based on SEC rules)
* – Qualifies as an audit committee financial expert (as determined based on SEC rules)

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Figure 3. Director Key Qualifications and Skills Highlights

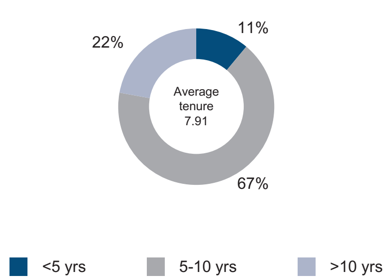
The table below summarizes the key qualifications, skills and attributes most relevant to the decision to nominate candidates to serve on our Board. Not having a mark does not mean the director does not possess that qualification or skill. Director biographies contained in the "*Voting Proposals – Proposal No. 1: Election of Directors – 2018 Nominees for Director*" section below describe each director's background and relevant experience in more detail.

Key Skills & Experiences of Directors	Stephen G. Newberry	Martin B. Anstice	Eric K. Brandt	Michael R. Cannon	Youssef A. El-Mansy	Christine A. Heckart	Catherine P. Lego	Abhijit Y. Talwalkar	Lih Shyng (Rick L.) Tsai
Industry Knowledge - Knowledge of and experience with our industry and markets, including an understanding of our customers' markets and needs	x	x	x	x	x	x	x	x	x
Technology Knowledge - Deep knowledge and understanding of semiconductor and semiconductor wafer front end technologies	x	x	x		x			x	x
Marketing Experience - Extensive knowledge and experience in business-to-business marketing and sales, and/or business development, preferably in a capital equipment industry	x	x		x		x		x	x
Business and Operations Leadership Experience - Experience as a current or former CEO, president and/or COO	x	x	x	x		x		x	x
Finance Experience - 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
International Business Experience - Experience as a current or former business executive resident outside the United States and responsible for at least one business unit outside the United States	x	x		x					x
Mergers and Acquisitions Experience ("M&A") - 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	x
Board/Governance Experience - Experience with corporate governance requirements and practices	x	x	x	x	x	x	x	x	x
Public Relations/Investor Relations/Public Policy Experience	x	x	x	x		x		x	
Cybersecurity Expertise - Understanding of and/or experience overseeing corporate cybersecurity programs, and having a history of participation in relevant cyber education			x					x	

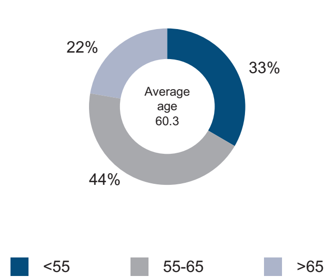
Figure 4. Board Composition Highlights

The Board is committed to diversity and the pursuit of board refreshment and balanced tenure. The following table shows the tenure, age and gender diversity of the current board.

Tenure



Age



Gender Diversity

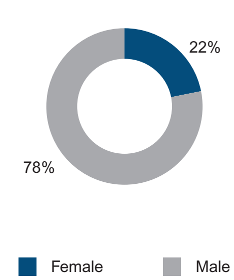


Figure 5. Corporate Governance Highlights

Board and Other Governance Information	As of September 2018
Size of Board as Nominated	9
Number of Independent Nominated Directors	8
Number of Nominated Directors Who Attended ≥75% of Meetings	9
Number of Nominated Directors on More Than Four Public Company Boards	0
Number of Nominated Non-Employee Directors Who Are Sitting Executives on More Than Three Public Company Boards	0
Directors Subject to Stock Ownership Guidelines	Yes
Annual Election of Directors	Yes
Voting Standard	Majority
Plurality Voting Carveout for Contested Elections	Yes
Separate Chairman and Chief Executive Officer ("CEO")	Yes
Lead Independent Director	Yes
Independent Directors Meet Without Management Present	Yes
Annual Board (Including Individual Director) and Committee Self-Evaluations	Yes
Annual Independent Director Evaluation of CEO	Yes
Risk Oversight by Full Board and Committees	Yes
Commitment to Board Refreshment and Diversity	Yes
Robust Director Nomination Process	Yes
Significant Board Engagement	Yes
Board Orientation/Education Program	Yes
Code of Ethics Applicable to Directors	Yes
Stockholder Proxy Access	Yes
Stockholder Ability to Act by Written Consent	Yes
Stockholder Engagement Program	Yes
Poison Pill	No
Publication of Corporate Social Responsibility Report on Our Website	Yes

Continues on next page ▶

Figure 6. Executive Compensation Highlights

What We Do
Pay for Performance (Pages 16-19, 22-28) – 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, or “TSR,” performance; and 50% of the long-term incentive program awarded in stock options and service-based restricted stock units, or “RSUs.”
Three-Year Performance Period for Our 2018 Long-Term Incentive Program (Pages 25-28) – Our current long-term incentive program is designed to pay for performance over a period of three years.
Absolute and Relative Performance Metrics (Pages 22-28) – 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 22-28) – Our annual and long-term incentive programs use different performance metrics.
Capped Amounts (Pages 22-28) – Amounts that can be earned under the annual and long-term incentive programs are capped.
Compensation Recovery/Clawback Policy (Pages 19-20) – 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, or the “Exchange Act.”
Prohibit Option Repricing – Our stock incentive plans prohibit option repricing without stockholder approval.
Hedging and Pledging Policy (Page 7) – We have a policy applicable to our executive officers and directors that prohibits pledging and hedging.
Stock Ownership Guidelines (Page 19) – 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 16 has met his or her individual ownership level under the current program or has a period of time remaining under the guidelines to do so.
Independent Compensation Advisor (Page 20) – The compensation 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 – We engage with stockholders on an annual basis and stockholder advisory firms on an as needed basis to obtain feedback concerning our compensation program.
What We Don’t Do
Tax “Gross-Ups” for Perquisites, for Other Benefits or upon a Change in Control (Pages 29, 31-32, 35-37) – Our executive officers do not receive tax “gross-ups” for perquisites, for other benefits, or upon a change in control.[1]
Single-Trigger Change in Control Provisions (Pages 28, 35-37) – None of our executive officers has single-trigger change in control agreements.

(1) Our executive officers may receive tax gross-ups in connection with relocation benefits that are widely available to all of our employees.

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 United States Securities and Exchange Commission, or the "SEC," beneficially owned as of September 7, 2018, 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 7, 2018, which is the Record Date for the 2018 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 152,286,842 as the number of shares of Lam common stock outstanding on September 7, 2018.

Figure 7. Beneficial Ownership Table

Name of Person or Identity of Group	Shares Beneficially Owned (#)[1]	Percentage of Class
5% Stockholders		
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	14,164,985[2]	9.3%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	11,318,362[3]	7.4%
Directors		
Martin B. Anstice (also a Named Executive Officer)	133,648	*
Eric K. Brandt	27,440	*
Michael R. Cannon	14,740	*
Youssef A. El-Mansy	20,826	*
Christine A. Heckart	16,240	*
Catherine P. Lego	49,248	*
Stephen G. Newberry	8,497	*
Abhijit Y. Talwalkar	24,340	*
Lih Shyng (Rick L.) Tsai	3,520	*
Named Executive Officers ("NEOs")		
Timothy M. Archer	74,198	*
Douglas R. Bettinger	85,563	*
Richard A. Gottscho	42,897	*
Scott G. Meikle	3,873	*
All current directors and executive officers as a group (18 people)	675,160	*

* Less than 1%.

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(1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 7, 2018, as well as RSUs, that will vest within that time period, as follows:

	Shares
Martin B. Anstice	52,611
Eric K. Brandt	960
Michael R. Cannon	960
Youssef A. El-Mansy	960
Christine A. Heckart	960
Catherine P. Lego	960
Stephen G. Newberry	960
Abhijit Y. Talwalkar	960
Lih Shyng (Rick L.) Tsai	960
Timothy M. Archer	29,780
Douglas R. Bettinger	45,282
Richard A. Gottscho	—
Scott G. Meikle	—
All current directors and executive officers as a group (18 people)	184,890

The terms of any outstanding stock options that are now exercisable are reflected in "*Figure 33. FYE2018 Outstanding Equity Awards*," except as described in the following sentence. Ms. O'Dowd and Mr. Jennings have options covering 47,984 and 1,553 shares, respectively, which are unexercised and exercisable within 60 days of September 7, 2018. The grants for Ms. O'Dowd and Mr. Jennings have terms consistent with the terms reflected in "*Figure 33. FYE2018 Outstanding Equity Awards*," except for the grant to Ms. O'Dowd on February 8, 2013 of 22,140 shares, which fully vested on February 8, 2015 and will expire on February 8, 2020.

As discussed in "*Governance Matters – Director Compensation*" below, the non-employee directors receive an annual equity grant as part of their compensation. These grants generally vest on October 31, 2018, subject to continued service on the board as of that date, with immediate delivery of the shares upon vesting. For 2018, Drs. El-Mansy and Tsai; Messrs. Brandt, Cannon, Newberry and Talwalkar; and Mses. Heckart and Lego each received grants of 960 RSUs. These RSUs are included in the tables above.

(2) All information regarding The Vanguard Group, Inc., or "Vanguard," is based solely on information disclosed in amendment number six to Schedule 13G filed by Vanguard with the SEC on February 9, 2018. According to the Schedule 13G filing, of the 14,164,985 shares of Lam common stock reported as beneficially owned by Vanguard as of December 31, 2017, Vanguard had sole voting power with respect to 233,688 shares, had shared voting power with respect to 33,378 shares, had sole dispositive power with respect to 13,905,425 shares, and shared dispositive power with respect to 259,560 shares of Lam common stock reported as beneficially owned by Vanguard as of that date. The 14,164,985 shares of Lam common stock reported as beneficially owned by Vanguard include 180,906 shares beneficially owned by Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, as a result of it serving as investment manager of collective trust accounts, and 130,240 shares beneficially owned by Vanguard Investments Australia, Ltd., a wholly–owned subsidiary of Vanguard, as a result of it serving as investment manager of Australian investment offerings.

(3) All information regarding BlackRock Inc., or "BlackRock," is based solely on information disclosed in amendment number ten to Schedule 13G filed by BlackRock with the SEC on February 8, 2018 on behalf of BlackRock and its subsidiaries: BlackRock Life Limited; BlackRock International Limited; BlackRock Advisors, LLC; BlackRock Capital Management, Inc.; BlackRock (Netherlands) B.V.; BlackRock Institutional Trust Company, National Association; BlackRock Asset Management Ireland Limited; BlackRock Financial Management, Inc.; BlackRock Japan Co., Ltd.; BlackRock Asset Management Schweiz AG; BlackRock Investment Management, LLC; BlackRock Investment Management (UK) Limited; BlackRock Asset Management Canada Limited; BlackRock Asset Management Deutschland AG; BlackRock (Luxembourg) S.A.; BlackRock Investment Management (Australia) Limited; BlackRock Advisors (UK) Limited; BlackRock Fund Advisors; BlackRock Asset Management North Asia Limited; BlackRock (Singapore) Limited; and BlackRock Fund Managers Ltd. According to the Schedule 13G filing, of the 11,318,362 shares of Lam common stock reported as beneficially owned by BlackRock as of December 31, 2017, BlackRock had sole voting power with respect to 9,933,451 shares, did not have shared voting power with respect to any shares, had sole dispositive power with respect to 11,318,362 shares, and did not have shared dispositive power with respect to any shares of Lam common stock reported as beneficially owned by BlackRock as of that date.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors, and people who own more than 10% of a registered class of our equity securities to file an initial report of ownership (on a Form 3) and reports on subsequent changes in ownership (on Forms 4 or 5) with the SEC by specified due dates. Our executive officers, directors, and greater-than-10% stockholders are also required by SEC rules to furnish us with copies of all section 16(a) forms they file. We are required to disclose in this proxy statement any failure to file any of these reports on a timely basis. Based solely on our review of the copies of the forms that we received from the filers, and on written representations from certain reporting persons, we believe that all of these requirements were satisfied during fiscal year 2018.

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, or "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:

Board committee charters. Each of the Board's audit, compensation, and nominating and governance committees has a written charter adopted by the Board that establishes practices and procedures for the committee in accordance with applicable corporate governance rules and regulations. Each committee reviews its charter annually and recommends changes to the Board, as appropriate. Each committee charter is available on the Investors section of our website at *https://investor.lamresearch.com/corporate-governance*. The content on any website referred to in this proxy statement is not a part of or incorporated by reference in this proxy statement unless expressly noted. See "*Board Committees*" below for additional information regarding these committees.

Corporate governance guidelines. 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 "*Board Nomination Policies and Procedures*," "*Director Independence Policies*," and "*Other Governance Practices*" sections below. The corporate governance guidelines are available on the Investors section of our website at *https://investor.lamresearch.com/corporate-governance*.

Corporate code of ethics. 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. A copy of the code of ethics is available on the Investors section of our website at *https://investor.lamresearch.com/corporate-governance*.

Global standards of business conduct policy. We maintain written standards of appropriate conduct in a variety of business situations that apply to our worldwide workforce. Among other things, these global standards of business conduct address relationships with one another, relationships with Lam (including conflicts of interest, safeguarding of Company assets, and protection of confidential information), and relationships with other companies and stakeholders (including anti-corruption).

Insider trading policy. 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 hedges and pledges of Company stock.

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 committee assesses the appropriate balance of experience, skills, and characteristics required for the Board at the time.

Factors to be considered by the nominating and governance committee may 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; specific skills, background, or experience

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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; diversity with respect to any attribute(s) the Board considers appropriate, including geographic, gender, age, and ethnic diversity; and the interplay of a candidate's experiences and skills with those of other Board members.

The specific skills, background, and experiences that are evaluated in connection with board service include:

- *Industry knowledge*: knowledge of and experience with our industry and markets, including an understanding of our customers' markets and needs;
- *Technology knowledge*: deep knowledge and understanding of semiconductor and semiconductor wafer front end technologies;
- *Marketing experience*: extensive knowledge and experience in business-to-business marketing and sales, and/or business development, preferably in a capital equipment industry;
- *Business and operations leadership experience*: experience as a current or former CEO, president, and/or COO;
- *Finance experience*: profit and loss and financing experience as an executive responsible for financial results of a breadth and level of complexity comparable to the Company;
- *International business experience*: experience as a current or former business executive resident outside the United States and responsible for at least one business unit outside the United States;
- *Mergers and acquisitions experience ("M&A")*: M&A and integration experience (including buy- and sell-side and hostile M&A experience) as a public company director or officer;
- *Board/governance experience*: experience with corporate governance requirements and practices;
- *Public relations/investor relations/public policy experience*; and
- *Cybersecurity expertise*: understanding of and/or experience in overseeing corporate cybersecurity programs; and having a history of participation in relevant cyber education.

Each nominee's key qualifications, skills, and attributes most relevant to the nomination of the candidate to serve on the Board are reflected in their biographies under "*Voting Proposals – Proposal No. 1: Election of Directors – 2018 Nominees for Director*" below. For a summary of the key qualifications, skills, and attributes of the Board see "*Proxy Statement Summary – Figure 3. Director Key Qualifications and Skills Highlights.*" 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 on the Board. See "*Proxy Statement Summary–Figure 4. Board Composition Highlights*" for additional information. In line with the Board's pursuit of board refreshment and balanced tenure, including consideration of any resignations, the Board has appointed seven new directors in the last six years.

For many years, the composition of the Board has reflected the Board's commitment to diversity. For example, every year since 2016 the Board has had at least two female directors, and over the last 10 years has expanded the experiences, areas of substantive expertise and geographic diversity of the directors, as illustrated by the information provided in their biographies under "*Voting Proposals – Proposal No. 1: Election of Directors – 2018 Nominees for Director*" below.

Regarding 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 experience with the Company and in the industry and business environment in which the Company operates.

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. In addition, no director, after having attained the age of 75 years, may be nominated for re-election or reappointment to the Board.

Nomination procedure. The nominating and governance committee 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. See "*Voting Proposals – Proposal No. 1: Election of Directors – 2018 Nominees for Director*" below for additional information regarding the 2018 candidates for election to the Board.

Certain provisions of our bylaws apply to the nomination or recommendation of candidates by a stockholder. For example, in February 2017, the Board amended and restated our bylaws to 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 2019 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. Anstice, are independent in accordance with Nasdaq criteria for director independence.

Board committee independence. All members of the Board's audit, compensation, and nominating and governance committees must be non-employee or outside directors and independent in accordance with applicable Nasdaq criteria as well as, in the case of the compensation committee, applicable rules under section 162(m) of the Internal Revenue Code of 1986, as amended, or the "Code," and 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. Mr. Talwalkar was appointed the lead independent director, effective August 27, 2015. See "*Leadership Structure of the Board*" below for information regarding the responsibilities of the lead independent director.

Executive sessions of independent directors. The Board and its audit, compensation, 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.

Board education program. 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.

Leadership Structure of the Board

The leadership structure of the Board consists of a chairman and a lead independent director. The Board has determined our chairman, Mr. Newberry, who served as chief executive officer of the Company from June 2005 to January 2012, to be independent. The Board recognizes the value of having an independent chairman and a lead independent director managing the responsibilities of board leadership. Lam and its stockholders benefit from having Mr. Newberry as its chairman, as he brings to bear his experience as CEO as well as his other qualifications in carrying out his responsibilities as chairman, which 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 on which he is not a member; (3) conveying to the CEO, together with the chair of the compensation 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) performing such other duties as the Board may reasonably request from time to time; and (6) as requested by the Board, providing reports to the Board on the chairman's activities. The Company and its stockholders also benefit from having Mr. Talwalkar as its lead independent director, as he brings to bear his experience as a former CEO of a semiconductor company and a board chairman of another public company as well as his other qualifications in carrying out his responsibilities as lead independent director, which include: (1) coordinating the activities of the independent directors; (2) consulting with the chairman regarding matters such as (a) schedules of and agendas for Board meetings, (b) the quality, quantity, and timeliness of the flow of information from management, and (c) the retention of consultants who report directly to the Board; (3) developing the agenda for and moderating executive sessions of the Board's independent directors; and (4) moderating executive sessions of the full Board when the chairman is unable to be present.

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:

Board and committee assessments. Every year, the Board conducts a self-evaluation of the Board, its committees, and the individual directors, overseen by the nominating and

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governance committee and generally led by the lead independent director and the chairman of the Board. 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, committees, and individual directors in fulfilling its/their obligations. Feedback on Board and committee effectiveness is provided to the full Board for discussion, and feedback regarding individual director performance is provided to each individual director. The Board and committees identify and hold themselves accountable for any action items stemming from the assessment. The results of the evaluations are also considered as part of the director nomination process.

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 his or her 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 his or her executive position at another 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. Board members may not serve on more than four public company boards (including service on the Company's Board). Non-employee directors who are sitting executives may not serve on more than three public company boards (including the Company's Board). The nominating and governance committee will review the appropriateness of continued Board membership if a non-employee director who is a sitting executive serves on more than two such boards, and the director is expected to follow the recommendation of the nominating and governance committee. In addition, non-employee directors may not serve on more than three audit committees of public company boards (including the Company's audit committee).

Director and executive stock ownership. Under the corporate governance guidelines, each 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 3,000 shares of Lam common stock, by the fifth anniversary of his or her 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 2018 or have a period of time remaining under the program to do so.

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. The Secretary will forward all such 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). 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 permitted under applicable law).

Meeting Attendance

Our Board held a total of five meetings during fiscal year 2018. The number of committee meetings held is shown in Figure 8. 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 2018, with the exception of Young Bum (YB) Koh, Ph.D. due to medical reasons.

We expect our directors to attend the annual meeting of stockholders each year unless unusual circumstances make attendance impractical. All but one of the individuals who were directors as of the 2017 annual meeting of stockholders attended that meeting.

Board Committees

The Board has three standing committees: an audit committee, a compensation committee, and a nominating and governance committee. The purpose, membership, and charter of each are described below.

Figure 8. Committee Membership

Current Committee Memberships			
Name	Audit	Compensation	Nominating and Governance
Eric K. Brandt	Chair		
Michael R. Cannon	x		x
Youssef A. El-Mansy		x	
Christine A. Heckart	x		
Catherine P. Lego		Chair	x
Abhijit Y. Talwalkar		x	Chair
Total Number of Meetings Held in FY2018	**8**	**5**	**4**

Audit committee. The purpose of the audit committee is to oversee the Company's accounting and financial reporting processes and the audits of our financial statements, including the system of internal controls. 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. A copy of the audit committee charter is available on the Investors section of our website at *https://investor.lamresearch.com/corporate-governance*.

The Board concluded that all audit committee members are non-employee directors who are independent in accordance with the Nasdaq listing standards and SEC rules for audit committee member independence and that each audit committee member is able to read and understand fundamental financial statements as required by the Nasdaq listing standards. The Board also determined that Messrs. Brandt and Cannon (both members of the committee) are each, and Messrs. Anstice, Newberry, and Talwalkar and Ms. Lego (members of the Board) each qualify as, an "audit committee financial expert" as defined in the SEC rules.

Compensation committee. The purpose of the compensation committee 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; and to produce an annual report on executive compensation for inclusion as required in the Company's annual proxy statement. The compensation committee is authorized to perform the responsibilities of the committee referenced above and described in its charter. A copy of the compensation committee charter is available on the Investors section of our website at *https://investor.lamresearch.com/corporate-governance*.

The Board concluded that all members of the compensation 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 and who are outside directors for purposes of section 162(m) of the Code.

Nominating and governance committee. The purpose of the nominating and governance committee 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, and to provide oversight with respect to corporate governance. A copy of the nominating and governance committee charter is available on the Investors section of our website at *https://investor.lamresearch.com/corporate-governance*.

The Board concluded that all nominating and governance committee members are non-employee directors who are independent in accordance with the Nasdaq criteria for director independence.

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 "*Voting and Meeting Information – Other Meeting Information – Stockholder-Initiated Proposals and Nominations for the 2019 Annual Meeting*." 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 nominating and governance committee or other sources.

Board's Role and Engagement

General. The Board directs and 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.

The Board and its committees have the primary responsibilities for:

- discussing, reviewing, monitoring and approving the Company's business strategies, capital allocation plans/ priorities, annual operating plan, and major corporate actions as set forth below;
  - A strategic plan is presented to the Board for discussion on an annual basis, and updates are presented at each quarterly Board meeting.
  - An operating plan is presented to the Board for discussion on an annual basis, and updates are presented at each quarterly Board meeting.

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- Capital allocation plans and priorities are discussed on a quarterly basis.
  - Major corporate actions are presented and discussed as part of strategic plan updates and as special agenda topics, as appropriate.
- appointing, evaluating the performance of, and approving the compensation of the CEO;
- reviewing with the CEO the performance of the Company's 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 ethics and compliance programs, including the Company's code of ethics; and
- overseeing the Company's enterprise risk management processes and programs, described in further detail below.

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 delegated to committees of the Board as set forth below.

- 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, and related party transactions. The audit committee also oversees the review and monitoring of information security policies, with the responsibility of recommending such Board action as it deems appropriate.
- Our compensation committee oversees risks related to the Company's equity, and executive compensation programs and plans.
- Our nominating and governance committee oversees risks related to director independence, Board and Board committee composition, and CEO succession planning.

Stockholder Engagement

We believe that engagement with our stockholders is an important part of effective corporate governance. Our senior management, including our CEO, CFO and members of our Investor Relations team, maintain regular contact with a broad base of investors through quarterly earnings calls, meetings, analyst day events, industry conferences and other investor and industry events. In addition, we regularly engage with major stockholders on governance matters, including compensation and environmental and social governance. The outreach is generally conducted outside of our proxy solicitation period and, depending on the topics, includes members of our Investor Relations, Human Resources, Environmental Health & Safety and Legal functions. During the proxy solicitation period, we may also engage with our stockholders about topics to be addressed at our annual meeting of stockholders. We share all opinions and information received from our stockholders with our board of directors. Over the last few years, we have heard from stockholders about their views on subjects such as proxy access, returning capital to stockholders, director tenure, board refreshment, director skills and experiences, board and workforce diversity, and environmental and social governance matters. Understanding the feedback shared with us, we have adopted proxy access and have enhanced our proxy statement and Corporate Social Responsibility (CSR) Report disclosures.

Stockholder Proposal

At our 2017 annual meeting of stockholders, an advisory stockholder proposal regarding annual disclosure of EEO-1 data received support of approximately 40% of shares voted. As part of our stockholder engagement, some of our investors also told us they would appreciate more disclosure about inclusion and diversity. We will include in our next CSR report enhanced disclosure about our inclusion and diversity programs and demographic information about the ethnic and gender diversity of our workforce. In addition, we will update our leadership disclosure on our website to include our Office of the Chief Executive Officer (OCEO) staff rather than only our executive officers.

Corporate Social Responsibility

Our core values underpin our commitments to sustainable growth and making a positive contribution to people and the planet. We are committed to responsible business practices and continuous improvement in our own operations, in our partnerships with our customers, and across our supply chain.

Workplace. Guided by our Core Value of mutual trust and respect, we strive to provide a work environment that fosters inclusion and diversity, ensures every voice can be 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.

Community. We believe that positively involving our employees and giving back to our community is central to our culture and aligned with our Core Values. Our charitable giving includes employee volunteer hours, the Lam Research Foundation grant program, and employee giving.

As a successful equipment supplier in the technology industry, we encourage students to pursue science, technology, engineering, or math (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.

Operations: *Environment and Safety.* Lam Research carefully monitors and manages its environmental impact across the business – from procurement to manufacturing, during R&D and product design, and throughout a product's lifecycle.

We aim to protect the health and safety of our personnel throughout our entire operation, including our offices, manufacturing sites, R&D centers, and our field team working at customer sites.

Responsible and Accountable Global Supply Chain. All direct suppliers are expected to comply with our Global Supplier Code of Conduct, which covers ethics, integrity, transparency, anti-corruption, and responsible business practices. Additionally, all direct material suppliers must comply with our conflict minerals and human trafficking policies.

Lam Research is a proponent of industry standards and has adopted the standard guidelines published by the Institute for Supply Management (ISM), "Principles And Standards Of Ethical Supply Management Conduct With Guidelines." Lam Research has also adopted the Responsible Business Alliance (RBA) Code of Conduct.

For more information about our corporate social responsibility efforts, please refer to our report available on the Company's website.

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 (in the case of Mr. Anstice, by the independent members of the Board, and Mr. Newberry, by all other independent members of the Board) upon recommendation from the compensation committee. Non-employee director compensation (including the compensation of Mr. Newberry, who is currently our non-employee chairman) is described below. Mr. Anstice, whose compensation as 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 chairman of the Board, the lead independent director, 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 24, 2018, together with the annual cash compensation program components in effect for calendar years 2018 and 2017, is shown below.

Figure 9. Director Annual Retainers

Annual Retainers	Calendar Year 2018 ($)	Calendar Year 2017 ($)	Fiscal Year 2018 ($)
Non-employee Director	75,000	65,000	70,000
Chairman	120,000	160,000	140,000
Lead Independent Director	27,500	22,500	25,000
Audit Committee – Chair	30,000	30,000	30,000
Audit Committee – Member	12,500	12,500	12,500
Compensation Committee – Chair	20,000	20,000	20,000
Compensation 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	5,000	5,250

Each non-employee director also receives an annual equity grant on the first Friday following the annual meeting with a targeted grant date value equal to $200,000 (the number of RSUs subject to the award is determined by dividing $200,000 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 grants 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, or the "2015 Plan," and the applicable award agreements. These grants 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

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(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 award has been granted receive on the first Friday following the first regularly scheduled, quarterly Board meeting attended a pro-rated grant 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 grants 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 grant vests immediately.

On November 10, 2017, each director other than Mr. Anstice received a grant of 960 RSUs for service during calendar year 2018.

Unless there is an acceleration event, these RSUs granted to each current director for service during calendar year 2018 will vest in full on October 31, 2018, subject to the director's continued service on the Board.

Chairman compensation. Mr. Newberry, in addition to his regular compensation as a non-employee director, receives an additional cash retainer of $120,000 on the same date.

Mr. Newberry was eligible to participate through 2014 in the Company's Elective Deferred Compensation Plan that is generally applicable to executives of the Company, subject to the general terms and conditions of such plan. He continues to maintain a balance in the plan until he no longer performs service for the Company as a director but is no longer eligible to defer any compensation into the plan.

The following table shows compensation for fiscal year 2018 for persons serving as directors during fiscal 2018 other than Mr. Anstice:

Figure 10. FY2018 Director Compensation

Director Compensation for Fiscal Year 2018				
	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	All Other Compen-sation ($)(2)	Total ($)
Stephen G. Newberry	195,000(3)	197,395(4)	28,456	420,851
Eric K. Brandt	105,000(5)	197,395(4)	—	302,395
Michael R. Cannon	93,000(6)	197,395(4)	—	290,395
Youssef A. El-Mansy	85,000(7)	197,395(4)	28,456	310,851
Christine A. Heckart	87,500(8)	197,395(4)	—	284,895
Young Bum (YB) Koh	75,000(9)	197,395(4),(10)	—	272,395
Catherine P. Lego	100,500(11)	197,395(4)	27,150	325,045
Abhijit Y. Talwalkar	127,500(12)	197,395(4)	—	324,895
Lih Shyng (Rick L.) Tsai	75,000(13)	197,395(4)	—	272,395

(1) The amounts shown in this column represent the grant date fair value of unvested RSU awards granted during fiscal year 2018 in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, Compensation — Stock Compensation, or "ASC 718." However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2018 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018.

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

(3) Mr. Newberry received $195,000, representing his $120,000 chairman retainer and $75,000 annual retainer as a director.

(4) On November 10, 2017, each non-employee director who was on the board received an annual grant of 960 RSUs based on the $207.39 closing price of Lam's common stock and the target value of $200,000, rounded down to the nearest 10 shares.

(5) Mr. Brandt received $105,000, representing his $75,000 annual retainer and $30,000 as the chair of the audit committee.

(6) Mr. Cannon received $93,000, representing his $75,000 annual retainer, $12,500 as a member of the audit committee, and $5,500 as a member of the nominating and governance committee.

(7) Dr. El-Mansy received $85,000, representing his $75,000 annual retainer and $10,000 as a member of the compensation committee.

(8) Ms. Heckart received $87,500, representing her $75,000 annual retainer and $12,500 as a member of the audit committee.

(9) Dr. Koh received a $75,000 annual retainer.

(10) Dr. Koh resigned from his board membership effective the close of business on May 14, 2018, which resulted in the forfeiture of the 960 RSUs received as part of the annual grant.

(11) Ms. Lego received $100,500, representing her $75,000 annual retainer, $20,000 as the chair of the compensation committee, and $5,500 as a member of the nominating and governance committee.

(12) Mr. Talwalkar received $127,500, representing his $75,000 annual retainer, $27,500 as lead independent director, $10,000 as a member of the compensation committee, and $15,000 as the chair of the nominating and governance committee.

(13) Dr. Tsai received a $75,000 annual retainer.

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 Accounting Standards Codification 715, Compensation-Retirement Benefits as of June 24, 2018, for eligible former 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 11. FY2018 Accumulated Post-Retirement Benefit Obligations

Director Compensation for Fiscal Year 2018	
Name	**Accumulated Post-Retirement Benefit Obligation, as of June 24, 2018 ($)**
Stephen G. Newberry	840,000
Eric K. Brandt	—
Michael R. Cannon	—
Youssef A. El-Mansy	585,000
Christine A. Heckart	—
Young Bum (YB) Koh	—
Catherine P. Lego	487,000
Abhijit Y. Talwalkar	—
Lih Shyng (Rick L.) Tsai	—

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Executive Compensation and Other Information

Compensation Discussion and Analysis

This Compensation Discussion and Analysis, or "CD&A," describes our executive compensation program. It is organized into the following four sections:

I. Overview of Executive Compensation (including our Philosophy and Program Design)

II. Executive Compensation Governance and Procedures

III. Primary Components of Named Executive Officer Compensation; Calendar Year 2017 Compensation Payouts; Calendar Year 2018 Compensation Targets and Metrics

IV. Tax and Accounting Considerations

Our CD&A discusses compensation earned by our fiscal year 2018 "Named Executive Officers," or "NEOs," who are as follows:

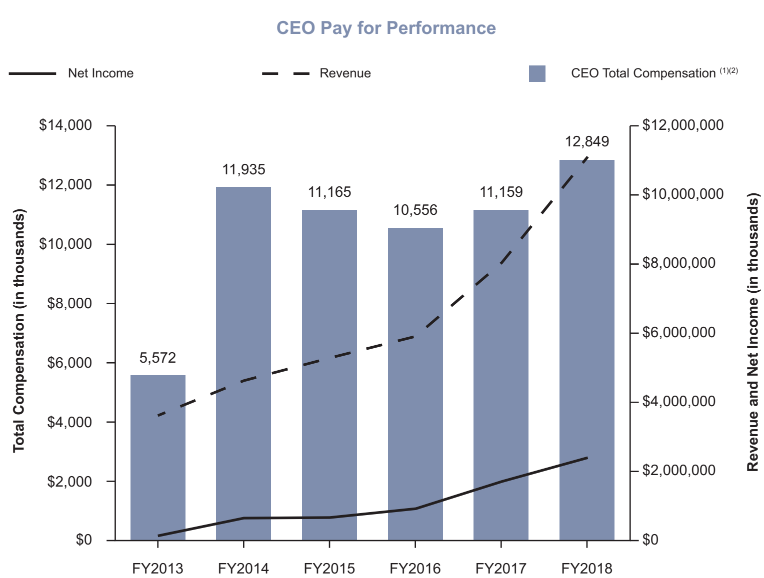
Figure 12. FY2018 NEOs

Named Executive Officer	Position(s)
Martin B. Anstice	Chief Executive Officer
Timothy M. Archer	President and Chief Operating Officer
Douglas R. Bettinger	Executive Vice President and Chief Financial Officer
Richard A. Gottscho	Executive Vice President, Corporate Chief Technology Officer
Scott G. Meikle	Senior Vice President, Global Customer Operations

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 set forth in "*Executive Compensation Philosophy and Program Design—Executive Compensation Philosophy*" below. We have structured our compensation program and payouts to reflect these goals. Our CEO's compensation in relation to our revenue and net income is shown below.

Figure 13. FY2013-FY2018 CEO Pay for Performance



(1) "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 under the long-term incentive program, and all other compensation as reported in the "*Summary Compensation Table*" below.

(2) The CEO Total Compensation for fiscal year 2013 reflects awards covering a two-year performance period as compared to the three-year period in all subsequent fiscal years. In 2014, the committee granted one-time calendar year 2014 Gap Year Awards as defined below of Market-based Performance Restricted Stock Units, or "Market-based PRSUs," stock options and RSUs on the terms set forth in Figure 16 of the 2014 proxy statement. The one-time 2014 Gap Year Award, with a value of $3,074,271 that is reflected in the "*Executive Compensation Tables – Summary Compensation Table*" for fiscal year 2014 is not included in fiscal year 2014 CEO Total Compensation in order to allow readers to more easily compare compensation in prior and subsequent periods and better reflect the compensation payable in any fiscal year following the transition. In 2014, our long-term incentive program, or "LTIP" was redesigned by: (i) establishing a program entirely composed of equity, (ii) introducing a new LTIP vehicle, a Market-based PRSU, designed to reward eligible participants based on our stock price performance relative to the Philadelphia Semiconductor Sector Index (SOX), or "SOX index," (iii) differentiating the metric in our LTIP from the absolute operational performance metrics used for the annual incentive program, and (iv) extending the performance period for the LTIP from two to three years. This change would have left participants with a gap in long-term incentive vesting opportunity in 2016. To ensure that participants received a long-term award that vested in 2016, the committee also awarded in 2014 a one-time gap year award with a two-year performance period, or the "Gap Year Award." The target amount awarded under the Gap Year Award was equal to 50% of the target award opportunity under the regular three-year LTIP award. While the impact on the employee from the extended performance period and the Gap Year Award was to normalize the received compensation in any year, assuming the same year after year performance and target opportunities, the impact on the Company from such normalization was a higher grant-based compensation expense in fiscal year 2014.

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

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, faster, and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables, automotive devices, storage devices, and networking equipment. Our vision is to realize full value from natural technology extensions of our company.

Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make products such as non-volatile memory, DRAM memory, 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, 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 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. 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 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.

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 orientation rather than a fiscal-year 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.

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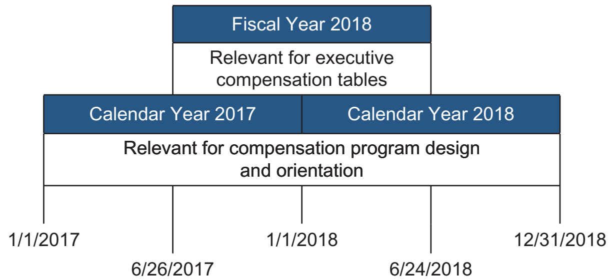
Figure 14. Executive Compensation Calendar-Year Orientation



In calendar year 2017, demand for semiconductor equipment continued to increase relative to calendar year 2016, as technology inflections continued to lead to higher investments from our customers. Against this backdrop, Lam delivered another year of record financial performance.

Highlights for calendar year 2017:

- achieved record revenues of approximately $9.6 billion for the calendar year, representing a 50% increase over calendar year 2016;
- generated operating cash flow of approximately $2.0 billion, which represents approximately 21% of revenues; and
- generated sufficient cash flow to support payment of approximately $293 million in dividends to stockholders, a 53% increase compared to calendar year 2016.

In the first half of calendar year 2018, investments for wafer fabrication equipment spending were strong as customers transition to next-generation technology nodes, which are increasingly complex and costlier to produce.

Lam has continued to generate solid operating income and cash generation with revenues of $6.0 billion, and cash flows from operations of $1.8 billion, earned from the March and June 2018 quarters combined.

Executive Compensation Philosophy and Program Design

Executive Compensation Philosophy

The philosophy of our compensation 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.

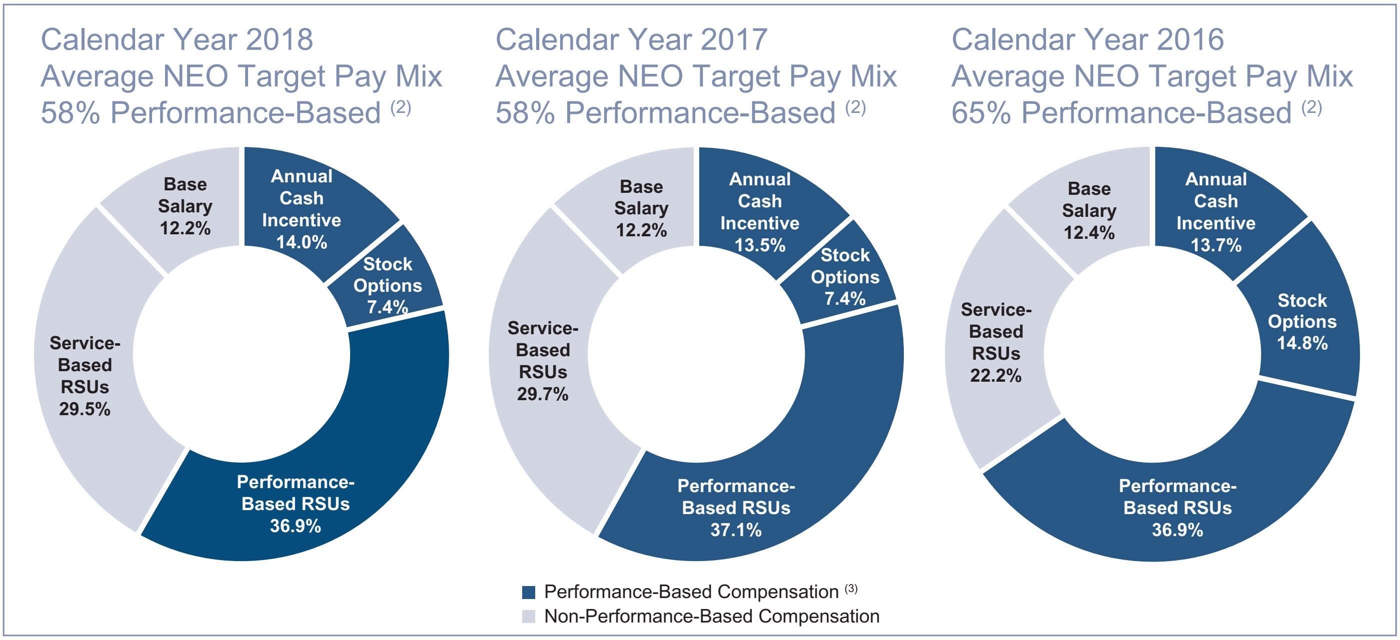
Our compensation committee's executive compensation objectives are to motivate:

- 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 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, or "AIP," and a LTIP, as well as stock ownership guidelines and a compensation recovery policy. As illustrated below, our program design is weighted toward performance and stockholder value. The performance-based program components include AIP cash payouts and market-based equity and stock option awards under the LTIP.

Figure 15. NEO Compensation Target Pay Mix Averages[1]



(1) Data for 2018, 2017, and 2016 charts is for the then-applicable NEOs (i.e., fiscal year 2018 NEOs are represented in the 2018 chart, etc.).

(2) 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 2017 and 2018, the percentages of the target award opportunity awarded in stock options and service-based RSUs were 10% and 40%, respectively. In 2016, the corresponding percentages awarded in stock options and service-based RSUs were 20% and 30%. See "*III. Primary Components of Named Executive Officer Compensation; Calendar Year 2017 Compensation Payouts; Calendar Year 2018 Compensation Targets and Metrics – Long-Term Incentive Program – Design*" for further information regarding the impact of such a target pay mix.

(3) 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.

For senior vice presidents and above, we also have stock ownership guidelines that foster a long-term orientation. See next paragraph for additional information.

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. 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. At the end of fiscal year 2018, 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 16. Executive Stock Ownership Guidelines

Position	Guidelines (lesser of)
Chief Executive Officer	5x base salary or 50,000 shares
President and Chief Operating Officer	3x base salary or 20,000 shares
Executive Vice Presidents	2x base salary or 10,000 shares
Senior Vice Presidents	1x base salary or 5,000 shares

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 will enable us to recover, within 36 months of the issuance of the original financial statements, the excess amount of cash incentive-based compensation issued starting in calendar year 2015 to officers covered by section 16 of the Exchange Act when a material restatement of financial results is required. A covered individual's fraud must have materially contributed to the need to issue restated financial statements

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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.

Executive Compensation Highlights

Highlights of our executive compensation program are listed in *"Proxy Statement Summary – Figure 6. Executive Compensation Highlights*" above.

II. EXECUTIVE COMPENSATION GOVERNANCE AND PROCEDURES

Role of the Compensation Committee

Our Board has delegated certain responsibilities to the compensation committee, or the "committee," through a formal charter. The committee[1] oversees the compensation programs in which our chief executive officer, president and chief operating officer, and CEO's direct executive and senior vice president reports participate. The independent members of our Board approve the compensation packages and payouts for our CEO. The 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; causing the Board to perform a periodic performance evaluation of the CEO; recommending to the independent members of the Board (as determined under both Nasdaq's listing standards and section 162(m) of the Code) 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) as applicable to the CEO, and compensation payouts for the CEO; annually reviewing with the 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 chairman and other members of the Board; and reviewing, and approving where appropriate, equity-based compensation plans.

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 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 Committee*" above.

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

Role of Committee Advisors

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., or "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 chairman, 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 independent 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

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(1) For purposes of this CD&A, a reference to a compensation action or decision by the committee with respect to our chairman and our chief executive officer, 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 compensation committee.

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

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 the 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. At the request of the committee, our chairman also provides input to the committee.

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

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, or 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 U.S.-based, public semiconductor, semiconductor equipment and materials companies, 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 17. 2018 Peer Group Revenue and Market Capitalization

Metric	Lam Research ($M)	Target for Peer Group	Peer Group Median ($M)
Revenue (last completed four quarters as of May 5, 2017)	7,215	0.33 to 3 times Lam	4,769
Market Capitalization (30-day average as of May 5, 2017)	22,258	0.33 to 3 times Lam	17,906

Based on these criteria, the Peer Group and targets may be modified from time to time. Our Peer Group was reviewed in July 2017 for calendar year 2018 compensation decisions and based on the criteria identified above, three companies were added to the peer group (Microchip Technology Incorporated, Texas Instruments Inc. and Western Digital Corporation) and one company (SanDisk Corporation) was removed. Our Peer Group consists of the companies listed as follows:

Figure 18. CY2018 Peer Group Companies

Advanced Micro Devices, Inc.	Maxim Integrated Products, Inc.
Agilent Technologies, Inc.	Microchip Technology Incorporated
Analog Devices, Inc.	NetApp, Inc.
Applied Materials, Inc.	NVIDIA Corporation
Broadcom Limited	ON Semiconductor Corporation
Corning Incorporated	Skyworks Solutions, Inc.
Juniper Networks, Inc.	Texas Instruments Inc.
KLA-Tencor Corporation	Western Digital Corporation
Micron Technology, Inc.	Xilinx, Inc.

We derive revenue, market capitalization, and NEO compensation data from public filings made by our Peer Group companies with the SEC and 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.

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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 2018 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.

2017 Say on Pay Voting Results; Company Response

We evaluate our executive compensation program annually. Among other things, we consider the outcome of our most recent Say on Pay vote and input we receive from our stockholders. In 2017, our stockholders approved our 2017 advisory vote on executive compensation, with 94.78% of the votes cast in favor of the advisory proposal. We believe that our most recent Say on Pay vote signifies our stockholders' support of our executive compensation program and practices. We did not make any material changes to our programs and practices in fiscal year 2018.

III. PRIMARY COMPONENTS OF NAMED EXECUTIVE OFFICER COMPENSATION; CALENDAR YEAR 2017 COMPENSATION PAYOUTS; CALENDAR YEAR 2018 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 2017 and the forward-looking actions taken with respect to our NEOs in calendar year 2018.

Base Salary

We believe the purpose of base salary is to provide competitive compensation to attract and retain top talent and to provide compensation to 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. Adjustments to base salary are generally considered by the committee each year in February.

For calendar years 2018 and 2017, 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 2017 were made to remain competitive against our Peer Group and reflect performance as follows: Mr. Anstice's was increased by 3.5%, Mr. Archer's was increased by 3.0%, Dr. Meikle's was increased by 2.4%, and Mr. Bettinger's was increased by 1.5%. The base salaries of the NEOs for calendar years 2018 and 2017 are shown below.

Figure 19. NEO Annual Base Salaries

Named Executive Officer	Annual Base Salary 2018 [(1)] ($)	Annual Base Salary 2017 [(2)] ($)
Martin B. Anstice	1,025,000	990,000
Timothy M. Archer	688,418	668,367
Douglas R. Bettinger	592,770	584,010
Richard A. Gottscho	567,324	567,324
Scott G. Meikle [(3)]	430,000	420,000

(1) Effective February 26, 2018

(2) Effective February 27, 2017

(3) Dr. Meikle commenced employment with Lam on September 1, 2017. His base salary for calendar year 2017 was determined by the committee in July 2017.

Annual Incentive Program

Design

Our annual incentive program is designed to provide annual, performance-based compensation that: (1) is based on the achievement of pre-set annual financial, strategic, and operational objectives aligned with outstanding performance, and (2) will allow us to attract and retain top talent, while maintaining cost-effectiveness to the Company. 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 2017 and 2018 was set at 2.25 times target, consistent with prior years.

Annual incentive program components

Annual incentive program components, each of which plays a role in determining actual payments made, include:

- a Funding Factor,
- a Corporate Performance Factor, and
- various Individual Performance Factors.

The Funding Factor is set by the committee to create a maximum payout amount from which annual incentive program payouts may be made. The committee may exercise negative (but not positive) discretion against the Funding Factor result, and generally the entire funded amount is not paid out. Achievement of a minimum level of performance against the Funding Factor goals is required to fund any program payments. In February 2017, for calendar year 2017, the committee set non-GAAP operating income as a percentage of revenue as the metric for the Funding Factor, with the following goals:

- a minimum achievement of 5% non-GAAP operating income as a percentage of revenue was required to fund any program payments, and
- achievement of non-GAAP operating income (as a percentage of revenue) greater than or equal to 22% resulting in the maximum payout potential of 225% of target,
- with actual funding levels interpolated between those points.

The committee selected non-GAAP operating income as a percentage of revenue because it believes that operating income as a percentage of revenue is the performance metric that best reflects core operating results.[2] Non-GAAP operating income 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.

As a guide for using negative discretion against the Funding Factor results and for making payout decisions, the committee primarily tracks the results of the following two components that are weighted equally in making payout decisions, and against which discretion may be applied in a positive or negative direction, provided the Funding Factor result is not exceeded:

- the Corporate Performance Factor, which is based on a corporate-wide metric and goals that are designed to be stretch goals that apply to all NEOs; and
- the Individual Performance Factors, which are based on organization-specific metrics and goals that are designed to be stretch goals that apply to each individual NEO. In addition, in assessing individual performance, the CEO considers the performance of the whole executive team.

The specific metrics and goals, and their relative weightings, for the Corporate Performance Factor are determined by the committee based upon the recommendation of our CEO, and 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. Goals are set depending on the business environment, ensuring that they are stretch goals regardless of changes in the business environment. Accordingly, as business conditions improve, goals are set to require better performance, and if business conditions deteriorate, goals are set to require stretch performance under more difficult conditions.

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) 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.

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(2) Non-GAAP results are designed to provide information about performance without the impact of certain non-recurring and other non-operating line items. Non-GAAP operating income is derived from GAAP results, with charges and credits in the following line items excluded from GAAP results for applicable quarters during fiscal years 2018 and 2017: acquisition-related costs: costs associated with rationalization of certain product configurations; amortization related to intangible assets acquired through certain business combinations; costs associated with campus consolidation; litigation settlement; and costs associated with business process reengineering.

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Figure 20. Annual Incentive Program Payouts

Calendar Year	Average NEO's Annual Incentive Payout as % of Target Award Opportunity	Business Environment
2017	204	Strong operating performance and continued expansion of served available markets, supported by overall economic environment. Healthy demand for semiconductor equipment driven by capacity and technology investments.
2016	166	Strong operating performance and continued expansion of served available markets, supported by stable economic conditions. Healthy demand for semiconductor equipment driven by capacity and technology investments.
2015	159	Strong operating performance and expansion of served available markets, supported by stable economic conditions. Robust demand for semiconductor equipment driven by both capacity and technology investments.

Calendar year 2017 annual incentive program parameters and payout decisions

In February 2017, the committee set the calendar year 2017 target award opportunity and established the metrics and goals for the Funding Factor, the metrics and annual goals for the Corporate Performance Factor, and the metrics and goals were established for the Individual Performance Factors for each then-employed NEO, except for Dr. Meikle whose metrics and goals for his Individual Performance Factor were determined in July 2017 in conjunction with the commencement of his employment. In February 2018, the committee considered the actual results under these factors and made payout decisions for the calendar year 2017 program, all as described below.

2017 Annual Incentive Program Target Award Opportunities. The annual incentive program target award opportunities for calendar year 2017 for each NEO were as set forth below in Figure 21 in accordance with the principles set forth above under "*Executive Compensation Governance and Procedures – Peer Group Practices and Survey Data*."

2017 Annual Incentive Program Corporate Performance Factor. In February 2017, the committee set non-GAAP operating income as a percentage of revenue as the metric for the calendar year 2017 Corporate Performance Factor, and set:

- a goal of 22% of revenue for the year, which was designed to be a stretch goal, and which would result in a Corporate Performance Factor of 1.00;
- a minimum Corporate Performance Factor of 0.10 for any payout; and
- a maximum Corporate Performance Factor of 1.50 for the maximum payout.

These goals were designed to be stretch goals. Actual non-GAAP operating income as a percentage of revenue was 28.7% for calendar year 2017. This performance which exceeded the maximum Corporate Performance Factor, resulted in a total Corporate Performance Factor of 1.50 for calendar year 2017.

2017 Annual Incentive Program Individual Performance Factors. For 2017, the performance metrics and goals for each NEO's Individual Performance Factor were set on an annual basis and were designed to be stretch goals. The Individual Performance Factor for Mr. Anstice (as well as Mr. Archer) for calendar year 2017 was based on the average of the Individual Performance Factors of all the executive and senior vice presidents reporting to him, subject to discretion based on the Company's performance to business, strategic, and operational objectives. For all other NEOs, their respective Individual Performance Factors were based on market share and/or strategic, operational, and organizational performance goals specific to the organizations they managed, as described in more detail below.

The accomplishments of actual individual performance against the established goals described below during 2017 were considered.

- Mr. Archer's Individual Performance Factor for calendar year 2017 was based on the accomplishment of market share, and strategic, operational, and organizational development goals for the organization.
- Mr. Bettinger's Individual Performance Factor for calendar year 2017 was based on the accomplishment of strategic, operational, and organizational development goals for finance, global information systems, and investor relations.
- Dr. Gottscho's Individual Performance Factor for calendar year 2017 was based on the accomplishment of market share, and strategic, operational, and organizational development goals for the central engineering groups and the establishment of strategic and organizational goals for the office of the chief technology officer.
- Dr. Meikle's Individual Performance Factor for calendar year 2017 was based on the accomplishment of strategic, operational, and organizational development goals for the global customer operations group.

The committee's consideration of the above accomplishments resulted in the following Individual Performance Factors for each NEO: Mr. Anstice, 1.45; Mr. Archer, 1.45; Mr. Bettinger, 1.16; Dr. Gottscho, 1.40; and Dr. Meikle 1.35.

2017 Annual Incentive Program Payout Decisions. In February 2018, in light of the Funding Factor results and based on the above results and decisions, the committee approved for the calendar year 2017 annual incentive program for each NEO, which were less than the maximum payout available under the Funding Factor as shown below in Figure 21:

Figure 21. CY2017 Annual Incentive Program Payouts

Named Executive Officer	Target Award Opportunity (% of Base Salary)	Target Award Opportunity ($) (1)	Maximum Payout under Funding Factor (225.0% of Target Award Opportunity) ($) (2)	Actual Payouts ($)
Martin B. Anstice	150	1,485,000	3,341,250	3,229,875
Timothy M. Archer	110	735,204	1,654,209	1,599,068
Douglas R. Bettinger	90	525,609	1,182,620	914,560
Richard A. Gottscho	90	510,592	1,148,832	1,072,242
Scott G. Meikle	80	112,224(3)	252,504	227,254

(1) Calculated by multiplying each NEO's annual base salary for calendar year 2017 by his or her respective target award opportunity percentage.
(2) 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 income percentage results detailed under "*2017 Annual Incentive Program Corporate Performance Factor*" above and the specific goals set forth in the second paragraph under "*Annual incentive program components*" above).
(3) Dr. Meikle, having commenced employment with the Company on September 1, 2017, was an eligible participant under the annual incentive program for a portion of calendar year 2017. The prorated portion of his 2017 annual base salary eligible for incentive payouts constituted $140,280.

Calendar year 2018 annual incentive program parameters

In February 2018, 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. The target award opportunity for each NEO is shown below.

Figure 22. CY2018 Annual Incentive Program Target Award Opportunities

Named Executive Officer	Target Award Opportunity (% of Base Salary)
Martin B. Anstice	150
Timothy M. Archer	125
Douglas R. Bettinger	90
Richard A. Gottscho	90
Scott G. Meikle	85

The committee also approved the annual metric for the Funding Factor and the Corporate Performance Factor as non-GAAP operating income as a percentage of revenue 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. These include strategic and operational performance goals specific to individuals and their business organization. As a result, 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 are 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 performance-based RSUs and stock options as 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.

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Equity Vehicles

The equity vehicles used in our 2018/2020 long-term incentive program are as follows:

Figure 23. 2018/2020 LTIP Program Equity Vehicles

Equity Vehicles	% of Target Award Opportunity	Terms
Market-based PRSUs	50	• Awards cliff vest three years from the March 1, 2018 grant date, or “Grant Date,” subject to satisfaction of a minimum performance requirement and continued employment. Cliff, rather than annual, vesting provides for both retention and for aligning NEOs with longer-term stockholder interests. • The performance period for Market-based PRSUs is three years from the first business day in February (February 1, 2018 through January 31, 2021). • The number of shares represented by the Market-based PRSUs that can be earned over the performance period is based on our stock price performance compared to the market price performance of the Philadelphia Semiconductor Sector Index (SOX), subject to the below-referenced ceiling. 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 Lam’s stock price performance exceeds the market price performance of the SOX index; similarly, the target number of shares represented by the Market-based PRSUs is decreased by 2% of target for each 1% that Lam’s stock price performance trails the market price performance of the SOX index. The result of the vesting formula is rounded down to the nearest whole number. A table reflecting the potential payouts depending on various comparative results is shown below in Figure 24. • The final award cannot exceed 150% of target (requiring a positive percentage change in the Company’s stock price performance compared to that of the market price performance of the SOX index equal to or greater than 25 percentage points) and can be as little as 0% of target (requiring a percentage change in the Company’s stock price performance compared to that of the market price performance of the SOX index equal to or lesser than negative 50 percentage points). • The number of Market-based PRSUs granted was determined by dividing 50% of the target opportunity by the 30-day average of the closing price of our common stock prior to the Grant Date, $189.97, rounded down to the nearest share. • Awards that vest at the end of the performance period are distributed in shares of our common stock.
Stock Options	10	• Awards vest one-third on the first, second, and third anniversaries of the March 1, 2018 grant date, or “Grant Date,” subject to continued employment. • The number of stock options granted is determined by dividing 10% of the target opportunity by the 30-day average of the closing price of our common stock prior to the Grant Date, $189.97, rounded down to the nearest share and multiplying the result by four. The ratio of four options for every RSU is based on a Black Scholes fair value accounting analysis. • Awards are exercisable upon vesting. • Expiration is on the seventh anniversary of the Grant Date.
RSUs	40	• Awards vest one-third on the first, second, and third anniversaries of the March 1, 2018 grant date, or “Grant Date,” subject to continued employment. • The number of RSUs granted is determined by dividing 40% of the target opportunity by the 30-day average of the closing price of our common stock prior to the Grant Date, $189.97, rounded down to the nearest share. • Awards are distributed in shares of our common stock upon vesting.

Figure 24. Market-based PRSU Vesting Summary

% Change in Lam's Stock Price Performance Compared to % Change in SOX Index Market Price Performance	Market-based PRSUs That Can Be Earned (% of Target) (1)
+ 25% or more	150
10%	120
0% (equal to index)	100
- 10%	80
- 25%	50
- 50% or less	0

(1) As set forth in the third bullet of the first row of Figure 23, 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 described formula.

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 2018 are shown below.

Figure 25. LTIP Target Award Opportunities

Named Executive Officer	Long-Term Incentive Program	Target Award Opportunity ($)
Martin B. Anstice	2018/2020(1)	9,000,000
	2017/2019(2)	8,000,000
	2016/2018(3)	7,500,000
	2015/2017(4)	6,750,000
Timothy M. Archer	2018/2020(1)	5,000,000
	2017/2019(2)	4,500,000
	2016/2018(3)	4,000,000
	2015/2017(4)	3,500,000
Douglas R. Bettinger	2018/2020(1)	2,250,000
	2017/2019(2)	2,750,000
	2016/2018(3)	2,750,000
	2015/2017(4)	2,500,000
Richard A. Gottscho	2018/2020(1)	2,500,000
	2017/2019(2)	3,250,000
	2016/2018(3)	3,250,000
	2015/2017(4)	3,000,000
Scott G. Meikle (5)	2018/2020(1)	1,250,000

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

(2) The three-year performance period for the 2017/2019 LTIP began on February 1, 2017 and ends on January 31, 2020.

(3) The three-year performance period for the 2016/2018 LTIP began on February 1, 2016 and ends on January 31, 2019.

(4) The three-year performance period for the 2015/2017 LTIP began on February 2, 2015 and ended on February 1, 2018.

(5) Dr. Meikle did not participate in the 2015/2017, 2016/2018, and 2017/2019 LTIPs because his employment with the Company commenced September 1, 2017.

Calendar Year 2015/2017 LTIP Award Parameters and Payouts

On February 11, 2015, the committee granted to each NEO as part of the calendar year 2015/2017 long-term incentive program, or "2015/2017 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 PRSU's cliff vested three years from the grant date.

Figure 26. 2015/2017 LTIP Awards

Named Executive Officer (1)	Target Award Opportunity ($)	Market-based PRSUs Award (2) (#)	Stock Options Award (#)	Service-based RSUs Award (#)
Martin B. Anstice	6,750,000	41,873	25,122	33,498
Timothy M. Archer	3,500,000	21,712	13,026	17,369
Douglas R. Bettinger	2,500,000	15,508	9,303	12,406
Richard A. Gottscho	3,000,000	18,610	11,166	14,888

(1) Dr. Meikle did not participate in the 2015/2017 LTIP because his employment with the Company commenced September 1, 2017.

(2) The number of Market-based PRSUs awarded is reflected at target. The final number of shares that may have been earned is 0% to 150% of target.

In February 2018, the committee determined the payouts for the calendar year 2015/2017 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 SOX index.

Based on the above formula and Market-based PRSU Vesting Summary set forth in Figures 23 and 24, the Company's stock price performance over the three-year performance period was equal to 143.56% and performance of the SOX index (based on market price) over the same three-year performance period was equal to 92.36%. While Lam's stock price outperformed the SOX index by 51.20%, which would have resulted in a performance payout of 202.40% to target

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under our Market-based PRSU program, the actual number of shares paid represented by the Market-based PRSUs was limited to the maximum 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 2015/2017 LTIP Award of Market-based PRSUs.

Figure 27. 2015/2017 LTIP Market-based PRSU Award Payouts

Named Executive Officer (1)	Target Market-based PRSUs (#)	Actual Payout (equal to Maximum Payout) of Market-based PRSUs 150% of Target Award Opportunity) (#)
Martin B. Anstice	41,873	62,809
Timothy M. Archer	21,712	32,568
Douglas R. Bettinger	15,508	23,262
Richard A. Gottscho	18,610	27,915

(1) Dr. Meikle did not participate in the 2015/2017 LTIP because his employment with the Company commenced September 1, 2017.

Calendar Year 2018 LTIP Awards

Calendar year 2018 decisions for the 2018/2020 long-term incentive program. On March 1, 2018, the committee made a grant under the 2018/2020 long-term incentive program, of Market-based PRSUs, stock options, and service-based RSUs on the terms set forth in Figure 23 with a combined value equal to the NEO's total target award opportunity, as shown below.

Figure 28. 2018/2020 LTIP Awards

Named Executive Officer	Target Award Opportunity ($)	Market-based PRSUs Award (1) (#)	Stock Options Award (#)	Service-based RSUs Award (#)
Martin B. Anstice	9,000,000	23,687	18,948	18,950
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
Scott G. Meikle	1,250,000	3,289	2,628	2,631

(1) 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.

Employment / Change in Control Arrangements

The Company enters into employment / change in control agreements to help attract and retain our NEOs and believes that these agreements facilitate a smooth transaction and transition planning in connection with change in control events. Effective January 2018, the Company entered into new three-year term employment agreements with Messrs. Anstice, Archer, and Bettinger and Dr. Gottscho, and a new change in control agreement with Dr. Meikle. The employment agreements generally provide for designated payments in the event of an involuntary termination of employment, death or disability, as such terms are defined in the applicable agreements. The employment agreements, and also the change in control agreements, generally provide for designated payments in the case of a change in control when coupled with an involuntary termination (i.e., a double trigger is required before payment is made due to a change in control), as such terms are defined in the applicable agreements.

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

Other Benefits Not Available to All Employees

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 provides 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 generally accepted accounting principles. The most recent valuation was conducted in June 2018 and reflected the retirement benefit obligation for the NEOs as shown below.

Figure 29. NEO Post-Retirement Benefit Obligations

Named Executive Officer	As of June 24, 2018 ($)
Martin B. Anstice	704,000
Timothy M. Archer	749,000
Douglas R. Bettinger (1)	—
Richard A. Gottscho	648,000
Scott G. Meikle (1)	—

(1) Mr. Bettinger and Dr. Meikle were not eligible to participate because they were not employees of the Company prior to the termination of the program.

IV. TAX AND ACCOUNTING CONSIDERATIONS

Deductibility of Executive Compensation

Prior to 2018, section 162(m) of the Code imposed limitations on the deductibility for federal income tax purposes of compensation in excess of $1 million paid to our chief executive officer, and any of our three other most highly compensated executive officers (other than our chief financial officer) 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 2018, 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 the cash awards under the LTIP, 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.

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Compensation Committee Report

The compensation 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 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 COMMITTEE

Youssef A. El-Mansy
Catherine P. Lego (Chair)
Abhijit Y. Talwalkar

Compensation Committee Interlocks and Insider Participation

None of the compensation 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 2018 between any member of our compensation committee and any member of any other company's board of directors or compensation committee.

Executive Compensation Tables

The following tables (Figures 30-35) show compensation information for our named executive officers:

Figure 30. Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) [1]	Option Awards ($) [2]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($) [3]	Total ($)
Martin B. Anstice *Chief Executive Officer*	2018	1,001,442	—	7,526,050	1,080,493	3,229,875[4]	10,785	12,848,645
	2017	969,808	—	7,023,914	758,314	2,396,304[5]	10,541	11,158,881
	2016	937,789	—	6,175,315	1,224,848	2,207,558[6]	10,521	10,556,031
Timothy M. Archer *President and Chief Operating Officer*	2018	674,922	—	4,180,920	600,122	1,599,068[4]	9,856	7,064,888
	2017	646,945	—	3,950,881	426,531	1,165,193[5]	11,301	6,200,851
	2016	624,061	—	3,293,501	653,260	1,079,250[6]	10,689	5,660,761
Douglas R. Bettinger *Executive Vice President and Chief Financial Officer*	2018	586,874	—	1,881,292	270,066	914,560[4]	9,123	3,661,915
	2017	572,561	—	2,414,365	260,640	849,190[5]	7,983	4,104,739
	2016	548,827	—	2,264,175	449,109	771,574[6]	8,080	4,041,765
Richard A. Gottscho *Executive Vice President, Corporate Chief Technology Officer*	2018	567,324	5,867[7]	2,090,283	316,208	1,072,242[4]	9,384	4,061,308
	2017	559,837	6,171[7]	2,853,402	362,059	833,015[5]	9,307	4,623,791
	2016	545,296	9,600[7]	2,675,862	606,262	771,574[6]	9,082	4,617,676
Scott G. Meikle *Senior Vice President, Global Customer Operations*	2018	344,115	—	4,089,102[8]	149,859	227,254[4]	8,797	4,819,127
	2017	—	—	—	—	—	—	—
	2016	—	—	—	—	—	—	—

(1) The amounts shown in this column represent the value of service-based and market-based performance RSU awards, under the LTIP, granted in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2018 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018. For additional details regarding the grants see "*FY2018 Grants of Plan-Based Awards*" table below.

(2) 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 assumptions used to calculate the fair value of stock options in fiscal year 2018 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018. For additional details regarding the grants see *"FY2018 Grants of Plan-Based Awards"* table below.

(3) Please refer to "*FY2018 All Other Compensation Table*" which immediately follows this table, for additional information.

(4) Represents the amount earned by and subsequently paid under the calendar year 2017 AIP.

(5) Represents the amount earned by and subsequently paid under the calendar year 2016 AIP.

(6) Represents the amount earned by and subsequently paid under the calendar year 2015 AIP.

(7) Represents patent awards.

(8) Represents grant of service-based RSUs and Market-based PRSUs under the LTIP and a new hire grant of service-based RSUs.

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Figure 31. FY2018 All Other Compensation Table

All Other Compensation Table for Fiscal Year 2018					
	Company Matching Contribution to the Company's Section 401(k) Plan ($)	Company Paid Long-Term Disability Insurance Premiums [1] ($)	Company Paid Life Insurance Premiums [2] ($)	Company Contribution to the Elective Deferred Compensation Plan ($)	Total ($)
Martin B. Anstice	8,285	—	—	2,500	10,785
Timothy M. Archer	7,356	—	—	2,500	9,856
Douglas R. Bettinger	8,252	—	—	871	9,123
Richard A. Gottscho	8,250	1,134	—	—	9,384
Scott G. Meikle	8,797	—	—	—	8,797

(1) Represents the portion of supplemental long-term disability insurance premiums paid by Lam.

(2) Represents the portion of life insurance premiums paid by Lam in excess of the non-discriminatory life insurance benefits provided to all Company employees.

Figure 32. FY2018 Grants of Plan-Based Awards

Grants of Plan-Based Awards for Fiscal Year 2018											
				Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards					
Name	Award Type	Grant Date	Approved Date	Target ($) [1]	Maximum ($) [1]	Target (#) [2]	Maximum (#) [2]	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 ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($) [3]
Martin B. Anstice	Annual Incentive Program	N/A	2/7/18	1,537,500	3,459,375						
	LTIP-Equity										
	Market-based PRSUs	3/1/18	2/7/18			23,687[4]	35,530[4]				4,030,343
	Service-based RSUs	3/1/18	2/7/18					18,950[5]			3,495,707
	Stock Options	3/1/18	2/7/18						18,948[6]	190.07	1,080,493
Timothy M. Archer	Annual Incentive Program	N/A	2/6/18	860,523	1,936,177						
	LTIP-Equity										
	Market-based PRSUs	3/1/18	2/6/18			13,159[4]	19,738[4]				2,239,004
	Service-based RSUs	3/1/18	2/6/18					10,527[5]			1,941,916
	Stock Options	3/1/18	2/6/18						10,524[6]	190.07	600,122
Douglas R. Bettinger	Annual Incentive Program	N/A	2/6/18	533,493	1,200,359						
	LTIP-Equity										
	Market-based PRSUs	3/1/18	2/6/18			5,921[4]	8,881[4]				1,007,458
	Service-based RSUs	3/1/18	2/6/18					4,737[5]			873,834
	Stock Options	3/1/18	2/6/18						4,736[6]	190.07	270,066
Richard A. Gottscho	Annual Incentive Program	N/A	2/6/18	510,592	1,148,832						
	LTIP-Equity										
	Market-based PRSUs	3/1/18	2/6/18			6,579[4]	9,868[4]				1,119,417
	Service-based RSUs	3/1/18	2/6/18					5,263[5]			970,866
	Stock Options	3/1/18	2/6/18						5,260[6]	190.07	316,208
Scott G. Meikle	Annual Incentive Program	N/A	2/6/18	365,500	822,375						
	LTIP-Equity										
	Market-based PRSUs	3/1/18	2/6/18			3,289[4]	4,933[4]				559,623
	Service-based RSUs	3/1/18	2/6/18					2,631[5]			485,341
	Stock Options	3/1/18	2/6/18						2,628[6]	190.07	149,859
	New Hire	9/1/17	7/31/17					18,827[7]			3,044,138

(1) The AIP target and maximum estimated future payouts reflected in this table were calculated using the base salary approved in February 2018, effective as of February 26, 2018. 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 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 2018 in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of awards granted during fiscal year 2018 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 24, 2018.

(4) The Market-based PRSUs will vest on March 1, 2021, 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 stock price performance compared to the market price performance of the SOX index over the applicable three-year performance period.

(5) The RSUs will vest in three equal installments on March 1 of each of 2019, 2020, and 2021, subject to continued employment.

(6) The stock options will become exercisable in three equal installments on March 1 of each of 2019, 2020, and 2021, subject to continued employment.

(7) The RSUs will vest in three equal installments on September 1 of each of 2018, 2019, and 2020, subject to continued employment.

Figure 33. FYE2018 Outstanding Equity Awards

Outstanding Equity Awards at 2018 Fiscal Year-End								
	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) [1]	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 ($) [1]
Martin B. Anstice		18,948[2]	190.07	3/1/25				
					18,950[3]	3,310,565		
							23,687[4]	4,138,119
	9,209[5]	18,419[5]	119.67	3/1/24				
					18,421[6]	3,218,149		
							34,539[7]	6,033,963
	43,402[8]	21,701[8]	75.57	3/1/23				
					10,851[9]	1,895,670		
							54,253[10]	9,477,999
Timothy M. Archer		10,524[2]	190.07	3/1/25				
					10,527[3]	1,839,067		
							13,159[4]	2,298,877
	5,180[5]	10,360[5]	119.67	3/1/24				
					10,362[6]	1,810,241		
							19,428[7]	3,394,072
	11,574[8]	11,574[8]	75.57	3/1/23				
					5,787[9]	1,010,989		
							28,935[10]	5,054,945
	13,026[11]		80.60	2/11/22				
Douglas R. Bettinger		4,736[2]	190.07	3/1/25				
					4,737[3]	827,554		
							5,921[4]	1,034,399
	3,165[5]	6,331[5]	119.67	3/1/24				
					6,332[6]	1,106,200		
							11,872[7]	2,074,038
	15,914[8]	7,957[8]	75.57	3/1/23				
					3,979[9]	695,131		
							19,892[10]	3,475,132
	9,303[11]		80.60	2/11/22				
	9,658[12]		51.76	2/18/21				
	7,242[13]		51.76	2/18/21				

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Outstanding Equity Awards at 2018 Fiscal Year-End

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) [1]	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 ($) [1]
Richard A. Gottscho		5,260[2]	190.07	3/1/25				
					5,263[3]	919,446		
							6,579[4]	1,149,351
		7,483[5]	119.67	3/1/24				
					7,484[6]	1,307,455		
							14,031[7]	2,451,216
		9,403[8]	75.57	3/1/23				
					4,702[9]	821,439		
							23,509[10]	4,107,022
Scott G. Meikle		2,628[2]	190.07	3/1/25				
					2,631[3]	459,636		
							3,289[4]	574,588
					18,827[14]	3,289,077		

(1) Calculated by multiplying the number of unvested units by $174.70, the closing price per share of our common stock on June 22, 2018.

(2) The stock options were granted on March 1, 2018. One-third of the stock options will become exercisable on March 1 of each 2019, 2020, and 2021, subject to continued employment.

(3) The RSUs were granted on March 1, 2018. One-third of the RSUs will vest on March 1 of each of 2019, 2020, and 2021, subject to continued employment.

(4) The Market-based PRSUs were granted on March 1, 2018. The Market-based PRSUs will vest on March 1, 2021, 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.

(5) The stock options were granted on March 1, 2017. As of the 2018 fiscal year end, one-third of the stock options had become exercisable. One-third of the stock options will become exercisable on March 1 of each 2019 and 2020, subject to continued employment.

(6) The RSUs were granted on March 1, 2017. As of the 2018 fiscal year end, one-third of the RSUs vested. Two-thirds of the RSUs will vest on March 1 of each of 2019 and 2020, subject to continued employment.

(7) The Market-based PRSUs were granted on March 1, 2017. The Market-based PRSUs will vest on March 1, 2020, 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.

(8) The stock options were granted on March 1, 2016. As of the 2018 fiscal year end, two-thirds of the stock options had become exercisable. One-third of the stock options will become exercisable on March 1, 2019, subject to continued employment.

(9) The RSUs were granted on March 1, 2016. As of the 2018 fiscal year end, two-thirds of the RSUs vested. One-third of the RSUs will vest on March 1, 2019, subject to continued employment.

(10) The Market-based PRSUs were granted on March 1, 2016. The Market-based PRSUs will vest on March 1, 2019, 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.

(11) The stock options were granted on February 11, 2015. As of the 2018 fiscal year-end, the stock options had become exercisable.

(12) The stock options were granted on February 18, 2014. As of the 2018 fiscal year-end, the stock options had become exercisable.

(13) The stock options were granted as part of the Gap Year Award on February 18, 2014. As of the 2018 fiscal year end, the stock options had been exercisable.

(14) The RSUs were granted on September 1, 2017. One-third of the RSUs will vest on September 1 of each of 2018, 2019, and 2020, subject to continued employment.

Figure 34. FY2018 Option Exercises and Stock Vested

Option Exercises and Stock Vested for Fiscal Year 2018 (1)				
	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Martin B. Anstice	69,070	10,182,365	94,036	16,083,228
Timothy M. Archer	37,650	4,961,765	49,325	8,446,939
Douglas R. Bettinger	—	—	34,542	5,902,366
Richard A. Gottscho	16,866	2,083,871	41,321	7,058,235
Scott G. Meikle	—	—	—	—

(1) The table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by the NEOs during fiscal year 2018, which ended on June 24, 2018.

Figure 35. FY2018 Non-Qualified Deferred Compensation

Non-Qualified Deferred Compensation for Fiscal Year 2018				
Name	Executive Contributions in FY 2018 ($) (1)	Registrant Contributions in FY 2018 ($) (2)	Aggregate Earnings in FY 2018 ($) (3)	Aggregate Balance at FYE 2018 ($) (4)
Martin B. Anstice	90,070	2,500	553,374	6,356,301
Timothy M. Archer	602,436	2,500	288,867	5,746,877
Douglas R. Bettinger	486,615	871	230,220	2,502,941
Richard A. Gottscho	—	—	85,831	2,127,718
Scott G. Meikle	42,615	—	143	42,758

(1) The entire amount of each executive's contributions in fiscal year 2018 is reported in each respective NEO's compensation in our fiscal year 2018 "*Summary Compensation Table*" above.

(2) Represents the amount that Lam credited to the Elective Deferred Compensation Plan, the "EDCP," which is 3% of Executive Salary Contribution during calendar year 2017, to a maximum benefit of $2,500. These amounts are included in the "*Summary Compensation Table*" and "*FY2018 All Other Compensation Table*" above.

(3) The NEOs did not receive above-market or preferential earnings in fiscal year 2018.

(4) The fiscal year-end balance includes $5,710,357 for Mr. Anstice, $4,853,074 for Mr. Archer, $1,785,235 for Mr. Bettinger, and $2,041,887 for Dr. Gottscho that were previously reported in the "*FY2017 Non-Qualified Deferred Compensation*" table in our 2017 proxy statement. The fiscal year-end balance for Dr. Meikle was zero because he commenced employment with Lam on September 1, 2017.

Potential Payments upon Termination or Change in Control

The following is a summary of the employment agreements of our named executive officers.

Executive Employment Agreements

Martin B. Anstice. The Company and Mr. Anstice entered into an employment agreement, or the "agreement," effective January 1, 2018, for a term ending on December 31, 2020, subject to the right of the Company or Mr. Anstice, under certain circumstances, to terminate the agreement prior to such time.

Under the terms of the agreement, Mr. Anstice receives a base salary, which is reviewed annually and potentially adjusted. It was initially set at the beginning of the term of the agreement at $990,000. Mr. Anstice is also entitled to participate in any short-term or long-term variable compensation programs offered by the Company to its executive officers generally, subject to the applicable terms and conditions of those programs and the approval of the independent members of the Board, and to participate in the Company's Elective Deferred Compensation Plan. Mr. Anstice receives other benefits, such as health insurance, paid time off (as his schedule permits), and eligible benefits under other plans and programs generally applicable to executive officers of the Company.

If an Involuntary Termination (as defined in Mr. Anstice's agreement) of Mr. Anstice's employment occurs, other than in connection with a Change in Control (as defined in Mr. Anstice's agreement), Mr. Anstice will be entitled to: (1) a lump-sum cash payment equal to 18 months of his then-

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current base salary, plus an amount equal to the average of the last five annual payments made to Mr. Anstice under the short term variable compensation program 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 he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his 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) payment of any amounts accrued as of the date of termination under any long-term, cash-based variable-compensation programs of the Company (the “Long Term Cash Programs”); (3) certain medical benefits; (4) a cash payment equal to a product of (x) a pro rata portion (based on time of service as of the date of termination) of the unvested Market-based PRSU/performance-based RSU awards granted to Mr. Anstice as adjusted for the Company’s performance (calculated as set forth in the award agreements) over the time of service and (y) the closing stock price on the date of termination; and (5) vesting, as of the date of termination, of a pro rata portion of the unvested stock option or RSU awards that are not performance based granted to Mr. Anstice at least 12 months prior to the termination date.

If a Change in Control of the Company (as defined in Mr. Anstice’s agreement) occurs during the period of Mr. Anstice’s employment, and if there is an Involuntary Termination of Mr. Anstice’s employment either in contemplation of or within the 18 months following the Change in Control, Mr. Anstice will be entitled to: a lump-sum cash payment equal to 24 months of Mr. Anstice’s then-current base salary, plus an amount equal to two times the Five-Year Average Amount, plus an additional amount equal to a pro rata amount (based on the number of full months worked during the calendar year during which the termination occurs) of the Five-Year Average Amount; certain medical benefits; 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 equal to the sum of: (x) a pro rata portion (based on time of service as of the date of termination) of the unvested Market-based PRSU/performance-based RSU awards granted to Mr. Anstice as adjusted for the Company’s performance (calculated as set forth in the award agreements) over the time of service and (y) the remainder of the pro-rata portion of unvested Market-based PRSU/performance-based RSU awards at target; vesting, as of the date of termination, of the unvested stock option or RSU awards that are not performance-based granted to Mr. Anstice prior to the Change in Control; and payment of any amounts accrued as of the Change in Control under any then-existing Long Term Cash Programs, plus an amount equal to the remaining target amount under any then-existing Long Term Cash Programs.

If Mr. Anstice’s employment is terminated due to disability or in the event of his death, Mr. Anstice (or his estate) will be entitled to: (1) the pro rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his 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) payment of any amounts accrued as of the date of termination under any then-existing Long Term Cash Programs; (3) certain medical benefits; (4) vesting, as of the date of termination, of 50% of the unvested stock option, and RSU awards, which are not performance based, granted to Mr. Anstice prior to the date of termination (or a pro rata amount, based on period of service, if greater than 50%); and (5) vesting, as of the date of termination, of 50% of the Market-based PRSU/performance-based RSU awards (or a pro rata amount, based on period of service, if greater than 50%) as adjusted for the Company’s performance during the service period (in either case) granted to Mr. Anstice prior to the date of termination.

If Mr. Anstice voluntarily resigns, he will be entitled to no additional benefits (except as he may be eligible for under the Company’s Retiree Health Plans); stock options, RSUs and Market-based PRSUs/performance-based RSUs will cease to vest on the termination date; and stock options will be cancelled unless they are exercised within 90 days after the termination date. All RSUs and Market-based PRSUs/performance-based RSUs will be cancelled on the termination date.

Mr. Anstice’s agreement also subjects Mr. Anstice to customary confidentiality and non-competition obligations during the term of the agreement, the application of the Company’s compensation recovery, or clawback, policy to any compensation, and non-solicitation obligations for a period of six months following the termination of his employment. The agreement also requires Mr. Anstice to execute a release in favor of the Company to receive the payments described above.

Timothy M. Archer. The Company and Mr. Archer entered into an employment agreement, or the “agreement,” effective January 1, 2018, for a term ending on December 31, 2020, subject to the right of the Company or Mr. Archer, under certain circumstances, to terminate the agreement prior to such time. The agreement was amended effective March 16, 2018 to reflect his latest position of President and Chief Operating Officer. The terms of Mr. Archer’s agreement are substantively similar to those of Mr. Anstice’s agreement, except that Mr. Archer’s initial base salary at the beginning of the term of the agreement was set at $668,367.

The severance terms of Mr. Archer’s agreement are generally similar to those of Mr. Anstice’s agreement, provided that (1) Mr. Archer will receive 12-months base salary instead of

18 months in the event of his Involuntary Termination; and (2) instead of a payment of the Five-Year Average Amount, he will receive a payment of 50% of the Five-Year Average Amount. The Change in Control terms of Mr. Archer's agreement are generally similar to those of Mr. Anstice's agreement, provided that Mr. Archer will receive 18-months base salary instead of 24 months in the event of his Involuntary Termination.

Douglas R. Bettinger. The Company and Mr. Bettinger entered into an employment agreement, or the "agreement," with a term commencing on January 1, 2018 and ending on December 31, 2020, subject to the right of the Company or Mr. Bettinger, under certain circumstances, to terminate the agreement prior to such time. The terms of Mr. Bettinger's agreement are substantively similar to those of Mr. Archer's agreement, with the following material difference: Mr. Bettinger's initial base salary at the beginning of the term of the agreement was set at $584,010.

The severance terms of Mr. Bettinger's agreement are generally similar to those of Mr. Archer's agreement, provided that in computing the Five-Year Average Amount any partial year short-term plan payments in any year shall be annualized, and if employed for less than five years, then computed based on such fewer number of years. The Change in Control terms of Mr. Bettinger's agreement are generally similar to those of Mr. Archer's agreement.

Richard A. Gottscho. The Company and Dr. Gottscho entered into an employment agreement, or the "agreement," effective January 1, 2018, for a term ending on December 31, 2020, subject to the right of the Company or Dr. Gottscho, under certain circumstances, to terminate the agreement prior to such time. The terms of Dr. Gottscho's agreement are substantively similar to those of Mr. Archer's agreement with the following material difference: under Dr. Gottscho's agreement, his initial base salary at the beginning of the term of the agreement was set at $567,324. The severance and Change in Control terms of Dr. Gottscho's agreement are also generally similar to those of Mr. Archer's agreement.

Other Executive Agreements

The Company entered into a change in control agreement with Dr. Meikle effective January 1, 2018, or the "agreement," for a term ending on December 31, 2020, subject to the right of the Company or Dr. Meikle, under certain circumstances, to terminate the agreement prior to such time. The agreement provides that if a Change in Control (as defined in Dr. Meikle's agreement) of the Company occurs during the period of his employment under the agreement, and there is an Involuntary Termination (as defined in his agreement) of his employment, Dr. Meikle will be entitled to payments and benefits substantively similar to those contained in the change in control provisions of Mr. Archer's agreement.

The change in control agreement contains confidentiality, non-competition, and non-solicitation terms that are substantively similar to those of Mr. Anstice's, Mr. Archer's, Mr. Bettinger's and Dr. Gottscho's agreements, and require Dr. Meikle to execute a release in favor of the Company to receive the payments described in the previous paragraph.

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 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 a change in control of the Company as of the end of fiscal year 2018. These amounts are calculated assuming that the employment termination or change in control occurs on the last day of fiscal year 2018, June 24, 2018. The closing price per share of our common stock on June 22, 2018, which was the last trading day of fiscal year 2018, was $174.70. 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 the end of calendar year 2018.

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Figures 36 – 40.
Potential Payments to NEOs upon Termination or Change in Control as of FYE2018

Potential Payments to Mr. Anstice upon Termination or Change in Control as of June 24, 2018		Involuntary Termination			
	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	1,537,500	2,050,000
Short-term Incentive (5-year average)	—	—	—	2,139,414	4,278,828
Short-term Incentive (pro rata)	—	640,625	—	640,625	891,423
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	791,204	—	664,505	3,164,818
Service-based Restricted Stock Units (Unvested and Accelerated)	—	2,933,737	—	876,186	8,424,383
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	17,319,781	—	15,796,110	24,530,835
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	23,080	—	23,080	23,080
Total	**—**	**21,708,427**	**—**	**21,677,420**	**43,363,367**

Potential Payments to Mr. Archer upon Termination or Change in Control as of June 24, 2018		Involuntary Termination			
	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	688,418	1,032,627
Short-term Incentive (5-year average)	—	—	—	532,121	1,596,362
Short-term Incentive (pro rata)	—	358,551	—	358,551	443,434
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	429,360	—	358,097	1,717,441
Service-based Restricted Stock Units (Unvested and Accelerated)	—	1,624,841	—	479,027	4,660,297
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	9,399,793	—	8,551,227	13,383,723
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	34,620	—	34,620	34,620
Total	**—**	**11,847,165**	**—**	**11,002,061**	**22,868,504**

Potential Payments to Mr. Bettinger upon Termination or Change in Control as of June 24, 2018					
		Involuntary Termination			
	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	592,770	889,155
Short-term Incentive (5-year average)	—	—	—	351,106	1,053,317
Short-term Incentive (pro rata)	—	222,289	—	222,289	292,588
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	284,293	—	240,744	1,137,172
Service-based Restricted Stock Units (Unvested and Accelerated)	—	864,110	—	312,058	2,628,886
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	6,058,295	—	5,648,981	8,358,149
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	24,296	—	24,296	24,296
Total	**—**	**7,453,283**	**—**	**7,392,244**	**14,383,563**

Potential Payments to Dr. Gottscho upon Termination or Change in Control as of June 24, 2018					
		Involuntary Termination			
	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	567,324	850,986
Short-term Incentive (5-year average)	—	—	—	376,142	1,128,426
Short-term Incentive (pro rata)	—	212,747	—	212,747	313,452
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	335,977	—	284,504	1,343,909
Service-based Restricted Stock Units (Unvested and Accelerated)	—	991,947	—	368,792	3,048,340
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	7,130,669	—	6,668,493	9,806,776
Benefits and Perquisites					
Health Benefit Continuation/Retiree Health Plans	648,000	648,000	648,000	648,000	648,000
Total	**648,000**	**9,319,340**	**648,000**	**9,126,002**	**17,139,889**

Potential Payments to Dr. Meikle upon Termination or Change in Control as of June 24, 2018					
		Involuntary Termination			
	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	—	645,000
Short-term Incentive (5-year average)	—	—	—	—	1,020,600
Short-term Incentive (pro rata)	—	—	—	—	283,500
Long-term Incentives:					
Stock Options (Unvested and Accelerated)	—	—	—	—	—
Service-based Restricted Stock Units (Unvested and Accelerated)	—	—	—	—	3,748,713
Performance-based Restricted Stock Units (Unvested and Accelerated)	—	—	—	—	559,490
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	23,080	—	23,080	23,080
Total	**—**	**23,080**	**—**	**23,080**	**6,280,383**

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CEO Pay Ratio

In accordance with SEC rules, we are providing the ratio of the annual total compensation of our Chief Executive Officer, or the CEO, to the median of the annual total compensation of our employees (other than the CEO). The fiscal year 2018 annual total compensation of our CEO, Mr. Anstice, was $12,848,645, the fiscal year 2018 annual total compensation of our median compensated employee (other than the CEO) was $95,770, and the ratio of these amounts was 134 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, we used our global employee population as of June 24, 2018, 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 salary determined as of June 24, 2018, the incentive cash target amount payable for service in calendar year 2018, and the approved value of the annual equity awards granted during fiscal year 2018. We annualized the annual base salary and incentive cash target amount for all permanent 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 2018 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 the Company's CEO as set forth in the "*Summary Compensation Table"* of this proxy statement.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of June 24, 2018, 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. As of August 29, 2018 the 1999 Employee Stock Purchase Plan was amended and restated by the Board subject to stockholder approval at this year's annual meeting. Please see "*Proposal No. 3: Approval of the Adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan, as Amended and Restated*" for additional information.

Figure 41. FYE2018 Securities Authorized for Issuance under Equity Compensation Plans

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 [(1)] ($) (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	3,241,355[(2)]	100.47	15,331,136[(3)]
Equity compensation plans not approved by security holders	128,387[(4)]	40.46	—
Total	**3,369,742**	**86.53**	**15,331,136**

(1) Does not include RSUs.

(2) Includes 74,790 shares issuable upon RSU vesting or stock option exercises under the Company's 2007 Stock Incentive Plan, as amended, or the "2007 Plan," and 3,166,565 shares issuable upon RSU vesting or stock option exercises under the 2015 Plan. The 2007 Plan was adopted by the board in August 2006, approved by Lam's stockholders in November 2006, and 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 of the 2007 Plan was and the term of the 2015 Plan is 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.

(3) Includes 10,335,291 shares available for future issuance under the 2015 Plan and 4,995,845 shares available for future issuance under the 1999 Employee Stock Purchase Plan, as amended, or the “1999 ESPP.” The 1999 ESPP was adopted by the board in September 1998, approved by Lam’s stockholders in November 1998, amended by stockholder approval in November 2003, and most recently amended by the board in November 2012. The term of the 1999 ESPP is 20 years from its effective date of September 30, 1998, unless otherwise terminated or extended in accordance with its terms. Please see “*Proposal No. 3: Approval of the Adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan, as Amended and Restated*” for additional information.

(4) Includes 128,387 shares issuable upon RSU vesting or stock option exercises under the Company’s 2011 Stock Incentive Plan, as amended, or 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 was retired in November 2015 when the 2015 Plan was approved by stockholders.

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Audit Committee Report

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 financial statements and for the system of internal control and the financial reporting process. Ernst & Young LLP, or "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 audit committee is responsible for monitoring and overseeing these processes.

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 24, 2018, 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 auditing standards of the Public Company Accounting Oversight Board, or the "PCAOB";
- 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 2018 Annual Report on Form 10-K for the fiscal year ended June 24, 2018 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

Eric K. Brandt (Chair)
Michael R. Cannon
Christine A. Heckart

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 42. 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 lead assurance engagement partner and new global coordinating partner in connection with the mandated rotation of these positions.
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 and deep expertise of 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 EY

The table below shows the fees billed by EY for audit and other services provided to the Company in fiscal years 2018 and 2017.

Figure 43. FY2018/2017 Fees Billed by Ernst & Young LLP

	Fiscal Year 2018 ($)	Fiscal Year 2017 ($)
Audit Fees (1)	4,605,495	4,176,990
Audit-Related Fees (2)	90,500	135,684
Tax Fees (3)	34,888	71,673
All Other Fees	—	—
TOTAL	4,730,883	4,384,347

(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 principally include due diligence and accounting consultation fees in connection with our acquisition of Coventor, Inc.

(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.

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The audit committee reviewed summaries of the services provided by EY and the related fees during fiscal year 2018 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 2018.

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 shall 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.

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 2018 among any of our directors and executive officers. There was only one related party transaction that occurred since the beginning of fiscal year 2018. The son of Stephen G. Newberry, the chairman of our Board, Ryan Newberry, is employed by the Company as a manager of security. In addition, the daughter-in-law of Stephen G. Newberry, Meghan Newberry, is employed by the Company as a manager of materials in the supply chain operations group. In fiscal year 2018, the aggregate compensation paid to Ryan Newberry and Meghan Newberry, including salary, incentive compensation, the grant date value of long-term incentive awards and the value of any other health and benefits contributed to or paid for by the Company, was less than $200,000 each. The aggregate compensation for each is similar to the aggregate compensation of other employees holding equivalent positions.

Proposal No. 1: Election of Directors

This first proposal relates to the election to our 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 he or she is 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, and until his or her successor is elected and qualified or until his or her 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, and unless otherwise instructed, the proxies will be voted for any substitute nominee designated by the present 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 7, 2018, 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 his or her 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 an appropriate diversity and interplay of 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.

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2018 Nominees for Director

Martin B. Anstice
Director since 2012
Age 51

Martin B. Anstice has served as the Company's Chief Executive Officer since January 2012. Mr. Anstice joined the Company in April 2001 as Senior Director, Operations Controller; was promoted to the position of Managing Director and Corporate Controller in May 2002; and was promoted to Group Vice President and Chief Financial Officer in June 2004. He was appointed Executive Vice President and Chief Operating Officer in September 2008 and President in December 2012 until January 2018. Prior to joining the Company, Mr. Anstice held various finance positions from 1988 to 1999 at Raychem Corporation, a global materials science company. Subsequent to the acquisition of Raychem by Tyco International, a global provider of engineered electronic components, network solutions and wireless systems, he assumed responsibilities supporting mergers and acquisition activities of Tyco Electronics. Mr. Anstice is an Associate member of the Institute of Chartered Management Accountants in the United Kingdom.

The Board has concluded that Mr. Anstice is qualified to serve as a director of the Company because of his knowledge of and experience in the semiconductor equipment industry including as current Chief Executive Officer and a director of the Company, past President and Chief Operating Officer, and past Chief Financial Officer of the Company; his marketing experience; international business experience; his mergers and acquisitions experience; and his strong leadership and experience as a corporate executive.

Eric K. Brandt
Director since 2010
Age 56

Board Committees:
- **Audit**
  - *Chair since 2014*
  - *Member: 2010-2014*

Public company directorships in last five years:
- Altaba Inc. (formerly Yahoo! Inc.)
- Dentsply Sirona Inc.
- The Macerich Company
- Yahoo! Inc. (former)

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: The Macerich Company, a real estate investment trust focused on regional malls, since June 2018, where he is a member of the compensation 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, since its inception, where he has served as 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 has served as chairman of the board, and a member of the nominating and governance 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 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 is qualified to 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; his technology experience; his marketing experience; his mergers and acquisitions experience; his board/governance experience on other public company boards, including as an audit committee member and chair; and his cybersecurity expertise.

Michael R. Cannon
Director since 2011
Age 65

Board Committees:

- **Audit**
  - *Member since 2011*
- **Compensation**
  - *Member: 2011-2013*
- **Nominating and Governance**
  - *Member since 2011*

Public company directorships in last five years:

- Dialog Semiconductor
- Seagate Technology Public Limited
- Adobe Systems Inc. (former)

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 lead independent director in October 2016 and has been a chair of the nominations and governance committee and a member of the compensation committee and was a member of the audit and finance committees; and Dialog Semiconductor, a mixed signal integrated circuits company, since February 2013, where he has been a chair of the remuneration committee and a member of the nomination 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 is qualified to serve as a director of the Company because of his industry knowledge, his experience with marketing; his experience in leadership roles 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 related transactions; and his extensive board and governance experience as a director on other public company boards, including on an audit committee, compensation or remuneration committees and nominations and governance committees.

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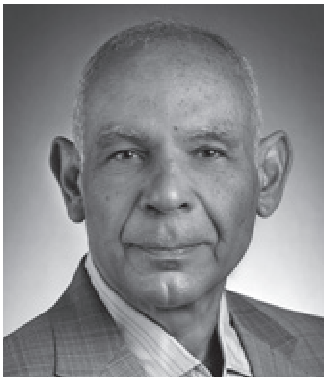

Youssef El-Mansy

Director since 2012

Age 73

Board Committees:

- **Compensation**
  - *Member since 2012*

Youssef A. El-Mansy is the retired Vice President, Director of Logic Technology Development, at Intel Corporation, a leading producer of microchips, computing and communications products, where he was responsible for managing technology development, the processor design center for Intel's Technology and Manufacturing Group and two wafer manufacturing facilities. Dr. El-Mansy joined Intel in 1979 and led microprocessor technology development at Intel for 20 years.

Dr. El-Mansy previously served on the board of directors of Novellus Systems, Inc., from April 2004 until the company was acquired by Lam Research in June 2012; and Zygo Corporation, an optical system designer and manufacturer, from July 2004 to June 2009.

He is a Fellow of the Institute of Electrical and Electronics Engineers, or "IEEE," and has been awarded the 2004 IEEE Frederik Philips Award for leadership in developing state-of-the-art logic technologies and the 2013 IEEE Robert Noyce Medal for establishing a highly effective Research-Development-Manufacturing methodology that led to industry leadership in logic technology.

Dr. El-Mansy earned a Ph.D. degree in electronics from Carleton University in Ottawa, Canada and B.S. and M.S. degrees in electronics and communications from Alexandria University in Egypt.

The Board has concluded that Dr. El-Mansy is qualified to serve as a director of the Company because of his more than 30 years of industry knowledge and experience as an executive focused on the manufacturing of technological devices and components for a major semiconductor manufacturer; his technology experience; his mergers and acquisitions experience; and his past board/governance experience at other public companies as a director and member and chair of a compensation committee.

Christine A. Heckart

Director since 2011

Age 52

Board Committees:

- **Audit**
  - *Member since 2015*
- **Compensation**
  - *Member: 2011-2015*

Christine A. Heckart is the former Senior Vice President of Business Unit and Product Marketing of Cisco Systems, Inc., an internet technology company, a position she held from December 2017 until August 2018. Immediately prior to joining Cisco, she was the Senior Vice President and Chief Marketing Officer of Brocade Communications Systems, Inc., a networking solution company, from March 2014 until its acquisition by Broadcom Corporation in November 2016. From July 2012 until May 2013, she was the Chief Marketing Officer, and then the Executive Vice President, Strategy, Marketing, People and Systems at ServiceSource International Inc., a service revenue management company. From February 2010 to May 2012, she was the Chief Marketing Officer at NetApp, Inc., a data storage and management solutions provider. Ms. Heckart served as General Manager for the TV, video and music business of Microsoft Corporation, a developer of software, services, and hardware, from 2005 to 2010; and led global marketing at Juniper Networks, Inc., a provider of network infrastructure solutions, from 2002 to 2005. She was President at TeleChoice, Inc., a consulting firm specializing in business and marketing strategies, from 1995 to 2002.

She has served as a member of the board of directors of 6Sense, a privately-held business-to-business predictive intelligence engine company, since November 2015.

Ms. Heckart earned a B.A. degree in economics from the University of Colorado at Boulder.

The Board has concluded that Ms. Heckart is qualified to serve as a director of the Company because of her experience in leadership roles at public corporations; her knowledge of the electronics industry, including networks and big data; her mergers and acquisitions experience; her board/governance experience; and her strong marketing background and experience.

Catherine P. Lego

Director since 2006
Age 61

Board Committees:

- **Audit**
  - *Chair: 2009 – 2014*
  - *Member: 2006 – 2015*
- **Compensation**
  - *Chair since 2015*
- **Nominating and Governance**
  - *Member since 2014*

Public company directorships in last five years:

- Cypress Semiconductor Corp.
- IPG Photonics Corporation
- Fairchild Semiconductor International Inc. (former)
- SanDisk Corporation (former)

Catherine P. Lego is the founder of Lego Ventures LLC, a consulting services firm for early stage electronics companies, formed in 1992. 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 Cypress Semiconductor Corp., an advanced embedded solutions company for automotive and other products, since September 2017, where she is a member of the audit and nominating and governance committees; and IPG Photonics Corporation, a high-power fiber laser and amplifier company for diverse applications, since July 2016, where she is a member of the audit committee and chair of the compensation committee.

She previously served on the board of directors of the following public companies: 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 is qualified to 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 and the perspective of companies that are customers of our customers; her experience with mergers and acquisitions; and her board and 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.

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Stephen G. Newberry
Chairman of the Board
Director since 2005
Age 64

Public company directorships in last five years:
- Splunk Inc.
- Nanometrics Incorporated (former)

Stephen G. Newberry has served as the Chairman of the Company's Board since November 2012. He served as the Company's Vice Chairman from December 2010 to November 2012, Chief Executive Officer from June 2005 to January 2012 and President from July 1998 to December 2010. Mr. Newberry joined the Company in August 1997 as Executive Vice President, a role in which he served until July 1998, and Chief Operating Officer, a role in which he served until June 2005. Prior to joining the Company, Mr. Newberry held various executive positions at Applied Materials, Inc. during his 17-year tenure there, including as Group Vice President of Global Operations and Planning.

Mr. Newberry has also served as a member of the board of directors of Splunk Inc., a software platform company for real-time operational intelligence, since January 2013, where he chairs the compensation committee.

He previously served on the board of directors of: Nanometrics Incorporated, a provider of process control metrology and inspection systems from May 2011 to May 2015, where he served as a chair of the compensation committee and member of the nominating and governance committee; Amkor Technology, Inc., a provider of outsourced semiconductor packaging assembly and test services, from March 2009 to May 2011, where he served as a member of the compensation committee; Nextest Systems Corporation, a developer of automated test equipment systems for the semiconductor industry, from 2000 to 2008, where he served as a member of the audit, compensation and nominating and corporate governance committees; and Semiconductor Equipment and Materials International, or "SEMI," a global semiconductor equipment trade association, from July 2004 to July 2014; where he served as a member of the executive committee.

Mr. Newberry earned a B.S. degree in ocean engineering from the U.S. Naval Academy and graduated from the Program for Management Development at the Harvard Graduate School of Business.

The Board has concluded that Mr. Newberry is qualified to serve as a director of the Company because he has more than 35 years of experience in the semiconductor equipment industry; his comprehensive understanding of the Company and its products, markets, and strategies gained through his role as an executive of our Company, including as our former Chief Executive Officer; his marketing experience; his previous role, including as a director, at SEMI, our industry's leading trade association; his finance experience, his international business experience; his mergers and acquisitions experience; his public company board and governance experience, including on the audit committee, compensation committees and nominating and governance committees of other companies; and his strong business and operations leadership and expertise.

Abhijit Y. Talwalkar
Lead Independent Director
Director since 2011
Age 54

Board Committees:
- **Compensation**
  - *Chair: 2012 – 2015*
  - *Member since 2015*
- **Nominating and Governance**
  - *Chair since 2015*
  - *Member: 2015-2015*

Public company directorships in last five years:
- Advanced Micro Devices Inc.
- iRhythm Technologies Inc.
- TE Connectivity Ltd.
- LSI Corporation (former)

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 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 serves as a member of the compensation and leadership resources committee and the nominating and corporate governance committee; TE Connectivity Ltd, a connectivity and sensor solutions company, since March 2017, where he serves as a member of the audit committee; iRhythm Technologies Inc., digital health care solutions company, since May 2016 where he is the chairman of the board; and Virtual Power Systems, Inc., a privately-held software company focused on providing infrastructure to manage data center power, since February 2016.

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, a semiconductor industry trade 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 is qualified to 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 marketing experience; his business and operations leadership roles at other semiconductor companies that include a customer of ours; his finance experience; his international business experience; his mergers and acquisitions experience, his board/governance experience on other public company boards, including as chairman of the board; and his cybersecurity expertise.

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Lih Shyng (Rick L.) Tsai
Director since 2016
Age 67

Public company directorships in last five years:

- MediaTek Inc.
- USI Corporation
- Chunghwa Telecom Co, Ltd. (former)
- NXP Semiconductors N.V. (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; and USI Corporation, a Taiwanese listed polyethylene manufacturer, since June 2014.

He previously served on the board of directors of: 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 is qualified to 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 businesses; his marketing experience; his extensive executive and board experience for global technology companies, including NXP Semiconductor, Chunghwa Telecom and MediaTek; and his mergers and acquisitions experience. In making this nomination, in addition to considering the extraordinary and relevant experience that Dr. Tsai brings to Lam, the independent members of the Board also considered Dr. Tsai's commitments as a CEO and director of MediaTek and as a director of USI, both Taiwanese companies, the length of his service with those companies, the fact that he does not serve on any board committees at such public companies or any private company boards, and the fact that he has an excellent attendance record at all of the boards on which he has served, and concluded that his service with other companies will not limit his ability to devote sufficient time to Lam board duties.

Proposal No. 2: Advisory Vote to Approve Our Named Executive Officer Compensation, or "Say on Pay"

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and 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 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 2017 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.'

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 2018 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: Approval of the Adoption of the Lam Research Corporation 1999 Employee Stock Purchase Plan, as Amended and Restated

Stockholders are being asked to approve the Lam Research Corporation 1999 Employee Stock Purchase Plan, or "the ESPP," as amended and restated.

The Board originally adopted the ESPP on September 30, 1998, and stockholders originally approved the ESPP on November 5, 1998. Amendments to the ESPP were subsequently adopted by the Board and compensation committee on August 21, 2003 and September 18, 2003, respectively, and approved by stockholders on November 6, 2003. The compensation committee further amended and restated the ESPP on December 18, 2009, May 20, 2010, August 27, 2012, and November 1, 2012. Lastly, on August 29, 2018, the Board further amended and restated the ESPP (the "Revised ESPP"), subject to stockholder approval pursuant to applicable stock exchange requirements. The changes approved by the Board in August 2018 are hereinafter referred to as the "Amendment." If the Revised ESPP is approved by stockholders, the Revised ESPP will be effective.

The principal features and purpose of the Revised ESPP are summarized below. The following summary of the Revised ESPP does not purport to be a complete description of all of the provisions of the Revised ESPP and is qualified in its entirety by reference to the complete text of the Revised ESPP, which has been filed with the SEC as Appendix A to this proxy statement. Capitalized terms used but not defined in the summary have the meaning specified in the Revised ESPP.

Immediately prior to August 29, 2018, the number of shares of common stock reserved for issuance under the ESPP was 24,309,281 shares, of which 4,995,845 remained available for issuance.

Summary of Amendment

The Amendment would (1) increase the number of shares of common stock available for issuance under the ESPP and (2) extend the term of the ESPP for an additional ten years.

Increase in Shares Available for Issuance. The Amendment to the ESPP would increase the maximum number of shares available for purchases of common stock from the remaining 4,995,845 shares to 7,550,771 shares, which is an increase of 2,554,926 shares. This increase is 1.7% of our outstanding common stock as of September 7, 2018 and the maximum number of shares remaining available for issuance under the ESPP is 5% of our outstanding common stock as of September 7, 2018. These percentages reflect the simple dilution of our stockholders that would occur if the proposed Amendment to the ESPP is approved.

Based on the closing price on Nasdaq of our common stock on September 7, 2018, of $159.58 per share, the aggregate market value as of that date of the additional 2,554,926 shares of common stock requested under the Amendment was $407,715,091.

Extension of Term. The Amendment would also extend the term of the ESPP for an additional ten years, until August 29, 2028.

Summary of the Revised ESPP

Purpose. The Revised ESPP allows the Company's employees (including employees who are officers, Board members, or employees of designated Company subsidiaries located in or outside the United States) to use payroll deductions to purchase Company common stock on the terms described below.

All grants of purchase rights made to participants outside of the United States are deemed to be made under a non-U.S. sub-plan of the Revised ESPP unless otherwise designated at the time of grant.

Plan Administration. The Revised ESPP shall be administered by the Board, the compensation committee, and/or a committee appointed by the Board, whose administration, interpretation and application of the Revised ESPP and its terms will be final, conclusive and binding on all participants. The Board has appointed its compensation committee to administer the Revised ESPP and the compensation committee has delegated its authority for routine plan administration to the ESPP Management Committee, although the VP of Human Resources has been appointed to administer any grants of purchase rights made to non-U.S. participants under a non-U.S. sub-plan of the Revised ESPP. The Administrator may also adopt rules, procedures or sub-plans applicable to particular subsidiaries of the Company or locations. The Revised ESPP provides that no member of the Board or committee will be liable for any action or determination taken or made in good faith with respect to the Revised ESPP, or any shares purchased or issued under the Revised ESPP.

Securities Subject to Plan. Subject to adjustment (under the Revised ESPP), up to 7,550,771 shares of Company common stock will be reserved for issuance pursuant to purchases made under the Revised ESPP.

Eligibility and Participation. Any regular Company employee customarily employed by the Company (or by any subsidiary designated for participation) for at least 20 hours per week (or if otherwise required by local law outside the United States) is eligible to participate in the Revised ESPP. Officers and members of the Board who are eligible employees are also permitted to participate in the Revised ESPP. As of September 7, 2018, approximately 10,600 employees were eligible to participate in the Revised ESPP, including 10 officers of the Company. The Revised ESPP currently has approximately 8,200 participants.

An employee will not be eligible to participate in the Revised ESPP during an offering period to the extent that immediately after the grant of a purchase right on an offering date or interim offering date, the employee (or any other person whose stock would be attributed to the employee under section 424(d) of the Code) would own stock and/or hold outstanding purchase rights to purchase stock possessing five percent or more of the total combined voting power or value of all classes of stock of Lam or of any subsidiary.

Eligible employees become participants in the Revised ESPP by delivering to the Company fifteen days prior to the applicable offering date (including interim purchase dates) a subscription agreement authorizing payroll deductions, or at such other time as may be determined by the Administrator. An employee who becomes eligible to participate in the Revised ESPP after the commencement of an offering period may participate on an interim basis until commencement of the next offering period. At the end of each offering period, each participant in the offering period will be automatically enrolled in the next succeeding offering period at the same withholding percentage unless the participant notifies the Administrator in writing that the participant does not want to be re-enrolled.

Offering Periods and Dates. Although the Administrator may alter the duration of the offering periods to any period between three (3) and 24 months, the offering periods under the Revised ESPP have generally been 12 months in duration. Within a given 12-month offering period, there are typically two dates on which Company common stock may be purchased. If, on the first business day following an exercise date (other than the last exercise date of an offering period), the fair market value of a share of Company common stock is less than the fair market value as of the first day of the offering period, the terms of the Revised ESPP provide that a new offering period will automatically begin as of that day and all eligible employees participating in the Revised ESPP will be automatically enrolled in the new offering period at the withholding percentage specified in the participant's most recent subscription agreement (and the old offering period will be terminated). The Administrator may alter the duration of the offering periods or the number or timing of the purchase dates within the parameters of the Revised ESPP.

Payroll Deductions. The purchase price of the shares is accumulated by payroll deductions during the offering period. Each employee participating in the Revised ESPP may elect to have up to 15% of eligible base compensation (defined in the Revised ESPP to include all regular straight-time gross earnings, exclusive of overtime, shift premium, incentive compensation or payments, or bonuses, commissions or other payments) deducted and credited to that employee's account under the Revised ESPP. No additional payments or amounts may be credited to an employee's account; however, an employee may change the rate of payroll deductions or withdraw entirely from the Revised ESPP during any offering period.

Amounts deducted from eligible base compensation and credited to a participating employee's account shall be held as general funds of the Company and shall not accrue interest. To the extent that an employee's payroll deductions exceed the amount required to purchase shares subject to purchase rights, the excess shall be carried forward to apply on the next exercise date, provided that any amounts remaining shall be refunded to the employee without interest at the termination of an offering period.

Purchase of Stock; Exercise of Purchase Right. By electing to participate in the Revised ESPP, each employee is in effect granted a right to purchase shares of Company common stock using payroll deductions accumulated as of each of the purchase dates during any offering period. However, no participant may (i) accrue rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries at a rate that exceeds $25,000 of fair market value of such stock (determined at the date of grant of those purchase rights) for each calendar year in which the purchase rights would be outstanding at any time; or (ii) purchase more than 10,000 shares of Company common stock during any offering period. The Administrator may designate an alternative shares limit (other than zero) in its sole discretion, prior to the commencement of any offering period to which the alternative limit applies. If the Administrator establishes an alternative limit, all participants shall be notified of the alternative limit prior to the commencement of the offering period to which the limit first applies. Any alternative limit set by the Administrator must continue to apply with respect to all succeeding exercise dates and offering periods unless revised by the Administrator. If the number of shares otherwise subject to purchase rights during an offering period exceeds the number of shares then available under the Revised ESPP, a pro rata allocation of the shares shall be made in as equitable a manner as is practicable. Unless an employee withdraws from participation in the Revised ESPP (see "*Withdrawal.*" below), or his or her participation is otherwise discontinued (see "*Termination of Employment.*" below), the employee's right to purchase shares will be exercised automatically at the end of the purchase date for the maximum number of shares at the applicable price.

Purchase Price of Company Common Stock; Taxes on the Acquisition or Disposition of Stock. On any particular purchase date under the Revised ESPP, the purchase price per share will be 85% of the lower of the fair market value of a share of common stock as of (i) the beginning of the offering period,

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(ii) any intervening interim offering date (if the employee becomes a participant as of that date), or (iii) the purchase date. On September 7, 2018, the closing market price of Lam common stock was $159.58, as reported by Nasdaq.

The fair market value of a share of Company common stock on a given date shall be the closing price as reported in the Wall Street Journal for such date. If there is no public trading of Company common stock on a given date, the fair market value shall be determined by the Administrator in its discretion.

The participant shall be responsible for all taxes or other withholdings required in connection with the acquisition or disposition of stock purchased under the Revised ESPP. See "*U.S. Federal Income Tax Information*," below. The participant shall not have an interest or voting right in any shares covered under the Revised ESPP prior to purchase.

Ability of the Board or Administrator to Amend the Revised ESPP. The Board may terminate or amend the Revised ESPP, or any purchase right granted thereunder, at any time (except in the event of certain changes in control of Lam). However, stockholder approval is required for any amendment to (i) increase the number of shares which may be issued under the Revised ESPP, (ii) change the designation of employees (or class of employees) eligible to participate under the Revised ESPP, or (iii) materially increase the benefits which may accrue to employees participating under the Revised ESPP (if, at the time of such amendment, Lam has a class of securities registered under section 12 of the Exchange Act).

Term and Termination of Plan. If approved by stockholders, the Revised ESPP will have been deemed effective upon the adoption by the Board, and will continue in effect for a term of 10 years from August 29, 2018. However, the Board may earlier terminate the Revised ESPP at any time. If the Board terminates the Revised ESPP before an employee's right to purchase shares has been exercised under the Revised ESPP, any funds deducted from the employee's eligible base compensation and credited to the employee's account under the Revised ESPP shall be refunded.

Withdrawal. An employee may terminate his or her interest in a given offering by signing and delivering to the Administrator a notice of withdrawal from the Revised ESPP. Such withdrawal may be effected at any time prior to the closing of any offering period or interim purchase date. Any withdrawal by the employee of accumulated payroll deductions for a given offering automatically terminates the employee's interest in that offering. The Revised ESPP does not permit a partial withdrawal. An employee's withdrawal from an offering does not affect the employee's eligibility to participate in subsequent offerings under the Revised ESPP.

By executing a subscription agreement to participate in the Revised ESPP, an employee does not become obligated to make any actual stock purchase; rather, the subscription agreement merely indicates the employee's election to have eligible base compensation deducted and shares placed under right to him or her for purchase. However, unless the employee terminates his or her participation, or withdraws his or her payroll deductions, the right to purchase shares will be exercised automatically on each purchase date, and for the maximum number of full shares purchasable with the employee's accumulated payroll deductions.

Termination of Employment. Termination of a participant's continuous status as an employee for any reason, including retirement or death, cancels his or her participation in the Revised ESPP immediately. In such event, the payroll deductions credited to the employee's account will be returned to the employee or, in the case of death, to the person or persons entitled thereto as specified by the employee in the subscription agreement.

Capital Changes. In the event any change is made in the capitalization of the Company, such as stock splits or stock dividends, which results in an increase or decrease in the number of shares of common stock outstanding without receipt of consideration by the Company, appropriate adjustments will be made by the Company to the shares subject to purchase and to the purchase price per share, subject to any required action by the stockholders of the Company. In the event of the liquidation or dissolution of the Company, the then-current offering period shall terminate automatically, unless otherwise provided by the Board. In the event the Company merges with another corporation (and Company stockholders own less than 50% of the surviving entity or its parent), or the Company sells all or substantially all of its assets, the Revised ESPP provides that each outstanding right to purchase shares will be assumed or an equivalent right will be substituted by the successor corporation; otherwise, the Revised ESPP provides that all outstanding purchase rights held by Company employees may be accelerated.

Nonassignability. No rights or accumulated payroll deductions of an employee under the Revised ESPP may be pledged, assigned or transferred for any reason, and any such attempt may be treated by Lam as an election to withdraw from the Revised ESPP.

Reports. Individual accounts are maintained for each participant in the Revised ESPP. Each participant receives as promptly as practicable after the end of the offering period a report of his or her account setting forth the total amount of payroll deductions accumulated, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

Compliance with Applicable Law. Shares will not be issued with respect to a purchase right unless the exercise of such purchase right and the issuance and delivery of such shares comply with all applicable provisions of law, domestic or foreign, including the Securities Act of 1933, as amended, or the "Securities Act;" the Exchange Act; the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance. Also, as a condition to the exercise of a purchase right, the Company may require the person exercising the purchase right to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

U.S. Federal Income Tax Information

The Revised ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of sections 421 and 423 of the Code. Under these provisions, no income will be taxable to a participant at the time of grant of the right to purchase, or the actual purchase of, shares. However, upon the employee's disposition of shares purchased under the Revised ESPP, the participant will generally be subject to tax. Upon disposition (including by gift), if the shares have been held by the participant for more than two years after the first day of the offering period and more than one year after the purchase date of the shares, or upon death of the participant while holding the shares, the participant will recognize taxable ordinary income equal to the lesser of (a) the excess of the fair market value of the shares at the time of the disposition over the purchase price of the shares, or (b) 15% of the fair market value of the shares on the first day of the offering period (or interim date on which the employee began to participate in the Revised ESPP, if later), and any additional taxable gain on the disposition will be treated as long-term capital gain. If the shares are disposed of before the expiration of the holding periods described above, the excess of the fair market value of the shares on the purchase date over the purchase price will be taxable as ordinary income, and any gain or loss on such disposition will be treated as a capital gain or loss. Lam is not entitled to a deduction for amounts taxable to a participant, except to the extent of ordinary income reported by the participant on disposition of shares before the expiration of the holding periods described above.

The foregoing is only a summary of the U.S. federal income tax consequences of the Revised ESPP to participants and does not purport to be complete. Reference should be made to the applicable provisions of the Code. In addition, the summary does not discuss the income tax consequences of a participant's death or the income tax laws of any municipality, state or foreign country in which the participant may reside, and to which the participant may be subject.

Restriction on Resale

Certain officers and directors of the Company may be deemed to be "affiliates" of the Company, as that term is defined under the Securities Act. Common stock acquired under the Revised ESPP by an affiliate may only be reoffered or resold pursuant to an effective registration statement or pursuant to Rule 144 under the Securities Act or another exemption from the registration requirements of the Securities Act.

Plan Benefits

All employees of the Company who satisfy the eligibility requirements set forth in the Revised ESPP may each year purchase up to an amount of Company common stock equal to the lesser of $25,000 or 15% of their eligible base compensation. Participation in the Revised ESPP is voluntary and each eligible employee will make his or her own decision whether and to what extent to participate. Accordingly, we cannot currently determine the benefits or number of shares that will be received in the future by individual employees or groups of employees. Our non-employee directors are not eligible to participate.

Aggregate Past Grants Under the Revised ESPP

The following table sets forth summary information with respect to the number of shares of our common stock purchased under the ESPP to the Company's named executive officers, all current executive officers as a group, directors, associates of such executive officer, directors and nominees, each other person who received or is to receive 5% of such options, warrants or rights and all employees (other than executive officers) as a group as of September 7, 2018. As of September 7, 2018, the closing price on Nasdaq of our common stock was $159.58 per share.

Name and Position	Number of Shares Purchased
Martin B. Anstice *Chief Executive Officer*	14,256
Timothy M. Archer *President and Chief Operating Officer*	2,241
Douglas R. Bettinger *Executive Vice President and Chief Financial Officer*	2,173
Richard A. Gottscho *Executive Vice President, Corporate Chief Technology Officer*	16,350
Scott G. Meikle *Senior Vice President, Global Customer Operations*	—
All current executive officers as a group	65,303
All current directors who are not executive officers as a group	—
Each other nominee for election as a director	—
Each associate of any such director, executive officer or nominees	—
Each other person who received or is to receive 5% of such awards	—
All employees, including current officers who are not executive Officers as a group	19,248,133

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Approval of Proposal No. 3 will require the affirmative vote of a majority of the outstanding shares of common stock present in person or represented by proxy and voting on the proposal at the annual meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE ADOPTION OF THE ESPP, AS AMENDED AND RESTATED.

Proposal No. 4: Ratification of the Appointment of the Independent Registered Public Accounting Firm for Fiscal Year 2019

Stockholders are being asked to ratify the appointment of EY, as the Company's independent registered public accounting firm for fiscal year 2019. 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 should 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 he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

Stockholder approval of Proposal No. 4 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 THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2019.

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 2018 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the "*Notice of 2018 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 7, 2018, the "Record Date," are entitled to receive notice of and to vote at the annual meeting.

Shares Outstanding

As of the Record Date 152,286,842 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.

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 by proxy or at the annual meeting.

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 vote by internet, telephone, or mail, per the instructions on the accompanying proxy card.

Voting at the Meeting

Stockholders can vote in person during the meeting. Stockholders of record will be on a list held by the inspector of elections. Each beneficial owner (an owner who is not the record holder of their shares) must obtain a proxy from the beneficial owner's brokerage firm, bank, or the stockholder of record holding such shares for the beneficial owner, and present it to the inspector of elections with a ballot. Voting in person 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 in person at 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 *https://investor.lamresearch.com* and in a Form 8-K to be filed shortly after the annual meeting.

Availability of Proxy Materials

Beginning on September 26, 2018, this proxy statement and the accompanying proxy card and 2018 Annual Report on Form 10-K to Stockholders will be mailed to stockholders entitled to vote at the annual meeting who have designated a

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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 *https://investor.lamresearch.com* and at *www.proxyvote.com*. We will furnish, without charge, a printed copy of these materials and our 2018 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*).

A Notice of Internet Availability of Proxy Materials will be mailed beginning on September 26, 2018 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 $12,000 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.

Other Meeting Information

Annual Meeting Admission

All stockholders entitled to vote as of the Record Date are entitled to attend the annual meeting. Admission of stockholders will begin at 9:00 a.m. Pacific Standard Time on November 6, 2018. Any stockholders interested in attending the annual meeting should be prepared to present government-issued photo identification, such as a valid driver's license or passport, and verification of ownership of Company common stock or proxy status as of the Record Date for admittance. For stockholders of record as of the Record Date, proof of ownership as of the Record Date will be verified prior to admittance into the annual meeting. For stockholders who were not stockholders as of the Record Date but hold shares through a bank, broker or other nominee holder, proof of beneficial ownership as of the Record Date, such as an account statement or similar evidence of ownership, will be verified prior to admittance into the annual meeting. For proxy holders, proof of valid proxy status will also be verified prior to admittance into the annual meeting. Stockholders and proxy holders will be admitted to the annual meeting if they comply with these procedures. Information on how to obtain directions to attend the annual meeting and vote in person is available on our website at *https://investor.lamresearch.com.*

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 he or she receives 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, his or her 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, 3, and 4. Votes may be cast "for," "against" or "abstain" on Proposals 2, 3, and 4. Approval of Proposals No. 2, 3 and 4 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; "FOR" approval of the adoption of the ESPP, as amended and restated; and "FOR" the ratification of EY as the Company's independent registered public accounting firm for fiscal year 2019.

If you choose to vote in person, you will have an opportunity to do so at the annual meeting. You may either bring your proxy card to the annual meeting, or if you do not bring your proxy card, the Company will pass out written ballots to anyone who was a stockholder as of the Record Date. As noted above, if you are a beneficial owner (an owner who is not the record holder of their shares), you will need to obtain a proxy from your brokerage firm, bank, or the stockholder of record holding shares on your behalf.

Voting by 401(k) Plan Participants

Participants in Lam's Savings Plus Plan, Lam Research 401(k), or 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, his or her 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 *https://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*). 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 2019 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 2019 annual meeting of stockholders (in accordance with SEC Rule 14a-8) and for consideration at the 2019 annual meeting of stockholders. The Company must receive a stockholder proposal no later than May 29, 2019 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 2019 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 April 29, 2019, and no later than May 29, 2019.

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 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 2019 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 2019 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 2019 annual meeting of stockholders takes place at roughly the same date next year as the 2018 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

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nomination in writing and it must be received by the Secretary of the Company no earlier than July 13, 2019, and no later than August 12, 2019.

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,

Sarah A. O'Dowd
Secretary

Fremont, California
Dated: September 26, 2018

LAM RESEARCH CORPORATION
1999 EMPLOYEE STOCK PURCHASE PLAN

Amended and Restated Effective as of August 29, 2018

1. *Purpose.*

This Amended and Restated Lam Research Corporation 1999 Employee Stock Purchase Plan ("***Plan***") is amended and restated as of August 29, 2018. The Plan is intended to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. The Company's intention is to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (the "***423(b) Plan***"), although the Company makes no undertaking or representation to maintain such qualification. The provisions of the 423(b) Plan, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423(b) of the Code. In addition, this Plan document authorizes the grant of rights to purchase stock pursuant to rules, procedures or sub-plans adopted by the Board or Administrator that are designed to achieve tax, securities law or other Company compliance objectives in particular locations outside the United States.

All grants made to participants outside of the United States shall be deemed to be made under a Non-U.S. Sub-Plan, unless otherwise designated at the time of grant.

2. *Definitions.*

(a) ***"Administrator"*** means the Board, the Compensation Committee of the Board or any committee the Board may subsequently appoint to administer the Plan pursuant to Section 14 hereof, if one is appointed. If at any time or to any extent the Board shall not administer the Plan, then the functions of the Board specified in the Plan shall be exercised by the Administrator. The VP of Human Resources shall administer the Non-U.S. Sub-Plans of the Plan and shall be the "Administrator" for such purposes.

(b) ***"Annual Increase"*** means the number of shares of Common Stock that, pursuant to Section 13, may annually be added to the number of shares issuable under the Plan.

(c) ***"Board"*** means the Board of Directors of the Company.

(d) ***"Code"*** means the Internal Revenue Code of 1986, as amended.

(e) ***"Common Stock"*** means the Common Stock of the Company.

(f) ***"Company"*** means Lam Research Corporation, a Delaware corporation.

(g) ***"Compensation"*** means all regular, straight-time gross earnings, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions, or other compensation.

(h) ***"Continuous Status as an Employee"*** means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or re-employment upon the expiration of such leave is guaranteed by contract or statute.

(i) ***"Designated Subsidiaries"*** means the Subsidiaries that have been designated by the Board or Administrator from time to time in its sole discretion as eligible to participate in this Plan.

(j) **"Employee*"*** means any person, including an officer or an employee member of the Board of Directors, who is customarily employed for at least 20 hours per week by the Company or one of its Designated Subsidiaries. For purposes of the 423(b) Plan, whether an individual qualifies as an Employee shall be determined by the Administrator, in its sole discretion, by reference to Section 3401(c) of the Code and the regulations promulgated thereunder. Unless the Administrator makes a contrary determination, the Employees of the Company shall, for all purposes of the 423(b) Plan, be those individuals who satisfy the customary employment criteria set forth above and are carried as employees by the Company or a Designated Subsidiary for regular payroll purposes. For purposes of a Non U.S. Sub-Plan, the Administrator may determine that Employees are eligible to participate even if they are employed for less than twenty (20) hours per week if, in the Administrator's sole judgment, applicable laws require such a determination.

(k) "***Exercise Date"*** means such business days during each Offering Period of this Plan as may be identified by the Administrator pursuant to Section 8 of this Plan.

(l) ***"Interim Offering Date"*** means the first business day following an Exercise Date other than the last Exercise Date of an Offering Period.

(m) ***"Maximum Share Amount"*** means the maximum number of shares of Common Stock that a Participant can purchase during any single Offering Period as set forth in Section 3(d)(ii) of this Plan.

(n) ***"Non-U.S. Sub-Plan"*** shall mean a sub-plan of the Plan that does not necessarily meet the requirements set forth in Section 423(b) of the Code, as amended.

(o) ***"Offering Date"*** means the first business day of an Offering Period.

(p) ***"Offering Period"*** means a period established by the Administrator pursuant to Section 4 of this Plan during which payroll deductions are accumulated from Participants and applied to the purchase of Common Stock.

(q) "***Participant"*** means an Employee who has elected to participate in this Plan pursuant to Section 5 hereof.

(r) ***"Plan"*** means this Amended and Restated Lam Research Corporation 1999 Employee Stock Purchase Plan, including both the 423(b) Plan and any Non-U.S. Sub-Plan unless otherwise indicated.

(s) ***"Purchase Right"*** means a right to purchase Common Stock granted pursuant to Section 7 of this Plan.

(t) ***"Subsidiary"*** means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(u) ***"423(b) Plan"*** means an employee stock purchase plan that is designed to meet the requirements set forth in Section 423(b) of the Code, as amended. The provisions of this 423(b) Plan should be construed, administered and enforced in accordance with Section 423(b) of the Code.

3. ***Eligibility; Accrual and Purchase Limits.***

(a) ***Regular Participation.*** Any person who is, or will be, an Employee on the Offering Date of a given Offering Period shall be eligible to participate in this Plan during such Offering Period, subject to the requirements of Section 5(a) of this Plan.

(b) ***Interim Participation.*** Any person who becomes an Employee after the Offering Date of an Offering Period and before an Interim Offering Date shall be eligible to participate in this Plan during such Offering Period, but only on and beginning with the first Interim Offering Date on or before which such person becomes an Employee, and subject to the requirements of Section 5(a) of this Plan.

(c) ***Exclusion of Five Percent Stockholders.*** Notwithstanding paragraphs (a) and (b) of this Section 3, an Employee shall not be eligible to participate in this Plan during an Offering Period to the extent that immediately after the grant of a Purchase Right on an Offering Date or Interim Offering Date, the Employee (or any other person whose stock would be attributed to the Employee under Section 424(d) of the Code) would own stock and/or hold outstanding purchase rights to purchase stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary.

(d) ***Accrual and Purchase Limits.*** Notwithstanding any other provisions of this Plan or any subscription agreement or other offering documents, no Participant may (i) accrue rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiaries at a rate that exceeds $25,000 of fair market value of such stock (determined at the date of grant of those purchase rights) for each calendar year in which the purchase rights would be outstanding at any time; or (ii) purchase more than 10,000 shares of the Company's Common Stock during any Offering Period. Notwithstanding the share limit described in clause 3(d)(ii), the Administrator may designate an alternative shares limit (other than zero) in its sole discretion, prior to the commencement of any Offering Period to which the alternative limit applies. If the Administrator establishes an alternative limit, all participants shall be notified of the alternative limit prior to the commencement of the Offering Period to which the limit first applies. Any alternative limit set by the Administrator shall continue to apply with respect to all succeeding Exercise Dates and Offering Periods unless revised by the Administrator as provided in this clause 3(d)(ii).

4. ***Offering Periods.***

The duration of each Offering Period shall be determined by the Administrator, provided that an Offering Period shall be no shorter than 3 months and no longer than 24 months (measured from the first business day of the first month to the last business day of the last month) and succeeding Offering Periods shall be the same duration unless otherwise determined by the Administrator pursuant to this Section. Unless otherwise determined by the Administrator:

(a) a new Offering Period shall begin on the first business day after the last Exercise Date of an Offering Period;

(b) a new Offering Period shall begin, and the old Offering Period shall terminate, on the first business day after an Exercise Date (other than the last Exercise Date of an Offering Period) if the fair market value (as defined in Section 7(b)(i) of this Plan) of a share of Common Stock is less than the fair market value of a share of Common Stock on the Offering Date of the Offering Period; and

(c) an Offering Period shall terminate on the date that there are no Participants enrolled in it.

5. *Participation.*

(a) An Employee may become a Participant in this Plan by completing a subscription agreement, in such form or forms as the Administrator may approve from time to time, and filing it with the Company's payroll office within 15 days before the applicable Offering Date or Interim Offering Date, unless another time for filing the subscription agreement is set by the Administrator for all Employees with respect to a given Offering Period. The subscription agreement shall authorize payroll deductions pursuant to this Plan and shall have such other terms as the Administrator may specify from time to time.

(b) At the end of an Offering Period, each Participant in the Offering Period who remains an Employee shall be automatically enrolled in the next succeeding Offering Period (a "***Re-enrollment***") unless, in a manner and at a time specified by the Administrator, but in no event later than the day before the Offering Date of such succeeding Offering Period, the Participant notifies the Administrator in writing that the Participant does not wish to be re-enrolled. Re-enrollment shall be at the withholding percentage specified in the Participant's most recent subscription agreement unless the Participant changes that percentage by timely written notice. No Participant shall be automatically re-enrolled whose participation has terminated by operation of Section 10 of this Plan.

(c) If an Offering Period commences pursuant to Section 4(b) of this Plan, each Employee on the Offering Date of that Offering Period shall automatically become a Participant in the commencing Offering Period. Participation shall be at the withholding percentage specified in the Participant's most recent subscription agreement, unless the Participant notice changes that percentage by timely written notice. If the Participant has no subscription agreement on file, Participation shall be at a 0% withholding rate until changed by the Participant. No Participant shall be automatically re-enrolled whose participation has terminated by operation of Section 11 of this Plan.

6. *Payroll Deductions.*

(a) Each Participant shall have withheld a percentage of his or her Compensation received during an Offering Period. Withholding shall be in whole percentages, up to a maximum (not to exceed 15%) established by the Administrator from time to time, as specified by the Participant in his or her subscription agreement. Payroll deductions for a Participant during an Offering Period shall begin with the first payroll following the Offering Date or Interim Offering Date and shall end on the last Exercise Date of the Offering Period, unless sooner terminated by the Participant as provided in Section 11 of this Plan.

(b) All payroll deductions made by a Participant shall be credited to the Participant's account under this Plan. A Participant may not make any additional payments into such account.

(c) A Participant may change the rate of his or her payroll deductions during an Offering Period by filing with the Administrator a new subscription agreement authorizing the change. The change shall take effect 15 days after the Administrator's receipt of the new subscription agreement, except that increases in rate shall take effect on the day after the first Exercise Date on or after the 15th day.

7. *Purchase Rights.*

(a) ***Grant of Purchase Rights.*** On the Offering Date, or (if applicable) Interim Offering Date of each Offering Period, the Participant shall be granted a Purchase Right to purchase (at the per-share price) during the Offering Period up to the lesser of (a) the number of shares of Common Stock determined by dividing (i) $25,000 multiplied by the number of (whole or part) calendar years in the Offering Period by (ii) the fair market value of a share of Common Stock on the Offering Date or Interim Offering Date; or (b) the Maximum Share Amount.

(b) ***Terms of Purchase Rights.*** Except as otherwise determined by the Administrator, each Purchase Right shall have the following terms:

(i) The per-share price of the shares subject to a Purchase Right shall be 85% of the lower of the fair market values of a share of Common Stock on (a) the Offering Date, or Interim Offering Date, on which the Purchase Right was granted and (b) the Exercise Date. The fair market value of the Common Stock on a given date shall be the closing price as reported in the Wall Street Journal; provided, however, that if there is no public trading of the Common Stock on that date, then fair market value shall be determined by the Administrator in its discretion.

(ii) Payment for shares purchased by exercise of Purchase Rights shall be made only through payroll deductions in accordance with Section 6 of this Plan.

(iii) Upon purchase or disposition of shares acquired by exercise of a Purchase Right, the Participant shall pay, or make provision adequate to the Administrator for payment of, all tax (and similar) withholdings that the Administrator determines, in its discretion, are required due to the acquisition or disposition, including without limitation any such withholding that the Administrator determines in its discretion is necessary to allow the Company and its Subsidiaries to claim tax deductions or other benefits in connection with the acquisition or disposition.

(iv) During his or her lifetime, a Participant's Purchase Right is exercisable only by the Participant.

(v) The Purchase Rights will in all respects be subject to the terms and conditions of this Plan, as interpreted by the Administrator from time to time.

8. *Exercise Dates; Purchase of Shares; Refund of Excess Cash.*

(a) The Administrator shall establish one or more Exercise Dates for each Offering Period.

(b) Each Participant's Purchase Right shall be exercised automatically on each Exercise Date during the Offering Period to purchase the maximum number of full shares up to the Maximum Share Amount at the applicable price using the Participant's accumulated payroll deductions.

(c) The shares purchased upon exercise of a Purchase Right shall be deemed to be transferred to the Participant on the Exercise Date. A Participant will have no interest or voting right in shares covered by a Purchase Right until the Purchase Right has been exercised.

(d) Any cash remaining in a Participant's payroll deduction account after the purchase of shares on an Exercise Date shall be carried forward in that account for application on the next Exercise Date; provided that at the termination of an Offering Period, any such cash shall be promptly refunded returned to the Participant.

9. *Limitations on Aggregate Shares to be Purchased.*

If the number of shares to be purchased on an Exercise Date by all Participants in this Plan exceeds the number of shares then available for issuance under this Plan, then the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as shall be reasonably practicable and as the Administrator shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares to be purchased under a participant's option to each participant affected.

10. *Registration and Delivery of Share Certificates.*

(a) Shares purchased by a Participant under this Plan will be registered in the name of the Participant, or in the name of the Participant and his or her spouse, or in the name of the Participant and joint tenant(s) (with right of survivorship), as designated by the Participant.

(b) As soon as administratively feasible after each Exercise Date, the Company shall deliver to the Participant a certificate representing the shares purchased upon exercise of a Purchase Right. If approved by the Administrator in its discretion, the Company may instead (i) deliver a certificate (or equivalent) to a broker for crediting to the Participant's account or (ii) make a notation in the Participant's favor of non-certificated shares on the Company's stock records.

11. *Withdrawal; Termination of Employment.*

(a) A Participant may withdraw all, but not less than all, of the payroll deductions credited to his account under this Plan at any time before an Exercise Date by giving written notice to the Administrator in a form the Administrator prescribes from time to time. The Participant's Purchase Right will automatically terminate on the date of receipt of the notice, all payroll deductions credited to the Participant's account will be refunded promptly thereafter, and no further payroll deductions will be made during the Offering Period.

(b) Upon termination of a Participant's Continuous Status as an Employee for any reason, including retirement or death, the payroll deductions credited to the Participant's account will be promptly refunded to the Participant or, in the case of death, to the person or persons entitled thereto under Section 15 of this Plan, and the Participant's Purchase Right will automatically terminate.

(c) If a Participant fails to remain in Continuous Status as an Employee during an Offering Period, the Participant will be deemed to have withdrawn from this Plan, the payroll deductions credited to the Participant's account will be promptly refunded, and the Participant's Purchase Right shall terminate.

(d) A Participant's withdrawal from an offering will not affect the Participant's eligibility to participate in a succeeding Offering Period or in any similar plan that may be adopted by the Company.

12. *Use of Funds; No Interest.*

Amounts withheld from Participants' Compensation under this Plan shall constitute general funds of the Company and may be used for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions. No interest shall accrue on the payroll deductions of a Participant in this Plan.

13. *Number of Shares Reserved.*

Subject to adjustment as provided in Section 18, the maximum aggregate number of shares of Common Stock available for issuance under the Plan shall be 7,550,771 shares of Common Stock, which may be newly issued or treasury shares, or shares acquired on the open market, the total of which includes 4,995,845 shares of Common Stock which remain available for issuance as of August 29, 2018.

14. *Administration.*

This Plan shall be administered by the Administrator. The administration, interpretation, and application of this Plan by the Administrator shall be final, conclusive, and binding upon all persons. Neither Members of the Board nor the Administrator shall be liable for any action or determination taken or made in good faith with respect to the Plan, or any shares purchased or issued or Purchase Right exercised thereunder**.** The Administrator may also adopt rules, procedures or sub-plans applicable to particular Subsidiaries or locations. Any such sub-plans may be designed to be outside the scope of Section 423(b) of the Code. The rules of such sub-plans may take precedence over other provisions of this Plan, but unless otherwise superseded by the specific terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan. To the extent inconsistent with the requirements of Section 423(b), such sub-plan and rights granted thereunder shall not be considered to comply with Section 423(b) of the Code.

15. *Designation of Beneficiary.*

(a) A Participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under this Plan in the event of the Participant's death.

(b) A designation of beneficiary may be changed by the Participant at any time by written notice. In the event of the death of a Participant, and in the absence of a beneficiary validly designated under this Plan who is living at the time of the Participant's death, the Administrator shall deliver such shares and/or cash to the executor or administrator of the Participant's estate, or if no such executor or administrator has been appointed (to the Administrator's knowledge), the Administrator, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant or, if no spouse, dependent, or relative is known to the Administrator, then to such other person as the Administrator may designate.

16. *Transferability.*

Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of a Purchase Right or to receive shares under this Plan may be assigned, transferred, pledged, or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 15 hereof) by the Participant. Any such attempt at assignment, transfer, pledge, or other disposition shall be without effect, except that the Administrator may treat such act as an election to withdraw funds in accordance with Section 11 hereof.

17. *Reports.*

Individual accounts will be maintained for each Participant in this Plan. Statements of account will be given to participating Employees promptly following each Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

18. *Adjustments upon Changes in Capitalization.*

(a) Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each Purchase Right under this Plan that has not yet been exercised and the number of shares of Common Stock that have been authorized for issuance under this Plan but have not yet been placed under a Purchase Right, including, but not limited to, the Annual Increase (collectively, the ***"Reserves"***), as well as the price per share of Common Stock covered by each Purchase Right under this Plan that has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company and any repurchase of shares of Common Stock pursuant to Section 13 herein shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination shall be final, binding, and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to a Purchase Right.

(b) In the event of the proposed dissolution or liquidation of the Company, the then-current Offering Period will terminate immediately before the consummation of such proposed action, unless otherwise provided by the Board or the Administrator (if the Administrator is not the Board). In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation (if stockholders of the Company own less than 50% of the total outstanding voting power in the surviving entity or a parent of the surviving entity after the merger), each Purchase Right under this Plan shall be assumed or an equivalent purchase right shall be substituted by the successor corporation or a parent or subsidiary of the successor corporation, unless the successor corporation does not agree to assume the Purchase Right or to substitute an equivalent purchase right, in which case the Administrator may, in lieu of such assumption or substitution, accelerate the exercisability of Purchase Rights, and allow Purchase Rights to be exercisable (if the Board approves) as to shares as to which the Purchase Right would not otherwise be exercisable, on terms and for a period that the Administrator determines in its discretion. To the extent that the Administrator accelerates exercisability of Purchase Rights as described above, it shall promptly so notify all Participants in writing.

(c) The Administrator may, in its discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding Purchase Right, if the Company effects one or more reorganizations, recapitalizations, rights offerings, or other increases or reductions of shares of its outstanding Common Stock, or if the Company consolidates with or merges into any other corporation.

19. *Amendment or Termination.*

(a) The Board may at any time terminate or amend in any manner this Plan; except, however, that no amendment may be made without prior approval of the stockholders of the Company (obtained in the manner described in paragraph 21) if it would:

(i) Increase the number of shares that may be issued under this Plan;

(ii) Change the designation of the employees (or class of employees) eligible for participation in this Plan; or

(iii) If the Company has a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), at the time of such amendment, materially increase the benefits that may accrue to Participants under this Plan.

If any amendment requiring stockholder approval under this paragraph 19 of this Plan is made after the first registration of any class of equity securities by the Company under Section 12 of the Exchange Act, such stockholder approval shall be solicited as described in paragraph 21 of this Plan.

(b) The Board may elect to terminate any or all outstanding Purchase Rights at any time, except to the extent that exercisability of such Purchase Rights has been accelerated pursuant to Section 18(b) hereof. If this Plan is terminated, the Board may also elect to terminate Purchase Rights upon completion of the next purchase of shares on the next Exercise Date or to permit Purchase Rights to expire in accordance with their terms (with participation to continue through such expiration dates). If Purchase Rights are terminated before expiration, any funds contributed to this Plan that have not been used to purchase shares shall be refunded to Participants as soon as administratively feasible.

20. *Notices.*

All notices or other communications by a Participant to the Company or the Administrator under or in connection with this Plan shall be deemed to have been duly given when received in the form specified by the Administrator at the location, or by the person, designated by the Administrator for the receipt thereof.

21. ***Stockholder Approval.***

(a) Any required approval of the stockholders of the Company pursuant to paragraph 19(a) of this Plan shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(b) If any required approval by the stockholders of this Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in Section 21(a) hereof, then the Company shall, at or before the first annual meeting of stockholders held after the later of (i) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (ii) the granting of a Purchase Right hereunder to an Officer and Director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for this Plan substantially the same information that would be required (if proxies to be voted with respect to approval or disapproval of this Plan or amendment were then being solicited) by the rules and regulations in effect under Section 14(a) of the Exchange Act at the time such information is furnished; and

(ii) file with, or mail for filing to, the Securities and Exchange Commission four copies of the written information referred to in subsection (i) hereof not later than the date on which such information is first sent or given to stockholders.

22. ***Conditions upon Issuance of Shares.***

(a) Shares shall not be issued with respect to a Purchase Right unless the exercise of such Purchase Right and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) As a condition to the exercise of a Purchase Right, the Company may require the person exercising such Purchase Right to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. ***Term of Plan.***

This Plan shall continue in effect for a term of 10 years (until August 28, 2028), pursuant to an amendment and restatement by the Board of Directors on August 29, 2018, unless sooner terminated under Section 19 hereof.

24. ***Additional Restrictions of Rule 16b-3.***

The terms and conditions of Purchase Rights granted hereunder to, and the purchase of shares by, persons subject to Section 16 of the Securities Exchange Act of 1934 shall comply with the applicable provisions of Rule 16b-3 of such Act. This Plan shall be deemed to contain, and such Purchase Rights shall contain, and the shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Securities Exchange Act of 1934 with respect to Plan transactions.

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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 24, 2018

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	**94-2634797**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4650 Cushing Parkway, Fremont, California	**94538**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $0.001 Per Share	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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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 24, 2017, the last business day of the most recently completed second fiscal quarter, was $24,908,278,746. 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 9, 2018, the Registrant had 157,579,984 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 6, 2018, 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

2018 ANNUAL REPORT ON FORM 10-K

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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, future shipments, margins, market share, capital expenditures, research and development expenditures, international sales, revenue (actual and/or deferred), and operating expenses 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, increases in our customers' proportion of capital expenditure (with respect to certain technology inflections); hedging transactions; our competition; our ability to defend our market share, and to gain new market share; our ability to obtain and qualify alternative sources of supply; the impact of U.S. tax reform, our estimated annual tax rate and the factors that affect our tax rates; anticipated growth in the industry and the total market for wafer fabrication equipment and our growth relative to such growth; 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 their 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; and the sufficiency of our financial resources to support future business activities (including but not limited to operations, investments, debt service requirements, 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. 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. Any materials we file with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. To obtain information on the operation of the Public Reference Room, call the SEC at 1-800-SEC-0330.

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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, faster, and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables, automotive devices, storage devices, and networking equipment. Our vision is to realize full value from natural technology extensions of our Company.

Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers ("IDMs") that make products such as non-volatile memory ("NVM"), DRAM memory, 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 ("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.

These demand and technology inflections have significantly expanded our addressable markets from about 26% of wafer fabrication equipment spending in calendar year 2013 to about 36% in calendar year 2017. 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 refurbishment of our deposition, etch, and clean products. 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. Additionally, CSBG provides new and refurbished previous-generation (legacy) equipment 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”)	VECTOR® family
		ALD	Striker® family
		Gapfill High-Density Plasma CVD (“HDP-CVD”)	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
Mass Metrology	Deposition, Etch, Clean	Sub-milligram Mass Measurement	Metryx® 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. Small 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 plugs 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 fill to be performed in the same chamber (“in situ”). PNL®, our ALD technology, is used in the deposition of tungsten nitride films to achieve high step coverage with reduced thickness relative to conventional barrier films.

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 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.

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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, such films are critical for spacer-based multiple patterning schemes where the spacers help define critical dimensions, as well as for insulating liners, which have little tolerance for even the smallest defect. The Striker® single-wafer ALD products provide solutions for these challenging requirements through application-specific process and hardware options that deliver film technology and defect performance. Reduced processing times with Striker® products are enabled by rapid ALD cycles and ALD-rated components, software, and controls.

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 need to conform tightly around intricate structures. Other applications 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. Reduced processing time is enabled by proprietary wafer heat-up independent of film deposition.

Etch Processes and Product Families

Etch processes help create chip features by selectively removing both dielectric (insulating) and metal (conducting) 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. Etch processes also create the tall, column-like features used, for example, in TSVs that link chips together and in MEMS.

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 silicon and other materials deep into the wafer are collectively referred to as deep silicon etch. These deep trenches, TSVs, and other high aspect ratio features are created by etching through multiple materials sequentially, where each new material involves a change in the etch process. As they are often electrically isolating or connecting structures, even slight variation from target results can negatively impact device performance. 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 are also used to drill through the metal hardmasks that are used to pattern features too small for conventional masks, thereby allowing continued shrinking of feature dimensions. To enable performing 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 Products

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 good 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.

Da Vinci®, DV-Prime®, EOS®, 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.

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/wet etch solutions for challenging WLP applications.

Mass Metrology Processes and Product

Mass metrology measures the change in mass following deposition, etch, and clean processes to enable monitoring and control of these often-repeated core manufacturing steps. For design components like thin film stacks, high aspect-ratio structures, and

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complex 3D architectures, optical techniques are limited in their ability to measure accurately the thick, deep, or otherwise visually obscured features. Measuring the change in mass for these applications provides a straightforward high-precision solution for monitoring and control of the critical features in advanced device structures, where there is often little tolerance for variation. Our line of high-precision mass metrology systems provides in-line monitoring and control of deposition, etch, and clean steps in real time — recording minute changes in mass to enable advanced detection of potential process excursions.

Metryx® Product Families

In-line process monitoring is used to identify production wafer trends and excursions as they occur, allowing corrections to be implemented quickly to prevent further yield loss. For deposition, etch, and clean steps, measurement of the mass change of a wafer before and after a process is a simple and direct means of monitoring and controlling process results, particularly for ultra-thin films, ultra-thick films, and complex 3D geometries of newer chip designs, where traditional optical metrology techniques are ineffective. The Metryx® mass metrology systems, available as both platform-integrated modules and as stand-alone systems, deliver sub-milligram mass measurement capability for advanced process monitoring and control of three-dimensional device structures. Key applications include high aspect ratio etch (DRAM cell, 3D NAND channel hole), conformal and ALD/sidewall deposition, horizontal processing (recess etch, fill), film density monitoring, carbon mask open, and wafer cleaning/polymer removal.

Legacy Products

For applications that do not require the most advanced wafer processing capability, semiconductor manufacturers can benefit from the proven performance of previous-generation products to increase their production capacity at a reduced economic investment. Purchasing through an original equipment manufacturer like us minimizes the risks of unexpected costs and unpredictable time to production that are typically associated with the legacy equipment market. To meet semiconductor manufacturers' needs for high-performance, maximum-predictability, and low-risk equipment, we provide new, refurbished, and legacy products to customers utilizing technology nodes at and above 28 nm. These products benefit from many of the technical advances from our newest systems, enabling extended lifetime and productivity. Our products also provide production-worthy, cost-effective solutions for MEMS, power semiconductor, radio frequency device, and light emitting diode markets.

Fiscal Periods Presented

All references to fiscal years apply to our fiscal years, which ended June 24, 2018, June 25, 2017, and June 26, 2016.

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.

Our R&D expenses during fiscal years 2018, 2017, and 2016 were $1.2 billion, $1.0 billion, and $914 million, respectively. The majority of R&D spending over the past three years has been targeted at deposition, etch, clean, and other semiconductor manufacturing products. 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, 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 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. Revenue by region was as follows:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
	(in thousands)		
Korea	$ 3,832,798	$ 2,480,329	$ 1,057,331
Japan	1,882,799	1,041,969	983,821
China	1,784,436	1,023,195	1,039,951
Taiwan	1,397,978	2,095,669	1,485,037
United States	820,438	629,937	495,123
Southeast Asia	781,360	401,877	605,236
Europe	577,189	340,644	219,394
Total revenue	$ 11,076,998	$ 8,013,620	$ 5,885,893

Long-lived Assets

Refer to Note 18 of our Consolidated Financial Statements, included in Item 8 of this report, 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. Customers accounting for greater than 10% of total revenues in fiscal year 2018 included Intel Corporation; Micron Technology, Inc.; Samsung Electronics Company, Ltd.; SK hynix Inc.; and Toshiba, Inc. Customers accounting for greater than 10% of total revenues in fiscal year 2017 included Micron Technology, Inc.; Samsung Electronics Company, Ltd.; SK hynix Inc.; Taiwan Semiconductor Manufacturing Company, Ltd; and Toshiba, Inc. Customers accounting for greater than 10% of total revenues in fiscal year 2016 included Micron Technology, Inc.; Samsung Electronics Company, Ltd.; SK hynix Inc.; and Taiwan Semiconductor Manufacturing Company, 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.

Backlog

In general, we schedule production of our systems based upon our customers' delivery requirements and forecasts. In order for a system to be included in our backlog, the following conditions must be met: (1) we have received a written customer request that has been accepted, (2) we have an agreement on prices and product specifications, and (3) there is a scheduled shipment within the next 12 months. In order for spares and services to be included in our backlog, the following conditions must be met: (1) we

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have received a written customer request that has been accepted and (2) delivery of products or provision of services is anticipated within the next 12 months. Where specific spare parts and customer service purchase contracts do not contain discrete delivery dates, we use volume estimates at the contract price and over the contract period, not to exceed 12 months, in calculating backlog amounts. Our policy is to revise our backlog for order cancellations and to make adjustments to reflect, among other things, changes in spares volume estimates and customer delivery date changes. As of June 24, 2018, and June 25, 2017, our backlog was $2.0 billion and $2.1 billion, respectively. Generally, orders for our products and services are subject to cancellation by our customers with limited penalties. Because some orders are received and shipped in the same quarter and because customers may change delivery dates and cancel orders, our backlog at any particular date is not necessarily indicative of business volumes or actual revenue levels for succeeding periods.

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. We believe that 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 15 of our Consolidated Financial Statements, included in 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.

Environmental Matters

We are subject to a variety of governmental regulations related to the management of hazardous materials that we use in our business operations. We are currently not aware of any pending notices of violations, fines, lawsuits, or investigations arising from environmental matters that would have a material effect on our business. We believe that we are generally in compliance with these regulations and that we have obtained (or will obtain or are otherwise addressing) all necessary environmental permits to conduct our business. Nevertheless, the failure to comply with present or future regulations could result in fines being imposed on us, require us to suspend production or cease operations, or cause our customers to not accept our products. These regulations could require us to alter our current operations, to acquire significant additional equipment, or to incur substantial other expenses to comply with environmental regulations. Our failure to control the use, sale, transport, or disposal of hazardous substances could subject us to future liabilities.

Employees

As of August 9, 2018, we had approximately 10,900 regular employees globally. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. Each of our employees is required to comply with our policies relating to maintaining the confidentiality of our non-public information. As noted previously, we outsource certain aspects of our manufacturing, field service, production warehousing, and logistics functions to 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.

In the semiconductor and semiconductor capital equipment industries, competition for highly skilled employees is intense. Our future success depends, to a significant extent, upon our continued ability to attract and retain qualified employees, particularly in the R&D and customer support functions.

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 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. In addition, other companies and inventors may receive patents that contain claims applicable or similar 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.

Executive Officers of the Company

As of August 9, 2018, the executive officers of Lam Research were as follows:

Name	Age	Title
Martin B. Anstice	51	Chief Executive Officer
Timothy M. Archer	51	President and Chief Operating Officer
Douglas R. Bettinger	51	Executive Vice President, Chief Financial Officer, and Chief Accounting Officer
Richard A. Gottscho	66	Executive Vice President, Corporate Chief Technology Officer
Kevin D. Jennings	53	Senior Vice President, Global Operations
Patrick J. Lord	52	Senior Vice President and General Manager, CSBG
Scott G. Meikle	56	Senior Vice President, Global Customer Operations
Sarah A. O'Dowd	68	Senior Vice President, Chief Legal Officer and Secretary
Vahid Vahedi	52	Senior Vice President and General Manager, Etch Business Unit
Sesha Varadarajan	43	Senior Vice President and General Manager, Deposition Business Unit

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Martin B. Anstice has been our chief executive officer since January 2012. Mr. Anstice joined us in April 2001 as senior director, operations controller, was promoted to the position of managing director and corporate controller in May 2002, and was promoted to group vice president and chief financial officer in June 2004. He was appointed executive vice president and chief operating officer in September 2008 and president in December 2010, a position he held until January 2018. Prior to joining us, he held various finance positions from 1988 to 1999 at Raychem Corporation, a global materials science company. Subsequent to the acquisition of Raychem by Tyco International, a global provider of engineered electronic components, network solutions, and wireless systems, he assumed responsibility for supporting mergers and acquisitions activities of Tyco Electronics. Mr. Anstice is an Associate member of the Institute of Chartered Management Accountants in the United Kingdom.

Timothy M. Archer has been our president and chief operating officer since January 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 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, corporate chief technology officer, a position he has held since May 2017. Prior to that time, he had been 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 served at various director and vice president levels in support of etch products, CVD products, and corporate research. Prior to joining us, he was a member of Bell Laboratories for 15 years, where he started his career working in plasma processing. During his tenure at Bell, he headed research departments in electronics materials, electronics packaging, and flat panel displays. He is the author of numerous papers, patents, and lectures in plasma processing and process control. He is a recipient of the American Vacuum Society's Peter Mark Memorial Award and Plasma Science and Technology Division Prize, the Gaseous Electronics Conference Foundation Lecturer, the Dry Process Symposium Nishizawa Award, and the Tegal Thinker Award. He is a fellow of the American Physical and American Vacuum Societies, has served on numerous editorial boards of refereed technical publications and program committees for major conferences in plasma science and engineering, and was vice-chair of a National Research Council study on plasma science in the 1980s. In 2016, Dr. Gottscho was elected to the U.S. National Academy of Engineering. Dr. Gottscho earned Ph.D. and B.S. degrees in physical chemistry from the Massachusetts Institute of Technology and Pennsylvania State University, respectively.

Kevin D. Jennings is our senior vice president, global operations, a position he has held since February 2018 in which he is responsible for worldwide manufacturing, supply chain, logistics, and facilities. Prior to that time, he had been group vice president, global operations beginning in June 2013; and vice president, strategic development, beginning in June 2012. Prior to our acquisition of Novellus in June 2012, he held a variety of executive roles covering engineering, business development, marketing, product line general management, and operations at Novellus. Mr. Jennings has over 30 years of experience in the semiconductor capital equipment industry that includes KLA-Tencor and began in 1986 at Applied Materials. He earned an M.B.A. from Pepperdine University and an undergraduate degree in electrical engineering technology from DeVry University.

Patrick J. Lord is our senior vice president and general manager of the Customer Support Business Group, a position he has held since December 2016. Previously, 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 executive 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 Corporation ("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.

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.

Sarah A. O'Dowd is our senior vice president, chief legal officer and secretary. She joined us in September 2008 as group vice president and chief legal officer, responsible for general legal matters, intellectual property and ethics, and compliance. In addition to her Legal function, in April 2009 she was appointed vice president of Human Resources and served in this dual capacity through May 2012. Prior to joining us, she was vice president and general counsel for FibroGen, Inc., from February 2007 until September 2008. Until February 2007, Ms. O'Dowd was a shareholder in the law firm of Heller Ehrman LLP for more than 20 years, practicing in the areas of corporate securities, governance, and mergers and acquisitions for a variety of clients, principally publicly traded high-technology companies. She served in a variety of leadership and management roles at Heller Ehrman, including managing partner of the Silicon Valley and San Diego offices, member of the firm's Policy Committee, and, as head of the firm's business practice groups, a member of the firm's Executive Committee. Ms. O'Dowd earned her J.D. and M.A. degrees in communications from Stanford Law School and Stanford University, respectively, and her B.A. degree in mathematics from Immaculata College.

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 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 ("2018 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. 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, nor should be attached, to the order in which the risk factors appear.

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

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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.

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 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 business or economic 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.

Our Quarterly Revenues and Operating Results Are Variable

Our revenues and operating results may fluctuate significantly from quarter to quarter 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. 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;
- 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, 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, and natural or man-made disasters;
- legal, tax, accounting, or regulatory changes (including but not limited to change in import/export regulations and tariffs) or changes in the interpretation or enforcement of existing requirements;
- changes in our estimated effective tax rate;
- foreign currency exchange rate fluctuations; and
- the dilutive impact of our Convertible Notes (as defined below) and related warrants on our earnings per share.

We May Incur Impairments to Goodwill or Long-lived Assets

We review our long-lived assets, including goodwill and intangible assets identified in business combinations and other intangible assets, for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. 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. If, in any period, our stock price decreases to the point where our fair value, as determined by our market capitalization, is less than the book value of our assets, this could also indicate a potential impairment, and we may be required to record an impairment charge in that period, which could adversely affect our result 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 to goodwill in one or more of our business units, 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 and Potential Note Conversion or Related Hedging Activities May Adversely Affect Our Financial Condition, Results of Operations, and Earnings per Share

We have $2.5 billion in aggregate principal amount of senior unsecured notes, convertible notes, and commercial paper instruments outstanding. Additionally, we have funding available to us under our $1.25 billion commercial paper program and our $1.25 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 million, for a potential total commitment of $1.85 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.

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Our indebtedness could have adverse consequences, including:

- 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
- impairing 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.

Conversion of our Convertible Notes and the exercise of the related warrants may cause dilution to our stockholders and to our earnings per share. The number of shares of our Common Stock into which the Convertible Notes are convertible and for which related warrants are exercisable for may be adjusted from time to time, including increases in such rates as a result of dividends that we pay to our stockholders. Upon conversion of any Convertible Notes, we will deliver cash in the amount of the principal amount of the Convertible Notes and, with respect to any excess conversion value greater than the principal amount of the Convertible Notes, shares of our Common Stock, which would result in dilution to our stockholders. This dilution may not be completely mitigated by the hedging transactions we entered into in connection with the sale of certain Convertible Notes or through share repurchases. Prior to the maturity of the Convertible Notes, if the price of our Common Stock exceeds the conversion price, U.S. generally accepted accounting principles require that we report an increase in diluted share count, which would result in lower reported earnings per share. The price of our Common Stock could also be affected by sales of our Common Stock by investors who view the Convertible Notes as a more attractive means of equity participation in our company and also by hedging activity that may develop involving our Common Stock by holders of the Convertible Notes.

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.

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 jointly developed 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 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 as we seek to invest 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 and intellectual property, 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.

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 $11 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,
- 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. 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

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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.

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.

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.

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 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.

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

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, terrorist activities, disruptions of our information technology resources, utility interruptions, 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.

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 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, 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. 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.

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

Non-U.S. sales, as reflected in Part 1 Item 1. Business of this 2018 Form 10-K, accounted for approximately 93%, 92%, and 92% of total revenue in fiscal years 2018, 2017, and 2016, 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:

- trade balance issues;
- tariffs and other barriers;
- developing customers and/or suppliers, whom 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;
- 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, 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.

There is inherent risk, based on the complex relationships among China, Japan, Korea, Taiwan, and the United States, that political and diplomatic influences might lead to trade disruptions. This would adversely affect our business with China, Japan, Korea, and/or Taiwan and perhaps the entire Asia Pacific region. A significant trade disruption in any area where we do business could have a materially adverse impact on our future revenue and profits. Tariffs, additional taxes or trade barriers may increase

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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. In addition, 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; 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. Certain international sales depend on our ability to obtain export licenses from the U.S. government. Our failure or inability to obtain such licenses could potentially limit our markets and impact our revenues. Many of the challenges noted above are applicable in China, which is a fast-developing market for the semiconductor equipment industry and therefore an area of anticipated growth for our business.

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 and Korean won. Currently, we hedge certain anticipated foreign currency cash flows, primarily anticipated revenues denominated in Japanese yen and expenses dominated in euro and Korean won. 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 that may require 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.

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, 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 our data due to viruses, malware, denial of service attacks, destructive or inadequate code, power failures, and physical damage to computers, hard drives, communication lines, and networking equipment.

We have experienced cyber 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 cyber threats or incidents in the future. If we were subject to a cyber 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 including intellectual property 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 or customers;
- 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 Company, customer, supplier, or other's assets or resources, and costs associated therewith;
- Diminution in the value of Lam's 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, those mitigation and protection systems cannot be guaranteed to be fail-safe and we may still suffer cyber-related incidents.

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

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region. We are subject to income taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. 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 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. In addition, the amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability.

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 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.

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, or enhance our technological capabilities. 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

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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.

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;
- 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;
- disruptions of relationships with key customers or suppliers; or
- dilutive impacts of our Convertible Notes and related warrants.

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 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.

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, 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 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 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.

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, and trade secret protection. Protecting our key proprietary technology helps us to 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 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 the intentional or unintentional actions or omissions of third parties, of ours, or even 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 do not enforce patents and other intellectual property rights as rigorously as the United States. 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 determine the jurisdictions in which to file patents at the time of filing, we may not have adequate protection in the future based on such previous decisions. Any of these circumstances could have a material adverse impact on our business.

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 bodies and/or regulatory agencies in the countries that we operate; (2) disagreements or disputes between national or regional regulatory agencies 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 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, conflict minerals or other social responsibility legislation, immigration or travel regulations, and antitrust regulations, 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 are unable to fully comply.

To maintain high standards of corporate governance and public disclosure, we intend to invest all reasonably necessary resources to comply with all 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, increased selling, general, and administrative expenses 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.

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 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 income tax laws or corporate laws; contractual restrictions,

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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 operating leases expiring in 2020 and 2021. The Villach facilities are held under capital 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, Japan, Korea, Southeast Asia, and Taiwan and lease or own manufacturing facilities located in Ohio and Korea. 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*

While we are not currently party to any legal proceedings that we believe are material, we are 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. We accrue 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. These accruals are reviewed at least quarterly and adjusted to reflect the effects of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our business, financial condition, and results of operations.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for the 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[SM] under the symbol "LRCX." As of August 9, 2018, we had 418 stockholders of record. We increased our quarterly dividend throughout the 2018 fiscal year from $0.45 per share to $1.10 per share. The table below sets forth the quarterly dividend declared as well as the high and low prices of our Common Stock as reported by the Nasdaq Stock Market, for the period indicated:

	2018		
	Dividend	Stock Price	
	Declared	High	Low
First quarter	$ 0.45	$ 178.18	$ 139.24
Second quarter	$ 0.50	$ 219.70	$ 167.52
Third quarter	$ 0.50	$ 234.88	$ 156.83
Fourth quarter	$ 1.10	$ 219.46	$ 170.51
	2017		
	Dividend	**Stock Price**	
	Declared	**High**	**Low**
First quarter	$ 0.30	$ 95.77	$ 79.15
Second quarter	$ 0.45	$ 108.60	$ 90.56
Third quarter	$ 0.45	$ 129.35	$ 105.30
Fourth quarter	$ 0.45	$ 167.05	$ 124.91

Repurchase of Company Shares

In March 2018, the board of directors authorized us to repurchase up to an additional $2.0 billion of Common Stock. The new authorization increases the share repurchase authorization granted in November 2017 to an aggregate of up to $4.0 billion of Common Stock, and supplements the remaining balances for 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. Repurchases will be funded using our cash and available credit facilities. This repurchase program has no termination date and may be suspended or discontinued at any time. As part of our share repurchase program, we may from time to time enter into structured share repurchase arrangements with financial institutions using general corporate funds.

Accelerated Share Repurchase Agreements Settled in the 2018 Fiscal Year

On May 9, 2018, we entered into two separate accelerated share repurchase agreements (collectively, the "May 2018 ASR") with two financial institutions to repurchase a total of $1.0 billion of Common Stock. We took an initial delivery of approximately 3,505,000 shares, which represented 70% of the prepayment amount divided by our closing stock price on May 9, 2018. The total number of shares received under the May 2018 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 these two transactions occurred on June 8, 2018 and June 11, 2018, respectively. Approximately 1,640,000 additional shares were received at final settlement, which resulted in a weighted-average price of approximately $194.35 for the transaction period.

On November 20, 2017, we entered into four separate accelerated share repurchase agreements (collectively, the "November 2017 ASR") with two financial institutions to repurchase a total of $1.0 billion of Common Stock. We took an initial delivery of 3,254,300 shares, which represented 70% of the prepayment amount divided by our closing stock price on November 20, 2017. The total number of shares received under the November 2017 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 two of the transactions occurred on February 1, 2018 and February 2, 2018, respectively. Approximately 1,019,000 additional shares were received at the February 2018 final settlement, which resulted in a weighted-average share price of approximately $189.03 for the transaction

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period. Final settlement for the remaining transactions occurred on April 24, 2018 and May 23, 2018, respectively. Approximately 984,000 additional shares were received at final settlement, which resulted in a weighted-average share price of approximately $191.55 for the transaction period.

On April 19, 2017, we entered into two separate accelerated share repurchase agreements (collectively, the “April 2017 ASR”) with two financial institutions to repurchase a total of $500 million of Common Stock. We took an initial delivery of approximately 2,570,000 shares, which represented 70% of the prepayment amount divided by our closing stock price on April 19, 2017. The total number of shares received under the April 2017 ASR was based upon the average daily volume weighted average price of our Common Stock during the repurchase period, less an agreed upon discount. The April 2017 ASR settled on June 30, 2017. Approximately 780,000 shares were received at final settlement, which resulted in a weighted-average share price of approximately $149.16 for the transaction period.

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

Period	Total Number of Shares Repurchased (1)	Average Price Paid per Share (2)	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 25, 2017				$ 282,141
Quarter ended September 24, 2017	1,790	$ 158.40	1,779	124,203
Board authorization, $2.0 billion increase, November 2017				2,124,203
Quarter ended December 24, 2017	3,806	$ 194.99	3,709	1,034,459
Board authorization, $2.0 billion increase, March 2018				3,034,459
Quarter ended March 25, 2018	1,470	$ 180.03	1,019	3,034,459
March 26, 2018 - April 22, 2018	1,151	$ 193.37	1,144	3,003,614
April 23, 2018 - May 20, 2018	4,923	$ 190.88	4,917	1,733,638
May 21, 2018 - June 24, 2018	1,646	$ 184.37	1,641	1,733,638
Total	14,786	$ 181.16	14,209	$ 1,733,638

(1) In addition to shares repurchased under the Board-authorized repurchase program, we acquired 577 thousand shares at a total cost of $104.9 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 through these net share settlements are not a part of the Board-authorized repurchase program, but instead are authorized under our equity compensation plans.

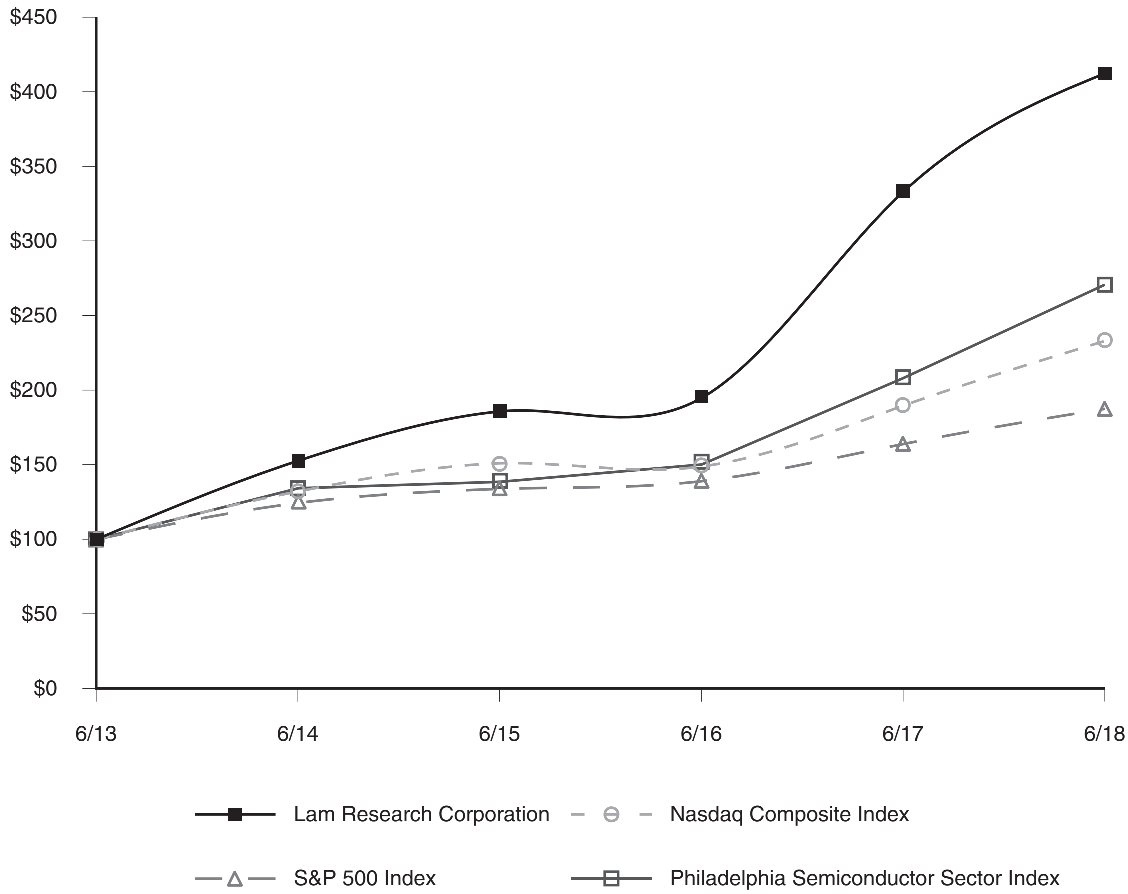
(2) Average price paid per share excludes effect of accelerated share repurchases, see additional disclosure above regarding our accelerated share repurchase activity during the fiscal year.

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 Nasdaq Composite index, the Standard & Poor's ("S&P") 500 index, and the Philadelphia Semiconductor Sector 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) from June 30, 2013, to June 30, 2018.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN*

Among Lam Research Corporation, the Nasdaq
Composite Index, the S&P 500 Index, and the
Philadelphia Semiconductor Index



*$100 invested on 6/30/2013 in stock or index, including reinvestment of dividends. Fiscal years ending June 30.

	6/13	6/14	6/15	6/16	6/17	6/18
Lam Research Corporation	100.00	152.83	185.93	195.17	333.05	412.46
Nasdaq Composite Index	100.00	132.45	151.00	148.88	189.66	233.12
S&P 500 Index	100.00	124.61	133.86	139.20	164.11	187.70
Philadelphia Semiconductor Sector Index	100.00	134.53	138.83	150.22	208.31	271.06

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Item 6. *Selected Financial Data*

	Year Ended				
	June 24, 2018	June 25, 2017	June 26, 2016	June 28, 2015	June 29, 2014
	(in thousands, except per share data)				
OPERATIONS:					
Revenue	$ 11,076,998	$ 8,013,620	$ 5,885,893	$ 5,259,312	$ 4,607,309
Gross margin	5,165,032	3,603,359	2,618,922	2,284,336	2,007,481
Goodwill impairment (1)	—	—	—	79,444	—
Operating income	3,213,299	1,902,132	1,074,256	788,039	677,669
Net income	2,380,681	1,697,763	914,049	655,577	632,289
Net income per share:					
Basic	$ 14.73	$ 10.47	$ 5.75	$ 4.11	$ 3.84
Diluted	$ 13.17	$ 9.24	$ 5.22	$ 3.70	$ 3.62
Cash dividends declared per common share	$ 2.55	$ 1.65	$ 1.20	$ 0.84	$ 0.18
BALANCE SHEET:					
Working capital	$ 5,999,603	$ 6,192,383	$ 6,795,109	$ 3,639,488	$ 3,201,661
Total assets	12,479,478	12,122,765	12,264,315 (2)	9,358,904 (2)	7,986,998 (2)
Long-term obligations, less current portion	2,749,127	2,185,338	3,744,205 (2)	1,386,536 (2)	1,191,913 (2)
Current portion of long-term debt and capital leases	610,030	908,439	947,733 (2)	1,355,705 (2)	518,267

(1) Goodwill impairment analysis during fiscal year 2015 resulted in a non-cash impairment charge to our Clean reporting unit, extinguishing the goodwill ascribed to the reporting unit.
(2) Adjusted for effects of retrospective implementation of ASU 2015-3 in the first quarter of fiscal 2017.

	Three Months Ended (1)			
	June 24, 2018	March 25, 2018	December 24, 2017	September 24, 2017
	unaudited (in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2018:				
Revenue	$ 3,125,928	$ 2,892,115	$ 2,580,815	$ 2,478,140
Gross margin	1,479,408	1,330,714	1,205,567	1,149,343
Operating income	955,195	827,511	737,371	693,222
Net income (loss)	1,021,146 (2)	778,800	(9,955) (2)	590,690
Net income (loss) per share				
Basic	$ 6.35	$ 4.80	$ (0.06) (2)	$ 3.64
Diluted	$ 5.82	$ 4.33	$ (0.06) (2)	$ 3.21
Number of shares used in per share calculations:				
Basic	160,916	162,378	161,135	162,141
Diluted	175,432	179,779	161,135	183,880

	Three Months Ended (1)			
	June 25, 2017	March 26, 2017	December 25, 2016	September 25, 2016
	unaudited (in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2017:				
Revenue	$ 2,344,907	$ 2,153,995	$ 1,882,299	$ 1,632,419
Gross margin	1,068,961	971,404	846,797	716,197
Operating income	607,939	538,418	439,828	315,947
Net income	526,424	574,713	332,791	263,835
Net income per share				
Basic	$ 3.25	$ 3.52	$ 2.05	$ 1.64
Diluted	$ 2.82	$ 3.10	$ 1.81	$ 1.47
Number of shares used in per share calculations:				
Basic	162,213	163,408	162,659	160,607
Diluted	186,427	185,094	183,543	180,017

(1) Our reporting period is a 52/53-week fiscal year. The fiscal years ended June 24, 2018, and June 25, 2017, included 52 weeks. All quarters presented above included 13 weeks.

(2) The comparability of our quarter ended December 24, 2017 was affected by a $757 million provisional charge associated with the December 2017 U.S. tax reform. During the quarter ended June 24, 2018, $116 million of this provisional charge was reversed.

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 2018 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 2018 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 2018 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 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 devices, storage devices, and networking equipment. Our vision is to realize full value from natural technology extensions of our company.

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Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make products such as NVM, DRAM memory, 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. 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) focus on delivering our multi-product solutions with a goal to enhance the value of Lam's solutions to our customers.

During the most recent fiscal year, demand for our products improved as semiconductor device manufacturers made technology and capacity investments. Over the longer term, we believe that our technology inflections in our industry, including 3D device scaling, multiple patterning process flow, and advanced packaging/chip integration will lead to an increase in our served addressable market for our products and services in deposition, etch, and clean. While there could be variability in the near-term, we believe that demand for our products and services will increase faster than overall spending on wafer fabrication equipment, as the proportion of customers' capital expenditures rises in these technology inflection areas, and we target to gain market share.

We acquired the outstanding shares of Coventor, Inc. ("Coventor"), a privately-held company, on August 28, 2017, as further discussed in Note 19 of our Consolidated Financial Statements contained in Part II, Item 8 of this 2018 Form 10-K. The results of the acquired business are included in our Consolidated Financial Statements.

The following summarizes certain key financial information for the periods indicated below:

	Year Ended			Change			
	June 24, 2018	June 25, 2017	June 26, 2016	FY18 vs. FY17		FY17 vs. FY16	
	(in thousands, except per share data and percentages)						
Revenue	$ 11,076,998	$ 8,013,620	$ 5,885,893	$ 3,063,378	38.2%	$ 2,127,727	36.1%
Gross margin	$ 5,165,032	$ 3,603,359	$ 2,618,922	$ 1,561,673	43.3%	$ 984,437	37.6%
Gross margin as a percent of total revenue	46.6%	45.0%	44.5%	1.6%		0.5%	
Total operating expenses	$ 1,951,733	$ 1,701,227	$ 1,544,666	$ 250,506	14.7%	$ 156,561	10.1%
Net income	$ 2,380,681	$ 1,697,763	$ 914,049	$ 682,918	40.2%	$ 783,714	85.7%
Net income per diluted share	$ 13.17	$ 9.24	$ 5.22	$ 3.93	42.5%	$ 4.02	77.0%

Revenues in fiscal year 2018 increased 38% compared to fiscal year 2017, and revenues in fiscal year 2017 increased 36% compared to fiscal year 2016, reflecting an increase in technology and capacity investments by our customers.

The increase in gross margin as a percentage of revenue for fiscal year 2018 compared to fiscal year 2017 was primarily due to favorable margin mix and higher revenue.

Fiscal year 2017 gross margin as a percentage of revenue compared to fiscal year 2016 improved primarily due to higher revenue and improved factory utilization resulting from higher production volume.

Operating expenses in fiscal year 2018 increased as compared to fiscal years 2017 and 2016 primarily as a result of higher employee headcount and increased investment in research and development.

Our cash and cash equivalents, investments, and restricted cash and investments balances totaled approximately $5.2 billion as of June 24, 2018, compared to $6.3 billion as of June 25, 2017. Cash flow provided from operating activities was $2.7 billion for fiscal year 2018 compared to $2.0 billion for fiscal year 2017. Cash flow provided from operating activities in fiscal 2018 was primarily used for $2.7 billion in treasury stock purchases, $396 million in net principal payments on debt, $308 million in dividends paid to our stockholders, and $273 million of capital expenditures and are partially offset by $85 million of treasury stock reissuance and Common Stock issuance resulting from our employee equity-based compensation programs.

Results of Operations

Shipments and Backlog

Shipments for fiscal year 2018 were approximately $11.2 billion, an increase of 30% compared to fiscal year 2017. Shipments for fiscal year 2017 were approximately $8.6 billion, an increase of 46% compared to fiscal year 2016. The increase in shipments during the fiscal year 2018 as compared to the last two fiscal years is related to stronger customer demand.

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Shipments (in millions)	$ 11,176	$ 8,586	$ 5,901
Korea	33%	32%	17%
Japan	19%	15%	16%
China	16%	13%	20%
Taiwan	13%	24%	25%
United States	7%	8%	8%
Southeast Asia	7%	4%	11%
Europe	5%	4%	3%

The percentage of total Lam semiconductor processing system shipments to each of the markets we serve were as follows for fiscal years 2018, 2017, and 2016.

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Memory	78%	67%	68%
Foundry	14%	27%	23%
Logic/integrated device manufacturing	8%	6%	9%

Our shipments to memory customers during the fiscal year 2018 increased primarily due to higher levels of investments from our DRAM and NAND customers. Our shipments to foundry customers decreased during the fiscal year 2018 primarily due to decreased investments in leading and trailing edge technology applications from our foundry customers.

Unshipped orders in backlog as of June 24, 2018, were approximately $2.0 billion, a slight decrease from approximately $2.1 billion as of June 25, 2017. Our unshipped orders backlog includes orders for systems, spares, and services. Please refer to “Backlog” in Part I, Item 1, “Business” of this 2018 Form 10-K for a description of our policies for adding to and adjusting backlog.

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Revenue

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Revenue (in millions)	$ 11,077	$ 8,014	$ 5,886
Korea	35%	31%	18%
Japan	17%	13%	17%
China	16%	13%	18%
Taiwan	13%	26%	25%
United States	7%	8%	8%
Southeast Asia	7%	5%	10%
Europe	5%	4%	4%

The revenue increases in fiscal year 2018 compared to the last two fiscal years and in fiscal year 2017 compared to fiscal year 2016, reflect an increase in technology and capacity investments by our customers. Our revenue levels are generally correlated to the amount of shipments and our installation and acceptance timelines. The overall Asia region continued to account for a majority of our revenues as a substantial amount of the worldwide capacity additions for semiconductor manufacturing continued to occur in this region.

Our deferred revenue balance was $994 million as of June 24, 2018, compared to $966 million as of June 25, 2017. As noted in Note 3 to our Consolidated Financial Statements in Part II, Item 8 of this 2018 Form 10-K, the adoption of accounting standard update 2014-09 is expected to result in a net decrease, estimated between $100 million and $200 million, to our total current liabilities balance, affecting our deferred revenue, deferred costs and resulting deferred profit recognition. Our deferred revenue balance does not include shipments to Japanese customers, to whom title does not transfer until customer acceptance. Shipments to Japanese customers are classified as inventory at cost until the time of customer acceptance. The anticipated future revenue value from shipments to Japanese customers was approximately $607 million as of June 24, 2018, compared to $397 million as of June 25, 2017.

Gross Margin

	Year Ended			Change			
	June 24, 2018	June 25, 2017	June 26, 2016	FY18 vs. FY17		FY17 vs. FY16	
	(in thousands, except percentages)						
Gross margin	$ 5,165,032	$ 3,603,359	$2,618,922	$ 1,561,673	43.3%	$ 984,437	37.6%
Percent of revenue	46.6%	45.0%	44.5%	1.6%		0.5%	

The increase in gross margin as a percentage of revenue for fiscal year 2018 compared to fiscal year 2017 was primarily due to favorable margin mix and higher revenue.

The increase in gross margin as a percentage of revenue for fiscal year 2017 compared to fiscal year 2016 was primarily due to higher revenue and improved factory utilization resulting from higher production volume.

Research and Development

	Year Ended			Change			
	June 24, 2018	June 25, 2017	June 26, 2016	FY18 vs. FY17		FY17 vs. FY16	
	(in thousands, except percentages)						
Research & development	$ 1,189,514	$ 1,033,742	$ 913,712	$ 155,772	15.1%	$ 120,030	13.1%
Percent of revenue	10.7%	12.9%	15.5%	(2.2)%		(2.6)%	

We continued to make significant R&D investments focused on leading-edge deposition, etch, clean, and other semiconductor manufacturing requirements. The increase in R&D expense during fiscal year 2018 compared to fiscal year 2017 was primarily due to an $88 million increase in employee compensation and benefits related to increased headcount, a $24 million increase in supplies, and a $23 million increase in outside services and miscellaneous expenses.

The increase in R&D expense during fiscal year 2017 compared to fiscal year 2016 was primarily due to an $80 million increase in employee compensation and benefits related to increased headcount, a $20 million increase in depreciation and lab maintenance, a $9 million increase in outside services, and a $7 million increase in supplies.

Selling, General, and Administrative

	Year Ended			Change			
	June 24, 2018	June 25, 2017	June 26, 2016	FY18 vs. FY17		FY17 vs. FY16	
	(in thousands, except percentages)						
Selling, general, and administrative	$ 762,219	$ 667,485	$ 630,954	$ 94,734	14.2%	$ 36,531	5.8%
Percent of revenue	6.9%	8.3%	10.7%	(1.4)%		(2.4)%	

The increase in selling, general, and administrative ("SG&A") expense during fiscal year 2018 compared to fiscal year 2017 was primarily due to a $44 million increase in employee compensation and benefits from increased headcount, a $28 million increase in outside services, and a $15 million increase in rent, utilities and repairs.

The increase in SG&A expense during fiscal year 2017 compared to fiscal year 2016 was primarily due to a $36 million increase in employee compensation and benefits from increased headcount, a $15 million gain from sale of assets in fiscal year 2016, and a $14 million increase in outside services, offset by a $41 million decrease in acquisition-related costs associated with the terminated agreement with KLA-Tencor.

Other Expense, Net

Other expense, net, consisted of the following:

	Year Ended			Change			
	June 24, 2018	June 25, 2017	June 26, 2016	FY18 vs. FY17		FY17 vs. FY16	
	(in thousands)						
Interest income	$ 85,813	$ 57,858	$ 29,512	$ 27,955	48.3%	$ 28,346	96.0%
Interest expense	(97,387)	(117,734)	(134,773)	$ 20,347	(17.3)%	$ 17,039	(12.7)%
Gains (losses) on deferred compensation plan related assets, net	14,692	17,880	(3,995)	$ (3,188)	(17.8)%	$ 21,875	(547.6)%
Loss on impairment of investments	(42,456)	—	—	$ (42,456)	100.0%	$ —	—%
Gains (losses) on extinguishment of debt, net	542	(36,252)	—	$ 36,794	(101.5)%	$ (36,252)	(100.0)%
Foreign exchange (losses) gains, net	(3,382)	(569)	308	$ (2,813)	494.4%	$ (877)	(284.7)%
Other, net	(19,332)	(11,642)	(5,191)	$ (7,690)	66.1%	$ (6,451)	125.7%
	$ (61,510)	$ (90,459)	$ (114,139)	$ 28,949	(32.0)%	$ 23,680	(20.7)%

Interest income increased in fiscal year 2018 compared to fiscal years 2017 and 2016 primarily as a result of higher yield.

The decrease in interest expense during fiscal year 2018 compared to fiscal year 2017 was primarily due to the conversions of 2018 and 2041 Convertible Notes as well as the retirement of the 2018 Convertible Notes in May 2018. The decrease in interest expense during fiscal year 2017 compared to fiscal year 2016 was primarily due to the retirement of the 2016 Convertible Notes.

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The gain on deferred compensation plan related assets, in fiscal years 2018 and 2017, compared to a loss in fiscal year 2016 was driven by an improvement in the fair market value of the underlying funds.

The loss on impairment of investments during fiscal year 2018 is the result of a decision to sell selected investments held in foreign jurisdictions in connection with our cash repatriation strategy following the December 2017 U.S. tax reform.

Loss on extinguishment of debt during fiscal year 2017 related to the special mandatory redemption of certain senior notes issued, as well as the termination of the Amended and Restated Term Loan Agreement following the termination of the Agreement and Plan of Merger and Reorganization with KLA-Tencor.

Income Tax Expense

As discussed in Note 6, “Income Taxes,” to our Consolidated Financial Statements in Part II, Item 8 of this 2018 Form 10-K, the “Tax Cuts & Jobs Act” (hereafter referred to as “U.S. tax reform”) was signed into law on December 22, 2017 and was effective starting in our quarter ended December 24, 2017. U.S. tax reform reduces the U.S. federal statutory tax rate from 35% to 21%, mandates payment of a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign sourced earnings. The impact on income taxes due to a change in legislation is required under the authoritative guidance of Accounting Standards Codification (“ASC”) 740, Income Taxes, to be recognized in the period in which the law is enacted. In conjunction, the SEC issued Staff Accounting Bulletin (“SAB”) 118, which allows for the recording of provisional amounts related to U.S. tax reform and subsequent adjustments related to U.S. tax reform during an up to one-year measurement period that is similar to the measurement period used when accounting for business combinations. As such, there is significant activity in the fiscal year ended June 24, 2018, which reflects the change in legislation. Most of that activity has provisionally been recorded in our Consolidated Financial Statements in the period ended June 24, 2018, as we have not yet completed all of the accounting for the tax effects of enactment. We recorded what we believe to be a reasonable estimate and the provisional activity is subject to further adjustments under SAB 118, with the exception of revaluation of our deferred tax balances to reflect the new U.S. federal statutory tax rate, which is considered final and complete under SAB 118. In addition, for significant items for which we could not make a reasonable estimate, no provisional activity was recorded. We will continue to refine the provisional balances and adjustments may be made under SAB 118 during the measurement period as a result of future changes in interpretation, information available, assumptions made by the Company and/or issuance of additional guidance; these adjustments could be material.

The below discussion around the provision for income taxes and effective tax rate are significantly impacted by U.S. tax reform.

Our provision for income taxes and effective tax rate for the periods indicated were as follows:

	Year Ended			Change			
	June 24, 2018	June 25, 2017	June 26, 2016	FY18 vs. FY17		FY17 vs. FY16	
	(in thousands, except percentages)						
Income tax expense	$ 771,108	$ 113,910	$ 46,068	$ 657,198	576.9%	$ 67,842	147.3%
Effective tax rate	24.5%	6.3%	4.8%	18.2%		1.5%	

The increase in the effective tax rate in fiscal year 2018 as compared to fiscal year 2017 was primarily due to the impact of U.S. tax reform and its mandated one-time transition tax on accumulated unrepatriated foreign earnings.

The increase in the effective tax rate in fiscal year 2017 as compared to fiscal year 2016 was primarily due to the change in the mix of income offset by the recognition of previously unrecognized tax benefits.

In July 2015, the U.S. Tax Court issued an opinion favorable to Altera Corporation (“Altera”) with respect to Altera’s litigation with the Internal Revenue Service (“IRS”). The litigation related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement with Altera’s foreign subsidiary. In its opinion, the U.S. Tax Court accepted Altera’s position of excluding stock-based compensation from its intercompany cost-sharing arrangement. In July 2018, the U.S. Court of Appeals for the Ninth Circuit reversed the 2015 decision of the U.S. Tax Court. In August 2018, the opinion made by the U.S. Court of Appeals for the Ninth Circuit was withdrawn to allow time for a reconstituted panel to confer on the appeal. We are currently evaluating the impact, if any, of these subsequent events on our fiscal year 2019 Consolidated Financial Statements. We are unable to estimate the impact at this time.

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 at rates that are generally lower than in the United States. Additionally, the impact of U.S. tax reform is being evaluated for how it will affect future years' tax expense due to tax reform provisions that we will be subject to beginning in fiscal year 2019. Tax reform provisions being evaluated impacting future years include "Global Intangible Low-Taxed Income" ("GILTI") and other provisions. Please refer to Note 6 of our Consolidated Financial Statements in Part II, Item 8 of this 2018 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 $437 million and $546 million at the end of fiscal years 2018 and 2017, respectively. These gross deferred tax assets were offset by gross deferred tax liabilities of $169 million and $585 million at the end of fiscal years 2018 and 2017, respectively, and a valuation allowance of $200 million and $114 million at the end of fiscal years 2018 and 2017, respectively. The change in the gross deferred tax assets, gross deferred tax liabilities, and valuation allowance between fiscal year 2018 and 2017 is primarily due to deferred revaluation to reflect the new U.S. statutory tax rate and decreases related to allowances and reserves, prepaid cost sharing, and unremitted earnings of foreign subsidiaries.

As of our fiscal year ended June 24, 2018, we continue to record a valuation allowance to offset the entire California deferred tax asset balance due to the single sales factor apportionment election resulting in lower taxable income in California. The valuation allowances were $200 million and $114 million at the end of fiscal years 2018 and 2017, 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 multiple-element arrangements, which impacts revenue;
- the valuation of inventory, which impacts gross margin;
- the valuation of warranty reserves, which impacts gross margin;
- the valuation of equity-based compensation expense, including forfeiture estimates, which impacts both gross margin and operating expenses;
- 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,

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“Summary of Significant Accounting Policies,” of our Consolidated Financial Statements in Part II, Item 8 of this 2018 Form 10-K for additional information regarding our accounting policies.

Revenue Recognition: We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred and title has passed or services have been rendered, the selling price is fixed or determinable, collection of the receivable is reasonably assured, and we have received customer acceptance or are otherwise released from our customer acceptance obligations. If terms of the sale provide for a lapsing customer acceptance period, we recognize revenue upon the expiration of the lapsing acceptance period or customer acceptance, whichever occurs first. If the practices of a customer do not provide for a written acceptance or the terms of sale do not include a lapsing acceptance provision, we recognize revenue when it can be reliably demonstrated that the delivered system meets all of the agreed-to customer specifications. In situations with multiple deliverables, we recognize revenue upon the delivery of the separate elements to the customer and when we receive customer acceptance or are otherwise released from our customer acceptance obligations. We allocate revenue from multiple-element arrangements among the separate elements using their relative selling prices, based on our best estimate of selling price. Our sales arrangements do not include a general right of return. The maximum revenue recognized on a delivered element is limited to the amount that is not contingent upon the delivery of additional items. We generally recognize revenue related to sales of spare parts and system upgrade kits upon shipment. We generally recognize revenue related to services upon completion of the services requested by a customer order. We recognize revenue for extended maintenance service contracts with a fixed payment amount on a straight-line basis over the term of the contract. When goods or services have been delivered to the customer, but all conditions for revenue recognition have not been met, deferred revenue and deferred costs are recorded in deferred profit on our Consolidated Balance Sheet.

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 we make the revision.

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.

Equity-based Compensation: Employee Stock Plans: We determine the fair value of our restricted stock units (“RSUs”), excluding market-based performance RSUs, based upon the fair market value of our Common Stock at the date of grant, discounted for dividends. We estimate the fair value of our market-based performance RSUs using a Monte Carlo simulation model at the date of the grant. We amortize the fair value of equity-based awards over the vesting periods of the award and we have elected to use the straight-line method of amortization. We estimate expected equity award forfeitures based on historical forfeiture rate activity and expected future employee turnover. We recognize the effect of adjustments made to the forfeiture rate, if any in the period that we change the forfeiture estimate.

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 determined 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 was made. Likewise, if we later determined that it is more likely than not that the deferred tax assets will be realized, then the previously provided valuation allowance would 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 unrecognized tax benefits as a component of income tax expense.

Long-lived Assets: We review goodwill at least annually for impairment. If certain events or indicators of impairment occur between annual impairment tests, we will perform an impairment test at that date. In testing for a potential impairment of goodwill, we: (1) allocate goodwill to the reporting units to which the acquired goodwill relates; (2) estimate the fair value of our reporting units;

and (3) determine the carrying value (book value) of those reporting units. Prior to this allocation of the assets to the reporting units, we assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, we must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process R&D and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined. In our goodwill impairment process we first assess qualitative factors to determine whether it is necessary to perform a quantitative analysis. We do not calculate the fair value of a reporting unit unless we determine, based on a qualitative assessment, that it is more likely than not that the reporting unit's fair value is less than its carrying amount.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. 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.

As a result, several factors could result in an impairment of a material amount of our goodwill balance in future periods, including but not limited to: (1) weakening of the global economy, weakness in the semiconductor equipment industry, or our failure to reach internal forecasts, which could impact our ability to achieve our forecasted levels of cash flows and reduce the estimated discounted cash flow value of our reporting units; and (2) a decline in our Common Stock price and resulting market capitalization, to the extent we determine that the decline is sustained and indicates a reduction in the fair value of our reporting units below their carrying value. Further, the value assigned to intangible assets, other than goodwill, is based on estimates and judgments regarding expectations such as the success and lifecycle of products and technology acquired. If actual product acceptance differs significantly from the estimates, we may be required to record an impairment charge to write down the asset to its realizable value.

For other long-lived assets, we routinely consider whether indicators of impairment are present. 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 are 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.

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 2018 Form 10-K.

Liquidity and Capital Resources

Total gross cash, cash equivalents, investments, and restricted cash and investments balances were $5.2 billion at the end of fiscal year 2018 compared to $6.3 billion at the end of fiscal year 2017. This decrease was primarily due to Common Stock repurchases in connection with our stock repurchase program. Approximately $4.1 billion and $4.8 billion of our total cash and investments as of June 24, 2018, and June 25, 2017, respectively, was held outside the United States in our foreign subsidiaries, the majority of which was held in U.S. dollars. U.S. taxes have already been provided for due to U.S. tax reform as discussed in Note 6 of our Consolidated Financial Statements, included in Part II, Item 8 of this 2018 Form 10-K.

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Cash Flow from Operating Activities

Net cash provided by operating activities of $2.7 billion during fiscal year 2018 consisted of (in millions):

Net income	$ 2,381
Non-cash charges:	
Depreciation and amortization	326
Equity-based compensation expense	172
Deferred income taxes	3
Impairment of investments	42
Amortization of note discounts and issuance costs	14
Changes in operating asset and liability accounts	(317)
Other	35
	$ 2,656

Significant changes in operating asset and liability accounts, net of foreign exchange impact, included the following uses of cash: increases in inventories of $701 million, accounts receivable of $502 million, and prepaid expenses and other assets of $14 million, partially offset by the following sources of cash: increases in accrued expenses and other liabilities of $752 million, deferred profit of $112 million, and accounts payable of $36 million.

Cash Flow from Investing Activities

Net cash provided by investing activities during fiscal year 2018 was $2.7 billion, primarily consisting of net sale and maturities of available-for-sale securities of $3.2 billion, partially offset by capital expenditures of $273 million and business acquisitions of $116 million.

Cash Flow from Financing Activities

Net cash used by financing activities during fiscal year 2018 was $3.3 billion, primarily consisting of $2.7 billion in Common Stock repurchases, $756 million of cash paid for debt extinguishment, and $308 million of dividends paid, partially offset by $360 million of net proceeds from issuance of commercial paper, and $85 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 24, 2018, 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, given the possibility of changes in market conditions or other occurrences, there can be no assurance that such funding will be available in needed quantities or on terms favorable to us.

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 which is outlined in the following table. Our off-balance sheet arrangements are presented as operating leases and purchase obligations in the table. Our contractual obligations and commitments as of June 24, 2018, 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 $280 million of liabilities related to uncertain tax benefits as we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 6 of our Consolidated Financial Statements in Part II, Item 8 of this 2018 Form 10-K for further discussion. The amounts in the table below also exclude $14 million associated with funding commitments related to non-marketable equity investments as we are unable to make a reasonable estimate regarding the timing of capital calls.

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(in thousands)		
Operating leases	$ 74,343	$ 22,117	$ 32,635	$ 8,556	$ 11,035
Capital leases	64,116	3,948	9,345	13,116	37,707
Purchase obligations	372,226	353,295	12,317	6,452	162
Long-term debt and interest expense (1)	2,513,556	61,736	1,404,664	51,173	995,983
One-time transition tax on accumulated unrepatriated foreign earnings (2)	882,995	70,640	141,279	141,279	529,797
Other long-term liabilities (3)	90,629	5,280	12,898	6,104	66,347
Total	$ 3,997,865	$ 517,016	$ 1,613,138	$ 226,680	$ 1,641,031

(1) The conversion period for the 2.625% Convertible Senior Notes due May 2041 (the “2041 Notes”) was open as of June 24, 2018, and as such the net carrying value of the 2041 Notes is included within current liabilities on our Consolidated Balance Sheet. The principal balances of the 2041 Notes are reflected in the payment period in the table above based on the contractual maturity assuming no conversion. See Note 13 of our Consolidated Financial Statements in Part II, Item 8 of this 2018 Form 10-K for additional information concerning the 2041 Notes and associated conversion features.
(2) Value represented is provisional in nature and subject to future measurement period adjustments under SAB 118. We may choose to apply existing tax credits, thereby reducing the actual cash payment.
(3) 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.

Operating Leases

We lease most of our administrative, R&D, and manufacturing facilities; regional sales/service offices; and certain equipment under non-cancelable operating leases. Certain of our facility leases for buildings located in Fremont and Livermore, 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. 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 $250 million. See Note 15 to our Consolidated Financial Statements in Part II, Item 8 of this 2018 Form 10-K for further discussion.

Capital Leases

Capital leases reflect building and office equipment lease obligations. The amounts in the table above include the interest portion of payment obligations.

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 24, 2018, 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.

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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. This value is identified as provisional in our Consolidated Financial Statements for the period ended June 24, 2018, and is subject to future measurement period adjustments under SAB 118. Such an adjustment was made during the June 2018 quarter, incorporating new information into the estimate; we may make further adjustments as new information is made available. The revised estimate is now $883 million. The one-time transition tax may be elected to be paid over a period of eight years. The Company intends to make this election, and anticipates 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

In May 2011, we issued and sold $450 million in aggregate principal amount of 1.25% Convertible Senior Notes due May 2018 (the “2018 Notes”) at par. The 2018 Notes matured in May 2018. Concurrent with the issuance of the 2018 Notes, we purchased convertible note hedges and sold warrants, which were structured to reduce the potential future economic dilution associated with the conversion of the 2018 Notes.

During the twelve months ended June 24, 2018 we paid approximately $448 million in settlement of the 2018 Notes. We did not issue any shares of our Common Stock in respect of the 2018 Notes on a net basis as a result of our exercise of the convertible note hedge we purchased concurrently with the issuance of the 2018 Notes. The maturity of the 2018 Notes did not affect the warrants sold concurrent with the issuance of the 2018 Notes and those warrants remain outstanding, with contractual expirations ranging from August 15 to October 24, 2018.

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. We pay cash interest on the 2041 Notes at an annual rate of 2.625%, on a semi-annual basis. The 2041 Notes may be converted, under certain circumstances, into our Common Stock.

During the quarter-ended June 24, 2018, the market value of our Common Stock was greater than or equal to 130% of the 2041 Notes conversion prices for 20 or more trading days of the 30 consecutive trading days preceding the quarter end. As a result, the 2041 Notes are convertible at the option of the holder and are classified as current liabilities in our Consolidated Balance Sheets for fiscal year 2018.

On March 12, 2015, we completed a public offering of $500 million aggregate principal amount of Senior Notes due March 15, 2020 (the “2020 Notes”) and $500 million aggregate principal amount of Senior Notes due March 15, 2025 (the “2025 Notes”). We pay interest at an annual rate of 2.75% and 3.80%, respectively, on the 2020 Notes and 2025 Notes, on a semi-annual basis on March 15 and September 15 of each year.

We may redeem the 2020 Notes and 2025 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 2020 Notes and 2025 Notes and accrued and unpaid interest before February 15, 2020, for the 2020 Notes and before December 15, 2024, for the 2025 Notes. We may redeem the 2020 Notes and 2025 Notes at par, plus accrued and unpaid interest, at any time on or after February 15, 2020, for the 2020 Notes and on or after December 24, 2024, for the 2025 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 2020 Notes and 2025 Notes at a price equal to 101% of the principal amount of the respective note, plus accrued and unpaid interest.

On June 7, 2016, we completed a public offering of $800.0 million aggregate principal amount of Senior Notes due June 15, 2021, (the “2021 Notes”), together with the 2020 Notes, and 2021 Notes, the “Senior Notes”, and collectively with the Convertible Notes, the “Notes”). We pay interest at an annual rate of 2.80% on the 2021 Notes on a semi-annual basis on June 15 and December 15 of each year.

We may redeem the 2021 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 respective indenture, and accrued and unpaid interest before May 15, 2021. We may redeem the 2021 Notes at par, plus accrued and unpaid interest at any time on or after May 15, 2021. In addition, upon the occurrence of certain events, as described in the indenture, we will be required to make an offer to repurchase the 2021 Notes, at a price equal to 101% of the principal amount of the respective note, plus accrued and unpaid interest.

During fiscal year 2018, 2017, and 2016, we made $753 million, $1.7 billion, and $451 million, respectively, in principal payments on long-term debt and capital leases.

Revolving Credit Arrangements

On October 13, 2017, we entered into Amendment No. 2 to Amended and Restated Credit Agreement (the “2nd Amendment”), among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, which amends the Company’s Amended and Restated Credit Agreement dated as of November 10, 2015, by and among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, Amendment No. 1 to Amended and Restated Credit Agreement, dated as of April 26, 2016, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as further amended by the 2nd Amendment, the “Amended Credit Agreement”).

Among other things, the Amended Credit Agreement provides for a $500 million increase to the Company’s revolving credit facility, from $750 million under the Credit Agreement to $1.25 billion under the Amended Credit Agreement. The Amended Credit Agreement also modifies the date of maturity of the revolving credit facility from November 10, 2020 to October 13, 2022. The Amended Credit Agreement provides 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 $1.85 billion. Other than as disclosed in this paragraph, the material terms of the Amended Credit Agreement are substantially the same as the Credit Agreement.

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 0.0% to 0.5%, or (2) LIBOR multiplied by the statutory reserve rate, plus a spread of 0.9% to 1.5%, in each case as the applicable spread is determined based on the rating of our non-credit enhanced, senior unsecured long-term debt. 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 Amended Credit Agreement contains affirmative covenants, negative covenants, financial covenants, and events of default. As of June 24, 2018, we had no borrowings outstanding under the Amended 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. The net proceeds from the CP Program will be used for general corporate purposes, including repurchases of our Common Stock from time to time and 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.

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 24, 2018, 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 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 24, 2018, the maximum potential amount of future payments that we could be required to make under these arrangements and letters of credit was $22 million. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid.

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Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 24, 2018, 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 income (expense)” 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 to maintain a conservative 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. The hypothetical fair values as of June 24, 2018, were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 24, 2018	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)			
Municipal notes and bonds	$ 153,974	$ 153,365	$ 152,750	$ 152,136	$ 151,521	$ 150,906	$ 150,292
U.S. Treasury and agencies	357,056	356,874	356,692	356,509	356,327	356,145	355,963
Government-sponsored enterprises	111,104	110,990	110,876	110,762	110,648	110,534	110,420
Foreign government bonds	19,999	19,995	19,990	19,985	19,981	19,976	19,971
Bank and corporate notes	518,765	517,798	516,832	515,866	514,899	513,933	512,967
Mortgage backed securities - residential	849	833	817	801	785	770	754
Total	$ 1,161,747	$ 1,159,855	$ 1,157,957	$ 1,156,059	$ 1,154,161	$ 1,152,264	$ 1,150,367

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 24, 2018, we had $2.1 billion in principal amount of fixed-rate long-term debt outstanding, with a fair value of $3.5 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. Additionally, the fair value of the 2041 Notes will increase as our Common Stock price increases and decrease as our Common Stock price decreases. 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 24, 2018, were as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 24, 2018	Valuation of Securities Given an X% Increase in Stock Price		
	(25)%	(15)%	(10)%	—%	10%	15%	25%
				(in thousands)			
Mutual funds	$ 51,707	$ 58,601	$ 62,048	$ 68,942	$ 75,836	$ 79,283	$ 86,178

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 primarily related to revenues denominated in Japanese yen and euro-denominated and Korean won-denominated expenses.

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, primarily on revenues denominated in Japanese yen and expenses denominated in euro and Korean won.

To protect against adverse movements in value of anticipated revenues denominated in Japanese yen and expenses denominated in euro and Korean won, 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 Japanese yen 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 income (expense), net, and offsets the change in fair value of the foreign currency denominated monetary assets and liabilities also recorded in other income (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 24, 2018, 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 24, 2018	Valuation of FX Contracts Given an X% Increase (+)/Decrease(-) in Each	
				= +/- (10%)	= +/- (15%)
				(in millions)	
Forward contracts					
Sell	Japanese yen	$ 569.0	$ 1.1	$ 55.8	$ 83.7
Buy	Euro	102.6	(4.7)	10.7	17.0
Buy	Korean won	28.9	(0.6)	2.8	4.2
			$ (4.2)	$ 69.3	$ 104.9
Option Contracts (1)					
Buy put	Japanese yen	$ 9.0	$ 0.2	$ 0.7	$ 1.0
Sell call	Japanese yen	9.7	(0.1)	—	—
			$ 0.1	$ 0.7	$ 1.0

(1) The local currency notional amounts of these foreign currency option contracts are equal to each other.

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The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 24, 2018, 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 income (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 24, 2018	Valuation of FX Contracts Given an X% Increase (+)/Decrease(-) in Each = +/- (10%)	Valuation of FX Contracts Given an X% Increase (+)/Decrease(-) in Each = +/- (15%)
				(in millions)	
Forward contracts, balance sheet hedge					
Sell	Japanese yen	$ 267.4	$ 0.1	$ 26.7	$ 40.0
Sell	Korean won	99.4	—	9.9	14.9
Buy	Euro	45.3	—	14.9	16.6
Buy	Taiwan dollar	31.9	—	3.2	4.8
Buy	Singapore dollar	21.4	—	2.2	3.2
Buy	British pound	15.9	—	0.9	1.3
Buy	Swiss francs	14.9	—	1.5	2.2
Buy	Chinese renminbi	2.5	—	0.2	0.4
Buy	Indian rupee	3.2	—	0.3	0.5
			$ 0.1	$ 59.8	$ 83.9

Interest Rate Contracts

Interest rate risk is present with both fixed- and floating-rate debt. Interest rate swap agreements designated as fair value hedges are used to mitigate our exposure to changes in the fair value of fixed-rate debt resulting from fluctuations in benchmark interest rates. Accordingly, benchmark interest rate fluctuations impact the fair value of our fixed-rate debt, which are offset by corresponding changes in the fair value of the swap agreements. Interest rate swaps may also be used to adjust interest rate exposures when appropriate, based on market conditions, and for qualifying hedges, the interest differential of swaps is included in interest expense. During the fiscal year ended June 26, 2016, we entered into a series of interest rate contracts with a total notional value of $400 million where we received fixed rates and paid variable rates based on certain benchmark interest rates. Such interest rate swap arrangements were designated as fair value hedges of the fair value of the underlying debt instrument.

The following table shows the change in fair value of these fair value hedges, assuming a hypothetical benchmark interest rate movement of plus or minus 10 BPS and plus or minus 15 BPS.

	Valuation of Fair Value Hedge Given an Interest Rate Decrease of X Basis Points		Fair Value as of June 24, 2018	Valuation of Fair Value Hedge Given an Interest Rate Increase of X Basis Points	
	10 BPS	15 BPS	—%	(10 BPS)	(15 BPS)
			(in millions)		
Interest Rate Contracts	$ 33.6	$ 34.8	$ 31.2	$ 28.8	$ 27.6

Interest rate risk is also present on anticipated issuances of debt. We manage our interest rate exposure on anticipated issuances of debt through forward-starting interest rate swap agreements. Forward-starting interest rate swap agreements designated as cash flow hedges are used to mitigate our exposure to changes in future interest payments that results from fluctuations in benchmark interest rates prior to the issuance of the debt. Accordingly, benchmark interest rate fluctuations impact the interest cash flows of the Company’s anticipated debt issuances, which are offset by corresponding changes in the fair value of the forward-starting interest rate swap agreements. During the fiscal year ended June 26, 2016, we entered into and settled a series of forward-starting interest rate swap agreements with a total notional value of $600 million, associated with our June 2016 debt offering. Such forward-starting interest rate swap agreements were designated as hedges of the cash flows associated with benchmark interest rates underlying future interest payments on the June 2016 debt issuances.

Item 8. *Financial Statements and Supplementary Data*

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LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Revenue	$ 11,076,998	$ 8,013,620	$ 5,885,893
Cost of goods sold	5,911,966	4,410,261	3,266,971
Gross margin	5,165,032	3,603,359	2,618,922
Research and development	1,189,514	1,033,742	913,712
Selling, general, and administrative	762,219	667,485	630,954
Total operating expenses	1,951,733	1,701,227	1,544,666
Operating income	3,213,299	1,902,132	1,074,256
Other expense, net	(61,510)	(90,459)	(114,139)
Income before income taxes	3,151,789	1,811,673	960,117
Income tax expense	(771,108)	(113,910)	(46,068)
Net income	$ 2,380,681	$ 1,697,763	$ 914,049
Net income per share:			
Basic	$ 14.73	$ 10.47	$ 5.75
Diluted	$ 13.17	$ 9.24	$ 5.22
Number of shares used in per share calculations:			
Basic	161,643	162,222	158,919
Diluted	180,782	183,770	175,159

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Net income	$ 2,380,681	$ 1,697,763	$ 914,049
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	9,649	(2,843)	(4,403)
Cash flow hedges:			
Net unrealized (losses) gains during the period	(6,960)	5,841	(17,725)
Net losses reclassified into earnings	3,729	8,971	4,961
	(3,231)	14,812	(12,764)
Available-for-sale investments:			
Net unrealized (losses) gains during the period	(45,382)	(3,789)	9,028
Net losses (gains) reclassified into earnings	43,086	(1)	(371)
	(2,296)	(3,790)	8,657
Defined benefit plans, net change in unrealized component	129	(546)	(3,027)
Other comprehensive income (loss), net of tax	4,251	7,633	(11,537)
Comprehensive income	$ 2,384,932	$ 1,705,396	$ 902,512

See Notes to Consolidated Financial Statements

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LAM RESEARCH CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	June 24, 2018	June 25, 2017
ASSETS:		
Cash and cash equivalents	$ 4,512,257	$ 2,377,534
Investments	437,338	3,663,628
Accounts receivable, less allowance for doubtful accounts of $5,343 as of June 24, 2018 and $5,103 as of June 25, 2017	2,176,936	1,673,398
Inventories	1,876,162	1,232,916
Prepaid expenses and other current assets	147,218	195,022
Total current assets	9,149,911	9,142,498
Property and equipment, net	902,547	685,595
Restricted cash and investments	256,301	256,205
Goodwill	1,484,904	1,385,673
Intangible assets, net	317,836	410,995
Other assets	367,979	241,799
Total assets	$ 12,479,478	$ 12,122,765
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Trade accounts payable	$ 510,983	$ 464,643
Accrued expenses and other current liabilities	1,309,209	969,361
Deferred profit	720,086	607,672
Commercial paper and current portion of convertible notes and capital leases	610,030	908,439
Total current liabilities	3,150,308	2,950,115
Senior notes, convertible notes, and capital leases, less current portion	1,806,562	1,784,974
Income taxes payable	851,936	120,178
Other long-term liabilities	90,629	280,186
Total liabilities	5,899,435	5,135,453
Commitments and contingencies		
Temporary equity, convertible notes	78,192	169,861
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; issued and outstanding 156,892 shares at June 24, 2018, and 161,723 shares at June 25, 2017	157	162
Additional paid-in capital	6,144,425	5,845,485
Treasury stock, at cost, 119,679 shares at June 24, 2018, and 105,569 shares at June 25, 2017	(7,846,476)	(5,216,187)
Accumulated other comprehensive loss	(57,449)	(61,700)
Retained earnings	8,261,194	6,249,691
Total stockholders' equity	6,501,851	6,817,451
Total liabilities and stockholders' equity	$ 12,479,478	$ 12,122,765

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 2,380,681	$ 1,697,763	$ 914,049
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	326,395	306,905	291,028
Deferred income taxes	3,046	104,936	(49,003)
Equity-based compensation expense	172,216	149,975	142,348
Income tax benefit (expense) on equity-based compensation plans	—	38,747	(1,023)
Excess tax (benefits) expense on equity-based compensation plans	—	(38,635)	1,020
Impairment of investments	42,456	—	—
(Gains) losses on extinguishment of debt, net	(542)	36,252	—
Amortization of note discounts and issuance costs	14,428	25,282	70,522
Gain on sale of assets	—	(163)	(15,223)
Other, net	34,260	19,052	48,788
Changes in operating asset and liability accounts:			
Accounts receivable, net of allowance	(501,628)	(411,287)	(169,034)
Inventories	(701,008)	(307,875)	(66,371)
Prepaid expenses and other assets	(14,391)	(27,269)	(46,664)
Trade accounts payable	35,655	126,819	41,645
Deferred profit	112,413	258,473	27,129
Accrued expenses and other liabilities	751,766	50,307	161,066
Net cash provided by operating activities	2,655,747	2,029,282	1,350,277
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(273,469)	(157,419)	(175,330)
Business acquisition, net of cash acquired	(115,697)	—	—
Purchases of available-for-sale securities	(2,532,829)	(4,581,851)	(874,998)
Proceeds from maturities of available-for-sale securities	650,255	891,002	642,505
Proceeds from sales of available-for-sale securities	5,035,460	1,806,963	1,031,321
Proceeds from sale of assets	—	1,291	79,730
Transfer of restricted cash and investments	(96)	(5,784)	(112,381)
Other, net	(15,184)	(12,815)	1,636
Net cash provided by (used for) investing activities	2,748,440	(2,058,613)	592,483

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	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations and payments for debt issuance costs	(755,694)	(1,688,313)	(451,497)
Net proceeds from issuance of long-term debt	—	—	2,338,144
Net proceeds from issuance of commercial paper	359,604	—	—
Proceeds from borrowings on revolving credit facility	750,000	—	—
Repayment of borrowings on revolving credit facility	(750,000)	—	—
Excess tax benefits (expense) on equity-based compensation plans	—	38,635	(1,020)
Treasury stock purchases	(2,653,249)	(811,672)	(158,389)
Dividends paid	(307,609)	(243,495)	(190,402)
Reissuances of treasury stock related to employee stock purchase plan	75,624	59,663	55,992
Proceeds from issuance of common stock	9,258	12,913	3,405
Other, net	9	(125)	(488)
Net cash (used for) provided by financing activities	$ (3,272,057)	$ (2,632,394)	$ 1,595,745
Effect of exchange rate changes on cash and cash equivalents	$ 2,593	$ (63)	$ (722)
Net increase (decrease) in cash and cash equivalents	2,134,723	(2,661,788)	3,537,783
Cash and cash equivalents at beginning of year	2,377,534	5,039,322	1,501,539
Cash and cash equivalents at end of year	$ 4,512,257	$ 2,377,534	$ 5,039,322
Schedule of non-cash transactions			
Accrued payables for stock repurchases	$ 116	$ —	$ —
Accrued payables for capital expenditures	24,001	17,285	27,953
Dividends payable	174,372	72,738	48,052
Transfers of finished goods inventory to property and equipment, net	57,886	46,855	37,822
Supplemental disclosures:			
Cash payments for interest	$ 84,401	$ 104,619	$ 58,810
Cash payments for income taxes, net	142,800	28,104	39,745

See Notes to Consolidated Financial Statements

LAM RESEARCH CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at June 28, 2015	158,531	$ 159	$ 5,366,773	$ (4,302,847)	$ (57,796)	$ 4,096,855	$ 5,103,144
Sale of common stock	2,863	2	3,403	—	—	—	3,405
Purchase of treasury stock	(2,130)	(2)	—	(155,132)	—	—	(155,134)
Income tax benefits on equity-based compensation plans	—	—	(1,023)	—	—	—	(1,023)
Reissuance of treasury stock	937	1	27,329	28,662	—	—	55,992
Equity-based compensation expense	—	—	142,348	—	—	—	142,348
Effect of conversion of convertible notes	—	—	(188)	—	—	—	(188)
Reclassification from temporary to permanent equity	—	—	34,256	—	—	—	34,256
Net income	—	—	—	—	—	914,049	914,049
Other comprehensive income	—	—	—	—	(11,537)	—	(11,537)
Cash dividends declared ($1.20 per common share)	—	—	—	—	—	(190,795)	(190,795)
Balance at June 26, 2016	160,201	160	5,572,898	(4,429,317)	(69,333)	4,820,109	5,894,517
Sale of common stock	2,661	3	12,910	—	—	—	12,913
Purchase of treasury stock	(5,322)	(5)	—	(811,667)	—	—	(811,672)
Income tax benefits on equity-based compensation plans	—	—	38,747	—	—	—	38,747
Reissuance of treasury stock	825	1	34,865	24,797	—	—	59,663
Equity-based compensation expense	—	—	149,975	—	—	—	149,975
Effect of conversion of convertible notes	1,388	1	(1,596)	—	—	—	(1,595)
Exercise of warrants	1,970	2	(5)	—	—	—	(3)
Reclassification from temporary to permanent equity	—	—	37,691	—	—	—	37,691
Net income	—	—	—	—	—	1,697,763	1,697,763
Other comprehensive income	—	—	—	—	7,633	—	7,633
Cash dividends declared ($1.65 per common share)	—	—	—	—	—	(268,181)	(268,181)
Balance at June 25, 2017	161,723	162	5,845,485	(5,216,187)	(61,700)	6,249,691	6,817,451
Sale of common stock	1,934	2	9,256	—	—	—	9,258
Purchase of treasury stock	(14,786)	(15)	—	(2,653,350)	—	—	(2,653,365)
Reissuance of treasury stock	677	1	52,562	23,061	—	—	75,624
Equity-based compensation expense	—	—	172,216	—	—	—	172,216
Effect of conversion of convertible notes	10,199	10	(26,776)	—	—	—	(26,766)
Effect of bond hedge, cash in lieu of shares	(2,855)	(3)	13	—	—	—	10
Reclassification from temporary to permanent equity	—	—	91,669	—	—	—	91,669
Adoption of ASU 2016-09	—	—	—	—	—	40,065	40,065
Net income	—	—	—	—	—	2,380,681	2,380,681
Other comprehensive income	—	—	—	—	4,251	—	4,251
Cash dividends declared ($2.55 per common share)	—	—	—	—	—	(409,243)	(409,243)
Balance at June 24, 2018	156,892	$ 157	$ 6,144,425	$ (7,846,476)	$ (57,449)	$ 8,261,194	$ 6,501,851

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 24, 2018

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 2018, 2017, and 2016 may not necessarily be indicative of future operating results.

Reclassification: Certain amounts for the fiscal years 2017 and 2016 Consolidated Statement of Cash Flows, and certain amounts within the 2017 footnotes have been reclassified to conform to the fiscal year 2018 presentation.

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 persuasive evidence of an arrangement exists, delivery has occurred and title has passed or services have been rendered, the selling price is fixed or determinable, collection of the receivable is reasonably assured, and the Company has received customer acceptance or is otherwise released from its customer acceptance obligations. If terms of the sale provide for a lapsing customer acceptance period, the Company recognizes revenue upon the expiration of the lapsing acceptance period or customer acceptance, whichever occurs first. If the practices of a customer do not provide for a written acceptance or the terms of sale do not include a lapsing acceptance provision, the Company recognizes revenue when it can be reliably demonstrated that the delivered system meets all of the agreed-to customer specifications. In situations with multiple deliverables, the Company recognizes revenue upon the delivery of the separate elements to the customer and when the Company receives customer acceptance or is otherwise released from its customer acceptance obligations. The Company allocates revenue from multiple-element arrangements among the separate elements using their relative selling prices based on the Company's best estimate of selling price. The Company's sales arrangements do not include a general right of return. The maximum revenue recognized on a delivered element is limited to the amount that is not contingent upon the delivery of additional items. The Company generally recognizes revenue related to sales of spare parts and system upgrade kits upon shipment. The Company generally recognizes revenue related to services upon completion of the services requested by a customer order. The Company recognizes revenue for extended maintenance service contracts with a fixed payment amount on a straight-line basis over the term of the contract. When goods or services have been delivered to the customer but all conditions for revenue recognition have not been met, deferred revenue and deferred costs are recognized in deferred profit on the Consolidated Balance Sheet.

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 highly 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 determined 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 was 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 unrecognized tax benefits 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.

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 tests goodwill and identifiable intangible assets with indefinite useful lives for impairment at least annually. The Company amortizes intangible assets

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with estimable useful lives over their respective estimated useful lives, and the Company reviews for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

The Company reviews goodwill at least annually for impairment. If certain events or indicators of impairment occur between annual impairment tests, the Company would perform an impairment test at that date. In testing for a potential impairment of goodwill, the Company (1) allocates goodwill to its reporting units to which the acquired goodwill relates, (2) estimates the fair value of its reporting units, and (3) determines the carrying value (book value) of those reporting units. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, the Company must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process R&D and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined. In the Company's goodwill impairment process, it first assesses qualitative factors to determine whether it is necessary to perform a quantitative analysis. The Company does not calculate the fair value of a reporting unit unless the Company determines, based on a qualitative assessment, that it is more-likely-than-not that its fair value is less than its carrying amount. The Company performs an annual goodwill impairment analysis as of the first day of its fourth fiscal quarter. The Company did not record impairments of goodwill during the years ended June 24, 2018, June 25, 2017, or June 26, 2016.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment at many points during the analysis. 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.

As a result, several factors could result in impairment of a material amount of the Company's goodwill balance in future periods, including but not limited to: (1) weakening of the global economy, weakness in the semiconductor equipment industry, or failure of the Company to reach its internal forecasts, which could impact the Company's ability to achieve its forecasted levels of cash flows and reduce the estimated discounted cash flow value of its reporting units and (2) a decline in the Company's stock price and resulting market capitalization and to the extent the Company determines that the decline is sustained and indicates a reduction in the fair value of the Company's reporting units below their carrying value. Further, the value assigned to intangible assets, other than goodwill, is based on estimates and judgments regarding expectations such as the success and lifecycle of products and technology acquired. If actual product acceptance differs significantly from the estimates, the Company may be required to record an impairment charge to write down the asset to its realizable value.

Impairment of Long-lived Assets (Excluding Goodwill): The Company routinely considers whether indicators of impairment of long-lived assets are present. 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 present value of anticipated net cash flows 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.

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 on June 24, 2018, June 25, 2017, and June 26, 2016, and each included 52 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 income (expense)" 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). Unrealized losses on available-for-sale securities are charged against other income (expense) when a decline in fair value is determined to be other than temporary. The Company considers several factors to determine whether a loss is other than temporary. These factors include but are not limited to (1) the extent to which the fair value is less than cost basis, (2) the financial condition and near-term prospects of the issuer, (3) the length of time a security is in an unrealized loss position, and (4) the Company's ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company's ongoing consideration of these factors could result in additional impairment charges in the future, which could adversely affect its results of operation. An other-than-temporary impairment is triggered when there is an intent to sell the security, it is more-likely-than-not that the security will be required to be sold before recovery, or the security is not expected to recover the entire amortized cost basis of the security. Other-than-temporary impairments attributed to credit losses are recognized in the income statement. The specific identification method is used to determine the realized gains and losses on investments. The Company recorded a $42.5 million other-than-temporary impairment charge during the year ended June 24, 2018. No other-than-temporary impairment charges were recognized during the years ended June 25, 2017 or June 26, 2016.

Allowance for Doubtful Accounts: The Company evaluates its allowance for doubtful accounts based on a combination of factors. In circumstances where specific invoices are deemed uncollectible, the Company provides a specific allowance for bad debt 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.

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 capital 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 foreign currency exchange rate fluctuations. The Company's policy is to mitigate the effect of these 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's exposures are in liquid currencies (Japanese yen, Swiss francs, euros, Taiwanese dollars, Chinese renminbi, Singapore dollars, and Korean won), so 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 income (expense), net on the Consolidated Statement of Operations at that time.

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Guarantees: The Company has certain operating leases that contain provisions whereby the properties subject to the operating 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 under operating lease agreements 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, 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). Translation adjustments are recorded in other income (expense), net, where the U.S. dollar is the functional currency.

Note 3: Recent Accounting Pronouncements

Recently Adopted

In November 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes." This ASU amended existing guidance to require that deferred income tax assets and liabilities be classified as non-current in a classified balance sheet and eliminates the prior guidance which required an entity to separate deferred tax assets and liabilities into a current amount and a non-current amount in a classified balance sheet. The Company adopted this standard prospectively in the first quarter of fiscal year 2018. The implementation resulted in a net reduction of prepaid expense and other current assets of $49.7 million, accrued expense and other current liabilities of $5.3 million, and other long-term liabilities of $39.4 million; and an increase in other assets of $5.0 million in the Company's Condensed Consolidated Balance Sheet, and had no impact on cash provided by or used in operations for any period presented.

In March 2016, the FASB released ASU 2016-9, "Compensation — Stock Compensation." Key changes in the amendment include:

- entities will be required to recognize all excess tax benefits or deficiencies as an income tax benefit or expense in the income statement, eliminating additional paid in capital ("APIC") pools;
- entities will no longer be required to delay recognition of excess tax benefits until they are realized;
- entities will be required to classify the excess tax benefits as an operating activity in the statement of cash flows;
- entities will be allowed to elect an accounting policy to either estimate the number of forfeitures or account for forfeitures as they occur;
- entities can withhold up to the maximum individual statutory tax rate without classifying the awards as a liability; and
- the cash paid to satisfy the statutory income tax withholding obligations shall be classified as a financing activity in the statement of cash flows.

The Company adopted this standard in the first quarter of fiscal year 2018. As a result of the adoption, the Company recorded a $40.1 million cumulative-effect adjustment to retained earnings for the recognition of previously unrecognized excess tax benefits for all years prior to the adoption. As required by the standard update, the amendment was applied prospectively to recognize excess tax benefits or deficiencies in the income statement in the period of occurrence. Accordingly, the provision for income taxes for the fiscal year ended June 24, 2018 included excess tax benefits of $52.7 million that decreased the income tax provision. Additionally, the Company has elected to apply the change in cash flow classification on a prospective basis. The Company has elected to continue to estimate the number of forfeitures expected to occur to determine the amount of compensation cost to be recognized each period. The Company has elected to adopt the effects of the standard update with regard to the income tax withholdings obligations on a prospective basis. The impact of the adoption of the standard applicable to income tax withholdings was not material during the fiscal year ended June 24, 2018.

In August 2017, the FASB released ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities." The new guidance is intended to: (1) more closely align hedge accounting with an entity's risk management strategies, (2) simplify the application of hedge accounting by eliminating the requirement to separately measure and report hedge ineffectiveness, and (3) increase transparency around the scope and results of hedging programs. The Company is required to adopt the standard in the first quarter of fiscal year 2020, using a modified-retrospective approach for any cash flow or net investment hedges that exist on the date of adoption. The Company elected to early adopt the standard in the third quarter of fiscal year 2018. The cumulative-effect adjustment to eliminate ineffectiveness is not material to the Company's previously issued Consolidated Financial Statements. The presentation and disclosure have been modified on a prospective basis, as required by the standard update.

Updates Not Yet Effective

In May 2014, the FASB released ASU 2014-9, "Revenue from Contracts with Customers," to supersede nearly all existing revenue recognition guidance under GAAP. The FASB issued subsequent amendments to the initial guidance in August 2015, March 2016, April 2016, May 2016 and December 2016 within ASU 2015–14, ASU 2016–08, ASU 2016–10, ASU 2016–12 and ASU 2016–20, respectively. The core principle of the standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new standard defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation.

The Company is required to adopt these standards starting in the first quarter of fiscal year 2019 using either of two methods: (1) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the standard or (2) retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosures as defined per the standard. The Company will adopt this new guidance using the modified retrospective transition method. Management has substantially completed its evaluation of existing contracts and the impact to the Company's Consolidated Financial Statements and disclosures, business processes, systems, and controls. The Company believes that the timing of revenue recognition for certain of its systems will generally be earlier than under existing revenue guidance. The Company expects the impact of the initial adoption will result in a net decrease to its deferred profit balances, which is a component of total current liabilities estimated between $100 million and $200 million.

In January 2016, the FASB released ASU 2016-1, "Financial Instruments — Overall — Recognition and Measurement of Financial Assets and Financial Liabilities." The FASB issued a subsequent amendment to the initial guidance in February 2018 within ASU 2018-03. These amendments change the accounting for and financial statement presentation of equity investments, other than those accounted for under the equity method of accounting or those that result in consolidation of the investee. The amendments provide clarity on the measurement methodology to be used for the required disclosure of fair value of financial instruments measured at amortized cost on the balance sheet and clarifies that an entity should evaluate the need for a valuation allowance on deferred tax assets related to available-for-sale securities in combination with the entity's other deferred tax assets, among other changes. The Company is required to adopt these standards starting in the first quarter of fiscal year 2019 and does not anticipate that implementation will have a material impact on its Consolidated Financial Statements.

In January 2016, the FASB released ASU 2016-2, "Leases." The FASB issued a subsequent amendment to the initial guidance in January 2018 within ASU 2018-01. The core principle of the standard requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. The amendment offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company is required to adopt these standards starting in the first quarter of fiscal year 2020 using a modified-retrospective approach on the earliest period presented. The Company is currently in the process of evaluating the impact of adoption on its Consolidated Financial Statements.

In June 2016, the FASB released ASU 2016-13, "Financial Instruments — Credit Losses." The amendment revises the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in more timely recognition of losses on financial instruments, including but not limited to available-for-sale debt securities and accounts receivable. The Company is required to adopt this standard starting in the first quarter of fiscal year 2021 using a modified-retrospective approach. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption on its Consolidated Financial Statements.

In August 2016, the FASB released ASU 2016-15, "Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments." The amendment provides and clarifies guidance on the classification of certain cash receipts and cash payments in the statement of cash flows to eliminate diversity in practice. The Company is required to adopt the standard update in the first quarter of fiscal year 2019, with a retrospective transition method required. The Company is currently in the process of evaluating the impact of adoption on its Consolidated Financial Statements.

In October 2016, the FASB released ASU 2016-16, "Income Tax — Intra-Entity Transfers of Assets Other than Inventory." This standard update improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory.

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Early adoption is permitted. The Company is required to adopt the standard in the first quarter of fiscal year 2019 using a modified-retrospective approach through a cumulative-effect adjustment directly to retained earnings. The Company is currently in the process of evaluating the impact of adoption on its Consolidated Financial Statements.

In November 2016, the FASB released ASU 2016-18, “Statement of Cash Flows — Restricted Cash.” This standard update requires that restricted cash and restricted cash equivalents be included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The Company is required to adopt this standard in the first quarter of fiscal year 2019, with a retrospective transition method required. Early adoption is permitted. At June 24, 2018, the Company had $256.3 million classified as restricted cash and investments on its Consolidated Balance Sheet which will be recognized as beginning-of-period cash and cash equivalents in the Company’s fiscal year 2019 Consolidated Statement of Cash Flows. Additionally the Company expects cash provided by investment activities for the twelve months ended June 24, 2018 and June 25, 2017 will increase by $0.1 million and $5.8 million, respectively.

In February 2018, the FASB released ASU 2018-2, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This standard update addresses a specific consequence of U.S tax reform and allows a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects resulting from U.S. tax reform. Consequently, the update eliminates the stranded tax effects that were created as a result of the historical U.S. federal corporate income tax rate to the newly enacted U.S. federal corporate income tax rate. The Company is required to adopt this standard in the first quarter of fiscal year 2020, with early adoption permitted. The amendments in this update should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S federal corporate income tax rate in regards to U.S. tax reform is recognized. The Company is currently in the process of evaluating the impact of adoption on its Consolidated Financial Statements.

Note 4: 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’s options and RSU awards typically vest over a period of three years or less. 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 shareholders authorizing up to 18,000,000 shares available 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 24, 2018, there were a total of 10,335,291 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 24, 2018	June 25, 2017	June 26, 2016
	(in thousands)		
Equity-based compensation expense	$ 172,216	$ 149,975	$ 142,348
Income tax benefit recognized related to equity-based compensation	$ 87,505	$ 38,381	$ 37,814
Income tax benefit realized from the exercise and vesting of options and RSUs	$ 90,297	$ 92,749	$ 67,756

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. In the first quarter of fiscal year 2018, the Company adopted ASU 2016-9, “Compensation — Stock Compensation,” as discussed further in Note 3 — Recent Accounting Pronouncements.

Stock Options

The following table summarizes stock option activity:

	Options Outstanding	
	Number of Shares	Weighted-Average Exercise Price
June 28, 2015	835,832	$ 37.44
Granted	196,167	$ 75.57
Exercised	(123,726)	$ 24.92
Forfeited or expired	(862)	$ 21.43
June 26, 2016	907,411	$ 47.41
Granted	90,128	$ 119.67
Exercised	(389,460)	$ 33.92
Forfeited or expired	(14,020)	$ 69.81
June 25, 2017	594,059	$ 66.69
Granted	63,980	$ 190.07
Exercised	(166,481)	$ 55.62
Forfeited or expired	(8,630)	$ 84.44
June 24, 2018	482,928	$ 86.53

Outstanding and exercisable options presented by price range at June 24, 2018, were as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number of Options Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number of Options Exercisable	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price
$11.09-$23.59	33,918	1.49	$ 18.97	33,918	1.49	$ 18.97
$28.73-$35.68	39,060	2.63	$ 31.29	39,060	2.63	$ 31.29
$42.61-$51.76	75,415	2.03	$ 47.30	75,415	2.03	$ 47.30
$75.57-$190.07	334,535	5.08	$ 108.67	155,504	4.33	$ 83.58
$11.09-$190.07	482,928	4.15	$ 86.53	303,897	3.23	$ 60.65

The fair value of the Company's stock options granted during fiscal years 2018, 2017, and 2016 was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Expected volatility	34.66%	28.85%	33.08%
Risk-free interest rate	2.53%	1.92%	1.27%
Expected term (years)	4.74	4.75	4.79
Dividend yield	1.05%	1.50%	1.59%

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The year-end intrinsic value relating to stock options for fiscal years 2018, 2017, and 2016 is presented below:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
	(in thousands)		
Intrinsic value - options outstanding	$ 43,563	$ 50,551	$ 31,643
Intrinsic value - options exercisable	$ 34,661	$ 36,396	$ 29,112
Intrinsic value - options exercised	$ 23,925	$ 29,674	$ 6,562

As of June 24, 2018, the Company had $5.4 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 2.2 years.

Restricted Stock Units

During the fiscal years 2018, 2017, and 2016, the Company issued both service-based RSUs and market-based performance RSUs (“PRSUs”). 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 the Philadelphia Semiconductor Sector Index (“SOX”), ranging from 0% to 150% of target. 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 SOX index. 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 restricted stock activity:

	Service-based RSUs Outstanding		Market-based RSUs Outstanding	
	Number of Shares	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
June 28, 2015	4,040,947	$ 60.98	913,141	$ 56.37
Granted	1,771,599	$ 72.14	459,252	$ 70.58
Vested	(2,445,902)	$ 54.91	(293,802)	$ 46.77
Forfeited or canceled	(110,131)	$ 69.17	—	—
June 26, 2016	3,256,513	$ 71.34	1,078,591	$ 63.12
Granted	1,224,877	$ 114.13	435,694	$ 111.75
Vested	(1,677,318)	$ 69.10	(592,321)	$ 46.67
Forfeited or canceled	(116,466)	$ 76.76	(59,509)	$ 66.81
June 25, 2017	2,687,606	$ 92.01	862,455	$ 83.83
Granted	964,391	$ 183.97	285,866	$ 170.15
Vested	(1,362,369)	$ 87.80	(407,024)	$ 76.88
Forfeited or canceled	(96,540)	$ 108.67	(47,571)	$ 91.36
June 24, 2018	2,193,088	$ 134.34	693,726	$ 104.59

The fair value of the Company’s service-based RSUs was calculated based on 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 2018, 2017, and 2016 was calculated using a Monte Carlo simulation model at the date of the grant. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
Expected volatility	34.07%	27.48%	29.81%
Risk-free interest rate	2.35%	1.55%	0.97%
Expected term (years)	2.92	2.92	2.92
Dividend yield	1.05%	1.50%	1.59%

As of June 24, 2018, the Company had $247.7 million of total unrecognized compensation expense related to all unvested RSUs granted which is expected to be recognized over a weighted-average remaining period of 2.2 years.

ESPP

The Company has an employee stock purchase plan 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. Unrecognized compensation costs associated with this plan are not considered material.

Note 5: Other Income (Expense), Net

The significant components of other income (expense), net, were as follows:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
		(in thousands)	
Interest income	$ 85,813	$ 57,858	$ 29,512
Interest expense	(97,387)	(117,734)	(134,773)
Gains (losses) on deferred compensation plan related assets, net	14,692	17,880	(3,995)
Loss on impairment of investments	(42,456)	—	—
Gains (losses) on extinguishment of debt, net	542	(36,252)	—
Foreign exchange (losses) gains, net	(3,382)	(569)	308
Other, net	(19,332)	(11,642)	(5,191)
	$ (61,510)	$ (90,459)	$ (114,139)

Interest income in the year ended June 24, 2018, increased compared to the years ended June 25, 2017, and June 26, 2016, primarily as a result of higher yield. Interest expense in the year ended June 24, 2018, decreased compared to the year ended June 25, 2017, primarily due to the conversions of 2018 and 2041 Convertible Notes as well as the retirement of the 2018 Convertible Notes in May 2018. Interest expense in the year ended June 25, 2017, decreased compared to the year ended June 26, 2016, primarily due to the retirement of the 2016 Convertible Note.

The gain on deferred compensation plan related assets in fiscal years 2018 and 2017, compared to a loss in fiscal year 2016 was driven by an improvement in the fair market value of the underlying funds.

The loss on impairment of investments in the year ended June 24, 2018 is the result of a decision to sell selected investments held in foreign jurisdictions in conjunction with the Company's cash repatriation strategy following the December 2017 U.S. tax reform.

Net loss on extinguishment of debt realized in the year ended June 25, 2017, is primarily a result of the special mandatory redemption of the Senior Notes due 2023 and 2026, as well as the termination of the Term Loan Agreement.

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Note 6: Income Taxes

On December 22, 2017, the “Tax Cuts & Jobs Act” (hereafter referred to as “U.S. tax reform”) was signed into law and is effective for the Company starting in the quarter ended December 24, 2017. U.S. tax reform reduces the U.S. federal statutory tax rate from 35% to 21%, mandates payment of a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign sourced earnings. The impact on income taxes due to a change in legislation is required under the authoritative guidance of Accounting Standards Codification (“ASC”) 740, Income Taxes, to be recognized in the period in which the law is enacted. In conjunction, the SEC issued Staff Accounting Bulletin (“SAB”) 118, which allows for the recording of provisional amounts related to U.S. tax reform and subsequent adjustments related to U.S. tax reform during an up to one-year measurement period that is similar to the measurement period used when accounting for business combinations. As such, there is significant activity in the fiscal year ended June 24, 2018, which reflects the change in legislation. Most of that activity has provisionally been recorded in the Company’s Consolidated Financial Statements in the period ended June 24, 2018, as the Company has not yet completed all of the accounting for the tax effects of enactment. The Company recorded what it believes to be a reasonable estimate and the provisional activity is subject to further adjustments under SAB 118, with the exception of revaluation of its deferred tax balances to reflect the new U.S. federal statutory tax rate, which is considered final and complete under SAB 118. In addition, for significant items for which the Company could not make a reasonable estimate, no provisional activity was recorded. The Company will continue to refine the provisional balances and adjustments may be made under SAB 118 during the measurement period as a result of future changes in interpretation, information available, assumptions made by the Company and/or issuance of additional guidance; these adjustments could be material.

During the December 2017 quarter, a one-time transition tax on accumulated unrepatriated foreign earnings, estimated at $991.3 million, was recognized associated with the December 2017 U.S. tax reform. This value is identified as provisional in the Consolidated Financial Statements for the period ended June 24, 2018, and is subject to future measurement period adjustments under SAB 118. Such an adjustment was made during the June 2018 quarter, incorporating new information into the estimate; the Company may make further adjustments as new information is made available. The revised estimate is now $883.0 million.

The components of income (loss) before income taxes were as follows:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
	(in thousands)		
United States	$ 128,190	$ 7,553	$ (113,607)
Foreign	3,023,599	1,804,120	1,073,724
	$ 3,151,789	$ 1,811,673	$ 960,117

Significant components of the provision (benefit) for income taxes attributable to income before income taxes were as follows:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
		(in thousands)	
Federal:			
Current	$ 630,148	$ (70,858)	$ 1,426
Deferred	12,871	99,700	(38,616)
	643,019	28,842	(37,190)
State:			
Current	5,348	(963)	2,892
Deferred	(3,273)	(2,246)	(7,600)
	2,075	(3,209)	(4,708)
Foreign:			
Current	132,566	85,479	90,752
Deferred	(6,552)	2,798	(2,786)
	126,014	88,277	87,966
Total provision for income taxes	$ 771,108	$ 113,910	$ 46,068

Revaluation of the Company's deferred tax balances to reflect the new U.S. federal statutory tax rate was recorded in the year ended June 24, 2018 and is considered final and complete under SAB 118. The computation of the one-time transition tax on accumulated unrepatriated foreign earnings was recorded on a provisional basis in the year ended June 24, 2018 and is therefore subject to potential measurement period adjustments under SAB 118. The amount recorded related to the revaluation of the Company's deferred tax balance was $42.5 million. Also, an associated tax liability was remeasured at $52.7 million. The one-time transition tax is based on the Company's total post-1986 earnings and profits ("E&P") that was previously deferred from U.S. income taxes. The Company had previously accrued deferred taxes on a portion of this E&P. The Company has not yet completed the calculation of total post-1986 E&P and related income tax pools for its foreign subsidiaries. The Company recorded a provisional amount for the one-time transition tax of $883.0 million which was offset by the reversal of the associated previously accrued deferred taxes of $287.8 million. The net increase to tax expense recognized in the year ended June 24, 2018 was $595.2 million. The one-time transition tax may be elected to be paid over a period of eight years. The Company intends to make this election.

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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 24, 2018	June 25, 2017
	(in thousands)	
Deferred tax assets:		
Tax carryforwards	$ 206,073	$ 175,595
Allowances and reserves	118,559	170,752
Equity-based compensation	16,189	25,828
Inventory valuation differences	14,021	19,602
Prepaid cost sharing	65,644	133,831
Other	16,514	20,175
Gross deferred tax assets	437,000	545,783
Valuation allowance	(199,839)	(114,011)
Net deferred tax assets	237,161	431,772
Deferred tax liabilities:		
Intangible assets	(21,558)	(30,944)
Convertible debt	(60,252)	(153,047)
Capital assets	(61,429)	(72,727)
Amortization of goodwill	(10,738)	(15,582)
Unremitted earnings of foreign subsidiaries	(6,656)	(302,663)
Other	(7,955)	(9,844)
Gross deferred tax liabilities	(168,588)	(584,807)
Net deferred tax assets (liabilities)	$ 68,573	$ (153,035)

The change in the gross deferred tax assets, gross deferred tax liabilities, and valuation allowance between fiscal year 2018 and 2017 is primarily due to deferred revaluation to reflect the new U.S. statutory tax rate and decreases related to allowances and reserves, prepaid cost sharing, and unremitted earnings of foreign subsidiaries.

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 $199.8 million primarily related to California deferred tax assets. At June 24, 2018, the Company continued to record a valuation allowance to offset the entire California deferred tax asset balance due to the single sales factor apportionment election resulting in lower taxable income in California.

At June 24, 2018, the Company had federal net operating loss carryforwards of $126.8 million. The majority of these losses will begin to expire in fiscal year 2019, and are subject to limitation on their utilization.

At June 24, 2018, the Company had state net operating loss carryforwards of $24.5 million. If not utilized, these losses will begin to expire in fiscal year 2020 and are subject to limitation on their utilization.

At June 24, 2018, the Company had state tax credit carryforwards of $285.9 million. Substantially all of these credits can be carried forward indefinitely.

As a result of U.S. tax reform, the Company revised its estimated annual effective tax rate to reflect the change in the U.S. federal statutory tax rate from 35% to 21%. As the Company has a fiscal year ending the last Sunday in June, it is subject to transitional tax rate rules. Therefore, a blended rate of 28.27% was computed as effective for the current fiscal year. The difference between the U.S. federal statutory tax rate of 28.27% and the Company's effective tax rate for the year ended June 24, 2018 is primarily due to income in lower tax jurisdictions offset by the impact of U.S. tax reform.

A reconciliation of income tax expense provided at the federal statutory rate (28.27% in fiscal year 2018 and 35% in fiscal years 2017 and 2016) to actual income tax expense (benefit) is as follows:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
	(in thousands)		
Income tax expense computed at federal statutory rate	$ 891,011	$ 634,086	$ 336,041
State income taxes, net of federal tax benefit	(50,585)	(11,973)	(14,070)
Foreign income taxed at different rates	(939,808)	(352,860)	(265,123)
Settlements and reductions in uncertain tax positions	(33,367)	(144,519)	—
Tax credits	(69,301)	(37,713)	(48,277)
State valuation allowance, net of federal tax benefit	57,302	12,070	17,948
Equity-based compensation	(35,875)	13,187	12,366
Other permanent differences and miscellaneous items	43,214	1,632	7,183
U.S. tax reform impacts	908,517	—	—
	$ 771,108	$ 113,910	$ 46,068

In July 2015, the U.S. Tax Court issued an opinion favorable to Altera Corporation with respect to Altera's litigation with the Internal Revenue Service. The litigation related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement with Altera's foreign subsidiary. In its opinion, the U.S. Tax Court accepted Altera's position of excluding stock-based compensation from its intercompany cost-sharing arrangement. In July 2018, the U.S. Court of Appeals for the Ninth Circuit reversed the 2015 decision of the U.S. Tax Court. In August 2018, the opinion made by the U.S. Court of Appeals for the Ninth Circuit was withdrawn to allow time for a reconstituted panel to confer on the appeal. The Company is currently evaluating the impact, if any, of these subsequent events on the fiscal year 2019 Consolidated Financial Statements. The Company is unable to estimate the impact at this time.

Effective from fiscal year 2014 through 2017, the Company had a tax ruling in Switzerland for one of its foreign subsidiaries. The impact of the tax ruling decreased taxes by approximately $6.3 million and $4.3 million for fiscal year 2017 and 2016, respectively. The benefit of the tax ruling on diluted earnings per share was approximately $0.03 in fiscal year 2017 and $0.02 in fiscal year 2016. Effective fiscal year 2018, the Company has withdrawn its reduced tax rate ruling in Switzerland for this subsidiary due to the ruling being no longer necessary as the subsidiary meets the requirements to achieve the reduced tax rate under Swiss tax law.

Other significant items which are being evaluated by the Company but for which no estimate can currently be made and for which no provisional amounts were recorded in the Consolidated Financial Statements, include the impact of the GILTI provision of U.S. tax reform. The GILTI provision imposes taxes on foreign earnings in excess of a deemed return on tangible assets. This tax is effective for the Company after the end of the current fiscal year. However, the Company is evaluating whether deferred taxes should be recorded in relation to the GILTI provisions or if the tax should be recorded in the period in which it occurs. Based on current interpretation, the Company may choose either method as an accounting policy election. The Company has not yet decided on the accounting policy related to GILTI and will only do so after completion of the GILTI analysis. The provisions related to GILTI are subject to adjustment during the measurement period under SAB 118.

Earnings of the Company's foreign subsidiaries included in consolidated retained earnings that are indefinitely reinvested in foreign operations aggregated to approximately $456.1 million at June 24, 2018. If these earnings were remitted to the United States, they would be subject to foreign withholding taxes of approximately $74.9 million at current statutory rates.

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As of June 24, 2018, the total gross unrecognized tax benefits were $305.4 million, compared to $339.4 million as of June 25, 2017, and $417.4 million as of June 26, 2016. During fiscal year 2018, gross unrecognized tax benefits decreased by $34.0 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $268.3 million, $247.6 million, and $323.4 million, as of June 24, 2018, June 25, 2017, and June 26, 2016, respectively. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in thousands)
Balance as of June 28, 2015	$ 363,552
Lapse of statute of limitations	(10,992)
Increases in balances related to tax positions taken during prior periods	18,200
Decreases in balances related to tax positions taken during prior periods	(421)
Increases in balances related to tax positions taken during current period	47,093
Balance as of June 26, 2016	417,432
Settlements and effective settlements with tax authorities	(6,691)
Lapse of statute of limitations	(113,491)
Increases in balances related to tax positions taken during prior periods	6,557
Decreases in balances related to tax positions taken during prior periods	(11,528)
Increases in balances related to tax positions taken during current period	47,168
Balance as of June 25, 2017	339,447
Settlements and effective settlements with tax authorities	(693)
Lapse of statute of limitations	(88,837)
Increases in balances related to tax positions taken during prior periods	2,044
Decreases in balances related to tax positions taken during prior periods	(1,320)
Increases in balances related to tax positions taken during current period	54,772
Balance as of June 24, 2018	$ 305,413

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued $13.0 million, $15.7 million, and $42.4 million cumulatively for gross interest and penalties as of June 24, 2018, June 25, 2017, and June 26, 2016, 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 24, 2018, tax years 2004-2018 remain subject to examination in the jurisdictions where the Company operates.

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 unrecognized tax benefits as a result of tax examinations or lapses of statute of limitations. The change in unrecognized tax benefits may range up to $28 million.

Note 7: 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 numerators and denominators of the basic and diluted computations for net income per share.

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
	(in thousands, except per share data)		
Numerator:			
Net income	$ 2,380,681	$ 1,697,763	$ 914,049
Denominator:			
Basic average shares outstanding	161,643	162,222	158,919
Effect of potential dilutive securities:			
Employee stock plans	2,312	2,058	2,120
Convertible notes	12,258	16,861	13,464
Warrants	4,569	2,629	656
Diluted average shares outstanding	180,782	183,770	175,159
Net income per share - basic	$ 14.73	$ 10.47	$ 5.75
Net income per share - diluted	$ 13.17	$ 9.24	$ 5.22

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 following potentially dilutive securities were excluded:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
	(in thousands)		
Options and RSUs	34	34	149

Diluted shares outstanding do not include any effect resulting from note hedges associated with the Company's 2018 Notes (as described in Note 13) as their impact would have been anti-dilutive.

Note 8: 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.

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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 capital 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 capital lease obligations approximate their carrying value as the substantial majority of these obligations have interest rates that adjust to market rates on a periodic basis. Refer to Note 13 — Long Term Debt and Other Borrowings for additional information regarding the fair value of the Company's Senior Notes and 2041 Notes.

Investments

The following table sets 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 24, 2018, and June 25, 2017:

	June 24, 2018							
					(Reported Within)			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cash and Cash Equivalents	Investments	Restricted Cash & Investments	Other Assets
	(in thousands)							
Cash	$ 708,364	$ —	$ —	$ 708,364	$ 702,090	$ —	$ 6,274	$ —
Time deposit	999,666	—	—	999,666	749,639	—	250,027	—
Level 1:								
Money market funds	2,341,807	—	—	2,341,807	2,341,807	—	—	—
U.S. Treasury and agencies	356,679	—	(170)	356,509	333,721	22,788	—	—
Mutual funds	68,568	516	(142)	68,942	—	—	—	68,942
Level 1 total	2,767,054	516	(312)	2,767,258	2,675,528	22,788	—	68,942
Level 2:								
Municipal notes and bonds	152,378	37	(279)	152,136	—	152,136	—	—
Government-sponsored enterprises	110,963	—	(201)	110,762	99,934	10,828	—	—
Foreign government bonds	19,986	—	(1)	19,985	19,985	—	—	—
Corporate notes and bonds	516,955	95	(1,184)	515,866	265,081	250,785	—	—
Mortgage backed securities - residential	804	—	(3)	801	—	801	—	—
Level 2 total	801,086	132	(1,668)	799,550	385,000	414,550	—	—
Total	$ 5,276,170	$ 648	$ (1,980)	$ 5,274,838	$ 4,512,257	$ 437,338	$ 256,301	$ 68,942

	June 25, 2017							
					(Reported Within)			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cash and Cash Equivalents	Investments	Restricted Cash & Investments	Other Assets
	(in thousands)							
Cash	$ 551,308	$ —	$ —	$ 551,308	$ 545,130	$ —	$ 6,178	$ —
Time deposit	640,666	—	—	640,666	390,639	—	250,027	—
Level 1:								
Money market funds	1,423,417	—	—	1,423,417	1,423,417	—	—	—
U.S. Treasury and agencies	783,848	684	(2,111)	782,421	8,297	774,124	—	—
Mutual funds	53,247	3,007	—	56,254	—	—	—	56,254
Level 1 total	2,260,512	3,691	(2,111)	2,262,092	1,431,714	774,124	—	56,254
Level 2:								
Municipal notes and bonds	194,575	308	(7)	194,876	—	194,876	—	—
U.S. Treasury and agencies	12,795	—	(167)	12,628	—	12,628	—	—
Government-sponsored enterprises	24,502	—	(6)	24,496	—	24,496	—	—
Foreign government bonds	62,917	219	(114)	63,022	—	63,022	—	—
Corporate notes and bonds	2,433,622	4,654	(1,840)	2,436,436	10,051	2,426,385	—	—
Mortgage backed securities - residential	102,760	87	(489)	102,358	—	102,358	—	—
Mortgage backed securities - commercial	65,828	9	(98)	65,739	—	65,739	—	—
Level 2 total	2,896,999	5,277	(2,721)	2,899,555	10,051	2,889,504	—	—
Total	$ 6,349,485	$ 8,968	$ (4,832)	$ 6,353,621	$ 2,377,534	$ 3,663,628	$ 256,205	$ 56,254

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. The Company also considers whether changes in the credit ratings of the issuer could impact the assessment of fair value. Additionally, the Company also considers factors such as the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis.

During the fiscal year 2018, the Company recorded a $42.5 million other-than-temporary impairment charge on a portion of its available for sale investments as a result of a decision to sell selected investments held in foreign jurisdictions in conjunction with our cash repatriation strategy following the U.S. tax reform legislation. The Company did not recognize any losses on investments due to other-than-temporary impairments in fiscal year 2017 or 2016.

The Company does not intend to sell its domestic investment portfolio and it is not more likely than not that it will be required to sell these investments before recovery of their amortized cost bases. Accordingly, the Company does not consider its domestically held investments to be other-than-temporarily impaired.

Gross realized gains/(losses) from sales of investments were $2.4 million and $(8.5) million in fiscal year 2018, $3.6 million and $(2.4) million in fiscal year 2017, and $2.0 million and $(3.0) million in fiscal year 2016.

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The following is an analysis of the Company's cash, cash equivalents, investments, and restricted cash and investments in unrealized loss positions:

	June 24, 2018					
	Unrealized Losses Less than 12 Months		Unrealized Losses 12 Months or Greater		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in thousands)					
U.S. Treasury and agencies	$ 332,903	$ (100)	$ 11,026	$ (70)	$ 343,929	$ (170)
Municipal notes and bonds	141,139	(279)	—	—	141,139	(279)
Mutual funds	25,312	(142)	—	—	25,312	(142)
Government-sponsored enterprises	110,722	(201)	—	—	110,722	(201)
Foreign government bonds	19,985	(1)	—	—	19,985	(1)
Corporate notes and bonds	161,813	(1,092)	14,928	(92)	176,741	(1,184)
Mortgage backed securities - residential	801	(3)	—	—	801	(3)
	$ 792,675	$ (1,818)	$ 25,954	$ (162)	$ 818,629	$ (1,980)

The amortized cost and fair value of cash equivalents, investments, and restricted investments with contractual maturities as of June 24, 2018, are as follows:

	Cost	Estimated Fair Value
	(in thousands)	
Due in one year or less	$ 4,312,694	$ 4,312,352
Due after one year through five years	181,681	180,352
Due in more than five years	4,863	4,828
	$ 4,499,238	$ 4,497,532

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 one year 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.

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, primarily from Japanese yen-denominated revenues and euro-denominated and Korean won-denominated expenses. 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 are recognized.

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 impacts earnings.

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 24, 2018, June 25, 2017, or June 26, 2016 associated with forecasted transactions that failed to occur. There were no material gains or losses during the fiscal years ended June 25, 2017, or June 26, 2016 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 income immediately. As of June 24, 2018, the Company had a net loss of $2.2 million accumulated in other comprehensive income, net of tax, related to foreign exchange cash flow hedges which it expects to reclassify from other comprehensive income into earnings over the next 12 months. Additionally, as of June 24, 2018, the Company had a net loss of $1.8 million accumulated in other comprehensive income, net of tax, related to interest rate contracts which it expects to reclassify from other comprehensive income into earnings over the next 6.7 years.

Fair Value Hedges

The Company has interest rate contracts whereby the Company receives fixed rates and pays variable rates based on certain benchmark interest rates, resulting in a net increase or decrease to interest expense, a component of other expense, net in our Consolidated Statement of Operations. These interest rate contracts are designated as fair value hedges and hedge against changes in the fair value of our debt portfolio. The Company concluded that these interest rate contracts meet the criteria necessary to qualify for the short-cut method of hedge accounting, and as such, an assumption is made that the change in the fair value of the hedged debt, due to changes in the benchmark rate, exactly offsets the change in the fair value of the interest rate swap. Therefore, the derivative is considered to be effective at achieving offsetting changes in the fair value of the hedged liability, and no ineffectiveness is recognized.

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 income (expense) and offsets the change in fair value of the foreign currency denominated assets and liabilities, which are also recorded in other income (expense).

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As of June 24, 2018, the Company had the following outstanding foreign currency contracts that were entered into under its cash flow and balance sheet hedge programs:

	Notional Value			
	Derivatives Designated as Hedging Instruments:		Derivatives Not Designated as Hedging Instruments:	
	(in thousands)			
Foreign currency forward contracts				
	Buy Contracts	Sell Contracts	Buy Contracts	Sell Contracts
Japanese yen	$ —	$ 568,970	$ —	$ 267,367
Euro	102,557	—	45,298	—
Korean won	28,887	—	—	99,408
Taiwan dollar	—	—	31,859	—
Singapore dollar	—	—	21,376	—
British pound sterling	—	—	15,865	—
Swiss franc	—	—	14,899	—
Indian rupee	—	—	3,220	—
Chinese renminbi	—	—	2,467	—
	$ 131,444	$ 568,970	$ 134,984	$ 366,775
Foreign currency option contracts				
	Buy Put	Sell Call	Buy Put	Sell Put
Japanese yen (1)	$ 9,050	$ 9,709	$ —	$ —

(1) The local currency notional amounts of these foreign currency option contracts are equal to each other.

The fair value of derivative instruments in the Company's Consolidated Balance Sheet as of June 24, 2018, and June 25, 2017, were as follows:

	June 24, 2018				June 25, 2017			
	Fair Value of Derivative Instruments (Level 2)				Fair Value of Derivative Instruments (Level 2)			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in thousands)							
Derivatives designated as hedging instruments:								
Foreign exchange contracts	Prepaid expense and other assets	$ 7,581	Accrued expenses and other current liabilities	$ 8,866	Prepaid expense and other assets	$ 8,061	Accrued expenses and other current liabilities	$ 2,916
Interest rate contracts, short-term		—	Accrued expenses and other current liabilities	7,468		—	Accrued expenses and other current liabilities	2,833
Interest rate contracts, long-term		—	Other long-term liabilities	23,720		—	Other long-term liabilities	7,269
Derivatives not designated as hedging instruments:								
Foreign exchange contracts	Prepaid expense and other assets	111	Accrued expenses and other current liabilities	32	Prepaid expense and other assets	213	Accrued expenses and other current liabilities	342
Total derivatives		$ 7,692		$ 40,086		$ 8,274		$ 13,360

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 24, 2018, the potential effect of rights of offset associated with the above foreign exchange and interest rate contracts would be an offset to assets and liabilities by $5.6 million, resulting in a net derivative asset of $2.1 million and net derivative liability of $34.4 million. As of June 25, 2017, the potential effect of rights of offset associated with the above foreign exchange contracts would be an offset to both assets and liabilities by $5.9 million, resulting in a net derivative asset of $2.3 million and a net derivative liability of $7.4 million. The Company is not required to pledge, nor is the Company entitled to receive, cash collateral for these derivative transactions.

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:

		Year Ended June 24, 2018	
	Location of Gain (Loss) Recognized in or Reclassified into Income	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI into Income
Derivatives in Cash Flow Hedging Relationships		(in thousands)	
Foreign exchange contracts	Revenue	$ (8,305)	$ (11,284)
Foreign exchange contracts	Cost of goods sold	57	5,218
Foreign exchange contracts	SG&A	558	2,654
Foreign exchange contracts	Other expense, net	—	—
		$ (7,690)	$ (3,412)
Derivatives in Fair Value Hedging Relationships			
Interest rate contracts	Other expense, net	$ —	$ (126)

		Year Ended June 25, 2017		
		Effective Portion		Ineffective Portion and Amount Excluded from Effectiveness
Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized in or Reclassified into Income	Gain (Loss) Recognized in AOCI	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recognized in Income
			(in thousands)	
Foreign exchange contracts	Revenue	$ 2,927	$ (12,000)	$ 6,982
Foreign exchange contracts	Cost of goods sold	2,859	666	(686)
Foreign exchange contracts	SG&A	1,128	71	(267)
Foreign exchange contracts	Other expense, net	—	—	(82)
Interest rate contracts	Other expense, net	—	1,727	—
		$ 6,914	$ (9,536)	$ 5,947

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The effect of derivative instruments not designated as cash flow hedges on the Company's Consolidated Statement of Operations was as follows:

Derivatives Not Designated as Hedging Instruments:	Location of Gain Recognized in Income	Year Ended June 24, 2018 Gain Recognized in Income	Year Ended June 25, 2017 Gain Recognized in Income
		(in thousands)	
Foreign exchange contracts	Other income	$ 7,756	$ 523

The following table presents the effect of the fair value cash flow hedge accounting on the Statement of Financial Performance:

	Location and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	Year ended June 24, 2018			
	Revenue	Cost of Goods Sold	Selling, General and Administrative	Other Income (Expense)
	(in thousands)			
Total amounts of income and expense line items presented in the statement of financial performance in which the effects of fair value or cash flow hedges are recorded:				
	$ 11,076,998	$ 5,911,966	$ 762,219	$ (61,510)
The effects of fair value and cash flow hedging:				
Gain or (loss) on fair value hedging relationships in Subtopic 815-20:				
Interest contracts:				
Hedged items	—	—	—	21,086
Derivatives designated as hedging instruments	—	—	—	(21,086)
Gain or (loss) on cash flow hedging relationships in Subtopic 815-20:				
Foreign exchange contracts:				
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	(11,284)	5,218	2,654	—

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 24, 2018, four customers accounted for approximately 24%, 17%, 10%, and 10%, of accounts receivable, respectively. As of June 25, 2017, four customers accounted for approximately 22%, 19%, 13%, 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 24, 2018, June 25, 2017, and June 26, 2016.

Note 9: 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 24, 2018	June 25, 2017
	(in thousands)	
Raw materials	$ 916,438	$ 625,600
Work-in-process	222,921	213,066
Finished goods	736,803	394,250
	$ 1,876,162	$ 1,232,916

Note 10: Property and Equipment

Property and equipment, net, consist of the following:

	June 24, 2018	June 25, 2017
	(in thousands)	
Manufacturing and engineering equipment	$ 911,140	$ 819,239
Computer equipment and software	182,451	166,441
Land	46,155	46,155
Buildings and improvements	530,032	358,081
Office equipment, furniture and fixtures	66,378	52,959
	1,736,156	1,442,875
Less: accumulated depreciation and amortization	(833,609)	(757,280)
	$ 902,547	$ 685,595

Depreciation expense, including amortization of capital leases, during fiscal years 2018, 2017, and 2016, was $165.2 million, $152.3 million, and $134.7 million, respectively.

The Company recorded a $15.2 million gain on sale of real estate and related development rights, net of associated exit costs, in fiscal year 2016 in selling, general, and administrative expenses in the Consolidated Statement of Operations. No significant gains on sale were realized in fiscal years 2018 or 2017.

Note 11: Goodwill and Intangible Assets

Goodwill

The balance of goodwill was $1.5 billion and $1.4 billion as of June 24, 2018, and June 25, 2017, respectively. As of June 24, 2018, $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 2018, 2017, or 2016. Refer to Note 19 — Business Combinations for information regarding goodwill additions during the fiscal year ended June 24, 2018.

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Intangible Assets

The following table provides details of the Company's intangible assets, other than goodwill:

	June 24, 2018			June 25, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Customer relationships	$ 630,220	$ (433,309)	$196,911	$ 615,164	$ (366,439)	$248,725
Existing technology	669,520	(576,844)	92,676	643,196	(487,056)	156,140
Patents and other intangible assets	99,767	(71,518)	28,249	73,067	(66,937)	6,130
Total intangible assets	$1,399,507	$ (1,081,671)	$317,836	$1,331,427	$ (920,432)	$410,995

The Company recognized $161.2 million, $154.6 million, and $156.3 million in intangible asset amortization expense during fiscal years 2018, 2017, and 2016, respectively. No intangible asset impairments were recognized in fiscal years 2018, 2017, or 2016.

Refer to Note 19 — Business Combinations for information regarding intangible assets acquired during the fiscal year ended June 24, 2018.

The estimated future amortization expense of intangible assets as of June 24, 2018, was as follows:

Fiscal Year	Amount
	(in thousands)
2019	$ 125,921
2020	60,792
2021	58,019
2022	54,492
2023	10,967
Thereafter	7,645
	$ 317,836

Note 12: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 24, 2018	June 25, 2017
	(in thousands)	
Accrued compensation	$ 506,471	$ 447,363
Warranty reserves	192,480	161,981
Income and other taxes payable	185,384	95,127
Dividend payable	174,372	72,738
Other	250,502	192,152
	$ 1,309,209	$ 969,361

Note 13: Long Term Debt and Other Borrowings

As of June 24, 2018, and June 25, 2017, the Company's outstanding debt consisted of the following:

	June 24, 2018				June 25, 2017			
	Amount (in thousands)		Effective Interest Rate		Amount (in thousands)		Effective Interest Rate	
Fixed-rate 1.25% Convertible Notes Due May 15, 2018 ("2018 Notes")	$ —	(1)	5.27%		$ 447,436	(2)	5.27%	
Fixed-rate 2.75% Senior Notes Due March 15, 2020 ("2020 Notes")	500,000		2.88%		500,000		2.88%	
Fixed-rate 2.80% Senior Notes Due June 15, 2021 ("2021 Notes")	800,000		2.95%		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 2.625% Convertible Notes Due May 15, 2041 ("2041 Notes")	326,953	(2)	4.28%		631,074	(2)	4.28%	
Commercial paper	360,000		2.33%	(3)	—		—%	
Total debt outstanding, at par	2,486,953				2,878,510			
Unamortized discount	(85,196)				(178,589)			
Fair value adjustment — interest rate contracts	(31,189)				(10,102)			
Unamortized bond issuance costs	(1,820)				(3,161)			
Total debt outstanding, at carrying value	$ 2,368,748				$ 2,686,658			
Reported as:								
Current portion of long-term debt	$ 608,532	(2)			$ 907,827	(2)		
Long-term debt	1,760,216				1,778,831			
Total debt outstanding, at carrying value	$ 2,368,748				$ 2,686,658			

(1) The 2018 Notes were settled upon their maturity on May 15, 2018.

(2) As of the report date, these notes were convertible at the option of the bond holder. 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. Upon closure of the conversion period, the notes not converted will be reclassified back into noncurrent liabilities and the temporary equity will be reclassified into permanent equity.

(3) Represents the weighted-average effective interest rate for all outstanding balances as of the report date.

The Company's contractual cash obligations relating to its outstanding debt as of June 24, 2018, were as follows:

Payments Due by Fiscal Year:	(in thousands)
2019 (1)	$ 686,953
2020	500,000
2021	800,000
2022	—
2023	—
Thereafter	500,000
Total	$ 2,486,953

(1) As noted above, the conversion period for the 2041 Notes is open as of June 24, 2018. As there is the potential for conversion at the option of the holder, the principal balance of the 2041 Notes has been included in the one-year payment period.

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Convertible Senior Notes

In May 2011, the Company issued and sold $450 million in aggregate principal amount of 1.25% Convertible Senior Notes due May 2018 at par. The 2018 Notes were extinguished upon maturity on May 15, 2018. During the twelve months ended June 24, 2018, the majority the 2018 Notes were converted at the option of the bondholders. In settlement, the bondholders received 4.8 million shares of Common Stock. To offset the dilutive impact of the Common Stock consideration paid, the Company exercised the associated note hedge and received 4.8 million shares from counterparties. The remaining 2018 Notes were settled at par value, without conversion.

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 2041 (collectively with the 2018 Notes, the “Convertible Notes”). The Company pays cash interest at an annual rate of 2.625%, on a semi-annual basis on May 15 and November 15 of each year on the 2041 Notes. The 2041 Notes also have a contingent interest payment provision that may require the Company to pay additional interest, up to 0.60% per year, based on certain thresholds, beginning with the semi-annual interest payment on May 15, 2021, and upon the occurrence of certain events, as outlined in the indenture governing the 2041 Notes.

The Company separately accounts for the liability and equity components of the Convertible Notes. The initial debt components of the Convertible Notes were valued based on the present value of the future cash flows using the Company’s borrowing rate at the date of the issuance or assumption for similar debt instruments without the conversion feature, which equals the effective interest rate on the liability component disclosed in the table below, respectively. The equity component was initially valued equal to the principle value of the notes, less the present value of the future cash flows using the Company’s borrowing rate at the date of the issuance or assumption for similar debt instruments without a conversion feature, which equated to the initial debt discount.

Under certain circumstances, the Convertible Notes may be converted into shares of the Company’s Common Stock. The number of shares each debenture is convertible into is based on conversion rates, disclosed in the table below. The principal value of Convertible Note conversions in the fiscal year ended June 24, 2018, were $751.3 million. During the quarter ended June 24, 2018 and in the subsequent period through August 10, 2018, the Company received notice of conversion for an additional $79.4 million principal value of 2041 Notes, which will settle in the quarter ending September 23, 2018.

Selected additional information regarding the Convertible Notes outstanding as of June 24, 2018, and June 25, 2017, is as follows:

	June 24, 2018	June 25, 2017	
	2041 Notes	**2018 Notes**	**2041 Notes**
	(in thousands, except years, percentages, conversion rate, and conversion price)		
Carrying amount of permanent equity component, net of tax	$ 159,120	$ 89,604	$ 156,374
Carrying amount of temporary equity component, net of tax	$ 78,192	$ 15,186	$ 154,675
Remaining amortization period (years)	22.9	0.8	23.8
Fair Value of Notes (Level 2)	$ 1,736,653		
Conversion rate (shares of common stock per $1,000 principal amount of notes)	30.1361		
Conversion price (per share of common stock)	$ 33.18		
If-converted value in excess of par value	$ 1,394,383		
Estimated share dilution using average quarterly stock price of $195.01 per share	8,176		

Convertible Note Hedges and Warrants

Concurrent with the issuance of the 2018 Notes, the Company purchased a convertible note hedge and sold warrants. The warrants settlement is contractually defined as net share settlement. The exercise price is adjusted for certain corporate events, including dividends on the Company’s Common Stock. As of June 24, 2018, the warrants associated with the 2018 Notes had not been exercised and remained outstanding.

In conjunction with the convertible note hedge, counterparties agreed to sell to the Company shares of Common Stock equal to the number of shares issuable upon conversion of the 2018 Notes in full. The convertible note hedge transactions will be settled in net shares and will terminate upon the earlier of the maturity date or the first day none of the respective notes remain outstanding due to conversion or otherwise. Settlement of the convertible note hedge in net shares, based on the number of shares issued upon conversion of the 2018 Notes, on the expiration date would result in the Company receiving net shares equivalent to the number of shares issuable by the Company upon conversion of the 2018 Notes. The exercise price is adjusted for certain corporate events, including dividends on the Company’s Common Stock. During the fiscal year ended June 24, 2018, the note hedge was partially settled, resulting in the receipt of approximately 4.8 million shares.

The following table presents the details of the outstanding warrants as of June 24, 2018:

		2018 Notes
		(shares in thousands)
Warrants:		
Underlying shares		7,557
Estimated share dilution using average quarterly stock price $195.01 per share		4,770
Exercise price	$	71.91
Expiration date range		August 15 - October 24, 2018

Senior Notes

On March 12, 2015, the Company completed a public offering of $500 million aggregate principal amount of the Company’s Senior Notes due March 2020 and $500 million aggregate principal amount of the Company’s Senior Notes due March 2025. The Company pays interest at an annual rate of 2.75% and 3.80% on the 2020 Notes and 2025 Notes, respectively, on a semi-annual basis on March 15 and September 15 of each year. During the year ended June 26, 2016, the Company entered into a series of interest rate contracts hedging the fair value of a portion of the 2025 Notes par value, whereby the Company receives a fixed rate and pays a variable rate based on a certain benchmark interest rate. Refer to Note 8 for additional information regarding these interest rate contracts.

The Company may redeem the 2020 Notes and 2025 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 of these notes and accrued and unpaid interest before February 15, 2020, for the 2020 Notes and before December 15, 2024, for the 2025 Notes. The Company may redeem the Senior Notes at par, plus accrued and unpaid interest at any time on or after February 15, 2020, for the 2020 Notes and on or after December 24, 2024, for the 2025 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 these notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest.

On June 7, 2016, The Company completed a public offering of $800 million aggregate principal amount of Senior Notes due June 2021 (together with the 2020, and 2025 Notes, the “Senior Notes”). The Company pays interest at an annual rate of 2.80% on the 2021 Notes on a semi-annual basis on June 15 and December 15 of each year.

The Company may redeem the 2021 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 2021 Notes and accrued and unpaid interest before May 15, 2021. The Company may redeem the 2021 Notes at par, plus accrued and unpaid interest at any time on or after May 15, 2021. 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 2021 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 24, 2018, is as follows:

	Remaining Amortization period		Fair Value of Notes (Level 2)
	(years)		(in thousands)
2020 Notes	1.7	$	497,250
2021 Notes	3.0	$	786,856
2025 Notes	6.7	$	497,560

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Revolving Credit Facility

On October 13, 2017, the Company entered into Amendment No. 2 to Amended and Restated Credit Agreement, (the “2nd Amendment”), which amends the Company’s prior unsecured Credit Agreement, (as amended by the 2nd Amendment, the “Amended Credit Agreement”). Among other things, the Amended Credit Agreement provides for a $500 million increase to the Company’s revolving credit facility, from $750.0 million to $1.25 billion with a syndicate of lenders. The Amended Credit Agreement provides 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 $1.85 billion. The facility matures on October 13, 2022.

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 0.0% to 0.5%, or (2) LIBOR multiplied by the statutory rate, plus a spread of 0.9% to 1.5%, in each case as the applicable spread is determined based on the rating of the Company’s non-credit enhanced, senior unsecured long-term debt. 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 Amended and Restated Credit Agreement contains affirmative covenants, negative covenants, financial covenants, and events of default. As of June 24, 2018, 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 new 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. 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 and under the Company’s stock repurchase program. As of June 24, 2018, borrowings under the CP Program totaled $360.0 million with a weighted-average interest rate of 2.33% and maturities of 90 days or less. Amounts available under the CP Program may be re-borrowed. The CP Program is backstopped by the Company’s Revolving Credit Arrangement.

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 Convertible Notes, the Senior Notes, the term loan agreement, commercial paper, and and the revolving credit facility during the fiscal years ended June 24, 2018, June 25, 2017, and June 26, 2016.

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
		(in thousands)	
Contractual interest coupon	$ 77,091	$ 95,195	$ 63,053
Amortization of interest discount	12,225	22,873	35,206
Amortization of issuance costs	2,034	2,414	35,315
Effect of interest rate contracts, net	3	(4,756)	359
Total interest cost recognized	$ 91,353	$ 115,726	$ 133,933

The increase in interest expense during the 12 months ended June 25, 2017, is primarily the result of the issuance of $2.4 billion of Senior Notes in June 2016, $1.6 billion of which was extinguished in October 2016. The decrease in amortization of issuance costs is primarily due to the termination of the bridge loan financing. The variation in amortization of interest rate contracts is primarily related to the interest rate contracts associated with the $1.6 billion senior notes extinguished in October 2016.

Note 14: 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 $21.4 million, $15.2 million, and $13.2 million, in fiscal years 2018, 2017, and 2016, respectively.

Deferred Compensation Arrangements

The Company has an unfunded, non-qualified deferred compensation plan whereby certain 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 24, 2018, and June 25, 2017, the liability of the Company to the plan participants was $188.0 million and $155.7 million, respectively, which was recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets. As of June 24, 2018, and June 25, 2017, the Company had investments in the aggregate amount of $209.0 million and $180.2 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 $37.2 million and $39.9 million as of June 24, 2018, and June 25, 2017, respectively.

Note 15: 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 capital lease obligations. Obligations that are not recorded on the Company's balance sheet include contractual relationships for operating leases, purchase obligations, and certain guarantees. The Company's commitments relating to capital leases and off-balance sheet agreements are included in the tables below. These amounts exclude $280.4 million of liabilities related to uncertain tax benefits because the Company is unable to reasonably estimate the ultimate amount or time of settlement. See Note 6—Income Taxes for further discussion.

Capital Leases

Capital leases reflect building and office equipment leases. The Company's contractual cash obligations relating to its existing capital leases, including interest, as of June 24, 2018, were as follows:

Payments Due by Fiscal Year:	Capital Leases
	(in thousands)
2019	$ 3,948
2020	4,491
2021	4,854
2022	8,765
2023	4,351
Thereafter	37,707
Total	64,116
Interest on capital leases	16,272
Current portion of capital leases	1,498
Long-term portion of capital leases	$ 46,346

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Operating Leases and Related Guarantees

The Company leases the majority of its administrative, R&D and manufacturing facilities, regional sales/service offices, and certain equipment under non-cancelable operating 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 years 2018, 2017, and 2016 was $23.5 million, $20.2 million, and $16.3 million, respectively.

The Company has operating leases regarding certain improved properties in Fremont and Livermore, California (the "Operating Leases"). The Company is required to maintain cash collateral in an aggregate of approximately $250.0 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 24, 2018.

During the term of the Operating Leases and when the terms of the Operating Leases expire, the property subject to those Operating Leases may be re-marketed. The Company has guaranteed to the lessor that each property will have a certain minimum residual value. The aggregate guarantee made by the Company under the Operating Leases is generally no more than $220.4 million; however, under certain default circumstances, the guarantee with regard to an Operating Lease may be 100% of the lessor's aggregate investment in the applicable property, which in no case will exceed $250.0 million, in the aggregate.

The Company's contractual cash obligations with respect to operating leases, excluding the residual value guarantees discussed above, as of June 24, 2018, were as follows:

Payments Due by Fiscal Year:	Operating Leases
	(in thousands)
2019	$ 22,117
2020	18,672
2021	13,963
2022	4,879
2023	3,677
Thereafter	11,035
Total	$ 74,343

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 24, 2018, 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 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 24, 2018, the maximum potential amount of future payments that the Company could be required to make under these arrangements and letters of credit was $21.6 million. The Company does not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid.

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 24, 2018, 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 24, 2018, were as follows:

Payments Due by Fiscal Year:	Purchase Obligations
	(in thousands)
2019	$ 353,295
2020	6,281
2021	6,036
2022	3,287
2023	3,165
Thereafter	162
Total	$ 372,226

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.

Changes in the Company's product warranty reserves were as follows:

	Year Ended	
	June 24, 2018	June 25, 2017
	(in thousands)	
Balance at beginning of period	$ 161,981	$ 100,321
Warranties issued during the period	235,252	188,813
Settlements made during the period	(196,680)	(135,213)
Changes in liability for pre-existing warranties	(8,073)	8,060
Balance at end of period	$ 192,480	$ 161,981

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 for litigation or other contingencies related to existing legal proceedings.

Note 16: Stock Repurchase Program

In March 2018, the Board of Directors authorized the Company to repurchase up to an additional $2.0 billion of Common Stock. The new authorization increases the share repurchase authorization granted in November 2017 to an aggregate of $4.0 billion of Common Stock, and 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. Repurchases are funded using the Company's cash and available credit facilities. This repurchase program has no termination date and may be suspended or discontinued at any time.

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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(1)	Amount Available Under Repurchase Program
	(in thousands, except per share data)			
Available balance as of June 25, 2017				$ 282,141
Quarter ended September 24, 2017	1,779	$ 157,938	$ 158.40	$ 124,203
Board authorization, $2.0 billion increase, November 2017				$ 2,124,203
Quarter ended December 24, 2017	3,709	$ 1,089,744	$ 196.28	$ 1,034,459
Board authorization, $2.0 billion increase, March 2018				$ 3,034,459
Quarter ended March 25, 2018	1,019	$ —	$ —	$ 3,034,459
Quarter ended June 24, 2018	7,702	$ 1,300,821	$ 191.03	$ 1,733,638

(1) Average price paid per share excludes effect of accelerated share repurchases; see additional disclosure below regarding our 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 577 thousand shares at a total cost of $104.9 million during the 12 months ended June 24, 2018, which the Company withheld through net share settlements to cover minimum tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company's equity compensation plan. 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 plans.

Accelerated Share Repurchase Agreements Settled in the 2018 Fiscal Year

On May 9, 2018, the Company entered into two separate accelerated share repurchase agreements (collectively, the "May 2018 ASR") with two financial institutions to repurchase a total of $1 billion of Common Stock. The Company took an initial delivery of approximately 3,505,000 shares, which represented 70% of the prepayment amount divided by the Company's closing stock price on May 9, 2018. The total number of shares received under the May 2018 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 these two transactions occurred on June 8, 2018 and June 11, 2018. Approximately 1,640,000 shares were received at final settlement which resulted in a weighted–average price of approximately $194.35 for the transaction period.

On November 20, 2017, the Company entered into four separate accelerated share repurchase agreements (collectively, the " November 2017 ASR") with two financial institutions to repurchase a total of $1 billion of Common Stock. The Company took an initial delivery of 3,254,300 shares, which represented 70% of the prepayment amount divided by the Company's closing stock price on November 20, 2017. The total number of shares received under the November 2017 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 two of the transactions occurred on February 1, 2018 and February 2, 2018. Approximately 1,019,000 shares were received at final settlement, which resulted in a weighted-average share price of approximately $189.03 for the transaction period. Final settlement for the remaining transactions occurred on April 24, 2018 and May 23, 2018. Approximately 984,000 shares were received at final settlement, which resulted in a weighted-average share price of approximately $191.55 for the transaction period.

On April 19, 2017, the Company entered into two separate accelerated share repurchase agreements (collectively, the "April 2017 ASR") with two financial institutions to repurchase a total of $500 million of Common Stock. The Company took an initial delivery of approximately 2,570,000 shares, which represented 70% of the prepayment amount divided by the Company's closing stock price on April 19, 2017. The total number of shares received under the April 2017 ASR was based upon the average daily volume weighted average price of our Common Stock during the repurchase period, less an agreed upon discount. The April 2017 ASR settled on June 30, 2017. Approximately 780,000 shares were received at final settlement, which resulted in a weighted-average share price of approximately $149.16 for the transaction period.

Note 17: Comprehensive Income (Loss)

The components of accumulated other comprehensive loss, net of tax at the end of the period, as well as the activity during the period, 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 25, 2017	$ (42,371)	$ (811)	$ 1,106	$ (19,624)	$ (61,700)
Other comprehensive income (loss) before reclassifications	5,703	(6,960)	(45,382)	129	(46,510)
Losses (gains) reclassified from accumulated other comprehensive income (loss) to net income	3,946 (2)	3,729 (1)	8,996 (2)	—	16,671
Securities impairment	—	—	34,090	—	34,090
Net current-period other comprehensive income (loss)	9,649	(3,231)	(2,296)	129	4,251
Balance as of June 24, 2018	$ (32,722)	$ (4,042)	$ (1,190)	$ (19,495)	$ (57,449)

(1) Amount of after-tax gain reclassified from accumulated other comprehensive income into net income located in revenue: $10,030 loss; cost of goods sold: $4,393 gain; selling, general, and administrative expenses: $1,994 gain; and other income and expense: $86 loss.

(2) Amount of after-tax gain reclassified from accumulated other comprehensive income into net income located in other expense, net.

Tax related to other comprehensive income, and the components thereto, for the years ended June 24, 2018, June 25, 2017 and June 26, 2016 was not material.

Note 18: 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 are attributed to the geographic locations in which the assets are located.

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Revenues and long-lived assets by geographic region were as follows:

	Year Ended		
	June 24, 2018	June 25, 2017	June 26, 2016
		(in thousands)	
Revenue:			
Korea	$ 3,832,798	$ 2,480,329	$ 1,057,331
Japan	1,882,799	1,041,969	983,821
China	1,784,436	1,023,195	1,039,951
Taiwan	1,397,978	2,095,669	1,485,037
United States	820,438	629,937	495,123
Southeast Asia	781,360	401,877	605,236
Europe	577,189	340,644	219,394
Total revenue	$ 11,076,998	$ 8,013,620	$ 5,885,893

	June 24, 2018	June 25, 2017	June 26, 2016
		(in thousands)	
Long-lived assets:			
United States	$ 784,469	$ 575,264	$ 529,316
Europe	73,336	77,211	81,377
Korea	24,312	19,982	17,281
Taiwan	7,922	7,970	8,647
China	5,466	1,906	1,339
Southeast Asia	3,715	2,179	668
Japan	3,327	1,083	980
	$ 902,547	$ 685,595	$ 639,608

In fiscal year 2018, five customers accounted for approximately 25%, 14%, 14%, 13%, and 12% of total revenues, respectively. In fiscal year 2017, five customers accounted for approximately 23%, 16%, 12%, 11%, and 10% of total revenues, respectively. In fiscal year 2016, four customers accounted for approximately 17%, 16%, 12%, and 10% of total revenues, respectively. No other customers accounted for more than 10% of total revenues.

Note 19: Business Combinations

Coventor Acquisition

On August 28, 2017, the Company completed the acquisition of the outstanding shares of Coventor, Inc., a privately-held company that is a provider of simulation and modeling solutions for semiconductor process technology, MEMS, and the Internet of Things, for a total purchase consideration of $137.6 million.

The following table represents the purchase price allocation and summarizes the aggregate estimated fair value of the net assets acquired on the closing date of the acquisition:

	Purchase Price Allocation
	(in thousands)
Intangible assets	$ 48,500
Assets acquired (including cash of $8.7 million)	11,463
Goodwill	98,917
Liabilities assumed	(21,269)
Fair value of net assets acquired	$ 137,611

The Company elected to close the measurement period as of June 24, 2018. The operating results of the acquired entity, from the date of acquisition, have been included in the Company's Consolidated Financial Statements for fiscal year ended June 24, 2018. Goodwill represents the excess of the purchase price over the net tangible and identifiable intangible assets acquired. None of the goodwill recognized is deductible for income tax purposes.

The identified intangible assets assumed in the acquisition of Coventor were recognized as follows based upon their fair values as of August 28, 2017:

	Fair Value	Weighted-Average Estimated Useful Life
	(In thousands)	(In years)
Existing technology	$ 26,200	6.0
Customer relationships	15,000	6.0
Trade names and other intangible assets	7,300	6.4
Total identified intangible assets	$ 48,500	6.0

Acquired existing technology represents the fair value of products that have reached technological feasibility and are a part of Coventor's product offerings and customer relationships represent the fair values of the underlying relationships and agreements with Coventor's customers.

During the years ended June 24, 2018, and June 25, 2017, the Company expensed as incurred acquisition-related costs of $2.9 million and $9.8 million, respectively, within selling, general, and administrative expense in the Consolidated Statement of Operations.

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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 24, 2018 and June 25, 2017, the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended June 24, 2018, 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 at June 24, 2018 and June 25, 2017, and the results of its operations and its cash flows for each of the three years in the period ended June 24, 2018, in conformity with US 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 24, 2018, 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 14, 2018 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.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1981.

San Jose, California
August 14, 2018

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 24, 2018, 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 24, 2018, 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 24, 2018 and June 25, 2017, the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended June 24, 2018, and the related notes and our report dated August 14, 2018 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 14, 2018

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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 24, 2018, 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 24, 2018, 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.

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 Controls — 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 24, 2018, 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, has audited the Company's internal control over financial reporting, as stated in their report, which is included in Part II, Item 8 of this 2018 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 controls over financial reporting.

Item 9B. *Other Information*

None.

PART III

We have omitted from this 2018 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 6, 2018, (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 2018 Form 10-K under the caption "Executive Officers of the Company," 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 — 2018 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 information concerning compliance by our officers, directors and 10% shareholders with Section 16 of the Exchange Act required by this Item is incorporated by reference to our Proxy Statement under the heading "Stock Ownership — Section 16(a) Beneficial Ownership Reporting Compliance."

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 Transactions" and "Governance Matters — Corporate Governance — Director Independence Policies."

Item 14. *Principal Accounting 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."

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PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) The following documents are filed as part of this Annual Report on Form 10-K.

LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 24, 2018

EXHIBIT INDEX

Exhibit	Description
2.1	Agreement and Plan of Merger and Reorganization, dated as of October 20, 2015, by and among Lam Research Corporation, Topeka Merger Sub 1, Inc., Topeka Merger Sub 2, Inc., and KLA-Tencor Corporation which is incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on October 21, 2015 (SEC File No. 000-12933).
2.2	Termination Agreement dated as of October 5, 2016 by and between Lam Research Corporation and KLA-Tencor Corporation which is incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on October 6, 2016 (SEC File No. 000-12933).
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 February 8, 2017 which is incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 14, 2017 (SEC File No. 000-12933).
4.1	Indenture between Novellus Systems, Inc. as Issuer and The Bank of New York Mellon Trust Company, N.A. as Trustee, dated as of May 10, 2011, including the form of 2.625% Senior Convertible Notes due 2041 which is incorporated by reference to Exhibit 4.1 to Novellus' Current Report on Form 8-K filed on May 10, 2011 (SEC File No. 000-17157).
4.2	Supplemental Indenture among the Registrant, as Guarantor, Novellus Systems, Inc. as Issuer and The Bank of New York Mellon Trust Company, N.A. as Trustee, dated as of June 4, 2012 which is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on June 4, 2012 (SEC File No. 000-12933).
4.3	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).
4.4	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).
4.5	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).
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 Restricted Stock Unit Award Agreement — Outside Directors (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.107 to the Registrant's Quarterly Report on Form 10-Q filed on April 30, 2007 (SEC File No. 000-12933).
10.3*	Form of Restricted Stock Unit Award Agreement — Outside Directors (non-U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.108 to the Registrant's Quarterly Report on Form 10-Q filed on April 30, 2007 (SEC File No. 000-12933).
10.4*	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).
10.5*	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).

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Exhibit	Description
10.6*	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).
10.7	Lease Guaranty between Novellus and Phoenix Industrial Investment Partners, L.P. dated January 21, 2003 which is incorporated by reference to Exhibit 10.39 to Novellus' Annual Report on Form 10-K filed on March 5, 2003 (SEC File No. 000-17157).
10.8	Binding Memorandum of Understanding between Novellus, and Applied Materials, Inc., effective as of September 3, 2004 which is incorporated by reference to Exhibit 99.1 to Novellus' Current Report on Form 8-K filed on September 24, 2004 (SEC File No. 000-17157). Portions of this exhibit have been omitted pursuant to a request for confidential treatment.
10.9*	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).
10.10*	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).
10.11*	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).
10.12*	Form of Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.13*	Form of Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.14*	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).
10.15*	Form of Nonstatutory Stock Option Award Agreement (International Participants) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.16*	Form of Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended) which is incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.17*	Form of Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended) which is incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.18*	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).
10.19*	Form of Nonstatutory Stock Option Award Agreement (International Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended) which is incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q filed on February 6, 2014 (SEC File No. 000-12933).
10.20*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 18, 2014 (SEC File No. 000-12933).
10.21*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation 2007 Stock Incentive Plan which is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on February 18, 2014 (SEC File No. 000-12933).

Exhibit	Description
10.22*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended) which is incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on February 18, 2014 (SEC File No. 000-12933).
10.23*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended) which is incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on February 18, 2014 (SEC File No. 000-12933).
10.24*	Employment Agreement with Martin B. Anstice, dated January 2, 2018 which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 8, 2018 (SEC File No. 000-12933).
10.25*	Employment Agreement with Timothy M. Archer, dated January 2, 2018 which is incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 8, 2018 (SEC File No. 000-12933).
10.26*	Employment Agreement with Douglas R. Bettinger, dated January 2, 2018 which is incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on January 8, 2018 (SEC File No. 000-12933).
10.27*	Employment Agreement with Richard A. Gottscho, dated January 2, 2018 which is incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on January 8, 2018 (SEC File No. 000-12933).
10.28*	Form of Change in Control Agreement which is incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on January 8, 2018 (SEC File No. 000-12933).
10.29*	Chairman's Agreement with Stephen G. Newberry, dated December 14, 2015 which is incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed on February 3, 2016 (SEC File No. 000-12933).
10.30	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).
10.31	Commitment Letter, dated October 20, 2015, by and among Lam Research Corporation, Goldman Sachs Bank USA and Goldman Sachs Lending Partners LLC which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 21, 2015 (SEC File No. 000-12933).
10.32*	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).
10.33*	Form of Restricted Stock Unit Award Agreement (International Participants) — 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.245 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.34*	Form of Restricted Stock Unit Award Agreement (Outside Directors) — 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.246 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.35*	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).
10.36*	Form of Option Award Agreement (International Participants) — 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.248 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.37*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) — 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.249 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).
10.38*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) — 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.250 to the Registrant's Current Report on Form 8-K filed on November 5, 2015 (SEC File No. 000-12933).

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Exhibit	Description
10.39	Amendment and Restatement Agreement, dated November 10, 2015 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 November 12, 2015 (SEC File No. 000-12933).
10.40	Joinder Agreement, dated as of November 10, 2015, among Lam Research Corporation and the other agents and lenders listed therein, and the schedules attached thereto which is incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 12, 2015 (SEC File No. 000-12933).
10.41	Amended and Restated Term Loan Agreement, dated May 13, 2016, among Lam Research Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 13, 2016 (SEC File No. 000-12933).
10.42	Amendment No. 1 to the Amended and Restated Credit Agreement, dated April 26, 2016 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 10.254 to the Registrant's Annual Report on Form 10-K filed on August 17, 2016 (SEC File No. 000-12933).
10.43*	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 October 25, 2016 (SEC File No. 000-12933).
10.44*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) — 2015 Stock Incentive Plan which is incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on October 25, 2016 (SEC File No. 000-12933).
10.45*	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).
10.46*	Chairman's Agreement with Stephen G. Newberry, dated December 14, 2016 which is incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on April 24, 2017 (SEC File No. 000-12933).
10.47	Amendment No. 2 to Amended and Restated Credit Agreement dated October 13, 2017, among Lam Research Corporation, as borrower, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent which is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 17, 2017 (SEC File No. 000-12933).
10.48	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).
10.49*	Amendment to Employment Agreement with Timothy M. Archer, dated March 16, 2018
10.50*	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).
10.51*	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)
10.52*	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)
10.53	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended which is incorporated by reference to Exhibit 4.20 to the Registrant's Quarterly Report on Form 10-Q filed on January 31, 2013 (SEC File No. 000-12933).
10.54*	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).
10.55*	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).

Exhibit	Description
20	Notice of Adjustment of Conversion Rate pursuant to the indenture dated May 10, 2011, by and between Novellus Systems Incorporated and The Bank of New York Mellon Trust company, N.A. as Trustee with respect to the 2.625% Senior Convertible Notes Due 2041 which is incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on June 12, 2018 (SEC File No. 000-12933).
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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or compensatory plan or arrangement.

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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 14, 2018

LAM RESEARCH CORPORATION
(Registrant)

By: /s/ Martin B. Anstice

Martin B. Anstice
Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

By signing this Annual Report on Form 10-K below, I hereby appoint each of Martin B. Anstice 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
Principal Executive Officer		
/s/ Martin B. Anstice Martin B. Anstice	Chief Executive Officer and Director	August 14, 2018
Principal Financial Officer and Principal Accounting Officer		
/s/ Douglas R. Bettinger Douglas R. Bettinger	Executive Vice President, Chief Financial Officer, and Chief Accounting Officer	August 14, 2018
Other Directors		
/s/ Stephen G. Newberry Stephen G. Newberry	Chairman	August 14, 2018
/s/ Eric K. Brandt Eric K. Brandt	Director	August 14, 2018
/s/ Michael R. Cannon Michael R. Cannon	Director	August 14, 2018
/a/ Youssef A. El-Mansy Youssef A. El-Mansy	Director	August 14, 2018
/s/ Christine A. Heckart Christine A. Heckart	Director	August 14, 2018
/s/ Catherine P. Lego Catherine P. Lego	Director	August 14, 2018
/s/ Abhi Talwalkar Abhijit Y. Talwalkar	Director	August 14, 2018
/s/ Lih Shyng Tsai Lih Shyng (Rick L.) Tsai	Director	August 14, 2018

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Exhibit 21

SUBSIDIARIES OF THE REGISTRANT*

SUBSIDIARY (as of August 14, 2018)	STATE OR OTHER JURISDICTION OF OPERATION
Lam Research AG	Austria
Lam Research Management GmbH	Austria
IPEC FSC Ltd	Barbados
IPEC International Sales FSC Ltd	Barbados
Lam Research Belgium BVBA	Belgium
Novellus Systems, Inc.	California, United States
Novellus Systems International, LLC	California, United States
Lam Research International Holdings Ltd.	Cayman Islands
Lam Research International Holdings II Ltd.	Cayman Islands
Lam Research Capital Ltd.	Cayman Islands
Lam Research (Shanghai) Co., Ltd.	China
Lam Research Service Co., Ltd.	China
Novellus Systems Semiconductor Equipment Co. Ltd. (Shanghai) **	China
Coventor, Inc.	Delaware, United States
Lam Research Capital, LLC	Delaware, United States
Lam Research International Holding Company	Delaware, United States
Novellus International Holdco, LLC.	Delaware, United States
Silfex, Inc.	Delaware, United States
SpeedFam-IPEC International Services, LLC	Delaware, United States
Coventor Sarl	France
Lam Research SAS	France
Lam Research GmbH	Germany
Lam Research (H.K.) Limited	Hong Kong
Lam Research Illinois IAG, Inc	Illinois, United States
Lam Research (India) Private Ltd.	India
Lam Research (Ireland) Limited	Ireland
Gasonics Israel International Limited	Israel
Lam Research (Israel) Ltd.	Israel
Lam Research Services Ltd.	Israel
Lam Research S.r.l.	Italy
Coventor Japan Godo Kaisha	Japan
Lam Research Co., Ltd.	Japan
Lam Research Luxembourg S.à.r.l.	Luxembourg
Lam Research Malaysia Sdn. Bhd.	Malaysia
Lam Research B.V.	Netherlands
Lam Research International B.V.	Netherlands
Novellus Systems International B.V.	Netherlands
Coventor Korea Limited	Republic of Korea
Lam Research Korea Limited	Republic of Korea

SUBSIDIARY (as of August 14, 2018)	STATE OR OTHER JURISDICTION OF OPERATION
Lam Research Korea LLC YH	Republic of Korea
Lam Research Manufacturing Korea, LLC	Republic of Korea
Lam Research Singapore Pte Ltd.	Singapore
Novellus Singapore Holdings Pte. Ltd.	Singapore
Lam Research Holding GmbH	Switzerland
Lam Research International Sàrl	Switzerland
Coventor, Inc. Representative Office Taiwan	Taiwan
Lam Research Co., Ltd.	Taiwan
Lam Research (H.K.) Limited, Taiwan Branch	Taiwan
Lam Research Ltd.	United Kingdom
Metryx, Ltd.	United Kingdom

*In accordance with Item 601(b)(21) of Regulation S-K, the Company has omitted from this Exhibit the names of some of its subsidiaries which, considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.

**In liquidation.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-4 No. 333-30545) of Lam Research Corporation and in the related Prospectus;
2. Registration Statement (Form S-4 No. 333-179267) of Lam Research Corporation and in the related Prospectus;
3. Registration Statements (Form S-8 No. 333-66833, 333-127936, and 333-156335) pertaining to the 1999 Employee Stock Purchase Plan;
4. Registration Statements (Form S-8 No. 333-84638 and 333-185641) pertaining to the Savings Plus Plan, Lam Research 401(k);
5. Registration Statement (Form S-8 No. 333-138545) pertaining to the 2007 Stock Incentive Plan, as amended;
6. Registration Statement (Form S-8 No. 333-181878) pertaining to the Novellus Systems, Inc. 2011 Stock Incentive Plan, Novellus Systems, Inc. Retirement Plan, and Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended; and
7. Registration Statement (Form S-8 No. 333-207844) pertaining to the 2015 Stock Incentive Plan of Lam Research Corporation;

of our reports dated August 14, 2018, with respect to the consolidated financial statements and schedule of Lam Research Corporation and the effectiveness of internal control over financial reporting of Lam Research Corporation included in this Annual Report (Form 10-K) of Lam Research Corporation for the year ended June 24, 2018.

/s/ Ernst & Young LLP

San Jose, California
August 14, 2018

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION (PRINCIPAL EXECUTIVE OFFICER)

I, Martin B. Anstice, certify that:

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

August 14, 2018

/s/ Martin B. Anstice

Martin B. Anstice
Chief Executive Officer

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION (PRINCIPAL FINANCIAL OFFICER)

I, Douglas R. Bettinger, certify that:

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

August 14, 2018

/s/ Douglas R. Bettinger

Douglas R. Bettinger
Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION (PRINCIPAL EXECUTIVE OFFICER)

In connection with the Annual Report of Lam Research Corporation (the “Company”) on Form 10-K for the fiscal period ending June 24, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Martin B. Anstice, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2018

/s/ Martin B. Anstice

Martin B. Anstice
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Lam Research Corporation specifically incorporates it by reference.

Exhibit 32.2

SECTION 1350 CERTIFICATION (PRINCIPAL FINANCIAL OFFICER)

In connection with the Annual Report of Lam Research Corporation (the “Company”) on Form 10-K for the fiscal period ending June 24, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Douglas R. Bettinger, Executive Vice President, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2018

/s/ Douglas R. Bettinger

Douglas R. Bettinger
Executive Vice President, Chief Financial Officer and Chief Accounting Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Lam Research Corporation specifically incorporates it by reference.

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BOARD OF DIRECTORS

Stephen G. Newberry
Chairman

Martin B. Anstice
Chief Executive Officer

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.

Youssef A. El-Mansy, Ph.D.
Retired Vice President, Director of
Logic Technology Development
Intel Corporation

Christine A. Heckart
Former Senior Vice President of
Business Unit and Product Marketing
Cisco Systems, Inc.

Catherine P. Lego
Member
Lego Ventures, LLC

Abhijit Y. Talwalkar
Former President and Chief
Executive Officer
LSI Corporation

Lih Shyng (Rick L.) Tsai, Ph.D.
Chief Executive Officer
and Director
MediaTek Inc.

As of September 7, 2018

EXECUTIVE OFFICERS

Martin B. Anstice
Chief Executive Officer

Timothy M. Archer
President and
Chief Operating Officer

Douglas R. Bettinger
Executive Vice President and
Chief Financial Officer

Richard A. Gottscho, Ph.D.
Executive Vice President,
Corporate Chief Technology Officer

Kevin D. Jennings
Senior Vice President,
Global Operations

Patrick J. Lord, Ph.D.
Senior Vice President
and General Manager,
Customer Support Business Group

Scott G. Meikle, Ph.D.
Senior Vice President,
Global Customer Operations

Sarah A. O'Dowd, Esq.
Senior Vice President,
Chief Legal Officer and Secretary

Vahid Vahedi, Ph.D.
Senior Vice President
and General Manager,
Etch Business Unit

Sesha Varadarajan
Senior Vice President
and General Manager,
Deposition Business Unit

201809-01808/5K

Lam RESEARCH

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Fremont, California 94538

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www.lamresearch.com