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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED JUNE 30, 1995

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

COMMISSION FILE NUMBER  
0-12933

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LAM RESEARCH CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE (State of other jurisdiction of incorporation)	94-2634797 (I.R.S. Employer Identification No.)
4650 CUSHING PARKWAY, FREMONT, CALIFORNIA (Address of principal executive offices)	94538 (Zip Code)

Registrant's telephone number, including area code: (510) 659-0200

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Securities registered pursuant to Section 12(b) of the Act: NONE

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

COMMON STOCK, PAR VALUE \$.001 PER SHARE  
6% CONVERTIBLE SUBORDINATED DEBENTURES DUE 2003

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. /X/

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the average of the closing price of the Common Stock on September 1, 1995, as reported by the Nasdaq National Market was approximately \$1,084,494,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of September 1, 1995, the Registrant had outstanding 27,320,607 shares of Common Stock.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended June 30, 1995 (1995 Annual Report to Stockholders) are incorporated by reference into Parts I, II and IV of this Form 10-K Report.

Parts of Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on October 26, 1995 are incorporated by reference to Part III of this Form 10-K Report. (The Compensation Committee Report and the stock performance graph of the Registrant's Proxy Statement are expressly not incorporated by reference herein.)

PART I

ITEM 1. BUSINESS  
THE COMPANY

Lam Research Corporation designs, manufactures, markets and services semiconductor processing equipment used in the fabrication of integrated circuits. Lam is recognized by its customers worldwide as a leading supplier of semiconductor production equipment. The Company's products are used to deposit special films on a silicon wafer (deposition) and selectively etch away portions of various films (etch) to create an integrated circuit. Deposition and etch processes, which are repeated numerous times during the fabrication cycle, are required to manufacture every semiconductor device produced today.

The Company currently sells a broad range of plasma (dry) etch products to address specific applications, including the AutoEtch-Registered Trademark-, Rainbow-TM-, and TCP-TM- (Transformer Coupled Plasma-TM-) product lines. In the deposition market, Lam offers its Epic-TM- high density plasma (HDP) chemical vapor deposition (CVD) system, which addresses advanced intermetal dielectric applications, and its Integrity-Registered Trademark- low pressure (LP) CVD system, a fully automated batch CVD system for interlevel dielectric applications.

PRODUCTS

Semiconductor wafers are subjected to a complex series of process steps that result in the simultaneous creation of many individual semiconductor circuits. The basic steps include deposition, photolithography, etching, assembly and testing. Lam's products are used in the deposition and etching process steps of semiconductor device manufacturing and are available as stand-alone systems or on the Company's multichamber Alliance-TM- platform. Lam incorporates its interactive control system software, Envision-TM-, for advanced production management on each of its systems.

ETCH PRODUCTS

The etch process defines line-widths and other feature sizes on integrated circuits. Plasma etching, a dry etch technique, was developed to meet the demand for device geometries with line-widths smaller than three microns. Plasma etching uses ionized gases that chemically react with unprotected portions of the wafer to produce finely etched features that form the lines and patterns of the integrated circuit.

Today manufacturers of advanced integrated circuits require etch systems that can produce line-widths as small as 0.25 micron (approximately 1/300 the thickness of a human hair) and in the future are expected to require systems capable of producing devices with feature sizes smaller than 0.10 micron. In addition, advanced manufacturing facilities are producing integrated circuits on wafers of 150 or 200 mm (6 or 8 inches) in diameter, and wafer diameters are expected to increase to 300 mm (12 inches) by 1998. To accommodate these decreasing line-widths and increasing wafer diameters, manufacturers increasingly require more precise control over the etching process.

meet both current and future device requirements. In the fiscal years ended June 30, 1995, 1994 and 1993, sales of the Company's etch systems contributed approximately 77%, 78% and 78% of the Company's total revenues, respectively.

**AUTOETCH.** The AutoEtch family was Lam's initial product line, with the first AutoEtch product sold in January 1982. The AutoEtch product line includes the 490, 590 and 690 series for etching polysilicon, oxide and aluminum film applications, respectively. Although the AutoEtch series is more than fourteen years old, continued improvements in both reliability and performance have enabled Lam to continue to offer it as a suitable product for film applications involving line-widths of 0.8 micron or greater and wafer sizes of six inches or smaller. In addition, Lam offers the service of refurbishing or remanufacturing AutoEtch systems.

**RAINBOW.** The first Rainbow etch system was introduced in 1987. The Rainbow series of products addresses processes that utilize wafer sizes up to 200mm and feature sizes as small as 0.35 micron. The Rainbow product line includes the Rainbow 4400, 4500, 4600 and 4700 series for etching polysilicon, oxide, aluminum and tungsten films, respectively. These systems are designed to accommodate evolving customer needs through hardware and process enhancements.

The Rainbow product series incorporates a number of unique features that offer semiconductor manufacturers improved etch capability, reliability and performance. These features include a patented wafer handling system, a proprietary source for generating stable plasma, and an overall product design for which Lam has received industry awards for quality and reliability. These and other features of the Rainbow product are designed to enable the semiconductor manufacturer to reduce wafer particle contamination to a level that exceeds industry standards, and to improve etch selectivity and uniformity while maintaining profile control and process flexibility.

**TCP.** Lam's TCP product line of high density, low pressure systems, which was introduced in late 1992, incorporates the Company's patented Transformer Coupled Plasma-TM- source technology for etching 0.35 micron and smaller geometries. The Company currently offers the TCP 9600 series for metal etch applications and the TCP 9400 series for polysilicon and polycide etch applications. These systems are currently used to produce a broad range of advanced logic and memory devices and the Company believes these products offer technological capability to enable manufacturers to produce the next generations of advanced devices. The TCP series operates at lower pressures for improved pattern transfer control and higher plasma density for higher etch rates with independent power control to the lower electrode, which improves etch results across a wider process window. The TCP system is designed to offer customers a reliable, lower cost of ownership solution to their advanced needs.

**OXIDE 9500.** The Oxide 9500 is a next-generation oxide etch system developed to address 0.35 micron and smaller geometries. This product, which incorporates the Company's technology with certain technology obtained in connection with the Drytek acquisition (See Note O to the Consolidated Financial Statements included in Item 8) onto the standard Rainbow platform, is designed to offer customers high reliability and lower cost of ownership. The Company began selling the Oxide 9500 system in fiscal 1995.

#### DEPOSITION PRODUCTS

Chemical vapor deposition (CVD) involves the deposition of thin films on a silicon wafer by exposing the wafer to various gases containing the materials to be deposited. Films are deposited to form both interconnect and dielectric layers of an integrated circuit. The metal interconnect layer is typically deposited on the wafer surface by a sputtering process to provide electrical connection between the various circuit elements, and the dielectric layer is deposited on top of the interconnect layer by CVD to provide electrical insulation between the interconnect layers. To increase circuit functionality, manufacturers have designed circuits with multilayer interconnections (stacked levels of wiring separated by insulating dielectric layers) using lower resistivity materials for improved

device performance. Multiple levels of interconnect allow the circuit elements to be moved closer together, further increasing the density of the integrated circuit. Current state-of-the-art devices may have as many as, or more than, five interconnect and dielectric layers on the integrated circuit. Lam currently manufactures two dielectric layer deposition products, Epic and Integrity systems, to address advanced multilevel films.

EPIC. Lam introduced its Epic high density plasma (HDP) CVD system in July 1993. The Epic system incorporates electron cyclotron resonance (ECR) technology to form a high-density, low-pressure plasma. Its ability to deposit and etch simultaneously an intermetal dielectric film enables it to fill gaps as small as 0.35 micron and below and to generate a film that is easily planarized. The resulting film exhibits superior electrical qualities and significantly reduces the need for additional chemical mechanical polishing. The Epic technology, available on Lam's Alliance platform, has been installed at several customer sites and is currently being used for production of certain advanced microprocessors and in device development programs.

INTEGRITY. Integrity is a low pressure (LP) CVD system for depositing advanced interlevel dielectric films. This system utilizes a patented integrated process design for flowing gases rapidly over the wafer, forming films that are highly uniform and planar to provide improved electrical performance. Integrity has been installed at several customer sites and is currently being used for production of semiconductor devices and in device development programs.

#### RESEARCH AND DEVELOPMENT

The market for semiconductor capital equipment is characterized by rapid technological change. The Company believes that continued and timely development of new products and enhancements to existing products are necessary for it to maintain its competitive position. Accordingly, the Company devotes a significant portion of its personnel and financial resources to research and development (R&D) programs and seeks to maintain close relationships with its customers to be responsive to their product needs.

The Company's net R&D expenses during fiscal 1995, 1994 and 1993, were approximately \$127.8 million, \$76.3 million and \$43.9 million, respectively, and represented 15.8%, 15.5% and 16.6% of total revenue, respectively. Such R&D expenses were net of third party funding, from SEMATECH, an industry consortium, the United States Display Consortium (USDC), and customers, representing approximately \$2.6 million, \$1.8 million and \$1.6 million during fiscal 1995, 1994 and 1993, respectively. Such expenditures were used for the development of new products and film applications, and the continued enhancement of existing products. Current projects include the development of advanced etch and deposition products.

In June 1994, the Company received a two year contract from the USDC for the development of an etch system, based on the Company's TCP technology. This system will be designed for use in the manufacture of large scale flat panel displays, for several new technologies including active matrix liquid crystal displays (AMLCDs) and Field Emission Displays (FEDs). Included in the \$2.6 million of third party funded R&D for fiscal 1995 was \$1.2 million from the USDC.

The Company expects to continue to invest heavily in R&D. The Company also must manage product transitions successfully, as introductions of new products could adversely affect sales of existing products. There can be no assurance that future technologies, processes or product developments will not render the Company's product offerings obsolete or that the Company will be able to develop and introduce new products or enhancements to its existing products and processes in a timely manner which satisfy customer needs or achieve market acceptance. The failure to do so could adversely affect the Company's business. Furthermore, if the Company is not successful in the development of advanced process equipment for manufacturers with whom it has formed strategic alliances, its ability to sell its products to those manufacturers would be adversely affected. In addition, in connection with the development of the Company's new products, the Company invests in

high levels of pre-production inventory, and the failure to complete development and commercialization of these new products in a timely manner could result in inventory obsolescence, which could reduce the Company's financial results.

#### MARKETING, SALES AND SERVICE

The Company's marketing and sales efforts are focused on building long-term relationships with its customers. These efforts are supported by a team of product marketing managers, sales personnel and process engineers that works closely with individual customers to find solutions to their process challenges. After-sales support is also an essential element of the Company's marketing and

sales program. The Company maintains an ongoing support relationship with its customers and has an extensive network of field service personnel in place across the United States, Europe, Japan and Asia Pacific. In addition, the Company maintains an in-house group of highly skilled applications engineers to respond to customer process needs worldwide when a higher level of technical expertise is required. The Company believes that its extensive support programs and close working relationships with its customers give it a competitive advantage. The Company also believes that, by assisting its customers in the development of their advanced manufacturing processes, the customers are less likely to change equipment vendors.

The Company has 30 sales and support centers located throughout the United States, Europe, Japan, and Asia Pacific through which direct sales personnel and independent sales representatives sell and service the Company's products. The Company expanded its sales and support offices in Japan to support the direct sales efforts there which began in October 1994. More recently, the Company has increased that effort by furthering its direct sales and service capability in Japan to directly market and support its advanced etch products. The Company now offers its customers a comprehensive, two-year warranty package on all released products with 24 hour, seven days a week service.

In Japan, the Company has licensing arrangements with Sumitomo Metal Industries, Ltd. (Sumitomo) and Tokyo Electron Limited (TEL). Sumitomo manufactures, sells and distributes certain of the Company's Rainbow products to specific customers in Japan. TEL has a non-exclusive license to sell products incorporating certain features of Lam's proprietary etch technology. In June 1991, the Company opened the Lam Technology Center near Tokyo, Japan, to establish a presence in Japan and to assist Sumitomo in serving Japanese customers. In May 1993, Lam completed its advanced development and demonstration laboratory in Sagamihara, Japan, which allows customers to evaluate the Company's recently introduced advanced technology products. The Company is currently expanding in Japan by building a third floor on this existing building and is in the design stage of a second facility in Sagamihara.

Export sales accounted for approximately 38%, 40% and 40% of net sales in fiscal 1995, 1994 and 1993, respectively. Export sales consist of sales from the Company's U.S. operating subsidiary to nonaffiliated customers in foreign countries. The Company anticipates that export sales will continue to account for a significant portion of its net sales. Additionally, the Company continues to expand its international operations including expansion of its Japan operations and the opening of a manufacturing facility in Korea in July 1995. As a result, a significant portion of the Company's sales and operations will be subject to certain risks, including tariffs and other barriers, difficulties in staffing and managing foreign subsidiary and branch operations, difficulties in managing distributors, potentially adverse tax consequences and the possibility of difficulty in accounts receivable collection. There can be no assurance that any of these factors will not have a material adverse affect on the Company's business, financial condition and results of operations.

#### CUSTOMERS

The Company's customers include most of the leading semiconductor manufacturers worldwide. Revenue from Intel accounted for 11%, 14% and 15% of total revenue for the years ended June 30, 1995, 1994 and 1993, respectively. Revenue from Motorola accounted for 10% of total revenue for the year ended June 30, 1994.

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The Company's business depends upon the capital expenditures of semiconductor manufacturers, which in turn depend on the current and anticipated market demand for integrated circuits and products utilizing integrated circuits. No assurance can be given that the Company's revenue and operating results will not be adversely affected if downturns in the semiconductor industry occur.

#### BACKLOG

The Company schedules production of its systems based upon order backlog and customer commitments. The Company includes in backlog orders for which written authorizations have been accepted and shipment dates have been assigned. As of June 30, 1995, the Company's order backlog was approximately \$252.6 million. As of June 30, 1994, the Company's order backlog was approximately \$145.9 million. All orders are subject to cancellation by the customer with limited penalty. Because of orders received for systems to be shipped in the same quarter and

possible customer changes in delivery schedules and cancellations of orders, the Company's backlog at any particular date is not necessarily indicative of actual sales for any succeeding period.

#### MANUFACTURING

The Company maintains facilities at four locations in Fremont, California and one location in Wilmington, Massachusetts for the manufacture of its etch and deposition products. The Company completed, in July 1995, a manufacturing facility in CheonAn, Korea, outside of Seoul. The Company's Korean manufacturing facility may experience difficulties in management, procurement, production and staffing. There can be no assurances that these factors will not have an adverse affect on the Company's business, financial condition and results of operations.

The Company's manufacturing activities consist of assembling and testing components and subassemblies that are then integrated into finished systems. Once the manufacturing department has completed final testing of all electronic and electromechanical subassemblies that make up one of the Company's products, the completed system is process tested. Stringent cleanliness controls are present throughout the manufacturing, process, and testing areas of these facilities to reduce particle contamination. Much of the assembly and testing of the Company's products is conducted in cleanroom environments where personnel are properly clothed to reduce particulate contamination. Prior to shipping a completed system, the customer's engineers may perform acceptance tests at Lam's facility, using the customer's own wafers. After passing the acceptance test, the system is vacuum-bagged in a cleanroom environment and prepared for shipment.

The Company is subject to a variety of governmental regulations related to the discharge or disposal of toxic, volatile, or otherwise hazardous chemicals used in the manufacturing process. The Company believes that it is in compliance with these regulations and that it has obtained all necessary environmental permits to conduct its business, which permits generally relate to the disposal of hazardous wastes. Nevertheless, the failure to comply with present or future regulations could result in fines being imposed on the Company, suspension of production or cessation of operations. Such regulations could require the Company to acquire significant equipment or to incur substantial other expenses to comply with environmental regulations. Any failure by the Company to control the use of, or adequately restrict the discharge or disposal of hazardous substances could subject the Company to future liabilities.

#### EMPLOYEES

As of September 1, 1995, the Company had approximately 3,600 full-time employees. None of the Company's employees is represented by a union, and the Company has never experienced a work stoppage. Management considers its employee relations to be satisfactory. In addition, each employee of the Company has signed agreements to maintain the confidentiality of the Company's proprietary information, and most key employees have stock or stock option arrangements with the Company that provide for the vesting of their interests over several years.

#### COMPETITION

The semiconductor processing equipment industry is highly competitive. The Company faces substantial competition throughout the world. The Company believes that, to remain competitive, it will require significant financial resources to offer a broad range of products, to maintain customer service and support centers worldwide, and to invest in product and process R&D. Certain of the Company's existing and potential competitors have substantially greater financial resources, more extensive engineering, manufacturing, marketing and customer service and support capabilities as well as greater name recognition than the Company. The Company expects its competitors to continue to improve the design and performance of their current products and processes and to introduce new products and processes with improved price and performance characteristics. If the Company's competitors enter into strategic relationships with leading semiconductor manufacturers covering etch or deposition products similar to those sold by the Company, its ability to sell its products to those manufacturers could be adversely affected. No assurance can be given that the Company will continue to compete successfully in the United States or worldwide.

Significant competitive factors in the etch equipment market include etch quality, repeatability, process capability and flexibility, and overall cost of ownership, including reliability, software automation, throughput, customer

support and system price. Although the Company believes that it competes favorably with respect to each of these factors, the Company's ability to compete successfully in this market will depend upon its ability to introduce product enhancements and new products on a timely basis. There can be no assurance that the Company will continue to compete successfully in the future. In the etch equipment market, the Company's primary competitors are Applied Materials, Inc., TEL, and Hitachi Ltd.

Significant competitive factors in the deposition equipment market include film quality, flow uniformity, contamination control, temperature control and overall cost of ownership, including throughput, system reliability, cost of consumables, system price and customer support. In the deposition equipment market, the principal suppliers of equipment are Applied Materials, Inc., Canon Sales Co. Inc., Novellus Systems, Inc. and Watkins-Johnson Company.

#### PATENTS AND LICENSES

The Company has a policy of seeking patents on inventions governing new products and processes developed as part of its ongoing research, engineering and manufacturing activities. The Company holds United States patents and corresponding foreign patents covering various aspects of its products. The Company believes that the duration of its patents generally exceeds the life cycles of the technologies disclosed and claimed therein. The Company believes that although the patents it holds and may obtain will be of value, they will not determine the Company's success, which depends principally upon its engineering, marketing, service and manufacturing skills. However, in the absence of patent protection, the Company may be vulnerable to competitors who attempt to imitate the Company's products or processes and manufacturing techniques and processes. In addition, other companies and inventors may receive patents that contain claims applicable to the Company's products and processes. The sale of the Company's products covered by such patents could require licenses that may not be available on acceptable terms.

From time to time, the Company is notified that it may be in violation of certain patents. In such cases, the Company's policy is to defend against claims or negotiate licenses where considered appropriate. However, no assurance can be given that it will be able to obtain necessary licenses on commercially reasonable terms. In October 1993, Varian Associates, Inc. (Varian) brought suit against the Company in the United States District Court, Northern District of California, seeking monetary damages and injunctive relief based on the Company's alleged infringement of certain patents held by Varian. See "Item 3. Legal Proceedings."

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In December 1986, the Company entered into a non-exclusive license agreement with TEL licensing the Company's AutoEtch technology and chamber design. This license expired in December 1991, and, in January 1992, the Company entered into a new five year license agreement with TEL on substantially similar terms which expires in December 1996.

The Company has two license agreements with Sumitomo. Under one agreement, Lam granted Sumitomo an exclusive license for the manufacture and sale of certain Rainbow etch systems in the Japanese market. Under the other agreement, Sumitomo granted the Company an exclusive license for the manufacture and sale of Sumitomo's ECR CVD systems in North America and Europe.

#### ITEM 2. PROPERTIES

The Company's executive offices and principal manufacturing, and research and development facilities are located in twelve buildings in Fremont, California, occupying over 800,000 square feet under leases expiring from 1995 to 2005. The Company is currently planning the expansion of its Fremont campus. The Company also operates a research and manufacturing facility in Wilmington, Massachusetts.

In addition, the Company leases office space for its service and sales personnel throughout the United States, Europe, Japan and Asia Pacific. The Company completed, in July 1995, construction of a manufacturing, sales and service facility of 40,000 square feet outside of Seoul, South Korea. The Company is currently expanding its facility in Japan by building a third floor on an existing building, and is in the design stage of a second facility in Sagami-hara.

The Company's fiscal 1995 rental payments for the facilities occupied as of

June 30, 1995 aggregated approximately \$9.5 million and are subject to periodic increases. The Company believes that its existing facilities are well maintained and in good operating condition. The Company continues to consider leasing additional facilities as necessary to support its expanding operations.

### ITEM 3. LEGAL PROCEEDINGS

In October 1993, Varian Associates, Inc. (Varian) brought suit against the Company in the United States District Court, Northern District of California, seeking monetary damages and injunctive relief based on the Company's alleged infringement of certain patents held by Varian. The lawsuit is in the late stages of discovery. The Company has asserted defenses of invalidity and unenforceability of the patents that are the subject of the lawsuit, as well as noninfringement of such patents by the Company's products. While litigation is subject to inherent uncertainties and no assurance can be given that the Company will prevail in such litigation or will obtain a license under such patents on commercially reasonable terms or at all if such patents are held valid and infringement by the Company's products, the Company believes that the Varian lawsuit will not have a material adverse effect on the Company's consolidated financial statements.

In addition, the Company is from time to time notified by various parties that it may be in violation of certain patents. In such cases, it is the Company's intention to seek negotiated licenses where it is considered appropriate. The outcome of these matters will not, in management's opinion, have a material impact on the Company's consolidated financial position, operating results or cash flows.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

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## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the Company's 1995 Annual Report to Stockholders under the heading "Selected Financial Data" on page 16.

### ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to the Company's 1995 Annual Report to Stockholders under the heading "Selected Financial Data" on page 16.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to the Company's 1995 Annual Report to Stockholders under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 17-19.

### ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements required by this Item are incorporated by reference to pages 20-32 of the Company's 1995 Annual Report to Stockholders. The unaudited quarterly results of operations are incorporated by reference to page 16 of the Company's 1995 Annual Report to Stockholders.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

(Not applicable.)

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## PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement within 120 days after the

end of its fiscal year pursuant to Regulation 14A (the "Proxy Statement") for its Annual Meeting of Stockholders to be held October 26, 1995 and the information included therein is incorporated herein by reference. (The Compensation Committee Report and the stock performance graph of the Registrant's Proxy Statement are expressly not incorporated by reference herein.)

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors required by this Item is incorporated by reference to "Election of Directors" in the Company's Proxy Statement.

The executive officers of the Company, who are elected by and serve at the discretion of the Board of Directors, are as follows:

NAME	AGE	POSITION WITH THE COMPANY
Roger D. Emerick	56	Chairman of the Board and Chief Executive Officer
Henk J. Evenhuis	52	Senior Vice President, Finance, and Chief Financial Officer
Alexander M. Voshchenkov	50	Vice President and Chief Technical Officer
Raymond L. Degner	51	Senior Vice President
Robert C. Fink	60	Executive Vice President
G. Dennis Key	52	Vice President
Richard H. Lovgren	41	Vice President, General Counsel and Secretary
Larry N. Stewart	43	Vice President
Hsui-Sheng (Way) Tu	38	Vice President
Thomas O. Yep	56	Vice President

Roger D. Emerick joined the Company in 1982 as President, Chief Executive Officer and a Director. In 1984 he was elected Chairman of the Board of Directors. Mr. Emerick is currently a director of Electroglas, Inc., Brooks Automation, Inc., and IPEC. From 1980 to 1982, he was Senior Vice President of Optical Specialties, Inc. which markets automated visual wafer inspection equipment for the semiconductor industry.

Henk J. Evenhuis joined the Company in 1987 as Vice President of Finance and Administration and Chief Financial Officer and was named Senior Vice President of Finance in 1988. Mr. Evenhuis is currently a director of Credence Systems Corporation. Before joining the Company and since 1986, Mr. Evenhuis was Vice President of Finance and Administration and Chief Financial Officer for Corvus Systems Inc. He was Vice President of Finance and Administration and Chief Financial Officer of Trimedia Corporation from 1985, until Trimedia was acquired by Xidex Corporation in 1986.

Alexander M. Voshchenkov, Ph.D., joined the Company in 1993 as Vice President and Chief Technical Officer. Before joining the Company and since 1972, Dr. Voshchenkov was a Member of the Technical Staff at AT&T Bell Labs, serving in various research and managerial positions. His most recent position was as Supervisor of the High Speed Electronics Department.

Raymond L. Degner, Ph.D., joined the Company in 1984 as Vice President of Engineering and in 1989 was named Vice President of Research and Development. In January 1992, Dr. Degner was

appointed Vice President of the Poly Etch Business Unit. In 1995, he was named Senior Vice President for the Poly Etch and CVD Business Units. From 1983 to 1984, he served as Director of Development for Silicon Valley Group, a semiconductor equipment manufacturer.

Robert C. Fink joined the Company in 1993 as Vice President and Chief Operating Officer. In 1995 he was named Executive Vice President of Corporate Development. Mr. Fink is currently a director of SEMI/SEMATECH and Uniphase Corporation. Before joining the Company and since 1988, Mr. Fink served as President of Drytek, Inc., a former subsidiary of General Signal Corporation. From 1984 to 1988, he was Director of VLSI Operations (North America) for ITT Corporation's Semiconductor Division. Prior to ITT, Mr. Fink served 12 years with General Instrument Corporation's Microelectronics Division, serving most recently as Director of Worldwide Manufacturing Resources.

G. Dennis Key joined the Company in 1988 as Vice President of Domestic Sales. In 1991, he was appointed Vice President of Worldwide Sales and Field Operations. Prior to joining the Company, he served as Area Director of Sales with Gemini Research from 1982 until 1988. From 1980 to 1982 he was Manufacturing Manager with Fairchild Semiconductor, a leading semiconductor manufacturer.

Richard H. Lovgren joined the Company in 1995 as Vice President, General Counsel and Secretary. Before joining the Company and since 1979, Mr. Lovgren held various legal positions at Advanced Micro Devices, Inc. His most recent position was Director and Deputy General Counsel.

Larry N. Stewart joined the Company in 1991 as Product Engineer Manager and in 1993 was named Director of the CVD Business Unit. In 1994 he was named Vice President of the CVD Business Unit. From 1988 until joining the Company, Mr. Stewart served as Systems Engineering Manager with Nanometrics. From 1985 to 1988 he was Section Manager in engineering for Photolythics, a division of General Signal Corporation. From 1982 until 1985 he served as Manufacturing Engineering Manager for Genus, Inc.

Hsui-Sheng (Way) Tu joined the Company in 1983 and has held various positions with the Company. In 1991, he was named Vice President of Asian Operations. In 1994, Mr. Tu was named Vice President of the Oxide Etch Business Unit. Before joining the Company, Mr. Tu was Process Engineer Supervisor for Fairchild Semiconductor.

Thomas O. Yep, Ph.D., joined the Company in 1985 as Director of Process Technology, and in 1989 was named Vice President of Process Technology. In February 1992, he was named Vice President of the Metal Etch Business Unit. Before joining the Company and since 1980, he served as Manager for the plasma etch and thin film program at Intel Corporation. From 1969 to 1980, Dr. Yep served as solid-state physicist at Varian Central Research.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement under the heading "Executive Compensation and Other Information."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement under the heading "Election of Directors" and "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's Proxy Statement under the heading "Certain Relationships and Related Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Financial Statements: See Index to Financial Statements, page.....	12
(2) Financial Statement Schedules: See Index to Financial Statement Schedules, page.....	12
(3) Exhibits: See Index to Exhibits, pages.....	16-18
(b) No reports on Form 8-K were filed during the fiscal quarter ended June 30, 1995	

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\* Incorporated by reference to the Company's 1995 Annual Report to Stockholders.

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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.

LAM RESEARCH CORPORATION

By \_\_\_\_\_/s/ ROGER D. EMERICK\_\_\_\_\_  
Roger D. Emerick,  
CHAIRMAN OF THE BOARD  
AND CHIEF EXECUTIVE OFFICER  
(PRINCIPAL EXECUTIVE OFFICER)

Dated: September 26, 1995

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Roger D. Emerick and Henk J. Evenhuis, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report of Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue thereof.

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 date indicated.

SIGNATURES	TITLE	DATE
----- /s/ ROGER D. EMERICK ----- Roger D. Emerick	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	September 26, 1995
----- /s/ HENK J. EVENHUIS ----- Henk J. Evenhuis	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 26, 1995
----- /s/ DAVID G. ARSCOTT ----- David G. Arscott	Director	September 26, 1995
----- /s/ JACK R. HARRIS -----		

----- Jack R. Harris	Director	September 26, 1995
/s/ GRANT M. INMAN ----- Grant M. Inman	Director	September 26, 1995
/s/ OSAMU KANO ----- Osamu Kano	Director	September 26, 1995

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS  
LAM RESEARCH CORPORATION

COL. A DESCRIPTION	COL. B		COL. C ADDITIONS		COL. D	COL. E
	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS -- DESCRIBE	DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD	
YEAR ENDED JUNE 30, 1995						
Deducted from asset accounts:						
Allowance for doubtful accounts.....	\$ 1,156,000	\$ 217,000	\$ 0	\$ 184,000(3)	\$ 1,189,000	
Product warranty and improvement reserves (2).....	\$ 21,609,000	\$ 65,296,000	\$ 0	\$ 45,919,000(1)	\$ 40,986,000	
YEAR ENDED JUNE 30, 1994						
Deducted from asset accounts:						
Allowance for doubtful accounts.....	\$ 485,000	\$ 200,000	\$ 483,000(4)	\$ 12,000(3)	\$ 1,156,000	
Product warranty and improvement reserves (2).....	\$ 7,549,000	\$ 43,599,000	\$ 0	\$ 29,539,000(1)	\$ 21,609,000	
YEAR ENDED JUNE 30, 1993						
Deducted from asset accounts:						
Allowance for doubtful accounts.....	\$ 498,000	\$ 0	\$ 0	\$ 13,000(3)	\$ 485,000	
Product warranty and improvement reserves (2).....	\$ 4,314,000	\$ 14,892,000	\$ 0	\$ 11,657,000(1)	\$ 7,549,000	

- <FN>
- (1) Costs incurred for warranty repair and/or product improvements during this year.
  - (2) Included in the Balance Sheet under the caption "Accrued expenses and other liabilities."
  - (3) Represents specific customer accounts written off.
  - (4) Includes \$236,000 related to the accounts receivable of Drytek, Inc. acquired July 1, 1993 and \$247,000 reclassification of reserve which was included in a liability account at June 30, 1993.

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LAM RESEARCH CORPORATION  
ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED JUNE 30, 1995  
EXHIBIT INDEX

EXHIBIT	DESCRIPTION
3.1	Certificate of Incorporation of the Registrant, as amended.
3.2(1)	ByLaws of the Registrant.
4.1(2)	Amended 1981 Incentive Stock Option Plan and Forms of Stock Option Agreements.
4.2(2)	Amended 1984 Incentive Stock Option Plan and Forms of Stock Option Agreements.
4.3	1984 Employee Stock Purchase Plan and Form of Subscription Agreement.
4.4	Amended 1991 Stock Option Plan and Forms of Stock Option Agreements.
10.1(3)	Lease dated November 10, 1986 between the Registrant and Northport Associates No. 17.
10.2(1)	Amendments to lease dated November 10, 1986 between the Registrant and Northport Associates No. 17.
10.3(4)	Form of Indemnification Agreement.
10.4(9)	Lease agreements dated January 1, 1990 between the Registrant and Aetna Life Insurance Company.
10.5(5)	Agreements dated July 6, 1988 between the Registrant and Sumitomo Metal Industries, Ltd.
10.7(5)	Roger D. Emerick Promissory Note and Deed of Trust.
10.8(7)	Patent Purchase and Sale Agreement dated February 22, 1989 between the Registrant and The Perkin-Elmer Corporation.
10.9(6)	Acquisition Agreement dated June 7, 1989 among the Registrant, Monkowski-Rhine, Incorporated and the shareholders of Monkowski-Rhine, Incorporated.
10.10(6)	Common Stock Purchase Agreement dated May 18, 1989 between the Registrant and Sumitomo Metal Industries, Ltd.
10.12(8)	ECR Technology License Agreement and Rainbow Technology License Agreement by and between Registrant and Sumitomo Metal Industries, Ltd.
10.14(11)	Lease agreement dated July 24, 1991 between the Registrant and Northport Associates No. 18
10.15(12)	Technology Licensing Agreement dated October 25, 1991 between the Registrant and International

- Business Machines Corporation.
- 10.16(13) License Agreement effective January 1, 1992 between the Registrant and Tokyo Electron Limited.
  - 10.17(17) Fourth Amendment to Revolving Credit and Amended and Restated Term Loan Agreement dated April 20, 1992 between First Interstate Bank and the Registrant, dated June 28, 1994.
  - 10.18(14) Business Sales Agreement dated June 21, 1993 by and among Lam Research Corporation, Drytek Incorporated, and General Signal Corporation.
  - 10.19(15) Deferred Compensation Agreement with Roger D. Emerick.
  - 10.20(17) Credit Agreement dated June 24, 1994 between Lam Research Corporation and ABN Amro Bank

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- 10.21(17) Credit Agreement dated July 22, 1994 between Lam Research Corporation and Union Bank
- 10.22(16) Trust Indenture
- 10.23(17) Lease dated December 8, 1993 between Sumitomo Bank Leasing and Finance, Inc. as landlord and Registrant and related documents thereto, including: (i) Memorandum of Lease dated and recorded December 10, 1993; (ii) Promissory Note in the amount of \$22,250,000 dated December 10, 1993, as amended; (iii) Deed of Trust, Financing Statement, Security Agreement and Fixture Filing (with Assignment of Rents and Leases) dated December 10, 1993; (iv) Construction Deed of Trust, Financing Statement, Security Agreement and Fixture Filing (with Assignment of Rents and Leases) dated December 10, 1993; (v) Absolute Assignment of Leases dated December 10, 1993; (vi) Environmental Indemnity Agreement dated December 10, 1993; (vii) Pledge Agreement dated December 10, 1993; and (viii) Letter Agreement regarding guarantor and surety dated December 10, 1993.
- 10.24(18) Credit Agreement dated as of November 10, 1994 between Lam Research Corporation and Bank of America National Trust and Savings Association
- 10.25(19) Receivables Purchase Agreement between Lam Research Corporation and ABN-AMRO Bank N.V., Cayman Islands Branch
- 10.26 Supplemental Receivables Purchase Agreement between Lam Research Corporation and ABN-AMRO Bank N.V., Cayman Islands Branch, Lam Research Co., Ltd. and ABN AMED N.V., Tokyo Branch dated June 28, 1995
- 10.27 Receivables Purchase Agreement between Lam Research Co., Ltd. and ABN-AMRO Bank N.V., Tokyo Branch dated June 22, 1995
- 10.28 Guaranty of Supplemental Receivables Purchase Agreement between Lam Research Corporation and ABN AMRO Bank N.V., Tokyo Branch dated June 28, 1995
- 11.1 Computation of Earnings Per Share
- 13.1 Registrant's Annual Report to Stockholders for the year ended June 30, 1995 (to be deemed filed only to the extent required by the instruction to exhibits for reports on Form 10-K).
- 21 Subsidiaries of the Registrant.
- 23 Consent of Ernst & Young LLP, Independent Auditors.
- 24 Power of Attorney (see page 14).
- 27 Financial Data Schedule

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- (1) Incorporated by reference to the Registrant's Registration Statement on Form 8-B filed with the Securities and Exchange Commission on April 11, 1990.
  - (2) Incorporated by reference to Post Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-8 (No. 33-32160) filed with the Securities and Exchange Commission on May 10, 1990.
  - (3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 28, 1986.
  - (4) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 3, 1988.
  - (5) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1988.

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- (6) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1989.
- (7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 2, 1989.
- (8) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1989.
- (9) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1990.
- (10) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1991.
- (11) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1991.
- (12) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991.
- (13) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 1991.

- (14) Incorporated by reference to Registrant's Report on Form 8-K dated July 1, 1993.
- (15) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1993.
- (16) Incorporated by reference to Registrant's Registration Statement on Form S-3 (No. 33-61726) declared effective by the Securities and Exchange Commission on May 4, 1993.
- (17) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1994.
- (18) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994
- (19) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995.

EXHIBIT 3.1

CERTIFICATE OF OWNERSHIP  
MERCING  
LAM RESEARCH INC.  
INTO  
LAM RESEARCH CORPORATION

(Pursuant to Section 253 of the General Corporation Law of Delaware)

Lam Research Corporation, a corporation incorporated in Delaware on the 8th day of September, 1989 (the "Corporation"), pursuant to the provisions of the General Corporation Law of the State of Delaware;

DOES HEREBY CERTIFY that this corporation owns 100% of the capital stock of Lam Research Inc., a corporation incorporated on the 30th day of June, 1993, pursuant to the provisions of the General Laws of the Commonwealth of Massachusetts and that this corporation, by a resolutions of its Board of Directors duly adopted by unanimous written consent on the 9th day of November, 1994, determined to and did merge into itself said Lam Research Inc., which resolutions are in the following words to wit:

WHEREAS the Corporation lawfully owns 100% of the outstanding stock of Lam Research Inc., a corporation organized and existing under the laws of the Commonwealth of Massachusetts, and

WHEREAS the Corporation desires to merge into itself said Lam Research Inc., and to possessed of all the estate, property, rights, privileges and franchises of said corporation,

NOW, THEREFORE, BE IT RESOLVED: That the Corporation merge into itself said Lam Research Inc. and assume all of its liabilities and obligations, such merger to be effective as of December 31, 1994.

RESOLVED FURTHER: That the chief executive officer and the secretary or assistant secretary of the Corporation be and they hereby are directed to make and execute, under the corporate seal of the Corporation, a certificate of ownership setting forth a copy of the resolution to merge said Lam Research Inc. and assume its liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of State of Delaware, and a certified copy thereof in the office of the Recorder of Deeds of New Castle County; and

RESOLVED FURTHER: That the officers of the Corporation be and they hereby are authorized and directed to do all acts and things whatsoever, whether within or without the State of Delaware; which may be in any way necessary or proper to effect said merger.

IN WITNESS WHEREOF, said Lam Research Corporation has caused its corporate seal to be affixed and this certificate to be signed by Roger D. Emerick, its Chief Executive Officer and attested by Henk J. Evenhuis, its Secretary, this \_\_\_ day of December, 1994.

By: \_\_\_\_\_  
Chief Executive Officer

Attest: \_\_\_\_\_  
Secretary

LAM RESEARCH CORPORATION  
1984 EMPLOYEE STOCK PURCHASE PLAN

The following constitute the provisions of the 1984 Employee Stock Purchase Plan of Lam Research Corporation.

1. PURPOSE. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. DEFINITIONS.

(a) "BOARD" shall mean the Board of Directors of the Company.

(b) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(c) "COMMITTEE" shall mean the Committee appointed by the Board in accordance with Section 13 of the Plan, if one is appointed.

(d) "COMMON STOCK" shall mean the Common Stock of the Company.

(e) "COMPANY" shall mean Lam Research Corporation, a Delaware corporation.

(f) "COMPENSATION" shall mean all regular straight time gross earnings, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions or other compensation.

(g) "CONTINUOUS STATUS AS AN EMPLOYEE" shall mean 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.

(h) "DESIGNATED SUBSIDIARIES" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) "EMPLOYEE" shall mean any person, including an officer, who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries.

(j) "EXERCISE DATE" shall mean the last day of each offering period of the plan.

(k) "OFFERING DATE" shall mean the first day of each offering period of the Plan.

(l) "PLAN" shall mean this 1984 Employee Stock Purchase Plan.

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(m) "SUBSIDIARY" shall mean 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.

3. ELIGIBILITY.

(a) Any Employee who is an Employee as of the Offering Date of a given offering period shall be eligible to participate in such Offering Period under the Plan, subject to the requirements of paragraph 5(a) and the limitations imposed by Section 423(b) of the Code.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee [or any other person whose stock would be attributed to such Employee pursuant to Section 425(d) of the Code] would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) which permits his rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. OFFERING PERIODS. The Plan shall be implemented by one offering during each offering period of the Plan, commencing on or about January 1, 1985, and continuing thereafter until terminated in accordance with paragraph 19 hereof. Initially, the duration of each offering period shall be six months. The Board or the Committee shall have the power to change the duration of offering periods with respect to future offerings without stockholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first offering period to be affected.

#### 5. PARTICIPATION.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deduction on the form of Exhibit A to this Plan and filing it with the Company's payroll office prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Board or the Committee for all eligible Employees with respect to a given offering.

(b) Payroll deductions for a participant shall commence on the first payroll following the Offering Date and shall end on the Exercise Date of the offering to which such authorization is applicable, unless sooner terminated by the participant as provided in paragraph 10.

#### 6. PAYROLL DEDUCTIONS.

(a) At the time a participant files his subscription agreement, he shall elect to have payroll deductions made on each payday during the offering period in an amount not exceeding five percent (10%) of the Compensation which he receives on each payday during the offering period, and the aggregate of such payroll deductions during the offering period shall not exceed five percent (10%) of his aggregate Compensation during said offering period.

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

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(c) A participant may discontinue his participation in the Plan as provided in paragraph 10, or may lower, but not increase, the rate of his payroll deductions during the offering period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The change in rate shall be effective fifteen (15) days following the Company's receipt of the new subscription agreement.

#### 7. GRANT OF OPTION.

(a) On the Offering Date of each offering period, each eligible Employee participating in the Plan shall be granted an option to purchase (at the per share option price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated during such offering period by the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the

Offering Date, or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Exercise Date; provided that in no event shall an Employee be permitted to purchase during each offering period more than a number of shares determined by dividing \$12,500 by the fair market value of a share of the Company's Common Stock on the Offering Date, and provided further that such purchase shall be subject to the limitations set forth in Section 3(b) and 12 hereof. Fair market value of a share of the Company's Common Stock shall be determined as provided in Section 7(b) herein.

(b) The option price per share of the shares offered in a given offering period shall be the lower of: (i) 85% of the fair market value of a share of the Common Stock of the Company on the Offering Date; or (ii) 85% of the fair market value of a share of the Common Stock of the Company on the Exercise Date. The fair market value of the Company's Common Stock on a given date shall be determined by the Board or the Committee in its discretion; provided, however, that where there is a public market for the Common Stock, the fair market value per Share shall be the mean of the bid and asked prices [or the closing price per share if the Common Stock is listed on the National Association of Securities Dealers Automated Quotation ("NASDAQ") National Market System] of the Common Stock for such date, as reported in the Wall Street Journal (or, if not so reported, as otherwise reported by the NASDAQ System) or, in the event the Common Stock is listed on a stock exchange, the fair market value per Share shall be the closing price on such exchange on such date, as reported in the Wall Street Journal.

8. EXERCISE OF OPTION. Unless a participant withdraws from the Plan as provided in paragraph 10, his option for the purchase of shares will be exercised automatically on the Exercise Date of the offering period, and the maximum number of full shares subject to option will be purchased for him at the applicable option price with the accumulated payroll deductions in his account. The shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Exercise Date. During his lifetime, a participant's option to purchase shares hereunder is exercisable only by him.

9. DELIVERY. As promptly as practicable after the Exercise Date of each offering, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his option. Any cash remaining to the credit of a participant's account under the Plan after a purchase by him of shares at the termination of each offering period, or which is insufficient to purchase a full share of Common Stock of the Company, shall be returned to said participant.

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#### 10. WITHDRAWAL; TERMINATION OF EMPLOYMENT.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his account under the Plan at any time prior to the Exercise Date of the offering period by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's payroll deductions credited to his account will be paid to him promptly after receipt of his notice of withdrawal and his option for the current period will be automatically terminated, and no further payroll deductions for the purchase of shares will be made during the offering period.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date of the offering period for any reason, including retirement or death, the payroll deductions credited to his account will be returned to him or, in the case of his death, to the person or persons entitled thereto under paragraph 14, and his option will be automatically terminated.

(c) In the event an Employee fails to remain in Continuous Status as an Employee for at least twenty (20) hours per week during the offering period in which the employee is a participant, he will be deemed to have elected to withdraw from the Plan and the payroll deductions credited to his account will be returned to him and his option terminated.

(d) A participant's withdrawal from an offering will not have any effect upon his eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

11. INTEREST. No interest shall accrue on the payroll deductions of a participant in the Plan.

12. STOCK.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 1,337,500 shares, subject to adjustment upon changes in capitalization of the Company as provided in paragraph 18. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) hereof on the Offering Date of an offering period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

(b) The participant will have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his spouse or, beginning with the offering period ending June 8, 1990, in the name of the participant and any joint tenant(s) designated by the participant.

13. ADMINISTRATION. The Plan shall be administered by the Board of the Company or a committee of one or more persons appointed by the Board. The administration, interpretation or application of the Plan by the Board or its committee shall be final, conclusive and binding upon all participants. Members of the Board and other persons who are eligible Employees are permitted to participate in the Plan, provided that:

(a) No person who is eligible to participate in the Plan may vote on any matter affecting the administration of the Plan or the grant of any option pursuant to the Plan.

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(b) If a Committee is established to administer the Plan, no person who is eligible to participate in the Plan may be a member of the Committee.

14. 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 the Plan in the event of such participant's death subsequent to the end of the offering period but prior to the delivery to him of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of the offering period.

(b) Such 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 the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, 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 Company, then to such other person as the Company may designate.

15. TRANSFERABILITY. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the 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 paragraph 14 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with paragraph 10.

16. USE OF FUNDS. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

17. REPORTS. Individual accounts will be maintained for each participant in the 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. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which 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 shall not be deemed to have been "effected without receipt of consideration". Such adjustment shall be made by the Board or the Committee, whose determination in that respect 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 an option.

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In the event of the proposed dissolution or liquidation of the Company, the offering period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board or the Committee. 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, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless such successor corporation does not agree to assume the option or to substitute an equivalent option, in which case the Board or the Committee shall, in lieu of such assumption or substitution, provide for the participant to have the right to exercise the option as to all of the optioned stock, including shares as to which the option would not otherwise be exercisable. If the Board or the Committee makes an option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board or the Committee shall notify the participant that the option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Board or the Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

19. AMENDMENT OR TERMINATION. The Board or the Committee may at any time terminate or amend the Plan. Except as provided in paragraph 18, no such termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant, nor may an amendment be made without prior approval of the stockholders of the Company (obtained in the manner described

in paragraph 21) if such amendment would:

- (a) Increase the number of shares that may be issued under the Plan;
- (b) Permit payroll deductions at a rate in excess of ten percent (10%) of the participant's Compensation;
- (c) Change the designation of the employees (or class of employees) eligible for participation in the Plan; or
- (d) 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 which may accrue to participants under the Plan.

If any amendment requiring stockholder approval under this paragraph 19 of the Plan is made subsequent to 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 the Plan.

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

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#### 21. STOCKHOLDER APPROVAL.

(a) Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve months before or after the date the Plan is adopted.

(b) If and in the event that the Company registers any class of equity securities pursuant to Section 12 of the Exchange Act, any required approval of the stockholders of the Company obtained after such registration shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(c) If any required approval by the stockholders of the Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in Section 17(b) hereof, then the Company shall, at or prior to the first annual meeting of stockholders held subsequent to the later of (1) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (2) the granting of an Option hereunder to an Officer and Director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for the Plan substantially the same information which would be required (if proxies to be voted with respect to approval or disapproval of the 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. Shares shall not be issued with respect to an option unless the exercise of such option 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.

As a condition to the exercise of an option, the Company may require the person exercising such option 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. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company as described in paragraph 21. It shall continue in effect for a term of twenty (20) years unless sooner terminated under paragraph 19.

24. Additional Restrictions of Rule 16b-3. The terms and conditions of options 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 options 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.

EXHIBIT 4-4

LAM RESEARCH CORPORATION

1991 STOCK OPTION PLAN

AMENDED AND RESTATED EFFECTIVE AS OF OCTOBER 27, 1994

1. PURPOSES OF THE PLAN. The purposes of this Stock Option Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Consultants and Outside Directors, and
- to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. The Plan also provides for automatic grants of Nonstatutory Stock Options to Outside Directors.

2. DEFINITIONS. As used herein, the following definitions shall apply:

(a) "ADMINISTRATOR" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "APPLICABLE LAWS" means the legal requirements relating to the administration of stock option plans under state corporate and securities laws and the Code.

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

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

(e) "COMMITTEE" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(f) "COMMON STOCK" means the Common Stock of the Company.

(g) "COMPANY" means Lam Research Corporation, a Delaware corporation.

(h) "CONSULTANT" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) "CONTINUOUS STATUS AS AN EMPLOYEE OR CONSULTANT" means that the employment or consulting relationship is not interrupted or terminated by the Optionee, Company, any Parent or Subsidiary. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave, provided, however, that for purposes of Incentive Stock Options, any such leave may not exceed ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; or (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor.

(j) "CONTINUOUS STATUS AS AN OUTSIDE DIRECTOR" means that the Outside Director relationship is not interrupted or terminated by the Outside Director, Company, or any Parent. Continuous Status as an Outside Director shall not be considered interrupted in the case of any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave.

(k) "DIRECTOR" means a member of the Board.

(l) "DISABILITY" means total and permanent disability as defined in

Section 22(e)(3) of the Code.

(m) "EMPLOYEE" means any person, including Officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(n) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(o) "FAIR MARKET VALUE" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange, the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") System, or a national market system, including without limitation the National Market System of the NASDAQ System, or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and high asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in the Wall Street Journal or such other source as the Administrator deems reliable;

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(ii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(p) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(q) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(r) "NOTICE OF GRANT" means a written notice evidencing certain terms and conditions of an individual Option. The Notice of Grant is part of the Option Agreement.

(s) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(t) "OPTION" means a stock option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(v) "OPTIONED STOCK" means the Common Stock subject to an Option.

(w) "OPTIONEE" means an Employee or Consultant who holds an outstanding Option.

(x) "OUTSIDE DIRECTOR" shall mean a member of the Board of Directors of the Company who is not an Employee or a Consultant.

(y) "PARENT" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) "PLAN" means this Lam Research Corporation 1991 Stock Option Plan.

(aa) "RULE 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(bb) "SHARE" means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

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(cc) "SUBSIDIARY" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 2,875,000 Shares of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock. However, should the Company reacquire Shares which were issued pursuant to the exercise of an Option, such Shares shall not become available for future grant under the Plan.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant under the Plan (unless the Plan has terminated).

4. ADMINISTRATION OF THE PLAN.

(a) PROCEDURE.

(i) MULTIPLE ADMINISTRATIVE BODIES. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to Outside Directors, Directors who are also Employees or Consultants, Officers who are not Directors, and Employees who are neither Directors nor Officers.

(ii) ADMINISTRATION WITH RESPECT TO DIRECTORS AND OFFICERS SUBJECT TO SECTION 16(b). With respect to Option grants made to Employees who are also Officers or Directors subject to Section 16(b) of the Exchange Act, the Plan shall be administered by (A) the Board, if the Board may administer the Plan in compliance with the rules governing a plan intended to qualify as a discretionary plan under Rule 16b-3, or (B) a committee designated by the Board to administer the Plan, which committee shall be constituted to comply with the rules governing a plan intended to qualify as a discretionary plan under Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules governing a plan intended to qualify as a discretionary plan under Rule 16b-3.

(iii) ADMINISTRATION WITH RESPECT TO OTHER PERSONS. With respect to Option grants made to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy Applicable Laws. Once appointed, such Committee shall serve in its designated capacity until otherwise directed by the Board.

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The Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(iv) ADMINISTRATION WITH RESPECT TO AUTOMATIC GRANTS TO OUTSIDE DIRECTORS. Automatic grants to Outside Directors shall be pursuant to a non-discretionary formula as set forth in Section 5(b) hereof and therefore shall not be subject to discretionary administration.

(b) POWERS OF THE ADMINISTRATOR. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(o) of the Plan;

(ii) to select the Consultants and Employees to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options are granted

hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions may include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding an Option or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to reduce the exercise price of any Option to the then current Fair Market Value if the Fair Market Value of the Common Stock covered by such Option shall have declined since the date the Option was granted;

(viii) to construe and interpret the terms of the Plan;

(ix) to prescribe, amend and rescind rules and regulations relating to the Plan;

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(x) to modify or amend each Option (subject to Section 15(c) of the Plan);

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Administrator;

(xii) to determine the terms and restrictions applicable to Options; and

(xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) EFFECT OF ADMINISTRATOR'S DECISION. The Administrator's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options.

#### 5. ELIGIBILITY.

(a) Options may be granted to Employees, Consultants and Outside Directors provided that (i) Incentive Stock Options may only be granted to Employees and (ii) Options may only be granted to Outside Directors in accordance with the provisions of Section 5(b) hereof. Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. Subject to Section 5(b) with respect to Outside Directors, an Employee, Consultant or Outside Director who has been granted an option may, if such Employee, Consultant or Outside Director is otherwise eligible, be granted additional Option(s).

(b) The provisions set forth in this Section 5(b) shall not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. All grants of Options to Outside Directors under this Plan shall be automatic and non-discretionary and shall be made strictly in accordance with the following provisions:

(i) No person shall have any discretion to select which Outside Directors shall be granted Options or to determine the number of shares to be covered by Options granted to Outside Directors; provided, however, that nothing in this Plan shall be construed to prevent an Outside Director from declining to receive an Option under this Plan.

(ii) Each Outside Director shall be automatically granted an Option to purchase 6,000 Shares on the first business day of January of each calendar year.

(iii) The terms of an Option granted pursuant to this Section 5(b) shall be as follows:

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(A) the term of the Option shall be ten (10) years;

(B) except as provided in subsections 5(b)(iii)(G) and (H) hereof, the Option shall be exercisable only while the Outside Director remains a director;

(C) the exercise price per share of Common Stock shall be 100% of the Fair Market Value on the date of grant of the Option;

(D) the Option shall be 100% vested upon the date of grant;

(E) the consideration to be paid for the Shares to be issued upon exercise of an automatic Outside Director Option shall consist of cash or check;

(F) if an Outside Director ceases to serve as a Director the Option shall terminate immediately (except in the event of the Outside Director's death or Disability, as described below);

(G) in the event an Outside Director's Continuous Status as an Outside Director terminates as a result of his or her Disability, he or she may, but only within six (6) months from the date of termination, exercise his or her Option. If he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate; and

(H) in the event of the death of an Outside Director, the Option may be exercised, at any time within six (6) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. If the option is not exercised (to the extent it was entitled to be exercised) within the time specified herein, the Option shall terminate.

## 6. LIMITATIONS.

(a) Each Option shall be designated in the Notice of Grant as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of the Shares subject to an Optionee's incentive stock options granted by the Company, any Parent or Subsidiary, which become exercisable for the first time during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), incentive stock options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the time of grant.

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(b) Neither the Plan nor any Option shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than two hundred thousand (200,000) Shares. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 12.

(d) If an Option is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 12), the cancelled Option will be counted against the limit set forth in Section 5(c). For this purpose, if the exercise price of an Option is reduced, the transaction will be treated as a cancellation of the Option and the grant of a new Option.

7. TERM OF PLAN. Subject to Section 18 of the Plan, the Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company as described in Section 18 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 14 of the Plan.

8. TERM OF OPTION. The term of each Option shall be stated in the Notice of Grant; provided, however, that in the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option shall be five (5) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

9. OPTION EXERCISE PRICE AND CONSIDERATION.

(a) EXERCISE PRICE. Except with respect to automatic stock option grants to Outside Directors, the per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:

(i) In the case of an Incentive Stock Option:

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

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(B) granted to any Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Nonstatutory Stock Option, the per Share exercise price may be less than 100%, but shall be no less than 85%, of the Fair Market Value per Share on the date of grant, if the Administrator determines that a discount from the Fair Market Value is appropriate in lieu of the payment of a reasonable amount of salary or cash bonus to the Optionee.

(b) WAITING PERIOD AND EXERCISE DATES. Except with respect to automatic stock option grants to Outside Directors, at the time an Option is granted, the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may specify that an Option may not be exercised until the completion of a service period.

(c) FORM OF CONSIDERATION. Except with respect to automatic stock option grants to Outside Directors, the Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to

the Company of the sale or loan proceeds required to pay the exercise price;

(vi) any combination of the foregoing methods of payment; or

(vii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

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#### 10. EXERCISE OF OPTION.

(a) PROCEDURE FOR EXERCISE; RIGHTS AS A SHAREHOLDER. Any Option granted hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, jointly with a person as specified by the Optionee. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 13 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) TERMINATION OF EMPLOYMENT OR CONSULTING RELATIONSHIP. In the event that an Optionee's Continuous Status as an Employee or Consultant terminates (other than upon the Optionee's death or Disability), the Optionee may exercise his or her Option, but only within such period of time as is determined by the Administrator, and only to the extent that the Optionee was entitled to exercise it at the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the case of an Incentive Stock Option, the Administrator shall determine such period of time (in no event to exceed three (3) months from the date of termination) when the Option is granted. In the case of a Nonstatutory Stock Option, such period of time may not exceed six (6) months from the date of termination. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

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(i) DISABILITY OF OPTIONEE. In the event that an Optionee's Continuous Status as an Employee or Consultant terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within six (6) months from the date of such termination (or, if an Employee or Consultant, such other period of time not exceeding twelve (12) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option), but only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan.

If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(c) DEATH OF OPTIONEE. In the event of the death of an Optionee:

(i) during the term of the Option who is at the time of death an Employee or Consultant and who shall have been in Continuous Status as an Employee or Consultant since the date of grant of the Option, the Option may be exercised, at any time within six (6) months (or such other period of time as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Optionee continued living and remained in Continuous Status as an Employee or Consultant six (6) months after the date of death; or

(ii) within thirty (30) days (or such other period of time not exceeding three (3) months as is determined by the Administrator, with such determination in the case of an Incentive Stock Option being made at the time of grant of the Option) after the termination of Continuous Status as an Employee or Consultant, the Option may be exercised, at any time within six (6) months following the date of death (but in no event later than the date of expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination.

11. NON-TRANSFERABILITY OF OPTIONS. An Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

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12. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION, DISSOLUTION, MERGER OR ASSET SALE.

(a) CHANGES IN CAPITALIZATION. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, 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 issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance 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 an Option.

(b) DISSOLUTION OR LIQUIDATION. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option (except for Options granted to Outside Directors) shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable.

(c) MERGER OR ASSET SALE. In the event of a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option shall be assumed or an equivalent option or

right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the Option or to substitute an equivalent option, the Board shall, in lieu of such assumption or substitution, provide for the Optionee to have the right to exercise the Option as to all or a portion of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If the Administrator makes an Option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee that the Option shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option will terminate upon the expiration of such period. For the purposes of this paragraph, the Option shall be considered assumed if, following the merger or sale of assets, the option or right confers the right to purchase, for each Share of Optioned Stock subject to the Option immediately prior to

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the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in Fair Market Value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

13. DATE OF GRANT. The date of grant of an Option shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of grant.

14. AMENDMENT AND TERMINATION OF THE PLAN.

(a) AMENDMENT AND TERMINATION. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) STOCKHOLDER APPROVAL. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such stockholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c) EFFECT OF AMENDMENT OR TERMINATION. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

15. CONDITIONS UPON ISSUANCE OF SHARES.

(a) LEGAL COMPLIANCE. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which

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the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) INVESTMENT REPRESENTATIONS. As a condition to the exercise of an Option, the Company may require the person exercising such Option 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.

16. LIABILITY OF COMPANY.

(a) INABILITY TO OBTAIN AUTHORITY. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) GRANTS EXCEEDING ALLOTTED SHARES. If the Optioned Stock covered by an Option exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Option shall be void with respect to such excess Optioned Stock, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 15(b) of the Plan.

17. RESERVATION OF SHARES. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

18. STOCKHOLDER APPROVAL. Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

SUPPLEMENTAL RECEIVABLES PURCHASE AGREEMENT

among

LAM RESEARCH CORPORATION

ABN AMRO BANK N.V., CAYMAN ISLANDS BRANCH

LAM RESEARCH CO., LTD.

and

ABN AMRO BANK N.V., TOKYO BRANCH

RECEIVABLES PURCHASE AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, dated as of June 28, 1995, is entered into by and among:

- (1) LAM RESEARCH CORPORATION, a company incorporated in Delaware and having its chief executive office at 4650 Cushing Parkway, Fremont, California 94538-6401 ("LRC");
- (2) ABN AMRO BANK N.V., acting through its CAYMAN ISLANDS BRANCH, a branch licensed in the Cayman Islands and having its office at 335 Madison Avenue, 16th Floor, New York, New York 10017 ("ABN CAYMAN");
- (3) LAM RESEARCH CO., LTD., a company incorporated in Japan and having its registered office at 1-1-10, Oyama, Sagamihara-shi, Kanagawa (in its capacity as the seller of receivables hereunder, the "SELLER");
- (4) ABN AMRO BANK N.V., acting through its TOKYO BRANCH, a branch licensed in Japan and having its registered office at Shiroyama JT Mori Building, 3-1, 4-chome, Toranomon, Minato-ku, Tokyo (the "PURCHASER"); and
- (5) LAM RESEARCH CO., LTD., a company incorporated in Japan and having its registered office at 1-1-10, Oyama, Sagamihara-shi, Kanagawa (in its capacity as the collection agent for receivables hereunder, the "COLLECTION AGENT").

RECITALS:

- (A) LRC and the Seller have sold to Sumitomo Metal Industries, Ltd., a Japanese corporation which has acted as LRC's and the Seller's Japanese distributor (the "BUYER"), certain semiconductor capital equipment (the "EQUIPMENT") on account. The Buyer has in turn sold the Equipment to other Japanese corporations (the "END-USERS") on account.

- (B) Pursuant to a Receivables Purchase Agreement dated as of March 23, 1995 (the "EXISTING RECEIVABLES AGREEMENT") among LRC (in its capacity as the seller thereunder), ABN Cayman and LRC (in its capacity as the collection agent thereunder), LRC sold to ABN Cayman certain of the receivables owed to LRC by the Buyer.
- (C) The Seller and the Purchaser now have agreed, upon the terms and subject to the conditions set forth herein, that the Seller will sell to the Purchaser the receivable described in the FIRST SCHEDULE hereto, which is a receivable owed to the Seller by the Buyer and arose from the sale by the Seller to the Buyer of certain of the Equipment (the "RECEIVABLE").
- (D) The Collection Agent has agreed, upon the terms and subject to the conditions set forth herein, to act as the agent of the Purchaser in connection with the collection of the receivable sold to the Purchaser pursuant to this Supplemental Agreement.
- (E) LRC (in its capacities as both seller and collection agent under the Existing Receivables Agreement), ABN Cayman, the Seller, the Purchaser and the Collection Agent now wish to supplement the Existing Receivables Agreement by entering into this Supplemental Agreement to set forth the terms and conditions upon which the Purchaser will purchase the Receivable.

THE PARTIES HERETO HEREBY AGREE as follows:

#### PART 1

#### INTERPRETATION

#### 1. DEFINITIONS AND INTERPRETATION

1.1 In this Supplemental Agreement and in the Schedules, unless otherwise defined therein or unless the context otherwise requires, the following terms shall have the following meanings:

"ABN CAYMAN" has the meaning given to that term in CLAUSE (2) OF THE INTRODUCTORY PARAGRAPH hereof.

"ACCEPTANCE" means, for any Equipment, the acceptance by the End-User of such Equipment in a manner which obligates the End-User to pay to the Buyer an amount equal to the full Face Amount of the Purchased Receivable arising out of the sale of such Equipment to the Buyer.

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"ADJUSTED LIBO RATE" means, for any period and amount, the per annum rate equal to the sum of (i) the LIBO Rate for such period and amount plus (ii) three-fourths of one percent (0.75%).

"ASSIGNMENT" means an assignment substantially in the form of PART 1 OF THE THIRD SCHEDULE.

"BUYER" has the meaning given to that term in RECITAL (A).

"CAPITAL" means, at any date as of which the amount thereof is to be determined, the sum of (i) Total Debt and (ii) Tangible Net Worth.

"CLOSING DATE" means June 30, 1995, or such later date as the parties hereto may agree.

"COLLECTION AGENT" has the meaning given to that term in CLAUSE (5) OF THE INTRODUCTORY PARAGRAPH hereof.

"COLLECTIONS" means all payments by or on behalf of the Buyer received in respect of the Receivable, whether in the form of cash, electronic money transfer or any other form of payment.

"CONTINGENT OBLIGATION" means, as applied to any person, any direct or indirect liability, contingent or otherwise, of that person with respect to

any indebtedness, lease, dividend, letter of credit or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that person, or in respect of which that person is otherwise directly or indirectly liable. The amount of any Contingent Obligations shall be equal to the amount of the obligation so guaranteed or otherwise supported.

"CURRENT LIABILITIES" means, at any date as of which the amount thereof is to be determined, the consolidated current liabilities of LRC and its subsidiaries determined in accordance with generally accepted accounting principals.

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"DAILY RATE" means, for any day, the per annum rate equal to the greater of (i) the rate quoted on such day by two or more commercial banks in Tokyo as the short-term prime rate for short-term borrowings in Yen by prime borrowers in Tokyo and (ii) the Adjusted LIBO Rate for one-week Yen deposits determined by the Purchaser on such day (for delivery two London Banking Days after such day), such rate to change on each day as the short-term prime rate and Adjusted LIBO Rate for one-week Yen deposits shall change.

"DEBT" of any person means, at any date, without duplication, (i) all obligations of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all obligations of such person as lessee which are not capitalized in accordance with generally accepted accounting principles but which are secured by an encumbrance upon any property of such person, and (vi) all debt secured by an encumbrance on any asset of such person, whether or not such debt is otherwise guaranteed by such person.

"DISCOUNT AMOUNT" means, for the Purchased Receivable, the product of (i) the Face Amount of the Purchased Receivable times (ii) the Discount Rate for the Discount Period and Face Amount for the Purchased Receivable.

"DISCOUNT PERIOD" means, for the Purchased Receivable, the period commencing on the Closing Date and ending on the Tentative Due Date for the Purchased Receivable.

"DISCOUNT RATE" means, for any Discount Period and amount, a fraction (expressed as a percentage rounded up to the nearest one thousandth of one percent) calculated as follows:

$$D = \frac{L \times P/360}{1 + (L \times P/360)}$$

Where:

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D = the Discount Rate;  
L = the Adjusted LIBO Rate (expressed as a decimal number) for such Discount Period and amount; and  
P = the number of days in such Discount Period.

"DISCOUNT REDUCTION AMOUNT" means, with respect to the Purchased Receivable if the Payment Date occurs prior to the Tentative Due Date, an amount equal to the product of (i) the Discount Amount for the Purchased Receivable times (ii) a fraction (expressed as a percentage rounded down to the nearest one thousandth of one percent), the numerator of which is the number of days in the period commencing on the Payment Date and ending on the Tentative Due Date and the denominator of which is the number of days in the Discount Period for the Purchased Receivable.

"END-USERS" has the meaning given to that term in RECITAL (A).

"EQUIPMENT" has the meaning given to that term in RECITAL (A).

"EXISTING RECEIVABLES AGREEMENT" has the meaning given to that term in RECITAL (B).

"FACE AMOUNT" means, for the Receivable, the amount in Yen which is payable by the Buyer on account of such Receivable, as set forth for the Receivable in the Assignment.

"FUNDED INTEREST AMOUNT" means, with respect to the Purchased Receivable if the Scheduled Due Date is set to occur after the Tentative Due Date, an amount equal to the interest which would have accrued on the Face Amount of the Purchased Receivable from the Tentative Due Date through the Scheduled Due Date at the Adjusted LIBO Rate for such period and such Face Amount.

"FUNDED INTEREST ACCRUED AMOUNT" means, with respect to the Purchased Receivable if the Scheduled Due Date is after the Tentative Due Date and the Payment Date or the Repurchase Date occurs prior to the Scheduled Due Date, an amount equal to the product of (i) the Funded Interest Amount for the Purchased Receivable times (B) a fraction (expressed as a

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percentage rounded up to the nearest one thousandth of one percent), the numerator of which is the number of days in the period commencing on the Tentative Due Date and ending on the Payment Date or the Repurchase Date, as the case may be, and the denominator of which is the number of days in the period commencing on the Tentative Due Date and ending on the Scheduled Due Date.

"GUARANTY" means a guaranty of LRC in the form of the Seventh Schedule.

"INSOLVENCY EVENT" means, in relation to any person, its winding-up or dissolution or the judgment or declaration of insolvency or bankruptcy or the appointment of an administrator, trustee, liquidator, sequestrator or similar official over its or any of its reserves or assets, the filing or presentation of a petition in relation to any of the foregoing or the commencement of any analogous proceedings in relation thereto, and, in the case of such filing or presentation made by any third party against it, such filing or presentation (i) having resulted in a judgment or declaration of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or dissolution or (ii) having not been dismissed, discharged, stayed or restrained within thirty (30) days.

"LIBO RATE" means, for any period and amount:

- (i) The per annum rate for deposits in Yen for a term comparable to such period which appears on the Telerate page 3750 as of 11:00 a.m. (London time) on the second London Banking Day prior to the first day of such period; or
- (ii) If such rate does not appear on the Telerate page 3750 at such time, the arithmetic mean of the rates (expressed as a percentage rounded up to the nearest one thousandth of one percent), determined by the Purchaser to be the per annum rates at which deposits in Yen are offered to ABN AMRO Bank, N.V., London Branch, by two or more prime banks in the London interbank market at or about 11:00 a.m. (London time) on the second London

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Banking Day prior to the first day of such period (for delivery on the first day of such period) for a term comparable to such period and in an amount approximately equal to such amount.

"LONDON BANKING DAY" means a day on which commercial banks are open for business (including dealing in foreign exchange and foreign currency

deposits) in London.

"LRC" has the meaning given to that term in CLAUSE (1) OF THE INTRODUCTORY PARAGRAPH hereof.

"MATERIAL ADVERSE EFFECT" means in relation to any matter, event or circumstance concerning the Seller, LRC or the Collection Agent (insofar as Lam Research Co., Ltd. is the Collection Agent), a likely material adverse effect on the ability of the person concerned to perform its obligations under this Supplemental Agreement, the Assignment or any of the other Transaction Documents.

"ORIGINAL FINANCIAL STATEMENTS OF THE SELLER" means the audited financial statements of LRC for the financial year ended June 30, 1994 and the unaudited interim financial statements of LRC for the financial quarter ended December 31, 1994.

"PARTIAL ACCEPTANCE" means, for any Equipment, the acceptance by the End-User of such Equipment in a manner which obligates the End-User to pay to the Buyer an amount equal to a portion of the Face Amount of the Purchased Receivable arising out of the sale of such Equipment to the Buyer.

"PAYMENT DATE" means, for the Purchased Receivable, the date or each of the dates on which the Purchased Receivable is paid in full or in any part to the Purchaser in immediately available funds.

"PERFECTION DOCUMENT" means, for the Purchased Receivable, a written notice to the Buyer, duly executed by the Seller, notifying the Buyer of the assignment by the Seller to the Purchaser of the Purchased Receivable, such notice to be in the form of a document duly date-stamped (KAKUTEI HIZUKE) by a notary public in accordance with Article 467 (1) and (2)

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of the Civil Code of Japan and in form and substance reasonably satisfactory to the Purchaser.

"POTENTIAL TERMINATION EVENT" means any event or circumstance which, if it continued after the giving of any notice, the expiration of any grace period and/or the satisfaction of any other applicable conditions, would become a Termination Event.

"PURCHASED RECEIVABLE" means each Receivable which is actually purchased by the Purchaser pursuant to this Supplemental Agreement, other than any such Receivable which is repurchased by the Seller pursuant to this Supplemental Agreement.

"PURCHASE LIMIT" means the remainder of (i) one billion, four hundred million Yen (¥1,400,000,000) (i.e. the "Purchase Limit" under the Existing Receivables Agreement) minus (ii) one billion, two hundred million Yen (¥1,200,000,000).

"PURCHASE ORDER" means, for any Equipment purchased by the Buyer, the purchase order (or its equivalent regardless of whether it is titled as such) for such Equipment duly executed and delivered to the Seller by the Buyer, which shall specify the specification and the ordered quantity of, and the payment terms for, such Equipment.

"PURCHASE PRICE" has the meaning given to that term in CLAUSE 4.1.

"PURCHASER" has the meaning given to that term in CLAUSE (4) OF THE INTRODUCTORY PARAGRAPH hereof.

"QUICK ASSETS" means, at any date as of which the amount thereof is to be determined, the consolidated cash, cash-equivalents, accounts receivable, and marketable securities with maturities not to exceed 360 days, of LRC and its subsidiaries determined in accordance with generally accepted accounting principals.

"RECEIVABLE" has the meaning given to that term in RECITAL (C).

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"RECORDS" means all Sales Agreements, Purchase Orders, contracts, other documents, books, records and other information maintained by the Seller with respect to the Purchased Receivable.

"RELATED SECURITY" means, for the Purchased Receivable, (i) all of the Seller's interest, if any, in the Equipment (including returned Equipment), if any, the sale of which by the Seller gave rise to the Purchased Receivable, (ii) all other encumbrances and property subject thereto from time to time, if any, purporting to secure payment of the Purchased Receivable, whether pursuant to the Sales Agreement relating to the Purchased Receivable or otherwise and (iii) all guarantees, insurance or other agreements or arrangements of any kind from time to time supporting or securing payment of the Purchased Receivable whether pursuant to the Sales Agreement relating to the Purchased Receivable or otherwise.

"REPURCHASE DISCOUNT AMOUNT" means, for the Purchased Receivable if it is to be repurchased by the Seller, the product of (i) the Discount Amount for the Purchased Receivable times (ii) a fraction (expressed as a percentage rounded down to the nearest one thousandth of one percent), the numerator of which is the number of days in the period commencing on the date of repurchase and ending on the Tentative Due Date and the denominator of which is the number of days in the Discount Period for the Purchased Receivable.

"REPURCHASE DATE" has the meaning given to that term in CLAUSE 14.2.

"REPURCHASE PRICE" has the meaning given to that term in CLAUSE 14.3.

"REVISED FACE AMOUNT" means, for the Purchased Receivable related to Equipment if Partial Acceptance has occurred, the amount in Yen which the Seller and the Buyer have agreed upon following such Partial Acceptance as the reduced amount payable by the Buyer on account of the Purchased Receivable.

"SALES AGREEMENT" means the agreement (whether in writing or oral) between the Seller and the Buyer with respect to a sale of Equipment governing the terms and conditions of such

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sale (including the Purchase Order, if any, and all other agreements, instruments and documents relating or ancillary thereto), as such agreement may be amended or modified from time to time.

"SCHEDULED DUE DATE" means, for the Purchased Receivable, the date which is confirmed or agreed between the Seller and the Buyer following the Acceptance or Partial Acceptance by the Buyer of the related Equipment as the date on which the Face Amount or the Revised Face Amount, as the case may be, of the Purchased Receivable is unconditionally payable by the Buyer.

"SELLER" has the meaning given to that term in CLAUSE (3) OF THE INTRODUCTORY PARAGRAPH hereof.

"SHIPMENT" means, for any Equipment, the shipment by the Seller of such Equipment to the Buyer in accordance with the relevant Sales Agreement, the date of which shall be set forth in the Assignment.

"SUBORDINATED DEBT" means any debt subordinated to the obligations of the Seller hereunder on terms acceptable to the Purchaser.

"TANGIBLE NET WORTH" means, at any date as of which the amount thereof is to be determined, the consolidated total assets of LRC and its subsidiaries MINUS, without duplication, (i) the sum of any amounts attributable to (A) goodwill, and (B) intangible items such as unamortized debt discount and expense, patents, trade and service marks and names, copyrights, franchises, treasury stock, deferred charges and research and development expenses except prepaid expenses, AND (ii) Total Liabilities.

"TENTATIVE ACCEPTANCE DATE" means, for the Purchased Receivable, the date which is agreed upon between the Seller and the Purchaser and set forth in the Assignment as the date on which the Acceptance of the Equipment

relating to the Purchased Receivable is likely to occur, but shall in no event be later than the date which is 270 days after the date of Shipment of such Equipment as set forth in the Assignment.

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"TENTATIVE CREDIT PERIOD" means, for the Purchased Receivable, the period commencing on the Tentative Acceptance Date for the Purchased Receivable and ending on the Tentative Due Date for the Purchased Receivable.

"TENTATIVE DUE DATE" means, for the Purchased Receivable, the date which is agreed upon between the Seller and the Purchaser (based upon the payment terms provided in the Sales Agreement for the Equipment relating to the Purchased Receivable) and set forth in the Assignment as the date on which the Payment Date for the Purchased Receivable is likely to occur, but shall in no event be later than the date which is 225 days after the date of Acceptance or Partial Acceptance, as the case may be, of such Equipment.

"TERMINATION EVENTS" means those events and conditions set forth in the FOURTH SCHEDULE.

"TOTAL DEBT" means, at any date as of which the amount thereof is to be determined, the sum of (i) short-term bank debt, (ii) current maturities of long-term debt and current portion of capitalized leases, (iii) long term debt, (iv) capitalized leases and (v) all off-balance sheet obligations including Contingent Obligations and the face amount of all outstanding letters of credit (including drawn and unreimbursed amounts).

"TOTAL LIABILITIES" means, at any date as of which the amount thereof is to be determined, all obligations that should, in accordance with generally accepted accounting principals be classified as liabilities on the consolidated balance sheet of LRC.

"TRANSACTION DOCUMENTS" means this Supplemental Agreement, the Assignment, the Guaranty and all other agreements and documents entered into pursuant to this Supplemental Agreement or in connection with this Supplemental Agreement or the transactions contemplated hereby.

1.2 In this Supplemental Agreement:

"business day" means any day (other than a Saturday or a Sunday) on which banks are open for business in San Francisco, London and Tokyo;

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a "Clause", "Part", "Recital" or "Schedule" is, subject to any contrary indication, a reference to a clause or part hereof or a recital or schedule hereto;

an "encumbrance" shall be construed as a reference to a mortgage, charge, pledge, security interest, lien or other encumbrance securing any obligation of any person or any other type of preferential arrangement (including, without limitation, title transfer and retention arrangements) having a similar effect;

a "person" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the foregoing;

"stamp duty" shall be construed as a reference to any stamp, registration or to the transaction or documentary tax (including, without limitation any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

"tax" shall be construed so as to include any tax, levy, impost, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and

the "rehabilitation", "bankruptcy", "dissolution", "insolvency", "liquidation", "receivership" or "winding-up" of any person shall be construed so as to include any equivalent or analogous proceedings under the laws of the jurisdiction in which such person is incorporated (or, if not a company or corporation, domiciled) or any jurisdiction in which such person carries on business.

1.3 "Y" and "Yen" denote lawful currency of Japan.

1.4 Save where the contrary is indicated, any reference in this Supplemental Agreement to:

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- (i) this Supplemental Agreement or any other agreement or document shall be construed as a reference to this Supplemental Agreement, or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented;
- (ii) a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended or re-enacted; and
- (iii) all calculations of interest shall be made on the basis of a year of 360 days for actual days elapsed.

1.5 Clause, Part and Schedule headings are for ease of reference only.

1.6 The Seller is acting as the Seller and the Collection Agent under this Supplemental Agreement and the other Transaction Documents. All references in this Supplemental Agreement and the other Transaction Documents to the Seller shall, where the context so permits, be deemed to be a reference to the Seller acting in each of these capacities.

## PART 2

### GENERAL PROVISIONS FOR SALE OF RECEIVABLE

#### 2. TERMS OF PURCHASE

2.1 Subject to the terms and conditions set forth herein, the Seller will sell, and the Purchaser will purchase, the Receivable, PROVIDED THAT the Purchase Price paid by the Purchaser for the Receivable does not exceed the Purchase Limit.

2.2 The sale referred to in PART 3 does not constitute and is not intended to result in the creation or assumption by the Purchaser of any obligation of the Seller or any other person in connection with the Receivable or the Sales Agreements, or under any other agreement or instrument relating thereto.

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2.3 The parties hereto intend that the transactions contemplated by this Supplemental Agreement constitute a sale and purchase of the Purchased Receivable. In the event that any court, any other governmental authority or any other person should construe such transactions as a loan, the parties intend that such loan constitute a secured loan and, in furtherance of such intent, the Seller hereby grants to the Purchaser, as security for all obligations of the Seller under this Supplemental Agreement and the other Transaction Documents, a security interest in all right, title and interest of the Seller in and to the Purchased Receivable, all Collections thereof, all Related Security therefor and all Records relating thereto, whether now owned or hereafter acquired by the Seller.

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## PART 3

## SALE OF RECEIVABLE

### 3. SALE AND PURCHASE

3.1 Subject to the terms and conditions of this Supplemental Agreement, the Seller hereby agrees to sell on the Closing Date, and the Purchaser agrees to purchase on such date, all of the Seller's right, title and interest in, to and under the Receivable including for the avoidance of doubt:

- (i) the right to receive all Collections in respect thereof;
- (ii) all Related Security with respect to the Receivable and all proceeds thereof; and
- (iii) all Records relating to the Receivable.

3.2 The sale and purchase of the Receivable referred to in CLAUSE 3.1 shall be effected by the completion, execution and delivery of the Assignment.

### 4. CONSIDERATION

4.1 Subject to adjustment as provided in CLAUSES 6, 7 AND 8, the consideration payable by the Purchaser for the sale and purchase of the Purchased Receivable shall be an amount in Yen equal to the Face Amount of the Purchased Receivable minus the Discount Amount for the Purchased Receivable (the "PURCHASE PRICE"). The Purchase Price shall be payable in accordance with CLAUSE 5.1.

### 5. CLOSING

5.1 Completion of the sale and purchase contemplated by CLAUSE 3.1 shall take place on the Closing Date (subject to the satisfaction of the conditions precedent set out in the SECOND SCHEDULE), whereupon:

- (i) the Seller shall assign to the Purchaser the Receivable, by the Seller and the Purchaser

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executing and delivering to the other the Assignment;

- (ii) the Seller shall deliver the Sales Agreements to the Purchaser;
- (iii) if a promissory note has been issued by the Buyer in favor of the Seller for the payment of the Receivable, the Seller shall make endorsement without recourse (mutanpo uragaki) on such promissory note in favor of the Purchaser and deliver such promissory note to or to the order of the Purchaser; and
- (iv) the Purchaser shall pay the Purchase Price of the Receivable to the Seller in accordance with CLAUSE 22.1.

## PART 4

### ADJUSTMENT OF CONSIDERATION

#### 6. ADJUSTMENT AFTER DETERMINATION OF SCHEDULED DUE DATE

6.1 SCHEDULED DUE DATE AFTER TENTATIVE DUE DATE. Except as otherwise provided in CLAUSE 8.2(ii)(A), if the Seller and the Buyer agree upon the Scheduled Due Date for the Purchased Receivable prior to the payment of the Purchased Receivable and such Scheduled Due Date is AFTER the Tentative Due Date for the Purchased Receivable, then the Seller shall pay to the Purchaser on the Scheduled Due Date, as a reduction of the Purchase Price for the Purchased Receivable, the Funded Interest Amount for the Purchased Receivable.

6.2 SCHEDULED DUE DATE PRIOR TO TENTATIVE DUE DATE. If the Seller and the Buyer agree upon the Scheduled Due Date for the Purchased Receivable prior to the payment of the Purchased Receivable, such Scheduled Due Date is PRIOR to the Tentative Due Date for the Purchased Receivable and the Buyer pays the Purchased Receivable on a day other than the Tentative Due Date, then the Purchaser and

the Seller shall make payments to each other as provided in CLAUSE 8.1 below in the same manner as though the Scheduled Due Date had not been set.

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7. ADJUSTMENT AFTER PARTIAL ACCEPTANCE

7.1 If the Seller and the Buyer agree upon the Revised Face Amount of the Purchased Receivable after a Partial Acceptance of the related Equipment, then the Seller shall pay to the Purchaser on the Tentative Due Date, as a reduction of the Purchase Price for the Purchased Receivable, an amount equal to the difference between the Face Amount and the Revised Face Amount of the Purchased Receivable.

8. ADJUSTMENT AFTER PAYMENT

8.1 PAYMENT DATE PRIOR TO DETERMINATION OF SCHEDULED DUE DATE. If the Buyer pays the Purchased Receivable before the Seller and the Buyer agree upon the Scheduled Due Date for the Purchased Receivable and such payment is made on a day other than the Tentative Due Date, then the Purchaser and the Seller shall make payments to each other as follows:

- (i) PAYMENT DATE PRIOR TO TENTATIVE DUE DATE. If the Purchased Receivable is paid prior to the Tentative Due Date, then the Purchaser shall pay to the Seller on the Payment Date, as an increase in the Purchase Price for the Purchased Receivable, the Discount Reduction Amount for the Purchased Receivable. (In addition, the Seller shall pay to the Purchaser on the Payment Date all amounts, if any, payable by the Seller pursuant to CLAUSE 15.1 as a result of the Purchased Receivable being paid prior to the Tentative Due Date.)
- (ii) PAYMENT DATE AFTER TENTATIVE DUE DATE. If the Purchased Receivable is paid after the Tentative Due Date, then the Seller shall pay to the Purchaser on the Payment Date, as a reduction of the Purchase Price for the Purchased Receivable, an amount equal to the interest which would have accrued on the Face Amount of the Purchased Receivable from the Tentative Due Date through the Payment Date at the Daily Rate in effect from time to time during such period.

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8.2 PAYMENT DATE AFTER DETERMINATION OF SCHEDULED DUE DATE. If the Buyer pays the Purchased Receivable after the Seller and the Buyer agree upon the Scheduled Due Date for the Purchased Receivable, then the Purchaser and the Seller shall make payments to each other as follows:

- (i) SCHEDULED DUE DATE PRIOR TO TENTATIVE DUE DATE. If the Scheduled Due Date is prior to the Tentative Due Date and such payment is made on a day other than the Tentative Due Date, then the Purchaser and the Seller shall make payments to each other as provided in CLAUSE 8.1 above in the same manner as though the Scheduled Due Date had not been set.
- (ii) SCHEDULED DUE DATE AFTER TENTATIVE DUE DATE. If the Scheduled Due Date is after the Tentative Due Date and such payment is made on a day other than the Scheduled Due Date, then the Purchaser and the Seller shall make payments to each other as follows:
  - (A) PAYMENT DATE PRIOR TO SCHEDULED DUE DATE. If the Purchased Receivable is paid prior to the Scheduled Due Date, then the Seller shall pay to the Purchaser on the Payment Date (in lieu of the amount which otherwise would have been payable by the Seller to the Purchaser on the Scheduled Due Date pursuant to CLAUSE 6.1), as a reduction of the Purchase Price for the Purchased Receivable, the Funded Interest Accrued Amount. (In addition, the Seller shall pay to the Purchaser on the Payment Date all amounts, if any, payable by the Seller pursuant to CLAUSE 15.1 as a result of the Purchased Receivable being paid prior to the Scheduled Due

Date.)

- (B) PAYMENT DATE AFTER SCHEDULED DUE DATE. If the Purchased Receivable is paid after the Scheduled Due Date, then the Seller shall pay to the Purchaser on the Payment Date (in addition to the amount which is payable by the Seller to the Purchaser on the Scheduled

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Due Date pursuant to CLAUSE 6.1), as a reduction of the Purchase Price for the Purchased Receivable, an amount equal to the interest which would have accrued on the Face Amount of the Purchased Receivable from the Scheduled Due Date through the Payment Date at the Daily Rate in effect from time to time during such period.

## PART 5

### REPRESENTATIONS, WARRANTIES AND COVENANTS

#### 9. REPRESENTATIONS AND WARRANTIES

9.1 As of the date hereof, the Closing Date and each day on which the Purchased Receivable is outstanding until the Scheduled Due Date has been determined for the Purchased Receivable and 60 days have passed after the Scheduled Due Date, the Seller represents and warrants to the Purchaser as follows with respect to the Receivable:

- (i) The Receivable is an obligation of the Buyer to the Seller which arose from the sale by the Seller to the Buyer of Equipment in the ordinary course of the Seller's business.
  - (ii) The Receivable is payable in Yen in the Face Amount set forth for such Receivable in the Assignment.
  - (iii) The Receivable is not overdue.
  - (iv) The Receivable is a debt, the rights in which can be transferred by way of sale and assignment to the Purchaser pursuant to this Supplemental Agreement.
  - (v) The Receivable is legally and beneficially owned by the Seller or, after the sale to the Purchaser hereunder, by the Purchaser, free and clear of any liens, or other encumbrances exercisable against the Seller or the Purchaser.
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- (vi) The Receivable is not subject to withholding taxes.
  - (vii) The Receivable was created in compliance with all applicable laws and with all required consents, approvals and authorizations.
  - (viii) Subject to the terms and conditions of the relevant Sales Agreement, the Receivable constitutes a legal, valid, binding and enforceable obligation of the Buyer to pay the full Face Amount of the Receivable set forth in the Assignment, subject only to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and are not subject to any defense, dispute, set-off, counterclaim or discount.
  - (ix) The sale and assignment of the Receivable will not violate any law or any agreement by which the Seller or any of its assets may be bound. Without limiting the generality of the foregoing, the sale and assignment of the Receivable does not require the consent or approval of the Buyer or any other person.
  - (x) The Seller has, in all material respects, performed all of its

obligations under and complied with all of the terms of the Sales Agreements relating to the Equipment, the sale of which gave rise to the Receivable (except for any obligations not required to be performed or any terms not required to be complied with prior to the effective date of any such representation and warranty). Shipment of the Equipment relating to the Receivable occurred on the date set forth in the Assignment.

- (xi) The assignment of the Receivable in the manner herein contemplated is effective to pass to the Purchaser full and unencumbered title thereto and the benefit thereof and no further act, condition

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or thing is required to be done in connection therewith to enable the Purchaser to require payment of the Receivable or the enforcement of any such right in the courts of the United States or Japan, other than (A) the due performance by the Seller of the terms and conditions of the relevant Sales Agreement and (B) the filing of a Uniform Commercial Code financing statement.

- (xii) The governing law of the Sales Agreement relating to the Receivable is California or Japanese law.

9.2 As of the date hereof, the Closing Date and each day on which the Purchased Receivable is outstanding until the Scheduled Due Date has been determined for the Purchased Receivable and 60 days have passed after the Scheduled Due Date, the Seller represents and warrants to the Purchaser that each of the statements set forth in the FIFTH SCHEDULE is true, by reference to the facts and circumstances existing at the relevant time.

## 10. FINANCIAL INFORMATION

10.1 LRC shall, until the date which is 60 days after the Scheduled Due Date following the determination of the Scheduled Due Date for the Purchased Receivable:

- (i) within 100 days after the end of each of its financial years, deliver to the Purchaser its financial statements for such financial year; and
- (ii) within 55 days after the end of each of its financial quarters, deliver to the Purchaser its financial statements for such financial quarter.

10.2 LRC shall ensure that:

- (i) each set of financial statements delivered by it pursuant to CLAUSE 10.1(I) is prepared in accordance with accounting principles generally accepted in the United States and consistently applied (except for changes disclosed therein);
- (ii) each set of financial statements delivered by it pursuant to CLAUSE 10.1(I) has been audited by an

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internationally recognized firm of independent auditors;

- (iii) each set of financial statements delivered by it pursuant to CLAUSE 10.1(I) is accompanied by an unqualified opinion of the firm of independent auditors which audited such financial statements; and
- (iv) each set of quarterly financial statements delivered by it pursuant to CLAUSE 10.1(II) is prepared in accordance with accounting principles generally accepted in the United States and consistently applied (except for changes disclosed therein).

11. SELLER'S COVENANTS

11.1 The Seller shall, until the date which is 60 days after the Scheduled Due Date following the determination of the Scheduled Due Date for all of the Purchased Receivable:

- (i) obtain, comply in all material respects with the terms of and do all that is necessary and reasonably practicable to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of the United States and Japan to enable it lawfully to enter into and perform its obligations under this Supplemental Agreement and the Assignment from time to time in respect of the Purchased Receivable or to ensure the legality, validity, enforceability against the Seller or admissibility in evidence in the United States and Japan of this Supplemental Agreement or the Assignment;
- (ii) ensure that at all times the claims against it under this Supplemental Agreement rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred by any bankruptcy, insolvency or other similar laws of general application;
- (iii) permit audit and inspection under its guidance of its Records by or on behalf of the Purchaser during normal working hours upon reasonable notice and with reasonable frequency;
- (iv) maintain sufficient operating procedures to manage the transactions contemplated herein and to perform its obligations hereunder;
- (v) (without prejudice to CLAUSE 13.1) indemnify the Purchaser from and against all liabilities, losses and fees, costs and expenses in respect of any breach by the Seller of the representations and warranties made by it pursuant to the terms of CLAUSE 9;
- (vi) furnish to the Purchaser sufficient copies of such other information relating to its business as may be reasonably requested in writing by the Purchaser in order to enable it to carry out its functions hereunder;
- (vii) do all things necessary to remain duly organized, validly existing and in good standing under the laws of Delaware and maintain all requisite authority to conduct its business in Japan;
- (viii) comply in all respects which could be regarded as material in the context of the transactions contemplated by this Supplemental Agreement, with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject;
- (ix) if a promissory note is issued for the payment of the Purchased Receivable by the Buyer in favor of the Seller, promptly notify the Purchaser thereof and make endorsement without recourse (mutanpo uragaki) on such promissory note and deliver, or cause to be delivered, such promissory note to or to the order of the Purchaser;
- (x) give the Purchaser notice of any material change to its administrative and operating procedures in

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relation to the keeping and maintaining of Records;

- (xi) at its expense, in a timely manner fully perform and comply with

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all provisions, covenants and other promises required to be observed by it under the Sales Agreements related to the Purchased Receivable as if interests in the Purchased Receivable had not been assigned and sold hereunder;

- (xii) promptly after it becomes aware of the occurrence of any Termination Event or Potential Termination Event, notify the Purchaser thereof;
- (xiii) promptly after it becomes aware of the Acceptance or Partial Acceptance of any Equipment, the Revised Face Amount of the Purchased Receivable or the Scheduled Due Date for the Purchased Receivable, notify the Purchaser thereof;
- (xiv) promptly after it becomes aware of any event or condition relating to the Purchased Receivable set forth in CLAUSE 14.1, notify the Purchaser thereof; and
- (xv) cooperate with the Purchaser and execute and deliver to the Purchaser such other instruments and documents and take such other actions as may be reasonably requested from time to time in order to carry out, evidence and confirm the Purchaser's rights and the intended purpose of this Supplemental Agreement, including, but not limited to, perfecting, protecting or evidencing the Purchaser's right and interest in or to the Purchased Receivable.

11.2 The Seller shall not, until the date which is 60 days after the Scheduled Due Date following the determination of the Scheduled Due Date:

- (i) sell, assign, convey, transfer, lease or otherwise dispose of the Purchased Receivable other than

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pursuant hereto, or attempt, purport or agree to do any of the foregoing;

- (ii) cancel, terminate, amend, modify or waive any material term or condition of any Sales Agreement relating to Purchased Receivable, except insofar as the provisions contained in CLAUSES 7, 13 AND 14 are complied with by the Seller;
- (iii) compromise or settle any dispute or claim in respect of the Purchased Receivable;
- (iv) take any action which is reasonably likely to prejudice the validity or recoverability of the Purchased Receivable;
- (v) seek to challenge the validity of any sale of Receivable in any legal proceedings; or
- (vi) do anything which would materially and adversely affect the interests of the Purchaser hereunder or the maintenance by the Purchaser of any licenses, exemptions, authorizations or consents necessary in connection with this Supplemental Agreement or the transactions contemplated hereby.

11.3 To assure the Purchaser of its ability to perform its obligations under this Supplemental Agreement and the other Transaction Documents, LRC agrees that, until the date which is 60 days after the Scheduled Due Date following the determination of the Scheduled Due Date, it also shall:

- (i) maintain, at all times, a ratio of Quick Assets to Current Liabilities of at least 1.25 to 1.00;
- (ii) maintain, at all times, Tangible Net Worth of not less than \$250,000,000; and
- (iii) maintain, at all times, a ratio of Total Debt LESS Subordinated Debt to Capital of no more than 0.50 to 1.00.

12. PURCHASER'S COVENANTS

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12.1 The Purchaser shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of the United States and Japan to enable it lawfully to enter into and perform its obligations under this Supplemental Agreement or to ensure the legality, validity, enforceability or admissibility in evidence in the United States and Japan of this Supplemental Agreement or of the Assignment pursuant to the terms of this Supplemental Agreement.

13. SELLER'S INDEMNITY

13.1 Without limiting any other rights which the Purchaser may have hereunder or under applicable law, the Seller hereby agrees to indemnify the Purchaser and its officers, directors, agents and employees from and against any and all damages, losses, claims, liabilities, costs and expenses, including, without limitation reasonable attorneys' fees and disbursements including any tax thereon (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") awarded against or incurred by any of them in connection with this Supplemental Agreement, or the acquisition of an interest by the Purchaser in the Purchased Receivable, as a result of any breach by the Seller of any representation, warranty or covenant made or deemed to be made hereunder or in connection herewith or the transactions contemplated hereby, excluding, however, Indemnified Amounts to the extent that a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from the gross negligence or wilful misconduct on the part of the Purchaser. Without limiting the generality of the foregoing (and without prejudice to CLAUSE 14), the Seller shall indemnify, to the extent not indemnified as a result of the operation of CLAUSE 14.4, the Purchaser for Indemnified Amounts relating to or resulting from:

- (i) the sale and assignment to the Purchaser hereunder of any Receivable for which any representation and warranty set forth in CLAUSE 9.1 is incorrect;
- (ii) reliance on any representation or warranty made by the Seller or any officer of the Seller under or in connection with this Supplemental Agreement or any of the other Transaction Documents or any

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- other material information or report delivered by the Seller or any officer of the Seller which shall have been false, incorrect or omitting of any material fact at the time made or deemed made;
- (iii) the failure by the Seller or any officer of the Seller to comply with any applicable law, rule or regulation with respect to the Purchased Receivable or the related Sales Agreement or the non-conformity of the Purchased Receivable or the related Sales Agreement with any such applicable law, rule or regulation;
- (iv) the failure to vest and maintain in the Purchaser the Purchased Receivable free and clear of any encumbrance;
- (v) any dispute, claim, offset or defense of the Buyer to the payment of the Purchased Receivable, including, without limitation, a defense based on such Receivable or the related Sales Agreement not being a legal, valid and binding obligation of such Buyer enforceable against it in accordance with its terms, any defect in the Equipment which has been sold under the Sales Agreement or the failure by the Seller to perform any obligations related to such related Sales Agreement under any applicable laws, rules or regulations;
- (vi) any failure of the Seller or LRC to perform its duties or obligations in accordance with the provisions of this Supplemental Agreement and the other Transaction Documents;

- (vii) any disclosure of information regarding the Buyer by the Seller to the Purchaser or the supply of any Sales Agreements, Records and all other related documents to the Purchaser; and
- (viii) any claim arising from collection activities conducted by the Seller.

PART 6

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REPURCHASE OF RECEIVABLE

14. REPURCHASE OF RECEIVABLE

14.1 The Seller shall, upon the request of the Purchaser, repurchase the Purchased Receivable if any of the following events or conditions relating to the Purchased Receivable shall occur or exist:

- (i) the obligation of the Buyer to pay the Face Amount or, if applicable, the Revised Face Amount of the Purchased Receivable or any other obligation of the Buyer under the related Sales Agreement is, or the Buyer claims that such obligation is, not enforceable in full by the Purchaser in accordance with the terms of the related Sales Agreement for any reason whatsoever, including, but not limited to, any asserted defense of the Buyer to such obligation;
- (ii) any representation or warranty set forth in the Assignment or in CLAUSE 9.1 is incorrect with respect to the Purchased Receivable;
- (iii) the Seller fails, or the Buyer claims that the Seller has failed, to comply with any applicable law, rule or regulation with respect to the Purchased Receivable or the related Sales Agreement or Equipment;
- (iv) the Seller fails or is unable, or the Buyer claims that the Seller has failed or is unable, to perform any of its obligations under the related Sales Agreement for the Purchased Receivable;
- (v) the Seller fails to perform any of its obligations under this Supplemental Agreement, the Assignment or any of the other Transactions Documents with respect to the Purchased Receivable;
- (vi) without limiting the scope of any of the foregoing, either (A) the Seller and the Buyer determine at any time that Acceptance or Partial

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Acceptance of the Equipment relating to the Purchased Receivable will not occur on or before the date which is 270 days after the date of Shipment of such Equipment or (B) the Acceptance or Partial Acceptance of the Equipment relating to the Purchased Receivable does not occur on or before the date which is 270 days after the date of Shipment of such Equipment;

- (vii) without limiting the scope of any of the foregoing, either (A) the Seller and the Buyer fail to agree upon the Scheduled Due Date for the Purchased Receivable prior to the Tentative Acceptance Date or (B) the Seller and the Buyer agree upon a Scheduled Due Date which is more than 225 days after the date of Acceptance or Partial Acceptance of the Equipment relating to the Purchased Receivable; or
- (viii) without limiting the scope of any of the foregoing, the Buyer fails for any reason to pay the full Face Amount, or, if applicable, the Revised Face Value, of the Purchased Receivable on or before the date which is 60 days after the Scheduled Due Date for the Purchased Receivable.

14.2 Completion of any repurchase contemplated by CLAUSE 14.1 shall take place on a business day (the "REPURCHASE DATE") which is not more than five business days after the date the Purchaser delivers to the Seller a written request for such repurchase pursuant to CLAUSE 14.1, whereupon:

- (i) The Seller shall pay to the Purchaser the Repurchase Price (calculated as provided in CLAUSE 14.3) for the Purchased Receivable to be repurchased;
- (ii) the Purchaser shall re-assign to the Seller or its designee the Purchased Receivable (at the cost of the Seller and without recourse or warranty, except for the warranty expressly given in the assignment, on the part of the Purchaser), by the Purchaser and the Seller executing and delivering to the other an assignment for the Purchased

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Receivable substantially in the form of PART 2 OF THE THIRD SCHEDULE;

- (iii) the Purchaser shall deliver to the Seller (or its designee) the relevant Sales Agreement to the Seller (or its designee); and
- (iv) if a promissory note has been issued by the Buyer in favor of the Seller for the payment of any of the Receivable and such promissory note has been endorsed and delivered to the Purchaser, the Purchaser shall make endorsement without recourse (mutanpo uragaki) on such promissory note in favor of the Seller and deliver such promissory note to or to the order of the Seller; and
- (v) take all such other steps and comply with all such other formalities as the Seller may reasonably request to perfect or more fully to evidence or secure the Seller's (or its designee's) title to the Purchased Receivable, including, where appropriate, by giving notice of such reassignment to the Buyer.

14.3 The consideration payable by the Seller for the repurchase of the Purchased Receivable which is to be repurchased pursuant to CLAUSE 14.1 shall be an amount in Yen (the "REPURCHASE PRICE") determined as follows:

- (i) If the Repurchase Date occurs PRIOR to the Tentative Due Date for the Purchased Receivable, whether or not the Scheduled Due Date for the Purchased Receivable has been set, then the Seller shall pay a Repurchase Price equal to the sum of (A) the Purchase Price for the Purchased Receivable plus (B) the product of (1) the Discount Amount for the Purchased Receivable times (2) a fraction (expressed as a percentage rounded up to the nearest one thousandth of one percent), the numerator of which is the number of days in the period commencing on the Closing Date and ending on the Repurchase Date and the denominator of which is the number of days in the Discount Period.
- (ii) If the Scheduled Due Date HAS NOT been set PRIOR to the Repurchase Date and the Repurchase Date occurs AFTER the Tentative Due Date for the Purchased Receivable, then the Seller shall pay a Repurchase Price equal to the sum of (A) the Face Amount of the Purchased Receivable plus (B) an amount equal to the interest which would have accrued on such Face Amount from the Tentative Due Date through the Repurchase Date at the Daily Rate in effect from time to time during such period.
- (iii) If the Scheduled Due Date HAS been set PRIOR to the Repurchase Date and the Repurchase Date occurs AFTER the Tentative Due Date but BEFORE the Scheduled Due Date for the Purchased Receivable, then the Seller shall pay a Repurchase Price equal to the sum of (A) the Face Amount of the Purchased Receivable plus (B) the

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Funded Interest Accrued Amount.

- (iv) If the Scheduled Due Date HAS been set PRIOR to the Repurchase Date and the Repurchase Date occurs AFTER the Tentative Due Date and AFTER the Scheduled Due Date for the Purchased Receivable, then the Seller shall pay a Repurchase Price equal to the sum of (A) the Face Amount of the Purchased Receivable, plus (B) the Funded Interest Amount for the Purchased Receivable plus (C) an amount equal to the interest which would have accrued on the Face Amount from the Scheduled Due Date through the Repurchase Date at the Daily Rate in effect from time to time during such period.

In addition to the Repurchase Price payable by the Seller to the Purchaser on any Repurchase Date in connection with the repurchase of any purchased Receivable hereunder, the Seller shall pay to the Purchaser on such Repurchase Date all amounts, if any, payable by the Seller pursuant to CLAUSE 15.1 as a result of such repurchase.

#### PART 7

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#### INDEMNITY FOR FUNDING LOSSES

##### 15. INDEMNITY BY THE SELLER FOR FUNDING LOSSES

15.1 In addition to other amounts payable by the Seller hereunder, the Seller shall reimburse the Purchaser on demand for any resulting loss or expense incurred by it, including (without limitation) any loss incurred in obtaining, liquidating or redeploying deposits from third parties, PROVIDED THAT the Purchaser shall have delivered to the Seller a certificate as to the amount of such loss or expense setting out in reasonable detail the calculations resulting in such amount, which certificate shall be conclusive in the absence of manifest error, if:

- (i) the Purchased Receivable is paid or repurchased prior to the Tentative Due Date for the Purchased Receivable, whether or not the Scheduled Due Date for the Purchased Receivable has been set;
- (ii) the Purchased Receivable is paid or repurchased prior the Scheduled Due Date for the Purchased Receivable, if the Scheduled Due Date for the Purchased Receivable has been set; or
- (iii) the Seller fails to sell any of the Receivable to the Purchaser on the Closing Date (or on any date designated by the Seller as the Closing Date) in accordance with CLAUSE 5.1 or the Assignment, whether by reason of non-fulfillment of any of the conditions set out in the SECOND SCHEDULE or otherwise.

#### PART 8

#### COLLECTION OF RECEIVABLE

##### 16. APPOINTMENT OF COLLECTION AGENT

16.1 Lam Research Co., Ltd. is hereby appointed by the Purchaser as its agent to service, collect and administer all Purchased Receivable, to perform all related functions and to enforce the Purchaser's rights and interests in and under the

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Purchased Receivable, and Lam Research Co., Ltd. hereby accepts such appointment as Collection Agent on the terms and subject to the conditions of this Supplemental Agreement.

16.2 The Purchaser may at any time after the occurrence of a Termination Event as provided in CLAUSE 19, remove Lam Research Co., Ltd. as Collection Agent.

16.3 Upon Lam Research Co., Ltd. being removed as Collection Agent pursuant to CLAUSE 19, the Purchaser may appoint a successor to act as Collection Agent and shall forthwith notify the other parties hereto thereof, whereupon the parties hereto and such successor shall, upon such successor confirming in writing to the Purchaser that it agrees so to act, thereafter have the same rights and obligations among them as would have been the case had they then entered into an agreement in the form mutatis mutandis of this Supplemental Agreement.

16.4 For the avoidance of doubt, it is hereby agreed that the Collection Agent is not authorized to enter into any commitment on behalf of the Purchaser.

16.5 The Collection Agent hereby covenants and undertakes with the Purchaser as set out in the SIXTH SCHEDULE.

16.6 The Collection Agent agrees to indemnify the Purchaser, including its officers, directors and employees from and against any liability, loss, expense, action, proceeding or claim which may be brought against, or suffered or sustained, by the Purchaser, and/or such directors, officers and employees by reason of any wrongful or negligent acts or omissions of the Collection Agent or any of its directors, officers, employees or agents in the performance of its duties hereunder.

#### 17. COLLECTION OF RECEIVABLE

17.1 Save as otherwise provided herein, the proceeds of the Purchased Receivable will, when paid, be collected by the Collection Agent.

17.2 The Collection Agent shall cause the Buyer to make payment in respect of the Purchased Receivable into an account of the Collection Agent in Tokyo (or, if a Termination Event has occurred and the Purchaser so directs, into an account of the

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Purchaser in Tokyo), PROVIDED THAT, if a promissory note has been issued for the payment of a Purchased Receivable by the Buyer in favor of the Seller and delivered to or to the order of the Purchaser in accordance herewith, the Purchaser may collect on its behalf the amount represented by such promissory note.

17.3 The Collection Agent shall, as soon as practically possible, pay any Collection collected by the Collection Agent with respect to a Purchased Receivable over to the Purchaser in accordance with PART 9.

17.4 If, at any time the Collection Agent receives any Collections in respect of the Purchased Receivable and the authority of the Collection Agent to collect such Receivable has been terminated in accordance with this Supplemental Agreement, then the Collection Agent shall pay such amount to the credit of such account in Tokyo as the Purchaser may specify, in each case for value the same day.

17.5 Any amounts in respect of the collection proceeds of the Purchased Receivable received by the Collection Agent (whether or not the appointment of the Collection Agent has been terminated hereunder) shall be held by the Collection Agent in trust for the benefit of the Purchaser.

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#### 18. COST, EXPENSES AND REMUNERATION

18.1 The Purchaser authorizes the Collection Agent on its behalf, and the Collection Agent undertakes to incur reasonable costs, expenses and charges in connection with the enforcement of the Purchased Receivable and/or the Purchaser's rights and remedies in relation thereto, and it is agreed that notwithstanding any provisions under any applicable laws, rules or regulations, the Collection Agent shall have no recourse or claim for indemnification or payment against the Purchaser in respect of such reasonable costs, expenses and charges.

18.2 The Collection Agent is not entitled to any remuneration or indemnity in respect of the performance of its duties under this Supplemental Agreement.

19. REMOVAL OR TERMINATION OF COLLECTION AGENT

19.1 If a Termination Event occurs, the Purchaser may at any time, without prejudice to the Purchaser's other rights:

- (i) by notice in writing to the Collection Agent terminate the appointment of the Collection Agent under this Supplemental Agreement and designate as a successor collection agent any person to succeed the Collection Agent; and/or
- (ii) notify the Buyer that all payments in respect of Purchased Receivable shall be made to the Purchaser or a successor collection agent.

19.2 On and after termination of the appointment of the Collection Agent under this Supplemental Agreement pursuant to CLAUSE 19.1, all rights, obligations (other than liability for breaches of this Supplemental Agreement by the Collection Agent or liability in tort or for breach of trust (or other fiduciary duty) on the part of the Collection Agent prior to such termination and the Collection Agent's obligations under CLAUSE 19.3 with respect to the performance of its duties hereunder), authority and power of the Collection Agent under this Supplemental Agreement shall be terminated and of no further effect and the Collection Agent shall not hold itself out in any way as the agent of the Purchaser.

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19.3 Upon termination of the appointment of the Collection Agent under this Supplemental Agreement pursuant to CLAUSE 19.1, the Collection Agent shall forthwith deliver to the Purchaser or as it shall direct the Records in its possession or under its control relating to the affairs of or belonging to the Purchaser and the Purchased Receivable and any other security therefor and any moneys then held by the Collection Agent on behalf of the Purchaser and shall take such action as the Purchaser may reasonably direct.

19.4 The appointment of the Collection Agent under this Supplemental Agreement shall terminate (but without affecting any accrued rights and liabilities hereunder) at such time as (i) the Purchaser has no further interest in any of the Purchased Receivable and (ii) the Collection Agent is notified by the Purchaser in accordance with CLAUSE 31 that such is the case.

19.5 If there is any change in the identity of the Collection Agent in accordance with this Supplemental Agreement, the new Collection Agent, the retiring Collection Agent and the Purchaser shall execute such documents and take such actions as such new Collection Agent and the Purchaser may require for the purpose of vesting in such new Collection Agent the rights and obligations of the Collection Agent under this Supplemental Agreement and releasing the retiring Collection Agent from its future obligations under this Supplemental Agreement.

PART 9

PAYMENTS

20. CURRENCY OF ACCOUNT AND PAYMENT

20.1 Yen is the currency of account and payment for each and every sum at any time due from any person hereunder, PROVIDED THAT:

- (i) each payment in respect of costs and expenses shall be made in the currency in which the same were incurred; and

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- (ii) each payment which is expressed herein to be payable in another currency shall be made in that other currency.

20.2 If any sum due from a person (a "relevant person") under this Supplemental Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the "first currency") in which the same is payable hereunder or under such order or judgment into another currency (the "second currency") for the purpose of (i) making or filing a claim or proof against the relevant person, (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation hereto, the relevant person shall indemnify and hold harmless the other person to whom such sum is due from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the best rate or rates of exchange at which such other person is reasonably able to purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. To the extent that the person to whom such payment is due receives an amount in excess of the amount due to it under this Supplemental Agreement, such person shall forthwith pay an amount equal to any such excess to the relevant person.

20.3 All payments made by any person hereunder shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

#### 21. PAYMENTS BY THE SELLER OR THE COLLECTION AGENT

21.1 On each date upon which this Supplemental Agreement requires an amount to be paid by the Seller or the Collection Agent to the Purchaser hereunder, the Seller or the Collection Agent (as the case may be) shall, save as expressly provided otherwise herein, make the same available to the Purchaser:

- (i) where such amount is denominated in Yen, by payment in Yen and in immediately available funds to such account and bank in Tokyo as the Purchaser shall have specified in writing for this purpose

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at least two business days prior to such amount becoming payable;  
or

- (ii) where such amount is denominated in a currency other than Yen, by payment in such currency and in immediately available, freely transferable, cleared funds to such account with such bank in the principal financial currency as the Purchaser shall have specified in writing for this purpose.

#### 22. PAYMENTS BY THE PURCHASER

22.1 On each date upon which this Supplemental Agreement requires an amount to be paid to the Seller hereunder by the Purchaser, the Purchaser shall, save as otherwise provided herein, make the same available to the Seller:

- (i) where such amount is denominated in Yen, by payment in Yen and in immediately available funds to the Seller at such account and bank as the Seller shall have specified in writing for this purpose; or
- (ii) where such amount is denominated in a currency other than Yen, by payment in such currency and in immediately available, freely transferable, cleared funds to such account with such bank in the principal financial centre of the country of such currency as the Seller shall have specified in writing for this purpose.

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### PART 10

#### TAXES

#### 23. TAXES

23.1 All payments to be made by or on behalf of the Seller or the Collection Agent to the Purchaser under or pursuant to any of the provisions of

this Supplemental Agreement shall be made free and clear of and without deduction for or on account of tax unless the Seller or the Collection Agent (as the case may be) is required by any applicable law to make such payment subject to the deduction or withholding of tax in which case the sum payable by the Seller or the Collection Agent (as the case may be) in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding (including any additional deduction or withholding on such increased amount), the Purchaser receives and retains (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

23.2 If the Seller or the Collection Agent makes any payment to the Purchaser under or pursuant to this Supplemental Agreement in respect of which it is required to make any such deduction or withholding, the Seller or the Collection Agent (as the case may be) shall deliver to the Purchaser as soon as practicable a certificate of deduction of tax and/or a receipt or other evidence issued by the relevant taxation or other authority demonstrating the payment to such authority of all amounts so required to be deducted or withheld.

23.3 If an event occurs which would result in the Seller or the Collection Agent becoming obliged to make any payment pursuant to this CLAUSE 23, then each of the parties hereto shall in good faith use reasonable endeavors to take such reasonable steps as may be open to it to mitigate or avoid the effects of such event, PROVIDED THAT nothing in this CLAUSE 23.3 shall:

- (i) oblige any party hereto to incur any costs or expenses or to take or refrain from taking any action where in the reasonable opinion of such

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party to take or refrain from taking any action would be prejudicial to its interests; or

- (ii) oblige any party hereto to disclose any confidential information relating to the organization of its affairs; or
- (iii) interfere with the right of any party hereto to arrange its internal affairs in whatever manner it thinks fit.

#### PART 11

#### TERMINATION

#### 24. CONSEQUENCE OF A TERMINATION EVENT

24.1 Upon the occurrence of any Termination Event, other than the breach of CLAUSE 11.3 or the occurrence of an Insolvency Event in relation to the Seller, the Purchaser may, by notice to the Seller:

- (i) terminate the obligation of the Purchaser to purchase any Receivable;
- (ii) require the Seller to repurchase immediately the Purchased Receivable if the Scheduled Due Date has not been determined, in which event the provisions contained in CLAUSES 14.2 TO 14.4 shall be applied MUTATIS MUTANDIS; and/or
- (iii) exercise any and all other rights available to the Purchaser under this Supplemental Agreement or any of the other Transaction Documents or at law or in equity.

24.2 Upon the occurrence of any Insolvency Event in relation to the Seller, automatically and without any notice to the Seller:

- (i) the obligation of the Purchaser to purchase any Receivable shall terminate;

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- (ii) the Seller shall repurchase immediately the Purchased Receivable if the Scheduled Due Date has not been determined, in which event the provisions contained in CLAUSES 14.2 TO 14.4 shall be applied MUTATIS MUTANDIS; and/or
- (iii) the Purchaser may exercise any and all other rights available to the Purchaser under this Supplemental Agreement or any of the other Transaction Documents or at law or in equity.

24.3 Upon the breach of CLAUSE 11.3, the Seller shall, upon the request of the Purchaser, deliver to the Purchaser either (i) funds in an amount equal to the Face Amount of the Purchased Receivable or (ii) a standby letter of credit with a stated amount equal to the Face Amount of the Purchased Receivable.

- (i) The Purchaser shall hold any funds delivered to it pursuant to clause (i) of the first sentence of this CLAUSE 24.3 in an interest bearing account in the name of the Seller as security for the performance by the Seller of its obligations under this Supplemental Agreement and the other Transaction Documents. The Seller hereby grants to the Purchaser, as security for such obligations, a security interest in such funds and such account and agrees to perform such other actions as the Purchaser may request to establish, perfect, maintain and protect such security interest prior to the rights of others in such funds and such account.
- (ii) Any standby letter of credit delivered to the Purchaser pursuant to clause (ii) of the first sentence of this CLAUSE 24.3 shall be in a form and substance and issued by a bank acceptable to the Purchaser. The Purchaser shall have the right to draw under any such letter of credit for any amounts payable to the Purchaser hereunder which are not paid to the Purchaser when due.

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Upon the payment or repurchase of the Purchased Receivable and the satisfaction by the Seller of all its obligations under this Supplemental Agreement and the other Transaction Documents, the Purchaser shall (A) deliver to the Seller the funds, if any, remaining in any account established pursuant to clause (i) above or (B) return to the Seller any letter of credit delivered to the Purchaser pursuant to clause (ii) above, if any amounts remain available for drawing thereunder.

## PART 12

### MISCELLANEOUS

#### 25. DEFAULT INTEREST AND INDEMNITY

25.1 If any sum due and payable by or on behalf of a party hereto (the "Payer") to the other party (the "Payee") hereunder is not paid on the due date therefor in accordance with the provisions hereof or if any sum due and payable by the Payer under any judgment of any court in connection herewith is not paid on the date of such judgment (the balance of such sum for the time being unpaid being herein referred to as an "unpaid sum"), an unpaid sum shall bear interest at the rate PER ANNUM which is equal to the Daily Rate plus two percent (2%), such rate to change from time to time as the Daily Rate changes, for the period beginning on, and including, such due date or, as the case may be, the date of such judgment and ending on, but excluding, the date upon which the obligation of the Payer to pay such sum is discharged (calculated on the basis of a year of 360 days). Such default interest shall be payable upon demand of the Payee.

25.2 Each of the Seller and the Collection Agent undertakes to indemnify the Purchaser against any loss or expense, including legal fees reasonably incurred, which the Purchaser may sustain or incur as a consequence of any default by the Seller or the Collection Agent (as the case may be) in the performance of any of the obligations expressed to be assumed by it in this Supplemental Agreement.

#### 26. FEES, COSTS AND EXPENSES AND STAMP DUTY

26.1 The Seller shall, from time to time upon demand of the Purchaser reimburse the Purchaser for all costs and expenses (including reasonable legal fees) incurred by it in or in connection with the negotiation, preparation and execution of this Supplemental Agreement, the Assignment and the other Transaction Documents or any amendment thereto or any waiver thereof.

26.2 The Seller or the Collection Agent will, upon demand, pay to the Purchaser and any permitted assignee in accordance with this Supplemental Agreement, the amount of any and all reasonable expenses, including all court costs and attorneys' fees and expenses, which the Purchaser and any permitted assignee may incur in connection with the exercise or enforcement against the Seller or the Collection Agent of any of their respective rights or interests under this Supplemental Agreement, the Assignment or any other Transaction Document or any amendment thereto or any waiver thereof.

26.3 The Seller shall be responsible for all stamp duties, registration fees and taxes to which this Supplemental Agreement, the Assignment, any other Transaction Document, any transaction contemplated hereby or thereby or any order or judgment given in connection herewith or therewith are or at any time may be subject.

#### 27. BENEFIT OF AGREEMENT

27.1 This Supplemental Agreement, the Assignment and the other Transaction Documents shall be binding upon and inure to the benefit of each party hereto and its successors and permitted assigns.

27.2 The Seller and the Collection Agent shall not be entitled to assign or transfer all or any of their rights, benefits and obligations under this Supplemental Agreement, the Assignment or any other Transaction Document.

27.3 The Purchaser shall be entitled to assign or transfer all or any of its rights, benefits and obligations under this Supplemental Agreement, the Assignment and the other Transaction Documents with the consent of the Seller, which consent shall not be unreasonably withheld or delayed.

#### 28. REMEDIES AND WAIVERS

28.1 No failure to exercise, nor any delay in exercising, on the part of any party hereto, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy.

28.2 The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

#### 29. PARTIAL INVALIDITY

Without prejudice to any other provision hereof, if one or more provisions hereof is or becomes invalid, illegal or unenforceable in any respect in any jurisdiction or with respect to such party or parties, it shall not, to the fullest extent permitted by applicable law, render invalid, illegal or unenforceable other provisions hereof or such provision or provisions in any other jurisdiction or with respect to any other party or parties hereto.

#### 30. COUNTERPARTS

This Supplemental Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

#### 31. NOTICES

31.1 Unless otherwise stated herein, each communication to be made hereunder shall be made in writing and may be made by telex, telefax or letter.

31.2 Any communication or document to be made or delivered by any one person to another pursuant to this Supplemental Agreement shall (unless that other person has by fifteen days' written notice to the other parties hereto specified another address) be made or delivered to that other person at the address or the number identified with its signature below and shall be deemed to have been made or delivered when received by that other

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person Provided that each communication made by one party hereto to another shall be made to that other person at such other address or number as notified to such party by that other person from time to time.

31.3 Each communication and document made or delivered by one person to another person pursuant hereto shall be in the English language or in Japanese accompanied by a translation thereof into English certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

#### 32. PRIOR UNDERSTANDINGS

32.1 This Supplemental Agreement and the other Transaction Documents set forth the entire understanding of the parties relating to the subject matter hereof, and supersede all prior understandings and agreements, whether written or oral.

32.2 This Supplemental Agreement is a supplement to and a part of the Existing Receivables Agreement.

#### PART 13

#### LAW AND JURISDICTION

#### 33. GOVERNING LAW

This Supplemental Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

#### 34. JURISDICTION

34.1 Each of the parties hereto irrevocably agrees that the courts of the State of California and the courts of the United States of America for the Northern District of California shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Supplemental Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts.

34.2 Each of the parties hereto irrevocably waives any objection which it might now or hereafter have to the courts

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referred to in CLAUSE 34.1 being nominated as the forums to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Supplemental Agreement and agrees not to claim that such courts are not convenient or appropriate forums.

34.3 The submission to the jurisdiction of the courts referred to in CLAUSE 34.1 shall not (and shall not be construed so as to) limit the right of any party hereto to take proceedings against the other party in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

34.4 Each of the parties hereto hereby consents generally in respect of any legal action or proceedings arising out of or in connection with this Supplemental Agreement to the giving of any relief or the issue of any process in connection with such action or proceeding including, without limitation, the making, enforcement or execution against any party whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such action or proceeding.

[The next page is the signature page.]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed on the day and year first before written.

LRC

LAM RESEARCH CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: 47300 Bayside Parkway  
Fremont, CA 94538  
Attn: Yuko Hashimoto  
Fax: (510) 659-6454  
Tel: (510) 438-4887

ABN CAYMAN

ABN AMRO BANK N.V.,  
CAYMAN ISLANDS BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: c/o San Francisco  
International Branch  
101 California Street  
Suite 4550  
San Francisco, CA 94111  
Attn: Robert N. Hartinger/  
Gloria Lee  
Fax: (415) 362-3524  
Tel: (415) 984-3710

THE SELLER AND THE COLLECTION AGENT

LAM RESEARCH CO., LTD.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: 1-1-10, Oyama,  
Sagamihara-shi,  
Kanagawa

Attn: \_\_\_\_\_  
Fax: \_\_\_\_\_  
Tel: \_\_\_\_\_

THE PURCHASER

ABN AMRO BANK N.V.,  
TOKYO BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: Shiroyama JT Mori Building, 3-1  
4-chome  
Toranomon  
Minato-ku  
Tokyo  
Attn: Takamaso Marito  
Fax: \_\_\_\_\_  
Tel: \_\_\_\_\_

THE FIRST SCHEDULE  
DESCRIPTION OF RECEIVABLE

Describe Receivable by:

- (i) Face Amount;
- (ii) Description of Equipment sold;
- (iii) Date of Purchase Order from the Buyer;
- (iv) Date of Shipment to the Buyer;
- (v) Name of End-User of the Equipment;
- (vi) Whether a promissory note has been or is expected to be issued by the Buyer and, if issued, the date, principal amount and maturity date thereof.

THE SECOND SCHEDULE

CONDITIONS PRECEDENT TO THE CLOSING

1. The receipt by the Purchaser on or prior to the Closing Date, each in form and substance reasonably satisfactory to the Purchaser, of:

(a) a copy, certified as of the Closing Date as a true copy by a duly authorized officer of the Seller, of the resolutions of the Seller's board of directors approving:

(i) the outright transfer of all the Seller's right, title and interest in and to the Receivable; and

(ii) the execution and delivery on behalf of the Seller of this Supplemental Agreement, the Assignment and all other Transaction Documents to which the Seller is to be a signatory;

(b) a copy, certified as of the Closing Date as a true copy by a duly authorized officer of the Seller, of the Articles of Incorporation and bylaws of the Seller;

(c) a certified copy, as of the date which is as close as practically possible to the Closing Date, of a commercial registry of the Seller;

(d) an incumbency certificate, certified as of the Closing Date by a duly authorized officer of the Seller, setting forth the name(s), title(s) and specimen signature(s) of individual(s) authorized to execute and deliver on behalf of the Seller this Supplemental Agreement, the Assignment and all other Transaction Documents to which the Seller is to be a signatory;

(e) the Guaranty, duly executed by LRC;

(f) a copy, certified as of the Closing Date as a true copy by a duly authorized officer of LRC, of the resolutions of LRC's board of directors approving the execution and delivery on behalf of LRC of this Supplemental Agreement,

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the Guaranty and all other Transaction Documents to which LRC is to be a signatory;

(g) a copy, certified as of the Closing Date as a true copy by a duly authorized officer of LRC, of the Articles of Incorporation and bylaws of LRC;

(h) good standing certificates from California and Delaware, as of dates which are as close as practicably possible to the Closing Date, for LRC;

(i) an incumbency certificate, certified as of the Closing Date by a duly authorized officer of LRC, setting forth the name(s), title(s) and specimen signature(s) of individual(s) authorized to execute and deliver on behalf of LRC this Supplemental Agreement, the Guaranty and all other Transaction Documents to which LRC is to be a signatory;

(j) the Assignment, appropriately completed and duly executed by the Seller and the Purchaser;

(k) the Purchase Orders, invoices, and other written documents, instruments and agreements constituting the Sales Agreements and Records relating to the Receivable and the related Equipment;

(l) the original of any note or other instrument evidencing the Purchased Receivable, duly endorsed by the Seller to the Purchaser;

(m) the Perfection Document(s) for the assignment of the Receivable, duly executed by the Seller;

(n) Such other documents, instruments and agreements as the Purchaser may request to establish and perfect the interests granted to the Purchaser in this Supplemental Agreement, the Assignment and the other Transaction Documents;

(o) such financial statements and other financial information for LRC as the Purchaser may reasonably request;

(p) an opinion, dated the Closing Date and addressed to the Purchaser, from Jan Kang, counsel to LRC, in a form and substance reasonably satisfactory to the Purchaser; and

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(q) such other instruments, agreements, certificates, opinions and other documents as the Purchaser may reasonably request.

2. The representations and warranties set forth in CLAUSE 9.1 and in the FIFTH SCHEDULE shall be true and correct on and as of the Closing Date by reference to the facts and circumstances then existing.

3. Neither a Termination Event nor a Potential Termination Event shall have occurred and remain unremedied on the Closing Date.

4. No event which could have a Material Adverse Effect on the Seller shall have occurred and be continuing on the Closing Date.

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#### THE THIRD SCHEDULE

##### PART 1 - FORM OF ASSIGNMENT OF THE RECEIVABLE

THIS ASSIGNMENT made on \_\_\_\_\_, 1995 BY:

(1) LAM RESEARCH CO., LTD. (the "Seller")

IN FAVOR OF:

(2) ABN AMRO BANK N.V., Tokyo Branch (the "Purchaser")

WITNESSES as follows:

##### 1. Interpretation

1.1 In this Assignment "Purchase Agreement" means the Supplemental Receivables Purchase Agreement dated as of June 28, 1995 among (1) LRC, (2) ABN Cayman, (3) the Seller, in its capacity as the Seller, (4) the Purchaser and (5) the Seller, in its capacity as the Collection Agent.

1.2 Terms defined in the Purchase Agreement have the same meaning in this Assignment.

1.3 Headings in this Assignment are for ease of reference only.

##### 2. Transfer

2.1 Subject to, and in accordance with, the terms and conditions of the Purchase Agreement, the Seller hereby sells and assigns to the Purchaser (by way of outright assignment and not merely by way of security) all of the Seller's right, title and interest in and to the Receivable (the "Assigned Receivable") described in Exhibit A hereto, to all Collections thereof and to the Related Security relating thereto and all proceeds thereof.

2.2 The Tentative Acceptance Date, the Tentative Credit Period, the Tentative Due Date, the Discount Rate and the Purchase Price for the Assigned Receivable shall be as set forth under the description of such Assigned Receivable in Exhibit A.

3(1)-1

2.3 In accordance with Clause 4.1 of the Purchase Agreement, the aggregate Purchase Price for the Assigned Receivable shall be Y \_\_\_\_\_.

3. Representations and Warranties

The Seller hereby represents and warrants to the Purchaser as of the date hereof in the terms set out in Clause 9 of the Purchase Agreement by reference to the facts and circumstances currently existing.

4. Governing Law and Jurisdiction

4.1 This Assignment is governed by, and shall be construed in accordance with, the laws of the State of California.

4.2 Both of the parties hereto agree that the courts of the State of California and the courts of the United States of America for the Northern District of California shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Assignment and, for such purpose, irrevocably submits to the jurisdiction of such courts.

4.3 Both of the parties hereto irrevocably waive any objection which they might now or hereafter have to the courts referred to in Clause 4.2 being nominated as the forums to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and agree not to claim that such courts are not convenient or appropriate forums.

4.4 The submission to the jurisdiction of the courts referred to in a Clause 4.2 shall not (and shall not be construed so as to) limit the right of either of the Seller or the Purchaser to take proceedings against the other in any other court of competent jurisdiction or shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

4.5 Each of the Seller and the Purchaser hereby consents generally in respect of any legal action or proceeding

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arising out of or in connection with this Assignment to the giving of any relief or the issue of any process in connection with such action or proceeding including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such action or proceeding.

3(1)-3

AS WITNESS the hands of the duly authorized representative(s) of the parties hereto the day and year first above written.

LAM RESEARCH CO., LTD.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ABN AMRO BANK N.V.,  
TOKYO BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

3(1)-4

EXHIBIT A TO THE ASSIGNMENT  
DESCRIPTION OF ASSIGNED RECEIVABLE

- (a) Describe Assigned Receivable by:
- (i) Face Amount;
  - (ii) Description of Equipment sold;
  - (iii) Date of Purchase Order from the Buyer;
  - (iv) Date of Shipment to the Buyer;
  - (v) Name of End-User of the Equipment;
  - (vi) Whether a promissory note has been or is expected to be issued by the Buyer and, if issued, the date, principal amount and maturity date thereof.
- (b) The Tentative Acceptance Date, the Tentative Credit Period, the Tentative Due Date, the Discount Rate and the Purchase Price for the Assigned Receivable described above are as follows:
- (i) The Tentative Acceptance Date is \_\_\_\_\_;
  - (ii) The Tentative Credit Period is \_\_\_\_\_;
  - (iii) The Tentative Due Date is \_\_\_\_\_;
  - (iv) The Discount Rate is the LIBOR Based Rate, which is \_\_\_\_\_ percent ( \_\_ %) PER ANNUM; and
  - (v) In accordance with CLAUSE 4.1 of the Purchase Agreement, the Purchase Price of the Assigned Receivable shall be Y \_\_\_\_\_.

3(1) (A)-1

PART 2 - FORM OF REASSIGNMENT OF RECEIVABLE

THIS ASSIGNMENT made on [date]

By:

(1) ABN AMRO BANK N.V., Tokyo Branch ("ABN Tokyo")

IN FAVOR OF:

(2) LAM RESEARCH CO., LTD. ("LRCL")

WITNESSES as follows:

1. Interpretation

1.1 In this Assignment "Purchase Agreement" means the receivables purchase agreement dated as of June 28, 1995 among (1) LRC, (2) ABN Cayman, (3) LRCL, in its capacity as the Seller, (2) ABN Tokyo, in its capacity as the Purchaser and (3) LRCL, in its capacity as the Collection Agent.

1.2 Terms defined in the Purchase Agreement have the same meaning in this Assignment.

1.3 Headings in this Assignment are for ease of reference only.

2. Transfer

2.1 Subject to, and in accordance with, the terms and conditions of the Purchase Agreement, ABN Tokyo hereby sells and assigns to LRCL (by way of outright assignment and not merely by way of security, and without any representation or warranty on the part of ABN Tokyo except for the representation set out in Clause 2.2) all of ABN AMRO's right, title and interest in and to the Receivable (the "Assigned Receivable") described in Exhibit A hereto, to all Collections thereof and to the Related Security relating thereto and all proceeds thereof.

2.2 ABN Tokyo hereby represents and warrants to LRCL that as of the date hereof ABN Tokyo has not sold, transferred, assigned, created security interests in or otherwise disposed of the Assigned Receivable.

3(2)-1

3. Governing Law and Jurisdiction

3.1 This Assignment is governed by, and shall be construed in accordance with, the laws of the State of California.

3.2 Both of the parties hereto agree that the courts of the State of California and the courts of the United States of America for the Northern District of California shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Assignment and, for such purpose, irrevocably submits to the jurisdiction of such courts.

3.3 Both of the parties hereto irrevocably waive any objection which they might now or hereafter have to the courts referred to in Clause 3.2 being nominated as the forums to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and agree not to claim that such courts are not convenient or appropriate forums.

3.4 The submission to the jurisdiction of the courts referred to in Clause 3.2 shall not (and shall not be construed so as to) limit the right of either of ABN Tokyo or LRCL to take proceedings against the other in any other court of competent jurisdiction or shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

AS WITNESS the hands of the duly authorized representatives of the parties hereto the day and year first above written.

LAM RESEARCH CO. LTD.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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ABN AMRO BANK N.V.,  
TOKYO BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_

-----  
Title: -----  
-----

By: -----  
Name: -----  
Title: -----  
-----

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EXHIBIT A TO THE ASSIGNMENT

DESCRIPTION OF ASSIGNED RECEIVABLE

Describe Assigned Receivable by:

- (i) Face Amount;
- (ii) Description of Equipment sold;
- (iii) Date of Purchase Order from the Buyer;
- (iv) Date of Shipment to the Buyer;
- (v) Name of End-User of the Equipment;
- (vi) Whether a promissory note has been or is expected to be issued by the Buyer and, if issued, the date, principal amount and maturity date thereof.

3(2) (A)-1

THE FOURTH SCHEDULE

TERMINATION EVENTS

1. The Seller or LRC breaches any of its obligations under this Supplemental Agreement or any of the other Transaction Documents and such breach is not remedied, if it is capable of being remedied, within five (5) business days in the case of the obligation to pay monies or ten (10) business days in the case of other obligations;
2. Any Insolvency Event relating to the Seller or LRC occurs or the Seller or LRC becomes unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due or ceases to carry on its business;
3. Any representation or warranty set forth in CLAUSE 9.1 or in the FIFTH SCHEDULE is incorrect when made;
4. The adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof after the date of this Supplemental Agreement makes it unlawful or impossible for any party to this Supplemental Agreement or any of the other Transaction Documents to perform its obligation hereunder or thereunder;
5. LRC fails to pay any Debt in the aggregate amount in excess of U.S. \$10,000,000 (or its equivalent in any other currency) when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or any other default under any agreement or instrument relating to any such Debt or any other event occurs and continues after the applicable grace period, if any, specified in such agreement or instrument if the effect of such

default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt, or any such Debt shall be declared to be due and payable or required to be prepaid (other than by a regularly schedule required prepayment) prior to the stated maturity thereof; or

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6. A material adverse change occurs in the financial condition of LRC as shown by the Original Financial Statements of LRC which has had or can reasonably be expected to have a Material Adverse Effect.

4-2

#### THE FIFTH SCHEDULE

##### PART 1 : REPRESENTATIONS AS TO MATTERS OF LAW

1. Each of the Seller and LRC is a corporation duly organized and is validly existing under the laws of its jurisdiction of incorporation with power to enter into this Supplemental Agreement, the Assignment and the other Transaction Documents to be entered into by it in respect of any Receivable assigned or scheduled to be assigned pursuant hereto and to exercise its rights and perform its obligations hereunder and thereunder and all corporate and other action required to authorize its execution of all such documents and its performance of its obligations hereunder and thereunder has been duly taken.
2. Each of the Seller and LRC has all corporate power and all governmental licenses, authorizations, consents and approvals to carry on its business in the jurisdictions where it conducts business.
3. The execution and delivery of this Supplemental Agreement, the Assignment and the other Transaction Documents and the performance of the transactions contemplated hereby by the Seller and LRC require no action by or in respect of, or filing, recording or enrolling with, any governmental body, agency, court official or other authority, and do not contravene, or constitute a default under, any provision of applicable law or regulation or its Articles of Incorporation or other internal regulations or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Seller or LRC or any of their assets.
4. The claims of the Purchaser against the Seller and LRC under this Supplemental Agreement and the other Transaction Documents will rank at least pari passu with the claims of all their other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency or other similar laws of general application.
5. In any proceedings taken in relation to this Supplemental Agreement, the Assignment and the other Transaction Documents, neither the Seller nor LRC will be entitled to

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claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

6. In any proceedings taken in relation to this Supplemental Agreement, the Assignment and the other Transaction Documents, the choice of California law by the Seller and LRC as the governing law of this Supplemental Agreement, the Assignment and the other Transaction Documents, as the case may be, will be recognized and enforced subject to bankruptcy, insolvency, moratorium or other similar laws affecting creditor's rights generally and to principles of equity.
7. All acts, conditions and things required to be done, fulfilled and performed by the Seller and LRC in order (a) to enable the Seller and LRC lawfully to enter into, exercise their rights under and perform and comply with the obligations expressed to be assumed by them in this Supplemental Agreement, the Assignment and the other Transaction Documents, (b) to ensure that the obligations expressed to be assumed by the Seller and LRC

in this Supplemental Agreement, the Assignment and the other Transaction Documents are legal, valid and binding on them and (c) to make this Supplemental Agreement, the Assignment and the other Transaction Documents admissible in evidence in California and Japan have been done, fulfilled and performed.

8. Under the laws of Japan in force as at the date of making this representation, it is not necessary that this Supplemental Agreement, the Assignment and the other Transaction Documents be filed, recorded or enrolled with any court or other authority in Japan or that any stamp, registration or similar tax be paid on or in relation to this Supplemental Agreement, the Assignment and the other Transaction Documents.
9. The obligations expressed to be assumed by the Seller and LRC in this Supplemental Agreement, the Assignment and the other Transaction Documents are legal and valid obligations binding on them and enforceable in accordance with their respective terms.

PART 2 : REPRESENTATIONS AS TO MATTERS OF FACT

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1. Neither the Seller nor LRC has taken any corporate action nor have legal proceedings been started or threatened (to the best of its knowledge and belief) against the Seller or LRC for its winding-up, dissolution, rehabilitation or reorganization or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar office of it or of any or all of its assets or revenues.
2. No action or administrative proceeding of or before any court or agency has been started or threatened against the Seller or LRC which might, if it were adversely determined, reasonably be expected to have a Material Adverse Effect.
3. The Original Financial Statements of LRC were prepared in accordance with accounting principles generally accepted in the United States and consistently applied and give (in conjunction with the notes thereto) a true and fair view of its financial condition at the date as of which they were prepared and the results of its operations during the financial year then ended.
4. Since publication of the Original Financial Statements of LRC, there has been no change in its financial condition or operations of LRC so as to have a Material Adverse Effect.

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THE SIXTH SCHEDULE

COVENANTS AND UNDERTAKINGS OF THE COLLECTION AGENT

The Collection Agent hereby covenants with the Purchaser that it shall at all times:

- (i) give such time and attention and exercise the same degree of care, responsibility, diligence, prudent and skill with respect to the servicing, collection and administration of the Purchased Receivable and all related function as if it were performing such functions on its own behalf;
- (ii) take all action to ensure that all Purchased Receivable are paid promptly in accordance with the terms of this Supplemental Agreement and the related Sales Agreements;
- (iii) promptly pay to the Purchaser all Collections;
- (iv) keep proper, complete, accurate and up to date Records in a manner acceptable to the Purchaser;
- (v) keep and maintain Records, on a Receivable-by-Receivable basis,

for the purposes of identifying, in particular, at any time, any amount paid by and to the Buyer, any amount due by or to the Buyer and the source of receipts for all Collections;

- (vi) permit audit and inspection under its guidance of its Records by or on behalf of the Purchaser during normal working hours upon reasonable notice and with reasonable frequency;
- (vii) notify the Purchaser of material developments in the Seller's performance of its obligations under the Sales Agreements, including, but not limited to, the Shipment, the Acceptance and the Partial Acceptance of the Equipment and the refusal thereof by the Buyer;
- (viii) notify the Purchaser of the Scheduled Due Date and (if applicable) the Revised Face Amount promptly

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after it is confirmed between the Seller and the Buyer and, if the payment by the Buyer of the relevant Purchased Receivable is to be made on the date which is not the Scheduled Due Date, notify the Purchaser of such date of payment at least one business day prior to the Scheduled Due Date or such date of payment, whichever comes earlier;

- (ix) use its best endeavors to maintain records of all correspondence with the Buyer in respect of the Purchased Receivable;
- (x) promptly obtain, comply in all material respects with the terms of and do all that is necessary and within its control to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of the United States and Japan to enable it lawfully to enter into and perform its obligations under this Supplemental Agreement and the other Transaction Documents or to ensure the legality, validity, enforceability or admissibility in evidence of such documents;
- (xi) do all things necessary to remain duly organized, validly existing under the laws of Delaware and maintain all requisite authority to conduct its business in California;
- (xii) comply in all respects which could be regarded as material in the context of the transactions contemplated by this Supplemental Agreement, with all laws, rules, regulations, orders, writs, judgements, injunctions decrees or awards to which it may be subject;
- (xiii) maintain sufficient operating procedures, employees and other resources to perform its obligations as Collection Agent hereunder; and
- (xvi) submit to Purchaser a monthly report relating to the Purchased Receivable and the Buyer in such a form as is reasonably requested by the Purchaser.

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#### THE SEVENTH SCHEDULE

#### GUARANTY

THIS GUARANTY, dated as of June 28, 1995, is executed by LAM RESEARCH CORPORATION, a Delaware corporation ("GUARANTOR"), in favor of ABN AMRO BANK N.V. ("PURCHASER").

#### RECITALS

A. At the request of Guarantor, Purchaser, acting through its Tokyo Branch, has entered into a Supplemental Receivables Purchase Agreement dated as of June 28, 1995 (the "SUPPLEMENTAL PURCHASE AGREEMENT") with Purchaser and Lam Research Co., Ltd., a Japanese corporation which is a wholly-owned subsidiary of Guarantor ("SELLER"), pursuant to which (i) Purchaser has agreed to purchase from Seller a certain account, promissory note or other obligation payable to Seller (the "RECEIVABLE") upon the terms and subject to the conditions set forth in the Supplemental Purchase Agreement and (ii) Seller has agreed to act as collection agent for the Receivable so purchased by Purchaser from Seller (the "PURCHASED RECEIVABLE").

B. Purchaser's obligation to purchase the Receivable from Seller under the Supplemental Purchase Agreement is subject, among other conditions, to receipt by Purchaser of this Guaranty, duly executed by Guarantor.

#### AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Guarantor hereby agrees with Purchaser as follows:

##### 1. DEFINITIONS AND INTERPRETATION.

(a) DEFINITIONS. Unless otherwise indicated in this Guaranty, each term set forth in SCHEDULE 1, when used in this Guaranty, shall have the respective meaning given to

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that term in SCHEDULE 1 or in the provision of this Guaranty referenced in SCHEDULE 1.

(b) OTHER INTERPRETIVE PROVISIONS. Headings in this Guaranty are for convenience of reference only and are not part of the substance hereof. All terms defined in this Guaranty in the singular form shall have comparable meanings when used in the plural form and VICE VERSA. This Guaranty shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules. References in this Guaranty to any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.

2. CONTINUING GUARANTY. Guarantor unconditionally guarantees and promises to pay and perform as and when due, upon the demand of Purchaser, (a) all obligations of the obligor under the Purchased Receivable ("BUYER") and (b) all obligations of Seller under the Supplemental Purchase Agreement and all other documents, instruments and agreements delivered to Purchaser in connection therewith (collectively, including this Guaranty, the "TRANSACTION DOCUMENTS") (all such obligations, including the obligations described in CLAUSE (A) above, to be referred to herein collectively as the "GUARANTEED OBLIGATIONS"). Guarantor shall make all payments required hereunder to Purchaser, or its order, at Purchaser's office located at the address set forth in SUBPARAGRAPH 8(A) hereof, or at such other office as Purchaser may designate, on demand in such lawful currency as is required by SUBPARAGRAPH 8(D) hereof. Notwithstanding any termination of this Guaranty in accordance with PARAGRAPH 6 hereof, this Guaranty shall continue to be in full force and effect and applicable to any Guaranteed Obligations arising thereafter which arise because prior payments of Guaranteed Obligations are rescinded or otherwise required to be surrendered by Purchaser after receipt. The liability of Guarantor hereunder is independent of the obligations of Seller and Buyer, and a separate action or actions may be brought and prosecuted against Guarantor irrespective of whether action is brought against

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Seller, Buyer or any other guarantor of the Guaranteed Obligations or whether Seller, Buyer or any other guarantor of the Guaranteed Obligations is joined in any such action or actions. This Guaranty is a guaranty of payment and not of collection.

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3. REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Purchaser, as of the date hereof, the date the Receivable is purchased pursuant to the Supplemental Purchase Agreement and each other date on which Seller makes (pursuant to CLAUSE 12.1 OF THE SUPPLEMENTAL PURCHASE AGREEMENT or otherwise) the representations and warranties set forth in the SIXTH SCHEDULE TO THE SUPPLEMENTAL PURCHASE AGREEMENT, that (a) each of Guarantor and Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing in each jurisdiction where the nature of its business or properties requires such qualification, except where the failure to qualify could not have a Material Adverse Effect; (b) the execution, delivery and performance by Guarantor and Seller of this Guaranty and the other Transaction Documents are within the power of Guarantor and Seller and have been duly authorized by all necessary actions on the part of Guarantor and Seller; (c) this Guaranty and the other Transaction Documents have been duly executed and delivered by Guarantor and Seller and constitute legal, valid and binding obligations of Guarantor and Seller, enforceable against them in accordance with their terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally; (d) the execution, delivery and performance of this Guaranty and the other Transaction Documents do not (i) violate any Requirement of Law, (ii) contravene any material Contractual Obligation, or (iii) result in the creation or imposition of any Lien upon any property, asset or revenue of Guarantor or Seller; (e) no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or other Person (including, without limitation, the shareholders of any Person) is required in connection with the execution, delivery and performance of this Guaranty and the other Transaction Documents, except such consents, approvals, orders, authorizations, registrations, declarations and filings that are so required and which have been obtained and are in full force and effect; (f) each of Guarantor and Seller has paid all taxes and other charges imposed by any Governmental Authority due and payable by Guarantor or Seller other than those which are being challenged in good faith by appropriate proceedings and for which adequate reserves have been established; (g) neither Guarantor nor Seller is in violation of any Requirement of Law or Contractual Obligation other than those the consequences of which could not have a Material Adverse

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Effect; (h) the financial statements of Guarantor and Seller which have been delivered to Purchaser fairly present the respective financial positions and results of Guarantor and Seller for the periods and as of the dates covered thereby; (i) no litigation, investigation or proceeding of any Governmental Authority is pending or, to the knowledge of Guarantor, threatened against Guarantor or Seller which, if adversely determined, could have a Material Adverse Effect; (j) Seller is a wholly-owned subsidiary of Guarantor; (k) the obligations of Guarantor hereunder rank at least pari passu with all other unsecured debt of Guarantor; and (l) no event or condition which could have a Material Adverse Effect has occurred or arisen and is continuing.

4. COVENANTS. Until the Supplemental Purchase Agreement is terminated and the Purchased Receivable is paid in full, Guarantor hereby agrees (a) to deliver to Purchaser (i) within 55 days after the last day of each of its fiscal quarters, its financial statements for such quarter, (ii) within 100 days after the last day of each of its fiscal years, its audited financial statements for such year, (iii) notice of any Potential Termination Event, any Termination Event or any other default under the Transaction Documents or of any other event or condition which could have a Material Adverse Effect, and (iv) such other information regarding the business, operations or financial or other condition of Guarantor or Seller as Purchaser may reasonably request; (b) to keep, and cause Seller to keep, proper books of record and account and to permit Purchaser to examine the same; (c) to the extent failure to do so could have a Material Adverse Effect, to comply and cause Seller to comply with all Requirements of Law and Contractual Obligations; (d) to maintain and cause Seller to maintain

its corporate existence and all rights, privileges and franchises necessary for the conduct of its business; (e) to cause the obligations of Guarantor hereunder to rank at least pari passu with all other unsecured debt of Guarantor at all times; (f) to maintain, at all times, a ratio of Quick Assets to Current Liabilities of at least 1.25 to 1.00; (g) to maintain, at all times, Tangible Net Worth of not less than the Tangible Net Worth Requirements at such times; and (h) to maintain, at all times, a ratio of Total Debt LESS Subordinated Debt to Capital of no more than 0.50 to 1.00.

5. AUTHORIZED ACTIONS. Guarantor authorizes Purchaser, in its discretion, without notice to Guarantor, irrespective of any

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change in the financial condition of Seller, Guarantor, Buyer or any other guarantor of the Guaranteed Obligations since the date hereof, and without affecting or impairing in any way the liability of Guarantor hereunder, from time to time to (a) purchase from Seller new Receivables and create new Guaranteed Obligations, and, either before or after receipt of notice of revocation, renew, compromise, extend, accelerate or otherwise change the time for payment or performance of, or otherwise change the terms of the Purchased Receivable and Guaranteed Obligations or any part thereof, including increase or decrease of the rate of interest or discount thereon; (b) take and hold security for the payment or performance of the Purchased Receivable and Guaranteed Obligations and exchange, enforce, waive or release any such security; (c) apply such security and direct the order or manner of sale thereof; (d) purchase such security at public or private sale; (e) otherwise exercise any right or remedy it may have against Seller, Guarantor, Buyer, any other guarantor of the Guaranteed Obligations or any security, including, without limitation, the right to foreclose upon any such security by judicial or nonjudicial sale; (f) settle, compromise with, release or substitute any one or more makers, endorsers or guarantors of the Purchased Receivable or Guaranteed Obligations; and (g) assign the Purchased Receivable, the Guaranteed Obligations, this Guaranty, or the other Transaction Documents in whole or in part.

6. WAIVERS. Guarantor waives (a) any right to require Purchaser to (i) proceed against Seller, Buyer or any other guarantor with respect to the Guaranteed Obligations, (ii) proceed against or exhaust any security received from Seller, Buyer or any other guarantor with respect to the Guaranteed Obligations, or (iii) pursue any other remedy in Purchaser's power whatsoever; (b) any defense arising by reason of the application by Seller of the proceeds of any purchase; (c) any defense resulting from the absence, impairment or loss of any right of reimbursement, subrogation, contribution or other right or remedy of Guarantor against Seller, Buyer, any other guarantor with respect to the Guaranteed Obligations or any security, whether resulting from an election by Purchaser to foreclose upon security by nonjudicial sale, or otherwise; (d) any setoff or counterclaim of Seller or any defense which results from any disability or other defense of Seller or the cessation or stay of enforcement from any cause whatsoever of the liability of Seller (including, without limitation, the lack of

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validity or enforceability of any Transaction Document); (e) any right to exoneration of sureties which would otherwise be applicable; (f) until all obligations of Purchaser under the Transaction Documents have been terminated and the Guaranteed Obligations have been fully satisfied, any right of subrogation or reimbursement and, if there are any other guarantors of the Guaranteed Obligations, any right of contribution, and right to enforce any remedy which Purchaser now has or may hereafter have against Seller, and any benefit of, and any right to participate in, any security now or hereafter received by Purchaser; (g) all presentments, demands for performance, notices of non-performance, notices delivered under the Supplemental Purchase Agreement or any other Transaction Document, protests, notice of dishonor, and notices of acceptance of this Guaranty and of the existence, creation or incurring of new or additional Purchased Receivable or Guaranteed Obligations and notices of any public or private foreclosure sale; (h) the benefit of any statute of limitations to the extent permitted by law; (i) any appraisal, valuation, stay, extension, moratorium redemption or similar law or similar rights for marshalling; (j) any right to be informed by Purchaser of the financial condition of Seller, Buyer or any other guarantor with respect to the Guaranteed

Obligations or any change therein or any other circumstances bearing upon the risk of nonpayment or nonperformance of the Purchased Receivable or Guaranteed Obligations; and (k) any right to revoke this Guaranty prior to the termination of the Transaction Documents and the satisfaction in full of all the Guaranteed Obligations. Guarantor has the ability and assumes the responsibility for keeping informed of the financial condition of Seller, the Buyers and any other guarantors of the Guaranteed Obligations and of other circumstances affecting such nonpayment and nonperformance risks. Without limiting the scope of any of the foregoing waivers, Guarantor hereby waives (i) all rights and defenses arising out of an election of remedies by Purchaser, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a Guaranteed Obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Seller by the operation of Section 580d of the Code of Civil Procedure or otherwise, (ii) all rights and defenses Guarantor may have by reason of protection afforded to Seller with respect to the Guaranteed Obligations pursuant to the antideficiency or other laws of California limiting or discharging the Guaranteed Obligations, including, without limitation, Section 580a, 580b, 580d, or 726 of the California

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Code of Civil Procedure, and (iii) all other rights and defenses available to Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code.

7. SUBORDINATION. Guarantor hereby subordinates any obligations of Seller to Guarantor (the "SUBORDINATED OBLIGATIONS") to the Guaranteed Obligations as provided in this PARAGRAPH 7. Until the occurrence of a Potential Termination Event or Termination Event, Guarantor may receive regularly scheduled payments from Seller on account of Subordinated Obligations. Upon the occurrence and during the continuance of any Potential Termination Event or Termination Event, however:

(a) Purchaser shall be entitled to receive payment of all Guaranteed Obligations before Guarantor receives payment of any Subordinated Obligations;

(b) Any payments on the Subordinated Obligations, if Purchaser so requests, shall be collected, enforced and received by Guarantor as trustee for Purchaser and be paid over to Purchaser on account of the Guaranteed Obligations, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty; and

(c) Purchaser is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of Guarantor, to collect and enforce, and to submit claims in respect of, the Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations and (ii) to require Guarantor (A) to collect and enforce, and to submit claims in respect of, the Subordinated Obligations and (B) to pay any amounts received on such Subordinated Obligations to Purchaser for application to the Guaranteed Obligations.

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8. MISCELLANEOUS.

(a) NOTICES. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Purchaser or Guarantor under this Guaranty shall be in writing and telecopied, mailed or delivered to each party at its telecopier number or address set forth below (or to such other telecopier number or address for any party as indicated in any notice given by that party to the other party). All such notices and communications shall be effective (i) when sent by Federal Express or other overnight service of recognized standing, on the Business Day following the deposit with such service; (ii) when mailed, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (iii) when delivered by hand, upon delivery; and (iv) when telecopied, upon confirmation of receipt.

PURCHASER: ABN AMRO Bank N.V.  
101 California Street

Suite 4550  
San Francisco, California 94111-5812  
Attn: Robert N. Hartinger  
Telephone: (415) 984-3710  
Facsimile: (415) 362-3524

GUARANTOR: Lam Research Corporation  
47300 Bayside Parkway  
Fremont, California 94538  
Attn: Yuko Hashimoto  
Telephone: (510) 438-4887  
Facsimile: (510) 661-1586

(b) EXPENSES. Guarantor shall pay on demand, whether or not any Receivable is purchased under the Transaction Documents, (i) all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by Purchaser in connection with the preparation, execution and delivery of, and the exercise of its duties under, this Guaranty and the other Transaction Documents, and the preparation, execution and delivery of amendments and waivers hereunder and thereunder; and (ii) all reasonable fees and expenses, including reasonable attorneys' fees and

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expenses, incurred by Purchaser in the enforcement or attempted enforcement of this Guaranty or any of the Guaranteed Obligations or in preserving any of Purchaser's rights and remedies (including, without limitation, all such fees and expenses incurred in connection with any "workout" or restructuring affecting the Transaction Documents or the Guaranteed Obligations or any bankruptcy or similar proceeding involving Guarantor, Seller or any of their affiliates).

(c) INDEMNIFICATIONS. To the fullest extent permitted by law, Guarantor agrees to protect, indemnify, defend and hold harmless Purchaser and its affiliates and their respective directors, officers, employees, agents and advisors ("INDEMNITEES") from and against any and all liabilities, losses, damages or expenses of any kind or nature and from any and all suits, claims or demands (including in respect of or for reasonable attorney's fees and other expenses) arising on account of or in connection with any matter or thing or action or failure to act by Indemnitees, or any of them, arising out of or relating to this Guaranty or the other Transaction Documents, including without limitation any use by Guarantor of any proceeds of any Receivable purchases, except to the extent such liability arises from the willful misconduct or gross negligence of the Indemnitees. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Purchaser believes is covered by this indemnity, Purchaser shall give Guarantor reasonable notice of the matter and an opportunity to defend it, at Guarantor's sole cost and expense, with legal counsel satisfactory to Purchaser. Any failure or delay of Purchaser so to notify Guarantor of any such suit, claim or demand shall not relieve Guarantor of its obligations under this SUBPARAGRAPH 8(c) but shall reduce such obligations to the extent of any increase in those obligations caused solely by such failure or delay. The obligations of Guarantor under this SUBPARAGRAPH 8(c) shall survive the payment and performance of the Guaranteed Obligations.

(d) CURRENCY OF PAYMENT.

(i) Guarantor shall make all payments of the Guaranteed Obligations hereunder in the currency in

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which such Guaranteed Obligations are required to be paid by Seller pursuant to the other Transaction Documents and shall make all other payments hereunder in the lawful currency of the United States.

(ii) If any sum due from Guarantor under this Guaranty or any order or judgment given or made in relation hereto has to be converted from the currency (the "first currency") in which the same is payable hereunder or under such order or judgment into another currency (the

"second currency") for the purpose of (A) making or filing a claim or proof against Guarantor with any Governmental Authority, (B) obtaining an order or judgment in any court or other tribunal or (C) enforcing any order or judgment given or made in relation hereto, Guarantor shall, to the fullest extent permitted by law, indemnify and hold harmless each of the Persons to whom such sum is due from and against any loss suffered as a result of any discrepancy between (1) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (2) the rate or rates of exchange at which such Person may, using reasonable efforts in the ordinary course of business, purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. The foregoing indemnity shall constitute a separate obligation of Guarantor distinct from its other obligations hereunder and shall survive the giving or making of any judgment or order in relation to all or any of such obligations.

(e) WAIVERS; AMENDMENTS. Any term, covenant, agreement or condition of this Guaranty may be amended or waived if such amendment or waiver is in writing and is signed by Guarantor and Purchaser. No failure or delay by Purchaser in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the

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specific instance and for the specific purpose for which given.

(f) ASSIGNMENTS. This Guaranty shall be binding upon and inure to the benefit of Guarantor and Purchaser and their respective successors and permitted assigns, except that Guarantor may not assign or transfer any of its rights or obligations under this Guaranty without the prior written consent of Purchaser. All references in this Guaranty to any Person shall be deemed to include all successors and assigns of such Person.

(g) CUMULATIVE RIGHTS, ETC. The rights, powers and remedies of Purchaser under this Guaranty shall be in addition to all rights, powers and remedies given to Purchaser by virtue of any applicable law, rule or regulation of any Governmental Authority, the other Transaction Documents or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Purchaser's rights hereunder.

(h) PAYMENTS FREE OF TAXES, ETC. All payments made by Guarantor under this Guaranty shall be made by Guarantor free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, Guarantor shall pay upon demand any stamp or other taxes, levies or charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Guaranty. If any taxes, levies, charges or other amounts are required to be withheld from any amounts payable to Purchaser hereunder, the amounts so payable to Purchaser shall be increased to the extent necessary to yield to Purchaser (after payment of all such amounts) any such amounts payable hereunder in the amounts specified in this Guaranty. Upon request by Purchaser, Guarantor shall furnish evidence satisfactory to Purchaser that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies have been obtained and made and that all requisite taxes, levies and charges have been paid.

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(i) PARTIAL INVALIDITY. If at any time any provision of this Guaranty is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Guaranty nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(j) JURY TRIAL. EACH OF GUARANTOR AND PURCHASER, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY.

(k) SUBMISSION TO JURISDICTION. Guarantor hereby irrevocably and unconditionally:

(i) Submits for itself and its property in any legal action or proceeding relating to this Guaranty, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive jurisdiction of the courts of the State of California and the courts of the United States of America for the Northern District of California, and consents and agrees to suit being brought in such courts as Purchaser may elect;

(ii) Waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and

(iii) Agrees that nothing herein shall affect Purchaser's right to effect service of process in any manner permitted by law, and that Purchaser shall have the right to bring any legal proceedings (including a proceeding for enforcement of a judgment entered by any of the aforementioned courts) against Guarantor in such courts or in any other court or jurisdiction in accordance with applicable law.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed as of the day and year first above written.

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LAM RESEARCH CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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SCHEDULE 1

DEFINITIONS

"BUYER" shall have the meaning given to that term in SUBPARAGRAPH 2(a) hereof.

"CAPITAL" shall mean, at any date as of which the amount thereof shall be determined, the sum of (a) Total Debt and (b) Tangible Net Worth.

"CONTINGENT OBLIGATION" shall mean, as applied to any Person, direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend, letter of credit or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable. The amount of any Contingent Obligations shall be equal to the amount of the obligation so guaranteed or otherwise supported.

"CONTRACTUAL OBLIGATION" of any Person shall mean, any indenture, note, security, deed of trust, mortgage, security agreement, lease, guaranty, instrument, contract, agreement or other form of obligation or undertaking to

which such Person is a party or by which such Person or any of its property is bound.

"CURRENT LIABILITIES" shall mean, at any date as of which the amount thereof shall be determined, the consolidated current liabilities of Guarantor and its subsidiaries determined in accordance with GAAP.

"GOVERNMENTAL AUTHORITY" shall mean any domestic or foreign national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, any central bank or any comparable authority.

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"GOVERNMENTAL RULE" shall mean any law, rule, regulation, ordinance, order, code interpretation, judgment, decree, directive, guidelines, policy or similar form of decision of any Governmental Authority.

"GUARANTEED OBLIGATIONS" shall have the meaning given to that term in SUBPARAGRAPH 2(a) hereof.

"GUARANTOR" shall have the meaning given to that term in the INTRODUCTORY PARAGRAPH hereof.

"GUARANTY" shall mean this Guaranty.

"LIEN" shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction.

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of Guarantor or Seller; (b) the ability of Guarantor or Seller to pay or perform the Guaranteed Obligations in accordance with the terms of this Guaranty and the other Transaction Documents; or (c) the rights and remedies of Purchaser under this Guaranty, the other Transaction Documents, any Purchased Receivable or any related document, instrument or agreement.

"PERSON" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, an unincorporated association, a joint venture, a trust or other entity or a Governmental Authority.

"POTENTIAL TERMINATION EVENT" shall have the meaning given to that term in the Supplemental Purchase Agreement.

"SUPPLEMENTAL PURCHASE AGREEMENT" shall have the meaning given to that term in RECITAL A hereof.

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"PURCHASED RECEIVABLE" shall have the meaning given to that term in RECITAL A hereof.

"PURCHASER" shall have the meaning given to that term in the INTRODUCTORY PARAGRAPH hereof.

"QUICK ASSETS" shall mean, at any date as of which the amount thereof shall be determined, the consolidated cash, cash-equivalents, accounts receivable and investments (including marketable securities), with maturities not to exceed 360 days, of Guarantor and its subsidiaries determined in accordance with GAAP.

"RECEIVABLE" shall have the meaning given to that term in RECITAL A hereof.

"REQUIREMENT OF LAW" applicable to any Person shall mean (a) the Articles or Certificate of Incorporation and By-laws, Partnership Agreement or other organizational or governing documents of such Person, (b) any Governmental Rule applicable to such Person, (c) any license, permit, approval or other authorization granted by any Governmental Authority to or for the benefit of such Person and (d) any judgment, decision or determination of any Governmental Authority or arbitrator, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"SELLER" shall have the meaning given to that term in RECITAL A hereof.

"SUBORDINATED DEBT" shall mean any debt subordinated to the obligations of Guarantor hereunder on terms acceptable to Purchaser.

"SUBORDINATED OBLIGATIONS" shall have the meaning given to that term in PARAGRAPH 7 hereof.

"TANGIBLE NET WORTH" shall mean, at any date as of which the amount thereof shall be determined, the consolidated total assets of Guarantor and its subsidiaries MINUS, without duplication, (a) the sum of any amounts attributable to (i) goodwill, and (ii) tangible items such as unamortized debt discount and expense,

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patents, trade and service marks and names, copyrights, franchises, treasury stock, deferred charges and research and development expenses except prepaid expenses, AND (b) Total Liabilities.

"TANGIBLE NET WORTH REQUIREMENT" shall mean, at any date as of which the amount thereof shall be determined, the sum of (i) \$250,000,000, PLUS (ii) fifty percent (50%) of the sum of the consolidated net income of Guarantor and its subsidiaries for each quarter (excluding any quarter in which such net income was negative) which begins on or after July 1, 1994 and ends on or prior to such date of determination, PLUS (iii) one hundred percent (100%) of the net proceeds received by Guarantor and its subsidiaries from the sale of stock and other equity securities issued by Guarantor and its subsidiaries and from other equity contributions to Guarantor and its subsidiaries to the extent received on or after April 1, 1995 and on or prior to such date of determination.

"TERMINATION EVENT" shall have the meaning given to that term in the Supplemental Purchase Agreement.

"TOTAL DEBT" shall mean, at any date as of which the amount thereof shall be determined, the sum (without duplication) of (a) short-term bank debt, (b) current maturities of long-term debt and current portion of capitalized leases, (c) long-term debt, (d) capitalized leases and (e) all off-balance sheet obligations including Contingent Obligations and the face amount of all outstanding letters of credit (including drawn and unreimbursed amounts).

"TOTAL LIABILITIES" shall mean, at any date as of which the amount thereof shall be determined, all obligations that should, in accordance with GAAP be classified as liabilities on the consolidated balance sheet of Guarantor.

"TRANSACTION DOCUMENTS" shall have the meaning given to that term in SUBPARAGRAPH 2(a) hereof.

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EXHIBIT 10.27

RECEIVABLES PURCHASE AGREEMENT

between

LAM RESEARCH CO., LTD.

as Seller

ABN AMRO BANK N.V., TOKYO BRANCH

as Purchaser

and

LAM RESEARCH CO., LTD.

as Collection Agent

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THIS AGREEMENT is made the 22nd day of June, 1995

BETWEEN:

- (1) LAM RESEARCH CO., LTD., a company incorporated in Japan and having its registered office at 1-1-10, Oyama, Sagamihara-shi, Kanagawa (in such capacity the "Seller");
- (2) ABN AMRO BANK N.V. acting through its TOKYO BRANCH, a branch licensed in Japan and having its registered office at Shiroyama JT Mori Building, 3-1, 4-chome, Toranomon, Minato-ku, Tokyo (the "Purchaser"); and
- (3) LAM RESEARCH CO., LTD., a company incorporated in Japan having its registered office at 1-1-10, Oyama, Sagamihara-shi, Kanagawa as collection agent in relation to receivables (in such capacity the "Collection Agent").

WHEREAS:

- (A) The Seller and the Purchaser have agreed, on the terms and subject to the conditions hereof, that the Seller will sell to the Purchaser certain receivables which have arisen, or will arise, out of the sales by the Seller of certain equipment.
- (B) The Collection Agent has agreed, upon the terms and subject to the conditions hereof, to act as the agent of the Purchaser in connection with the collection of receivables from time to time assigned to the Purchaser in accordance with the terms hereof.

IT IS HEREBY AGREED as follows:-

1. Definitions and Interpretation

1.1 In this Agreement and in the Schedules, unless otherwise defined therein or unless the context otherwise requires, the following terms shall have the following meanings:-

"Acceptance" means, in relation to Equipment, the acceptance by the Buyer of such Equipment which, in accordance with the relevant Sales Agreement, renders the obligation of such Buyer to pay the Face Value of the Purchased Receivable arising out of the sale of such Equipment unconditional (only subject to the lapse of the credit period agreed between the Seller and such Buyer);

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"Accepted Receivables" has the meaning set out in Clause 7.2;

"Additional Receivables" means Receivables other than the Initial Receivables;

"Additional Sales Agreement" means the Sales Agreement relating to the Additional Receivables;

"Adjustment Amount" means the amount which shall be calculated and payable in accordance with Clause 10;

"Adjustment Period" applicable to a Purchased Receivable and a Receivables Payment Date for such Purchased Receivable which has come earlier than the Tentative Receivables Due Date means the actual number of days elapsed during the period from, and including, such Receivables Payment Date to, but excluding, such Tentative Receivables Due Date;

"Assignment" means, in relation to the sale of each Initial Receivables, an assignment substantially in the form set out in Part 1 of the Third Schedule or, in relation to sale of each Accepted Receivable, an assignment substantially in the form of Part 3 of the Third Schedule;

"Available Receivables" has the meaning set out in Clause 6.2(i);

"Buyers" means buyers of the Equipment from the Seller;

"Closing Dates" means the Initial Closing Date and the Subsequent Closing Dates;

"COF" applicable to a Purchased Receivable means the rate, expressed as decimal, equal to the cost to the Purchaser (as certified by it, which certification shall be binding upon the parties hereto in the absence of a manifest error, and expressed as a rate per annum) of funding the Relevant Amount in Tokyo in Yen during the Calculation Period;

For purposes of this definition of "COF", the "Calculation Period" means:

(i) for purposes of determining the COF Based Rate, the Discount Period applicable to such Purchased Receivable; and

(ii) for purposes of determining the Adjustment COF Based Rate applicable to a Reset Period or Overdue Reset Period relating to a Paid Amount, such Reset Period or Overdue Reset Period applicable to such Purchased Receivable and Paid Amount; and

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the "Relevant Amount" means:

(i) for purposes of determining the COF Based Rate, the Face Value of such Purchased Receivable; and

(ii) for purposes of determining the Adjustment COF Based Rate applicable to a Paid Amount, such Paid Amount applicable to such Purchased Receivable;

"COF Based Rate" and "Adjustment COF Based Rate" applicable to a Purchased Receivable and (in the case of the Adjustment COF Based Rate) a Paid Amount and a Reset Period or Overdue Reset Period for such Purchased Receivable means the rate, expressed as a decimal, equal to the sum of (i) the COF for the respective purposes applicable to such Purchased Receivable and (in the case of the Adjustment COF Based Rate) such Paid Amount and Reset Period or Overdue Reset Period and (ii) the Margin;

"Collection Account" means the account specified in Clause 20.2;

"Collections" means all payments by or on behalf of Buyers received in respect of the Receivables, whether in the form of cash, electronic money transfer or any other form of payment (including, but not limited to, the payment by means of collection of the obligations represented by the P/N) in accordance with a Sales Agreement in effect from time to time;

"Confirmation to Issue P/N's" means a written confirmation duly executed by the relevant Buyer and delivered to the Seller of the issuance of the P/N's in relation to the Receivables which may arise out of the relevant Sales Agreement, subject to (but promptly upon, only subject to the applicable terms of the relevant Sales Agreement) the Acceptance or the Partial Acceptance of the relevant Equipment, such confirmation being in a form and substance reasonably satisfactory to the Purchaser;

"Debt" of any person means, at any date, without duplication, (i) all obligations of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such person as lessee which are capitalized in accordance with the generally accepted accounting principles, (v) all Debt secured by an encumbrance on any asset of such person, whether or not such Debt is otherwise an obligation of such person and (vi) all Debt of others guaranteed by such person;

"Deposit" means, in relation to a Purchased Receivable, the amount, if any, which has been or will have been as of the relevant Closing Date paid to or deposited with the Seller by the relevant Buyer by way of deposit or downpayment (however it is called) for the purchase of the relevant Equipment;

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"Disapplication of Prohibition of Assignment" means a written consent duly executed by the relevant Buyer to the disapplication of prohibition of the assignment by the Seller of the Receivables arising out of the relevant Sales Agreement, such consent being in a form and substance reasonably satisfactory to the Purchaser;

"Discount" means in relation to a Purchased Receivable the amount in Yen equal to its Face Value multiplied by the Discount Rate applicable to such Purchased Receivable;

"Discount Interest Rate" applicable to a Purchased Receivable means either of (i) the LIBOR Based Rate or (ii) the COF Based Rate, as selected by the Seller and specified in the Assignment in relation to such Purchased Receivable;

"Discount Period" applicable to a Purchased Receivable means the actual number of days elapsed during the period from, and including, the Closing Date to, but excluding, the Tentative Receivables Due Date, both in relation to such Purchased Receivable;

"Discount Rate" applicable to a Purchased Receivable means a fraction (expressed as a decimal rounded up to the nearest five decimal places in such rate) calculated as follows:

$$D = \frac{I \times (P/365)}{1 + (I \times P/365)}$$

Where:

D = the Discount Rate;  
I = the Discount Interest Rate (expressed as a decimal) applicable to such Purchased Receivable; and

P = the Discount Period applicable to such Purchased Receivable;

"Eligible Buyers" has the meaning set out in Part 1 of the Fourth Schedule;

"Eligible Receivables" has the meaning set out in Part 2 of the Fourth Schedule;

"Equipment" means semiconductor capital equipment sold by the Seller in the ordinary course of its business;

"Extended Tentative Date" has the meaning set out in Clause 10.2, and the first, second, subsequent or final Extended Tentative Date shall be construed accordingly;

"Face Value" means, in relation to a Purchased Receivable, the amount in Yen which is to be payable pursuant to the Sales Agreement in respect of such Purchased Receivable (less the Deposit, if any, in relation to such Purchased Receivable), which shall be specified in the Assignment relating to such Purchased Receivables;

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"Guaranty" means a guaranty of the Guarantor substantially in the form of the Eighth Schedule;

"Guarantor" means Lam Research Corporation, a Delaware corporation;

"Indemnified Amounts" has the meaning set out in Clause 16.1;

"Initial Closing Date" means June 23, 1995 or such later date as the parties hereto may agree;

"Initial Receivables" means those Receivables, being the Eligible Receivables, particulars of which are set out in the First Schedule;

"Initial Sales Agreements" means the Sales Agreements relating to the Initial Receivables;

"Insolvency Event" means, in relation to any party hereto its winding-up or dissolution or the judgment or declaration of insolvency or bankruptcy or the appointment of an administrator, trustee, liquidator, sequestrator or similar official over it or any of its reserves or assets, the filing of a petition in relation to any of the foregoing or the commencement of any analogous proceedings in relation thereto, and, in the case of such filing made by any third party against it, such filing (i) having resulted in a judgment or declaration of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or dissolution or (ii) having not been dismissed, discharged, stayed or restrained within ninety (90) days with respect to the Seller and thirty (30) days with respect to the Guarantor;

"LIBOR" applicable to a Purchased Receivable means the rate for deposits in Yen for a period selected by the Purchaser as being reasonably close to the Calculation Period which appears on the Telerate Page 3750 as of 11:00 a.m., London time, on the day that is two London Banking Days (which means a day on which commercial banks are open for business (including dealing in foreign exchange and foreign currency deposits) in London) preceding the first day of the Calculation Period, Provided that if such rate does not appear on the Telerate Page 3750, "LIBOR" shall mean the arithmetic mean of the rates, expressed as a decimal, quoted to ABN AMRO Bank N.V. at such time on such day by two or more major banks in the London interbank market selected in good faith by ABN AMRO Bank N.V. as a rate per annum at which such deposit, for such period commencing on such first day and in such amount that ABN AMRO Bank N.V. reasonably determines is representative for a single transaction in such market on such day, is offered;

For purposes of this definition of "LIBOR", the "Calculation Period" means:

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(i) for purposes of determining the LIBOR Based Rate, the Discount Period applicable to such Purchased Receivable; and

(ii) for purposes of determining the Adjustment LIBOR Based Rate applicable to a Reset Period or Overdue Reset Period relating to a Paid Amount, such Reset Period or Overdue Reset Period applicable to such Purchased Receivable and Paid Amount;

"LIBOR Based Rate" and "Adjustment LIBOR Based Rate" applicable to a Purchased Receivable (and, in the case of the Adjustment LIBOR Based Rate, applicable to a Paid Amount and a Reset Period or Overdue Reset Period) means the rate per annum, expressed as a decimal, equal to the sum of (i) the LIBOR for the respective purposes applicable to such Purchased Receivable (and, in the case of the Adjustment LIBOR Based Rate, applicable to such Paid Amount and Reset Period or Overdue Reset Period) and (ii) the Margin;

"Margin" means, subject to the reduction pursuant to Clause 10.3, nine-tenths of one percent (0.9%);

"Margin Reduction Amount" has the meaning set out in Clause 10.4;

"Margin Reduction Period" has the meaning set out in Clause 10.3;

"Material Adverse Effect" means in relation to any matter, event or circumstance concerning the Seller, the Guarantor or the Collection Agent (insofar as Lam Research Co., Ltd. is the Collection Agent), a likely material adverse effect on the ability of the person concerned to perform its obligations under this Agreement, the Guaranty, the Assignment or any of the other Transaction Documents;

"Non-Eligible Buyers" means the Buyers other than the Eligible Buyers;

"Offer" means any offer made by the Seller to sell and assign Additional Receivables to the Purchaser in accordance with Clause 6;

"Original Financial Statements of the Seller" means the audited financial statements of the Seller for the financial year ended June 30, 1994 and the unaudited interim financial statements of the Seller for the financial quarter ended March 31, 1995;

"Original Financial Statements of the Guarantor" means the audited financial statements of the Guarantor for the financial year ended June 30, 1994 and the unaudited interim financial statements of the Guarantor for the financial quarter ended March 31, 1995;

"Overdue Reset Period" applicable to a Purchased Receivable means a Partial Adjustment Period for such Purchased Receivable referred to in Paragraph (i) (b) or (ii) (b)

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of the definition of the Partial Adjustment Period as if (if applicable) it were not shortened by occurrence of a Receivables Payment Date for such Purchased Receivable or lapse of sixty (60) days after the Scheduled Receivables Due Date for such Purchased Receivable, as the case may be;

"Paid Amount" in relation to a Purchased Receivable means the amount which has been paid to the Purchaser through the Collection Account on account of such Purchased Receivable pursuant to Clause 20.4 or collected by the Purchaser by means of collection of the obligations represented by the P/N pursuant to Clause 20.3, as the case may be, or otherwise to the Purchaser in accordance with this Agreement, in each case in immediately available funds;

"Partial Acceptance" means, in relation to Equipment, such acceptance of the Buyer of such Equipment as renders the obligation of such Buyer to pay the Revised Face Value of the Purchased Receivable arising out of the sale of such Equipment unconditional (only subject to the lapse of credit period agreed between the Seller and the Buyer);

"Partial Adjustment Amount" has the meaning set out in Clause 10.3;

"Partial Adjustment Period" applicable to a Purchased Receivable and a Receivables Payment Date means the actual number of days elapsed during each of

the following one or more successive periods, running up to such Receivables Payment Date or the sixtieth (60th) date after the Scheduled Receivables Due Date for such Purchased Receivable, whichever comes earlier:

(i) if there is no Extended Tentative Date for such Purchased Receivable,

(a) the period from, and including, the Tentative Receivables Due Date for such Purchased Receivable to, but excluding, such Receivables Payment Date or the Scheduled Receivables Due Date for such Purchased Receivable, whichever comes earlier; and

(b) if such Receivables Payment Date is later than the Scheduled Receivables Due Date, successive period(s) of one (1) week each, starting from, and including, such Scheduled Receivables Due Date and repeating up to such Receivables Payment Date or the sixtieth (60th) date after such Scheduled Receivables Due Date, whichever comes earlier (with final such period being one (1) week or shorter period up to, but excluding, such final date); or

(ii) if there is an Extended Tentative Date(s) for such Purchased Receivable,

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(a) (x) the period from, and including, the Tentative Receivables Due Date to, but excluding, the first Extended Tentative Date or such Receivables Payment Date, whichever comes earlier, (y) (if there is a following Extended Tentative Date) any subsequent period(s) from, and including, the immediately preceding Extended Tentative Date to, but excluding, the immediately following Extended Tentative Date or such Receivables Payment Date, whichever comes earlier, and (z) (if there is the Scheduled Receivables Due Date for such Purchased Receivable set after the final Extended Tentative Date) the period from, and including, the final Extended Tentative Date to, but excluding, such Receivables Payment Date or such Scheduled Receivables Due Date, whichever comes earlier; and

(b) if such Receivables Payment Date is later than the Scheduled Receivables Due Date or (if the final Extended Tentative Date falls after the Scheduled Receivables Due Date) the final Extended Tentative Date, successive period(s) of one (1) week each, starting from, and including, such Scheduled Receivables Due Date or such final Extended Tentative Date, as the case may be, and repeating up to such Receivables Payment Date or the sixtieth (60th) date after such Scheduled Receivables Due Date, whichever comes earlier (with final such period being one (1) week or shorter period up to, but excluding, such final date);

"Perfection Document" means, in relation to a Purchased Receivable, a written consent duly executed by the relevant Buyer, or a written notice to the relevant Buyer duly executed by the Seller, detailing the assignment by the Seller to the Purchaser of such Purchased Receivable, such consent or notice being in the form of a document duly date-stamped (kakutei hizuke) by a notary public or otherwise in any case in accordance with Article 467 (1) and (2) of the Civil Code (Sho Ho) of Japan (Law No.49 of 1899, as amended) and in a form and substance reasonably satisfactory to the Purchaser, provided that the certificate of delivery (if applicable) issued by the postal service shall be excluded from the Perfection Document;

"P/N" means, in relation to a Receivable, a promissory note (yakusoku tegata) duly issued by the relevant Buyer in accordance with the Law on Bills (Tegata Ho) of Japan (Law No.20 of 1932, as amended) for the payment of such Receivable, which shall be assignable;

"Potential Termination Event" means any event or circumstances which, if it continued after the giving of any notice and/or the expiry of any grace period, would become a Termination Event;

"Purchase Limit" means five billion Yen (5,000,000,000), as may be cancelled from time to time as a whole or in part pursuant to Clause 2.1;

"Purchase Order" means, in relation to Equipment, the purchase order (or its equivalent regardless of whether it is titled as such) for such Equipment duly executed

and delivered to the Seller by the Buyer of such Equipment, which shall detail the description and the ordered quantity of, and the payment terms for, such Equipment;

"Purchase Period" means the period from and including the Initial Closing Date up to and including a day which is the second (2nd) anniversary of the date hereof;

"Purchase Price" has the meaning set out in Clause 4.1 or 8.1, as the case may be;

"Purchased Receivables" means all of those Initial Receivables and Accepted Receivables which have actually been purchased by the Purchaser in accordance with Clause 5 or 9, as the case may be, other than Receivables which have been repurchased by the Seller pursuant to this Agreement;

"Receivables" means all amounts owed by Buyers to the Seller pursuant to the Sales Agreements;

"Receivables Payment Date" means, in relation to each Purchased Receivable, the date or each of the dates on which such Purchased Receivable is paid in full or in any part to the Purchaser through the Collection Account pursuant to Clause 20.4 or collected in full or in any part by means of collection of the obligations represented by the P/N pursuant to Clause 20.3, as the case may be, or otherwise to the Purchaser in accordance with this Agreement, in each case in immediately available funds;

"Records" means all Sales Agreements, contracts, other documents, books, records and other information maintained by the Seller (in that capacity and as Collection Agent) with respect to the Purchased Receivables;

"Reduced Amount" means, in relation to a Purchased Receivable, the amount (if any) in Yen equal to the Face Value minus the Revised Face Value of such Purchased Receivable;

"Reduction Adjustment Amount" means, in relation to a Purchased Receivable, the amount (if any) in Yen equal to (i) (if the Partial Acceptance of the Equipment relating to such Purchased Receivable occurs prior to the fifth (5th) business day before the relevant Tentative Receivables Due Date) the Reduced Amount minus the Reduction Adjustment Discount relating to such Purchased Receivable, (ii) (if such Partial Acceptance occurs on the fifth (5th) business day before the relevant Tentative Receivables Due Date) the Reduced Amount relating to such Purchased Receivable or (iii) (if such Partial Acceptance occurs after the fifth (5th) business day before the relevant Tentative Receivables Due Date) the Reduced Amount plus the Reduction Adjustment Premium relating to such Purchased Receivable;

"Reduction Adjustment Discount" means, in relation to a Purchased Receivable, the amount in Yen equal to the Reduced Amount relating to such Purchased Receivable multiplied by the Discount Rate which has been applied to such Purchased Receivable

and further by a fraction the numerator of which is the Reduction Adjustment Discount Period and the denominator of which is the Discount Period, both applicable to such Purchased Receivable;

"Reduction Adjustment Discount Period" applicable to a Purchased Receivable means the actual number of days elapsed during the period from, and including, the date of the Partial Acceptance (if any) of the Equipment relating to such Purchased Receivable to, but excluding, the date five (5) business days before the Tentative Receivables Due Date for such Purchased Receivable;

"Reduction Adjustment Premium" means, in relation to a Purchased Receivable, the amount in Yen which shall be calculated in such manner as is applicable to the Adjustment Amount payable by the Seller relating to a Paid Amount on a Receivables Payment Date for such Purchased Receivable as if the relevant Reduced Amount were such Paid Amount and the date five (5) business

days after the relevant Partial Acceptance were such Receivables Payment Date;

"Related Security" means in relation to any Purchased Receivable (i) all of the Seller's interest, if any, in the Equipment (including returned Equipment, if any), the sale of which by the Seller gave rise to such Purchased Receivables, (ii) all other encumbrance, if any, purporting to secure payment of such Purchased Receivable, whether pursuant to the Sales Agreement relating to such Purchased Receivable or otherwise and (iii) all guarantees, insurance or other agreements or arrangements of any kind from time to time supporting or securing payment of such Purchased Receivable whether pursuant to the Sales Agreement relating to such Purchased Receivable or otherwise;

"Repurchase Discount" means in relation to a Purchased Receivable to be repurchased by the Seller the amount in Yen equal to its Face Value or the Revised Face Value, as the case may be, multiplied by the Discount Rate which has been applied to such Purchased Receivable and further by a fraction the numerator of which is the Repurchase Discount Period and the denominator of which is the Discount Period, both applicable to such Purchased Receivable;

"Repurchase Discount Period" applicable to a Purchased Receivable to be repurchased by the Seller means the actual number of days elapsed during the period from, and including, the date on which such Purchased Receivable is actually repurchased and paid for by the Seller to, but excluding, the Tentative Receivables Due Date for such Purchased Receivable;

"Repurchase Premium" means in relation to a Purchased Receivable to be repurchased by the Seller the amount in Yen which shall be calculated in such manner as is applicable to the Adjustment Amount payable by the Seller relating to a Paid Amount on a Receivables Payment Date for such Purchased Receivable as if the relevant Face

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Value or Revised Face Value were such Paid Amount and the date on which such Purchased Receivable is actually repurchased were such Receivables Payment Date;

"Reset Date" has the meaning set out in Clause 10.2, and the first, second or subsequent Reset Date shall be construed accordingly;

"Reset Period" applicable to a Purchased Receivable means a Partial Adjustment Period for such Purchased Receivable referred to in Paragraph (i) (a) or (ii) (a) of the definition of the Partial Adjustment Period as if (if applicable) it were not shortened by occurrence of a Receivables Payment Date for such Purchased Receivable;

"Revised Face Value" means, in relation to a Purchased Receivable, the amount in Yen less than the Face Value of such Purchased Receivable which has been agreed upon between the Seller and the relevant Buyer as an amount payable as a purchase price of the Equipment relating to such Purchased Receivable (less the Deposit, if any, in relation to such Purchased Receivable) following the performance test of such Equipment;

"Sales Agreement" means the agreement (whether in writing or oral) between the Seller and the Buyer with respect to a sale of Equipment (including the Purchase Order) governing the terms and conditions of such sale (including all the agreements, instruments and any other documents relating or ancillary thereto), as such agreement may be amended or modified from time to time;

"Scheduled Receivables Due Date" means, in relation to each Purchased Receivable, the date on which the Face Value or the Revised Face Value, as the case may be, of such Purchased Receivable will be unconditionally due and payable by such Buyer pursuant to the terms of the relevant Sales Agreement;

"Shipment" means, in relation to an Equipment, the shipment by the Seller of such Equipment in accordance with the relevant Sales Agreement, the occurrence and the date of which shall be certified by the Seller to the reasonable satisfaction of the Purchaser;

"Subsequent Closing Date" means each such date as agreed upon between the Seller and the Purchaser in accordance with Clause 7 as a date on which an Accepted Receivable is to be assigned to the Purchaser pursuant to Clause 9, which must be a business day and must not be a date later than the last day of the Purchase Period;

"Tentative Acceptance Date" means, in relation to each Purchased Receivable, the date which is agreed upon between the Seller and the Purchaser in the relevant Assignment as a date on which the Acceptance of the Equipment relating to such Purchased Receivable is likely to occur, but shall in no event be later than the date which is two hundred and seventy (270) days after the date of Shipment of such Equipment;

"Tentative Acceptance Period" means, in relation to each Purchased Receivable, a period commencing on the Closing Date and ending on the Tentative Acceptance Date for such Purchased Receivable;

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"Tentative Credit Period" means, in relation to each Purchased Receivable, the period which is agreed upon, based on the payment terms provided for in the Purchase Order for the Equipment relating to such Purchased Receivable, between the Seller and the Purchaser in the relevant Assignment as a period commencing on the date immediately following the date of Acceptance of such Equipment at the end of which such Purchased Receivable is due to be paid by the relevant Buyer, but shall in no event be longer than two hundred and twenty-five (225) days;

"Tentative Receivables Due Date" means, in relation to each Purchased Receivable, the date which is specified in the relevant Assignment as the last day of the Tentative Receivables Period for such Purchased Receivable;

"Tentative Receivables Period" means, in relation to each Purchased Receivable, the period which is the sum of the Tentative Acceptance Period and the Tentative Credit Period for such Purchased Receivable;

"Termination" has the meaning set out in Clause 27.1;

"Termination Event" has the meaning ascribed to it in the Fifth Schedule;  
and

"Transaction Documents" means any agreement or document entered into pursuant to this Agreement or in connection with this Agreement or the transactions contemplated hereby.

1.2 In this Agreement:

"business day" means any day (other than a Saturday or a Sunday) on which banks are open for business in Tokyo;

a "Clause", "Part", "Recital" or "Schedule" is, subject to any contrary indication, a reference to a clause or part hereof or a recital or schedule hereto;

an "encumbrance" shall be construed as a reference to a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person or any other type of preferential arrangement (including, without limitation, title transfer and retention arrangements) having a similar effect;

a "person" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the foregoing;

"stamp duty" shall be construed as a reference to any stamp, registration or to the transaction or documentary tax (including, without limitation any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

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"tax" shall be construed so as to include any tax, levy, impost, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and

the "rehabilitation", "bankruptcy", "dissolution", "insolvency", "liquidation", "receivership" or "winding-up" of any person shall be construed so as to include any equivalent or analogous proceedings under the laws of the jurisdiction in which such person is incorporated (or, if not a company or corporation, domiciled) or any jurisdiction in which such person carries on business.

1.3 "¥" and "Yen" denote lawful currency of Japan.

1.4 Save where the contrary is indicated, any reference in this Agreement to:

(i) this Agreement or any other agreement or document shall be construed as a reference to this Agreement, or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented;

(ii) a statute shall be construed as a reference to such statute as same may have been, or may from time to time be, amended or re-enacted; and

(iii) a time of day (including opening and closing of business) shall be construed as a reference to Tokyo time.

1.5 Clause, Part and Schedule headings are for ease of reference only.

## Part 2

### GENERAL PROVISIONS FOR SALE OF RECEIVABLES

#### 2. Terms of Purchase

2.1 On the terms and conditions hereinafter set forth, the Seller will sell, and the Purchaser will purchase, the Receivables, which must be the Eligible Receivables, from time to time during the Purchase Period. Under no circumstances shall the Purchaser make any purchase of a Receivable if, after giving effect to such purchase, the aggregate sum of the Purchase Price of the Purchased Receivables the payment of which has not been received by the Purchaser would exceed the Purchase Limit. The Seller may cancel the Purchase Limit, or any part of it which is fifty million yen (¥50,000,000) or a whole multiple of that amount, without premium or penalty at any time before the last day of the Purchase Period by giving to the Purchaser not less than three (3) business days' notice of the date and amount of the cancellation.

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2.2 The sale referred to in Parts 3 and 4 does not constitute and is not intended to result in the creation or assumption by the Purchaser of any obligation of the Seller or any other person in connection with the Receivables or the Sales Agreements, or under any other agreement or instrument relating thereto.

2.3 For purposes of this Agreement, if as of the relevant Closing Date a Purchased Receivable is, in accordance with the Sales Agreement for the Equipment in relation to such Purchased Receivable, to be payable by the relevant Buyer in two or more installments, each amount owed by such Buyer payable in each such installment shall be deemed and treated as if each such amount were a separate and single Purchased Receivable.

## Part 3

### SALE OF INITIAL RECEIVABLES

#### 3. Sale and Purchase

3.1 Subject to the terms and conditions of this Agreement, the Seller hereby agrees to sell on the Initial Closing Date, and the Purchaser agrees to purchase on such date, all of the Seller's right, title and interest in, to and under the Initial Receivables including for the avoidance of doubt:-

(i) the right to receive all Collections in respect thereof; and

(ii) all Related Security with respect to the Initial Receivables and all proceeds thereof.

3.2 The sale and purchase of each of the Initial Receivables referred to in Clause 3.1 shall be effected by an assignment substantially in the form set out in Part 1 of the Third Schedule.

#### 4. Consideration

4.1 Subject to the adjustment as provided for in Clauses 10 and 11, the consideration payable by the Purchaser for the sale and purchase of each of the Initial Receivables shall be an amount in Yen equal to the Face Value minus the Discount in relation to such Initial Receivable (the "Purchase Price"). The Purchase Price shall be payable in accordance with Clause 5.1.

#### 5. Initial Closing

5.1 Completion of the sale and purchase contemplated by Clause 3.1 shall take place on the Initial Closing Date (subject to the satisfaction of the conditions precedent

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set out in Part 1 of the Second Schedule, any of which may be waived in the Purchaser's sole discretion), whereupon:

(i) the Seller shall assign to the Purchaser each of the Initial Receivables by the Seller's and the Purchaser's executing and delivering to the other the Assignment in relation to such Initial Receivables;

(ii) the Seller shall deliver the Initial Sales Agreements to the Purchaser;

(iii) if the P/N in relation to an Initial Receivable has been issued by the Buyer in favor of the Seller, the Seller shall make endorsement without recourse (mutanpo uragaki) on such P/N in favor of the Purchaser and deliver such P/N to the Purchaser; and

(iv) the Purchaser shall pay the aggregate Purchase Price of the Initial Receivables to the Seller in accordance with Clause 25.1.

### Part 4

#### SALE OF ADDITIONAL RECEIVABLES

#### 6. Offers of Additional Receivables

6.1 The Seller may invite the Purchaser to take an assignment of Additional Receivables, which must be Eligible Receivables, at any time during the Purchase Period by delivering to the Purchaser not less than five (5) business days before the proposed date of assignment an Offer substantially in the form set out in Part 2 of the Third Schedule.

6.2 Each Offer delivered by the Seller pursuant to Clause 6.1 shall:

(i) constitute an offer by the Seller to sell and assign on the proposed date of assignment to the Purchaser (by way of outright sale and not merely by way of security) all of the Seller's right, title and interest in and to an Additional Receivable to which such Offer relates (the "Available Receivable"), including for the avoidance of doubt:

(a) the right to receive all Collections in respect thereof; and

(b) all Related Security with respect to such Available Receivable and all proceeds thereof;

(ii) specify in relation to the Available Receivable:

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- Receivable;
- (a) the name of the Buyer who owes the Available
- Available Receivable;
- (b) the Face Value thereof;
- Available Receivable;
- (c) description of the Equipment sold in relation to the
- Available Receivable;
- (d) the date of the Purchase Order relating to the
- Available Receivable;
- (e) the proposed date of assignment, which must be a business day and must not be a date later than the last day of the Purchase Period;
- (f) the payment terms as provided for in the Purchase Order relating to the Available Receivable;
- (g) the date of Shipment of the Equipment relating to the Available Receivable;
- (h) the date and the period which the Seller proposes as the Tentative Acceptance Date and the Tentative Credit Period, respectively, for the Available Receivable;
- (i) a selection (which may be tentative and subject to change in the sole discretion of the Seller by the second business day prior to the Subsequent Closing Date for the Available Receivable) of either the LIBOR Based Rate or the COF Based Rate as the Discount Interest Rate applicable to the Available Receivable; and
- (j) whether a P/N in relation to the Available Receivable has been or is to be issued by the Buyer; and
- (iii) be accompanied by a copy of the Sales Agreement relating to the Available Receivable.

6.3 The Seller shall disclose to the Purchaser such documents or other information as the Purchaser may reasonably request to enable it to determine whether an Available Receivable is an Eligible Receivable.

## 7. Acceptance of Offers

7.1 The Purchaser shall accept any Offer of the Available Receivable which is an Eligible Receivable made by the Seller pursuant to Clause 6.

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7.2 If the Purchaser pursuant to Clause 7.1 accepts any Offer made by the Seller in accordance with Clause 6, it shall notify the Seller in accordance with Clause 34. Any such acceptance shall be irrevocable and binding upon the Purchaser. When an Offer is so accepted by the Purchaser, an Available Receivable to which such Offer relates shall become an "Accepted Receivable".

## 8. Consideration

8.1 Subject to the adjustment as provided for in Clauses 10 and 11, the consideration payable by the Purchaser for sale and purchase of an Accepted Receivable shall be an amount in Yen equal to the Face Value minus the Discount in relation to such Accepted Receivable (the "Purchase Price"). The Purchase Price shall be payable in accordance with Clause 9.1.

## 9. Assignment of Accepted Receivables

9.1 If the Available Receivable has become the Accepted Receivable in accordance with Clause 7.2, completion of the sale and purchase of an Accepted Receivable shall take place on the Subsequent Closing Date for such Accepted Receivable (subject to the satisfaction of the conditions precedent set out in Part 2 of the Second Schedule, any of which may be waived in the Purchaser's sole discretion), whereupon:

- (i) the Seller shall assign to the Purchaser such Accepted Receivable by the Seller's and the Purchaser's executing and delivering to the other an

Assignment in relation to such Accepted Receivable;

(ii) the Seller shall deliver to the Purchaser the Additional Sales Agreement to which such Accepted Receivable relates;

(iii) if the P/N in relation to such Accepted Receivable has been issued by the Buyer in favor of the Seller, the Seller shall make endorsement without recourse (mutanpo uragaki) on such P/N in favor of the Purchaser and deliver such P/N to the Purchaser; and

(iv) the Purchaser shall make a payment of the Purchase Price of such Accepted Receivable in accordance with Clause 25.1.

## Part 5

### ADJUSTMENT OF CONSIDERATION

#### 10. Normal Adjustment

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10.1 In relation to each of the Purchased Receivables, an adjustment amount (the "Adjustment Amount") (if any) calculated in accordance with Clause 10.3 shall be payable on a Receivables Payment Date for such Purchased Receivable. The Adjustment Amount shall be payable by the Seller to the Purchaser if a Receivables Payment Date falls on a date which is later than the Tentative Receivables Due Date for such Purchased Receivable. The Adjustment Amount shall be payable by the Purchaser to the Seller if a Receivables Payment Date falls on a date which is earlier than a Tentative Receivables Due Date for such Purchased Receivable.

10.2 In relation to a Purchased Receivable for which the Scheduled Receivables Due Date has not been determined as of the date (the first "Reset Date") three (3) business days before the Tentative Receivables Due Date, the Seller shall on the first Reset Date notify in writing the Purchaser of (i) the date (the first "Extended Tentative Date") on or around which the Seller reasonably expects such Purchased Receivable will be paid by the relevant Buyer and (ii) its election of either the Adjustment LIBOR Based Rate or the Adjustment COF Based Rate as a rate applicable to the period up to the Extended Tentative Date. If the Scheduled Due Date has not been determined as of the date (the second "Reset Date") three (3) business days before the first Extended Tentative Date, the Seller shall on the second Reset Date notify in writing the Purchaser of the second Extended Tentative Date and its election of the applicable rate in a manner similar to the first Reset Date, which procedures, if applicable, shall be repeatedly taken. In relation to a Purchased Receivable for which the Scheduled Receivables Due Date has been determined as of the Reset Date or any subsequent Reset Date, the Seller shall on such Reset Date notify in writing the Purchaser of its election of either the Adjustment LIBOR Based Rate or the Adjustment COF Based Rate as a rate applicable to the period up to such Scheduled Receivables Due Date.

10.3 "Adjustment Amount" in relation to a Purchased Receivable and a Receivables Payment Date for such Purchased Receivable shall be the amount in Yen which shall be calculated in accordance with the formula set forth in Paragraph (i) below, if it is payable by the Purchaser, or the amount equal to the sum of each Partial Adjustment Amount to be calculated in accordance with the formula set forth in Paragraph (ii) below, if it is payable by the Seller.

(i)  $A = B \times C \times (D/E)$

where:

A = the Adjustment Amount

B = the Paid Amount on such Receivables Payment Date

C = the Discount Rate applicable to such Purchased Receivable

D = the Adjustment Period applicable to such Purchased

Receivable and Receivables Payment Date

E = the Discount Period applicable to such Purchased

Receivable; and

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(ii)  $A = B \times C \times (D/365)$

where:

A = each Partial Adjustment Amount

B = the Paid Amount on such Receivables Payment Date

C = (x) the Adjustment LIBOR Based Rate or the Adjustment COF Based Rate, as elected by the Seller, applicable to the Reset Period relating to the relevant Partial Adjustment Period or (y) the Adjustment LIBOR Based Rate applicable to the Overdue Reset Period relating to the relevant Partial Adjustment Period

D = each Partial Adjustment Period applicable to such Purchased Receivable and Receivables Payment Date

Provided that the Margin applicable to the Adjustment LIBOR Based Rate or the Adjustment COF Based Rate, as the case may be, shall be reduced to nine-twentieths of one percent (0.45%) for the days elapsed during a Partial Adjustment Period which also fall under the Margin Reduction Period in relation to such Purchased Receivable. The "Margin Reduction Period" in relation to a Purchased Receivable shall be the period during which (x) the Acceptance or the Partial Acceptance of the Equipment in relation to such Purchased Receivable has occurred, (y) the conditions precedent set out in Paragraph 2(a) of Part 1 or Part 2, as the case may be, of the Second Schedule have been satisfied, or, as the case may be, the P/N in relation to such Purchased Receivable has been issued by the relevant Buyer to the Purchaser and (z) the relevant Buyer is given and maintains a rating in respect of its long-term unsecured and unsubordinated debt being "A" or higher by any of Standard & Poor's Corporation, Moody's Investors Service Inc. or Japan Bond Research Institute.

10.4 If, in relation to a Purchased Receivable, there is the Margin Reduction Period prior to the Tentative Receivables Due Date, the Margin Reduction Amount shall be payable by the Purchaser to the Seller on such Tentative Receivables Due Date. The "Margin Reduction Amount" in relation to a Purchased Receivable shall be the amount in Yen which shall be calculated by multiplying the Purchase Price of such Purchased Receivable (or, if a Receivable Payment Date for such Purchased Receivable comes earlier than the Tentative Receivables Due Date, such portion of such Purchase Price as is corresponding to a Paid Amount on such Receivables Payment Date) (i) by nine-twentieths of one percent (0.45%) and (ii) further by a fraction the numerator of which is the actual number of days elapsed during such Margin Reduction Period up to, but excluding, such Tentative Receivables Due Date (or, if a Receivables Payment Date for such Purchased Receivable comes earlier than the Tentative Receivables Due Date, such Receivables Payment Date) and the denominator of which is 365.

11. Adjustment due to Reduction of Face Value

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11.1 On the fifth (5th) business day after the date on which the Partial Acceptance (if any) occurs, the Reduction Adjustment Amount (if any) shall be payable by the Seller to the Purchaser.

Part 6

#### REPRESENTATIONS, WARRANTIES AND COVENANTS

12. Representations and Warranties

12.1 The Seller (in such capacity and as the Collection Agent) represents and warrants to the Purchaser that as of (i) the date hereof, (ii) the Initial Closing Date, (iii) each Subsequent Closing Date, (iv) the date of each Offer, and (v) (except in relation to the representations and warranties that the Buyer by whom the relevant Purchased Receivable is owed is the Eligible Buyer, or that the relevant Purchased Receivable is not overdue, is legally and beneficially owned by the Seller) each day on which any Purchased Receivable is outstanding until the Scheduled Receivables Due Date has been determined for all of the Purchased Receivable and sixty (60) days have passed after the last Scheduled Receivables Due Date, each of the statements set out in the Sixth Schedule is true, by reference to the facts and circumstances existing at the relevant time, Provided that, in connection with Paragraphs (ii), (iii) and (iv) above, the representations and warranties provided for in Part 3 of the Sixth Schedule in relation to a Purchased Receivable shall be deemed to be made by the

Seller on the relevant Closing Date and the date of the relevant Offer.

### 13. Financial Information

13.1 The Seller shall, until the later of the expiry of the Purchase Period and the date which is sixty (60) days after the last Scheduled Receivables Due Date following the determination of the Scheduled Receivable Due Date for all of the Purchased Receivables:

(i) within one hundred (100) days after the end of each of its financial years, deliver to the Purchaser its financial statements for such financial year; and

(ii) within fifty-five (55) days after the end of each of its financial quarters, deliver to the Purchaser its financial statements for such financial quarter.

13.2 The Seller shall ensure that:

(i) each set of financial statements delivered by it pursuant to Clause 13.1 (i) is prepared in accordance with accounting principles generally accepted in Japan and consistently applied (except for changes disclosed therein);

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(ii) each set of financial statements delivered by it pursuant to Clause 13.1 (i) is certified by a duly authorized officer as giving a true and fair view of its financial condition as at the end of the period to which those financial statements relate and of the results of its operations during such period;

(iii) each set of financial statements delivered by it pursuant to Clause 13.1 (i) has been reviewed by an internationally recognized firm of independent auditors; and

(iv) each set of quarterly financial statements delivered by it pursuant to Clause 13.1 (ii) is prepared in accordance with accounting principles generally accepted in Japan and consistently applied (except for changes disclosed therein).

### 14. Seller's Covenants

14.1 The Seller shall, until the later of the expiry of the Purchase Period and the date which is sixty (60) days after the last Scheduled Receivables Due Date following the determination of the Scheduled Receivables Due Date for all of the Purchased Receivables:

(i) obtain, comply in all material respects with the terms of and do all that is necessary and reasonably practicable to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of Japan to enable it lawfully to enter into and perform its obligations under this Agreement and each Assignment from time to time in respect of any Purchased Receivables or to ensure the legality, validity, enforceability against the Seller or admissibility in evidence in Japan of this Agreement or any such Assignment;

(ii) ensure that at all times the claims against it under this Agreement rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred by any bankruptcy, insolvency or other similar laws of general application;

(iii) permit audit and inspection under its guidance of its Records by or on behalf of the Purchaser during normal working hours upon reasonable notice and with reasonable frequency;

(iv) maintain sufficient operating procedures to manage the transactions contemplated herein and to perform its obligations hereunder;

(v) (without prejudice to Clause 16.1) indemnify the Purchaser from and against all liabilities, losses and fees, costs and expenses in respect of any breach by the Seller of the representations and warranties made by it pursuant to the terms of Clause 12;

(vi) furnish to the Purchaser sufficient copies of such other information relating to its business as may be reasonably requested in writing by the Purchaser in order to enable it to carry out its functions hereunder;

(vii) do all things necessary to remain duly organized, validly existing under the laws of Japan and maintain all requisite authority to conduct its business in Japan;

(viii) comply in all respects which could be regarded as material in the context of the transactions contemplated by this Agreement, with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject;

(ix) deliver to the Purchaser the certificate of delivery (if applicable) of the Perfection Document issued by the postal service as soon as practicable after it receives the same;

(x) ensure, in relation to a Purchased Receivable to which the conditions precedent set out in Paragraph 2(b) of Part 1 or Part 2, as the case may be, of the Second Schedule have been satisfied, that the relevant Buyer issues the P/N to the Seller promptly upon (but subject to the applicable terms of the relevant Sales Agreement) the Acceptance or the Partial Acceptance of the relevant Equipment, and if the P/N is issued (regardless of whether or not such conditions precedent were applicable) to the Seller, promptly notify the Purchaser thereof and make endorsement without recourse (*mutanpo uragaki*) on such P/N in favor of the Purchaser and deliver, or cause to be delivered, such P/N to the Purchaser;

(xi) give the Purchaser notice of any material change to its administrative and operating procedures in relation to the keeping and maintaining of Records;

(xii) at its expense, in a timely manner fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Sales Agreements related to the Purchased Receivables as if interests in such Purchased Receivables have not been assigned and sold hereunder;

(xiii) promptly after it becomes aware of the occurrence of any of the Termination Events or the Potential Termination Events, notify the Purchaser thereof; and

(xiv) cooperate with the Purchaser and execute and deliver to the Purchaser such other instruments and documents and take such other actions as may be reasonably requested from time to time in order to carry out, evidence and confirm the Purchaser's rights and the intended purpose of this Agreement, including, but not limited

to, perfecting, protecting or evidencing the Purchaser's right and interest in or to the Purchased Receivables.

14.2 The Seller shall not:

(i) sell, assign, convey, transfer, lease or otherwise dispose of any Purchased Receivables other than pursuant hereto, or attempt, purport or agree to do any of the foregoing;

(ii) cancel, terminate, amend, modify or waive any material term or condition of any Sales Agreement relating to Purchased Receivables, except insofar as the provisions contained in Clauses 11, 16 and 17 are complied with by the Seller;

(iii) compromise or settle any dispute or claim in respect of any Purchased Receivable;

(iv) take any action which is reasonably likely to prejudice the validity or recoverability of any Purchased Receivable;

(v) seek to challenge the validity of any sale of Receivables in any legal proceedings; or

(vi) do anything which would materially and adversely affect the interests of the Purchaser hereunder or the maintenance by the Purchaser of any licenses, exemptions, authorizations or consents necessary in connection with this Agreement or the transactions contemplated hereby.

#### 15. Purchaser's Covenants

15.1 The Purchaser shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of Japan to enable it lawfully to enter into and perform its obligations under this Agreement or to ensure the legality, validity, enforceability or admissibility in evidence in Japan of this Agreement or of any Assignment pursuant to the terms of this Agreement.

#### 16. Seller's Indemnity

16.1 Without limiting any other rights which the Purchaser may have hereunder or under applicable law, the Seller (in such capacity and as the Collection Agent) hereby agrees to indemnify the Purchaser and its officers, directors, agents and employees from and against any and all damages, losses, claims, liabilities, costs and expenses, including, without limitation reasonable attorneys' fees and disbursements including any tax thereon (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded

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against or incurred by any of them in connection with this Agreement, or the acquisition of an interest by the Purchaser in the Purchased Receivables, as a result of any breach by the Seller or the Collection Agent (insofar as the Seller is the Collection Agent) of any representation, warranty or covenant made or deemed to be made hereunder or in connection herewith or the transactions contemplated hereby, excluding, however, (i) Indemnified Amounts to the extent that a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted solely from gross negligence or wilful misconduct on the part of the Purchaser or any of its officers, directors, agents or employees or (ii) Indemnified Amounts arising out of the failure of any Buyer to pay amounts lawfully owed in respect of a Purchased Receivable. Without limiting the generality of the foregoing (and without prejudice to Clause 17), the Seller shall indemnify, to the extent not indemnified as a result of the operation of Clause 17.4, the Purchaser for Indemnified Amounts relating to or resulting from:

(i) the sale and assignment to the Purchaser hereunder of any Receivable other than an Eligible Receivable;

(ii) reliance on any representation or warranty made by the Seller (or any officers of the Seller), under or in connection with this Agreement or any of the Transaction Documents or any other material information or report delivered by the Seller to the Purchaser which shall have been false, incorrect or omitting of any material fact at the time made or deemed made;

(iii) the failure by the Seller (or any officer of the Seller) to comply with any applicable law, rule or regulation with respect to any Purchased Receivable or the related Sales Agreement or the non-conformity of any Purchased Receivables or the related Sales Agreement with any such applicable law, rule or regulation;

(iv) the failure to vest and maintain in the Purchaser the Purchased Receivables free and clear of any encumbrance;

(v) any dispute, claim, offset or defense (other than the discharge in bankruptcy of the Buyer) of the Buyer to the payment of a Purchased Receivable, including, without limitation, a defense based on such Receivable or the related Sales Agreement not being a legal, valid and binding obligation of such Buyer enforceable against it in accordance with its terms, any defect of the Equipment which has been sold under the Sales Agreements or the failure by the Seller to perform any obligations related to such related Sales Agreement under any applicable laws, rules or regulations;

(vi) any failure of the Seller to perform its duties or obligations in accordance with the provisions of this Agreement or the other Transaction Documents;

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(vii) any disclosure of information regarding the Buyer by the Seller to the Purchaser or the supply of any Sales Agreements, Records and all other related documents to the Purchaser; and

(viii) any claim arising from collection activities conducted by the Seller.

#### Part 7

#### REPURCHASE OF RECEIVABLES

#### 17. Repurchase of Receivables

17.1 No later than the fifth (5th) business day following the date of a demand in writing from the Purchaser (which demand the Purchaser may in its sole discretion in accordance with this Clause 17.1, but will in no event be required to, make) in relation to any Purchased Receivable in respect of which, at the time of giving such demand:-

(i) (a) the conditions set forth in Paragraph 2(a) of Part 1 or Part 2, as the case may be, of the Second Schedule have been satisfied (or such conditions would have been applicable, but have been waived by the Purchaser), but the obligation of the Buyer to pay the Face Value or (if applicable) the Revised Face Value of such Purchased Receivable is, or the Buyer claims that such obligation is, not enforceable in full by the Purchaser in accordance with the terms of the relevant Sales Agreement for any reason whatsoever, including, without limitation, any defense, or asserted defense, of the Buyer to such obligation (but excluding the discharge in accordance with applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally); (b) the condition precedent set forth in Paragraph 2(b) of Part 1 or Part 2, as the case may be, of the Second Schedule has been satisfied (or such condition would have been applicable, but has been waived by the Purchaser), but (1) the P/N is not delivered by the Buyer to the Seller in accordance with the relevant Sales Agreement following the Acceptance or the Partial Acceptance or (2) the obligation represented by the P/N held by the Purchaser is, or the Buyer claims that such obligation is, not enforceable in full for any reason whatsoever, including, without limitation, any defense or asserted defense, of the Buyer to such obligation or the underlying Purchased Receivable (but excluding the discharge in accordance with applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally);

(ii) any representation or warranty set out in Part 3 of the Sixth Schedule is incorrect when made or deemed to be made pursuant to Clause 12.1;

(iii) the Seller, or the Buyer claims that the Seller, has failed to comply with any applicable law, rule or regulation, in a manner which is likely to affect Buyer's

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obligation to pay the Face Value or (if applicable) the Revised Face Value or to adversely affect the relevant Related Security (if any);

(iv) the Seller, or the Buyer claims that the Seller, has failed, or is unable, to perform any of its obligations under the related Sales Agreement;

(v) (without prejudice to the generality of any of the foregoing) the Acceptance or the Partial Acceptance of the Equipment relating to such Purchased Receivable has not occurred on or before two hundred and seventy (270) days after the Shipment Date for such Purchased Receivable;

(vi) (without prejudice to the generality of any of the foregoing) the Scheduled Receivables Due Date for such Purchased Receivable has been determined to be a date which renders the period from the Acceptance or (if applicable) the Partial Acceptance relating to such Purchased Receivable to such Scheduled Receivables Due Date longer than the period equal to (a) two hundred and twenty-five (225) days or (b) the sum of the Tentative Credit Period for such Purchased Receivable and forty-four (44) days, whichever is shorter; or

(vii) (without prejudice to the generality of any of the foregoing) it has been determined between the Seller and the relevant Buyer that the Acceptance or the Partial Acceptance of the Equipment relating to such Purchased Receivable will not occur, including, but not limited to, the case where it has been determined that such Equipment is to be replaced in whole,

Provided that the Buyer's claim referred to in Paragraphs (i), (iii) and (iv) must be, if such claim is presented after the Acceptance or the Partial Acceptance of the relevant Equipment, presented with such ground as is, in the reasonable opinion of the Purchaser, reasonable under the circumstances.

the Seller shall repurchase such Purchased Receivable.

17.2 Upon payment by the Seller of the repurchase price (to be calculated in accordance with Clause 17.3) in respect of a repurchase of any Receivable pursuant to Clause 17.1 (at the cost of the Seller and without recourse or warranty, except for the warranty expressly given in the relevant Assignment, on the part of the Purchaser):

(i) the Purchaser shall re-assign to the Seller or its designee all its right, title and interest in and to the Receivable(s) concerned, including for the avoidance of doubt:

(a) the right to receive all Collections in respect thereof; and

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(b) all Related Security with respect to such Receivable(s) and all proceeds thereof, by the Seller's (or its designee's) and the Purchaser's execution and delivery to the other of an assignment in relation to each such Receivable substantially in the form of Part 4 of the Third Schedule; and

(ii) the Purchaser will deliver to the Seller (or its designee) the relevant Sales Agreement and take all such other steps and comply with all such other formalities as the Seller may reasonably request to perfect or more fully to evidence or secure the Seller's (or its designee's) title to such Receivable, including, where appropriate, by giving notice of such re-assignment to the relevant Buyer in the form of a document duly date-stamped (kakutei hizuke) and making endorsement without recourse (mutanpo uragaki) in favor of the Seller (or its designee) on, and delivering to the Seller (or its designee), the P/N (if any) which has been assigned to the Purchaser in relation to such Receivable.

17.3 The repurchase price payable by the Seller to the Purchaser in accordance with Clause 17.1 shall be:-

(i) if a Purchased Receivable is repurchased prior to its Tentative Receivables Due Date, an amount in Yen equal to (x) the Face Value or (if the Reduction Adjustment Amount has been paid in accordance with Clause 11.1) the Revised Face Value minus (y) the Repurchase Discount in relation to such Purchased Receivable;

(ii) if a Purchased Receivable is repurchased on its Tentative Receivables Due Date, an amount in Yen equal to the Face Value or (if the Reduction Adjustment Amount has been paid in accordance with Clause 11.1) the Revised Face Value of such Purchased Receivable; or

(iii) if a Purchased Receivable is repurchased after its Tentative Receivables Due Date, an amount in Yen equal to (x) the Face Value or (if the Reduction Adjustment Amount has been paid in accordance with Clause 11.1) the Revised Face Value plus (y) the Repurchase Premium in relation to such Purchased Receivable(s).

17.4 Without prejudice to the generality of Clauses 16.1 and 18.1 to, but only to, the extent of the repurchase price actually paid to the Purchaser, the repurchase pursuant to Clause 17.1 of a Purchased Receivable shall be in satisfaction and discharge of any right or remedies which the Purchaser may otherwise have had as a result of any breach, anticipatory breach or other circumstance on the part of or affecting the Seller (in that capacity or in its capacity as Collection Agent) arising under this Agreement in relation to such Receivable.

Part 8

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INDEMNITY FOR FUNDING LOSSES

18. Indemnity by the Seller for Funding Losses

18.1 The Seller shall reimburse the Purchaser on demand for any resulting loss or expense incurred by it, including (without limitation) any loss incurred in obtaining, liquidating or redeploying deposits from third parties, Provided that in the case of Paragraphs (i) and (ii) below in this Clause 18.1 the amount of such loss or expense (which shall not be less than zero) shall be determined in good faith by the Purchaser based on the formula set out in each such Paragraph, Provided further that the Purchaser shall have delivered to the Seller a certificate as to the amount of such loss or expense setting out in reasonable detail the calculations resulting in such amount, which certificate shall be conclusive in the absence of manifest error, if:-

(i) any amount in relation to a Purchased Receivable (including, but not limited to, a Paid Amount, a repurchase price pursuant to Clause 17.3 and a Reduction Adjustment Amount) other than amounts payable pursuant to Clause 29 is received by the Purchaser prior to the Tentative Receivables Due Date for such Purchased Receivable,

in which event the following formula shall apply:

$$\text{Loss} = A \times (B - C) \times (D/365)$$

where:

A = the amount (or the relevant portion thereof) required of Purchaser to fund the purchase of such Purchased Receivable

B = the LIBOR or the COF, as the case may be, applicable to the Discount Interest Rate for such Purchased Receivable

C = the rate per annum, expressed as a decimal, of interest which the Purchaser is reasonably able to obtain by placing an amount equal to such amount so received on deposit in the Tokyo yen money market as of the date of receipt of such amount for the period from, and including, the date of such receipt of payment and to, but excluding, such Tentative Receivables Due Date

D = the actual number of days elapsed during the period referred to in "C" above;

(ii) any amount in relation to a Purchased Receivable (including, but not limited to, a Paid Amount, a repurchase price pursuant to Clause 17.3 and a Reduction Adjustment Amount) other than amounts payable pursuant to Clause 29 is received by the Purchaser after the relevant Tentative Receivables Due Date but prior to the end of any Reset Period or Overdue Reset Period for such Purchased Receivable,

in which event the following formula shall apply:

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$$\text{Loss} = A \times (B - C) \times (D/365)$$

where:

A = the amount (or the relevant portion thereof)

required of the Purchaser to continue (by means of refinance or otherwise) the funding for the purchase of such Purchased Receivable

B = the LIBOR or the COF, as the case may be, applicable to such Reset Period or Overdue Reset Period

C = the rate per annum, expressed as a decimal, of interest which the Purchaser is reasonably able to obtain by placing an amount equal to such amount so received on deposit in the Tokyo yen money market as of the date of receipt of such amount for the period from, and including, the date of such receipt of payment and to, but excluding, the last day of such Reset Period or Overdue Reset Period

D = the actual number of days elapsed during the period referred to in "C" above; or

(iii) the assignment of any of the Initial Receivables or an Accepted Receivable does not occur on the Initial Closing Date or the relevant Subsequent Closing Date in accordance with Clause 5.1 or 9.1 (as the case may be) by reason of non-fulfillment of any of the conditions set out in the Second Schedule.

## Part 9

### COLLECTION OF RECEIVABLES

#### 19. Appointment of Collection Agent

19.1 Lam Research Co., Ltd. is hereby appointed by the Purchaser as its agent to service, collect and administer all Purchased Receivables, to perform all related functions and to enforce the Purchaser's rights and interests in and under the Purchased Receivables, and Lam Research Co., Ltd. hereby accepts such appointment as Collection Agent on the terms and subject to the conditions of this Agreement.

19.2 The Purchaser may at any time after the occurrence of a Termination Event in the circumstances described in Clause 22, remove Lam Research Co., Ltd. as Collection Agent.

19.3 Upon Lam Research Co., Ltd. being removed as Collection Agent pursuant to Clause 22 the Purchaser may appoint a successor to act as Collection Agent and shall forthwith notify the other parties hereto thereof, whereupon the parties hereto and such successor shall, upon such successor confirming in writing to the Purchaser that it agrees so to act, thereafter have the same rights and obligations among them as would

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have been the case had they then entered into an agreement in the form mutatis mutandis of this Agreement.

19.4 For the avoidance of doubt, it is hereby agreed that the Collection Agent is not authorized to enter into any commitment on behalf of the Purchaser.

19.5 The Collection Agent hereby covenants and undertakes with the Purchaser as set out in the Seventh Schedule.

19.6 The Collection Agent agrees to indemnify the Purchaser, including its officers, directors and employees from and against any liability, loss, expense, action, proceeding or claim which may be brought against, or suffered or sustained, by the Purchaser, and/or such directors, officers and employees by reason of any wrongful or negligent acts or omissions of the Collection Agent or any of its directors, officers, employees or agents in the performance of its duties hereunder.

19.7 The Collection Agent shall have no liability for any obligation of a Buyer under any Purchased Receivable and nothing herein shall constitute a guarantee, or similar obligation, by the Collection Agent of any Purchased Receivable or any Buyer.

#### 20. Collection of Receivables

20.1 Save as otherwise provided herein, the proceeds of each Purchased Receivable will, when paid, be collected by the Collection Agent.

20.2 The Collection Agent has opened a collection account (account no.

13-23-016) (the "Collection Account") in its own name maintained at ABN AMRO Bank N.V., Tokyo Branch and if at any time the Collection Agent ceases to be the agent of the Purchaser for the purposes hereof, then its successor shall open in its name such a Collection Account (maintained at such bank as the Purchaser shall have approved) and the retiring Collection Agent shall transfer to the credit thereof any amount standing to the credit of the Collection Account opened by it together with accrued interest thereon.

20.3 The Collection Agent shall cause the Buyers to make payment in respect of the Purchased Receivables into the Collection Account, Provided that if the P/N has been issued in relation to a Purchased Receivable in favor of the Seller and delivered to the Purchaser in accordance herewith, the Purchaser shall collect on its behalf the amount represented by such P/N.

20.4 The Collection Agent shall pay any Collection collected in the Collection Account with respect to a Purchased Receivable over to the Purchaser in accordance with Clause 24 as soon as practicably possible (but in no event later than the fifth (5th) business day after such collection) by giving a standing debit and transfer authorization to ABN AMRO Bank N.V., Tokyo Branch in a form reasonably satisfactory to the Purchaser and maintaining such authorization. To secure the obligations of the

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Collection Agent under this Clause 20.4, the Collection Agent hereby agrees to take such reasonable measures as may be requested by the Purchaser so as to create, a pledge in favor of the Purchaser over all its rights and interests in and to the Collection Account and any moneys and balances from time to time deposited therein or standing to the credit thereto or any proceeds thereof and has submitted a deposit certificate for the Collection Account to the Purchaser. If the Collection Agent fails to perform its obligations under the first sentence of this Clause 20.4, (i) the Collection Agent hereby consents to the Purchaser's immediate enforcement of such rights and interests as pledgee directly against ABN AMRO Bank N.V., Tokyo Branch without any notice or proof, and (ii) the Purchaser, as a bank with whom the Collection Account is held, shall be immediately entitled to set off any of its obligation owed to the Collection Agent in relation to the Collection Account against any of such obligations of the Collection Agent. The Collection Agent will procure a consent in writing to creation of the pledge from ABN AMRO Bank N.V., Tokyo Branch, such consent being in the form of a document duly date-stamped (kakutei hizuke) by a notary public in accordance with Article 467 (1) and (2) of the Civil Code of Japan and in a form and substance reasonably satisfactory to the Purchaser.

20.5 If, at any time the Collection Agent receives any Collections in respect of any Purchased Receivables and the authority of the Collection Agent to collect such Receivables has been terminated in accordance with this Agreement then the Collection Agent shall pay such amount to the credit of such account in Tokyo as the Purchaser shall have notified in writing for this purpose in each case for value the same day.

20.6 Any amounts in respect of the collection proceeds of any Purchased Receivable received by the Collection Agent (whether or not the appointment of the Collection Agent has been terminated hereunder) shall be held for the Purchaser.

## 21. Cost, Expenses and Remuneration

21.1 The Purchaser authorizes the Collection Agent on its behalf, and the Collection Agent undertakes to incur reasonable cost, expenses and charges in connection with the enforcement of any Purchased Receivable and/or the Purchaser's rights and remedies in relation thereto and it is agreed that notwithstanding any provisions under the applicable laws (including, but not limited to, Articles 649 and 650 of the Civil Code of Japan), the Collection Agent shall have no recourse or claim for indemnification or payment against the Purchaser in respect of such reasonable costs, expenses and charges. Without prejudice to the generality of the foregoing, the Purchaser, at the request of the Collection Agent, shall provide it with reasonable assistance in connection with such enforcement.

21.2 The Collection Agent is not entitled to any remuneration or indemnity in respect of the performance of its duties under this Agreement.

22. Removal or Termination of Collection Agent

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22.1 If a Termination Event occurs, the Purchaser may at any time, without prejudice to the Purchaser's other rights:

(i) by notice in writing to the Collection Agent terminate the appointment of the Collection Agent under this Agreement and designate as a successor collection agent any person to succeed the Collection Agent; and/or

(ii) notify the relevant Buyers that all payments in respect of Purchased Receivables shall be made to the Purchaser or a successor collection agent.

22.2 On and after termination of the appointment of the Collection Agent under this Agreement pursuant to Clause 22.1, all rights, obligations (other than liability for breaches of this Agreement by the Collection Agent or liability in tort or for breach of trust (or other fiduciary duty) on the part of the Collection Agent prior to such termination and the Collection Agent's obligations under Clause 22.3 with respect to the performance of its duties hereunder), authority and power of the Collection Agent under this Agreement shall be terminated and of no further effect and the Collection Agent shall not hold itself out in any way as the agent of the Purchaser.

22.3 Upon termination of the appointment of the Collection Agent under this Agreement pursuant to Clause 22.1, the Collection Agent shall forthwith deliver to the Purchaser or as it shall direct the Records in its possession or under its control relating to the affairs of or belonging to the Purchaser and the Purchased Receivables and any other security therefor and any moneys then held by the Collection Agent on behalf of the Purchaser and shall take such action as the Purchaser may reasonably direct.

22.4 The appointment of the Collection Agent under this Agreement shall terminate (but without affecting any accrued rights and liabilities hereunder) at such time as (i) the Purchaser has no further interest in any of the Purchased Receivables and (ii) the Collection Agent is notified by the Purchaser in accordance with Clause 34 that such is the case.

22.5 If there is any change in the identity of the Collection Agent in accordance with this Agreement, the new collection agent and the Purchaser shall execute such documents and take such actions as such collection agent and the Purchaser may require for the purpose of vesting in such new collection agent the rights and obligations of the Collection Agent under this Agreement and releasing the retiring Collection Agent from its future obligations under this Agreement.

Part 10

PAYMENTS

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23. Currency of Account and Payment

23.1 Yen is the currency of account and payment for each and every sum at any time due from any person hereunder Provided that:

(i) each payment in respect of costs and expenses shall be made in the currency in which the same were incurred; and

(ii) each payment which is expressed herein to be payable in another currency shall be made in that other currency.

23.2 If any sum due from a person (a "relevant person") under this Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the "first currency") in which the same is payable hereunder or under such order or judgment into another currency (the "second currency") for the purpose of (i) making or filing a claim or proof against the relevant person, (ii) obtaining an order or judgment in any court or other

tribunal or (iii) enforcing any order or judgment given or made in relation hereto, the relevant person shall indemnify and hold harmless the other person to whom such sum is due from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the best rate or rates of exchange at which such other person is reasonably able to purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. To the extent that the person to whom such payment is due receives an amount in excess of the amount due to it under this Agreement, such person shall forthwith pay an amount equal to any such excess to the relevant person.

23.3 All payments made by any person hereunder shall be made free and clear of and without any deduction for or on account of any set-off or counterclaim.

#### 24. Payments by the Seller or the Collection Agent

24.1 On each date upon which this Agreement requires an amount to be paid by the Seller or the Collection Agent to the Purchaser hereunder, the Seller or the Collection Agent (as the case may be) shall, save as expressly provided otherwise herein, make the same available to the Purchaser:

(i) where such amount is denominated in Yen, by payment in Yen and in immediately available funds to such account and bank in Tokyo as the Purchaser shall have specified in writing for this purpose at least two business days prior to such amount becoming payable; or

(ii) where such amount is denominated in a currency other than Yen, by payment in such currency and in immediately available, freely transferable,

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cleared funds to such account with such bank in the principal financial centre of the country of such currency as the Purchaser shall have specified in writing for this purpose at least five business days prior to such amount becoming available.

#### 25. Payments by the Purchaser

25.1 On each date upon which this Agreement requires an amount to be paid to the Seller hereunder by the Purchaser, the Purchaser shall, save as otherwise provided herein, make the same available to the Seller:

(i) where such amount is denominated in Yen, by payment in Yen and in immediately available funds to the Seller at such account and bank as the Seller shall have specified in writing for this purpose at least two business days prior to such amount becoming payable; or

(ii) where such amount is denominated in a currency other than Yen, by payment in such currency and in immediately available, freely transferable, cleared funds to such account with such bank in the principal financial centre of the country of such currency as the Seller shall have specified in writing for this purpose at least five business days prior to such amount becoming payable.

#### Part 11

##### TAXES

#### 26. Taxes

26.1 All payments to be made by or on behalf of the Seller or the Collection Agent to the Purchaser under or pursuant to any of the provisions of this Agreement shall be made free and clear of and without deduction for or on account of tax unless the Seller or the Collection Agent (as the case may be) is required by any applicable law to make such payment subject to the deduction or withholding of tax in which case the sum payable by the Seller or the Collection Agent (as the case may be) in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding (including any additional

deduction or withholding on such increased amount), the Purchaser receives and retains (free from any liability in respect of any such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

26.2 If the Seller or the Collection Agent makes any payment to the Purchaser under or pursuant to this Agreement in respect of which it is required to make any such deduction or withholding, the Seller or the Collection Agent (as the case may be) shall deliver to the Purchaser as soon as practicable a certificate of deduction of tax and/or a

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receipt or other evidence issued by the relevant taxation or other authority demonstrating the payment to such authority of all amounts so required to be deducted or withheld.

26.3 If an event occurs which would result in the Seller or the Collection Agent becoming obliged to make any payment pursuant to this Clause 26 then each of the parties hereto shall in good faith use reasonable endeavors to take such reasonable steps as may be open to it to mitigate or avoid the effects of such event provided that nothing in this Clause 26.3 shall:

(i) oblige any party hereto to incur any costs or expenses or to take or refrain from taking any action where in the reasonable opinion of such party to take or refrain from taking any action would be prejudicial to its interests; or

(ii) oblige any party hereto to disclose any confidential information relating to the organization of its affairs; or

(iii) interfere with the right of any party hereto to arrange its internal affairs in whatever manner it thinks fit.

## Part 12

### TERMINATION

#### 27. Consequence of a Termination Event

27.1 If a Termination Event shall occur and be continuing, the Purchaser may, by notice to the Seller, declare that the Termination has occurred, at which time Termination shall be deemed to have occurred, provided, however, that if a Termination Event is the occurrence of an Insolvency Event in relation to the Seller or the Guarantor, Termination shall be deemed to have occurred automatically, without notice by the Purchaser, as of the time immediately preceding the institution of the relevant proceeding or the filing of the relevant petition.

#### 27.2 Immediately upon Termination:

(i) the Purchase Period shall be deemed to have expired; and

(ii) all of the Purchased Receivables, except for those as to which (x) the conditions precedent set out in Paragraph 2(a) of Part 1 or Part 2, as the case may be, of the Second Schedule have been satisfied and the Scheduled Receivables Due Date has been determined or (y) the condition precedent set out in Paragraph 2(b) of Part 1 or Part 2, as the case may be, of the Second Schedule has been satisfied and the relevant P/N has been assigned to the Purchaser in accordance with this Agreement, shall be immediately

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repurchased by the Seller or its designee, in which event the provisions contained in Clauses 17.2 to 17.4 shall be applied mutatis mutandis.

27.3 If the Termination Event shall have occurred as a result of the Guarantor's breach of any of its obligations set out in sub-paragraphs (f), (g) and (h) of paragraph 4 of the Guaranty, the Seller shall cause cash in the

amount equal to thirty percent (30%) of the total amount of the Face Value or (if the Reduction Adjustment Amount has been paid) the Revised Face Value of all of Purchased Receivables as described in Paragraph(ii) of Clause 27.2 shall be provided to the Purchaser by way of security for the Seller's obligations hereunder and the Guarantor's obligations under the Guaranty in relation to such Purchased Receivables in a manner reasonably satisfactory to the Purchaser within five (5) business days after the date on which the Termination Event occurred and such cash by way of security shall be lawfully maintained. If and insofar as (i) the Seller's such obligation detailed in the first sentence of this Clause 27.3 shall be complied with and (ii) no other Termination Event or Potential Termination Event shall have been occurred, notwithstanding Paragraph (ii) of Clause 27.2, such Purchased Receivables shall not be required to be repurchased by the Seller. The Purchaser shall hold any funds delivered to it pursuant to the first sentence of this Clause 27.3 in an interest bearing account in the name of the Seller or its designee.

Part 13

MISCELLANEOUS

28. Default Interest and Indemnity

28.1 If any sum due and payable by or on behalf of a party hereto (the "Payer") to the other party (the "Payee") hereunder is not paid on the due date therefor in accordance with the provisions hereof or if any sum due and payable by the Payer under any judgment of any court in connection herewith is not paid on the date of such judgment (the balance of such sum for the time being unpaid being herein referred to as an "unpaid sum"), an unpaid sum shall bear interest at the rate per annum which is the sum of two percent (2%) and the short-term prime lending rate quoted by ABN AMRO Bank N.V., Tokyo Branch from time to time prevailing in Japan for the period beginning on, and including, such due date or, as the case may be, the date of such judgment and ending on, but excluding, the date upon which the obligation of the Payer to pay such sum is discharged (calculated on a basis of a year of 365 days). Such default interest shall be payable upon demand of the Payee.

28.2 Each of the Seller and the Collection Agent undertakes to indemnify the Purchaser against any loss or expense, including legal fees reasonably incurred, which the Purchaser may sustain or incur as a consequence of any default by the Seller or the

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Collection Agent (as the case may be) in the performance of any of the obligations expressed to be assumed by it in this Agreement.

29. Fees, Costs and Expenses and Stamp Duty

29.1 The Seller shall pay to ABN AMRO Bank N.V., San Francisco International Branch, acting as arranger, an arrangement fee in the amount of one-tenth of one percent (0.1%) of the Purchase Limit on the date hereof.

29.2 The Seller shall pay a commitment fee at the rate of one-fourth of one percent (0.25%) per annum on the amount equal to the Purchase Limit minus the aggregate sum of the Purchase Price of the Purchased Receivables the payment of which has not been received by the Purchaser from day to day during the period beginning on the date of this Agreement and ending on the last day of the Purchase Period. Such fee shall be payable in arrears quarterly from the date of this Agreement and on the last day of the Purchase Period.

29.3 The Seller shall, from time to time upon demand of the Purchaser reimburse the Purchaser for all costs and expenses (including reasonable legal fees) incurred by it in or in connection with the negotiation, preparation and execution of this Agreement, any Assignment or any Transaction Document or amendment thereto or any waiver thereof.

29.4 The Seller or the Collection Agent will upon demand pay to the Purchaser and any permitted assignee in accordance with this Agreement, the amount of any and all reasonable expenses, including all court costs, attorneys' fees and expenses, which they may incur in connection with the exercise or enforcement against it of any of their respective rights or interests under this Agreement, any Assignment or any other Transaction Document or amendment thereto

or any waiver thereof.

29.5 The Seller shall be responsible for all stamp, registration and other taxes to which this Agreement, any Assignment, any other Transaction Document, any transaction contemplated hereby or thereby or any order or judgment given in connection herewith or therewith are or at any time may be subject in Japan, except, for the avoidance of doubt, for taxes payable by the Purchaser based on its entire taxable net income.

### 30. Benefit of Agreement

30.1 This Agreement shall be binding upon and enure to the benefit of each party hereto and its successors and permitted assigns.

30.2 The Seller and the Collection Agent shall not be entitled to assign or transfer all or any of their rights, benefits and obligations hereunder.

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30.3 The Purchaser shall be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder with the consent of the Seller, which consent shall not be unreasonably withheld or delayed.

### 31. Remedies and Waivers

31.1 No failure to exercise, nor any delay in exercising, on the part of any party hereto, any right or remedy hereunder shall operate as a waiver hereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy.

31.2 The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

### 32. Partial Invalidity

Without prejudice to any other provision hereof, if one or more provisions hereof is or becomes invalid, illegal or unenforceable in any respect in any jurisdiction or with respect to such party or parties, it shall not, to the fullest extent permitted by applicable law, render invalid, illegal or unenforceable other provisions hereof or such provision or provisions in any other jurisdiction or with respect to any other party or parties hereto.

### 33. Counterparts

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

### 34. Notices

34.1 Unless otherwise stated herein, each communication to be made hereunder shall be made in writing and may be made by telex, telefax or letter.

34.2 Any communication or document to be made or delivered by any one person to another pursuant to this Agreement shall (unless that other person has by fifteen days' written notice to the other parties hereto specified another address) be made or delivered to that other person at the address or the number identified with its signature below and shall be deemed to have been made or delivered when received by that other person Provided that each communication made by one party hereto to another shall be made to that other person at such other address or number as notified to such party by that other person from time to time.

34.3 Unless specifically waived by the Purchaser, each communication and document made or delivered by one person to another person pursuant hereto shall be in

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the English language or in Japanese accompanied by a translation thereof into English certified (by an officer of the person making or delivering the same) as being a true and accurate translation thereof.

35. Prior Understandings

35.1 This Agreement and the Transaction Documents set forth the entire understanding of the parties relating to the subject matter hereof, and supersedes all prior understandings and agreements, whether written or oral.

Part 14

LAW AND JURISDICTION

36. Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of Japan.

37. Jurisdiction

37.1 Each of the parties hereto irrevocably agrees that the Tokyo District Court shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such court.

37.2 Each of the parties hereto irrevocably waives any objection which it might now or hereafter have to the court referred to in Clause 37.1 being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and agrees not to claim that such court is not a convenient or appropriate forum.

37.3 The submission to the jurisdiction of the court referred to in Clause 37.1 shall not (and shall not be construed so as to) limit the right of any party hereto to take proceedings against the other party in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

37.4 Each of the parties hereto hereby consents generally in respect of any legal action or proceeding arising out of or in connection with this Agreement to the giving of any relief or the issue of any process in connection with such action or proceeding including, without limitation, the making, enforcement or execution against any property

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whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such action or proceeding.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first before written.

The Seller and the Collection Agent

LAM RESEARCH CO., LTD.

By:

Address: 1-1-10, Oyama, Sagamihara-shi, Kanagawa 229

Attention: Mr. Yasushi Matsunaga

Manager of Finance Accounting Department

Telefax: 81-427-70-0347

Telephone: 81-427-70-0820

The Purchaser

ABN AMRO BANK N.V., TOKYO BRANCH

By:

By:

Address: 13F, Shiroyama JT Mori Building  
4-3-1, Toranomom, Minato-ku  
Tokyo 105

Attention: Structured Finance

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Telefax: 81-3-5401-6361/6363

Telephone: 81-3-5401-6314

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#### THE SECOND SCHEDULE

##### Part 1 : Conditions Precedent to the Initial Closing

1. The receipt by the Purchaser on or prior to the Initial Closing Date, each in form and substance reasonably satisfactory to the Purchaser, of:

(a) a copy, certified as of the Initial Closing Date as a true copy by a duly authorized officer of the Seller, of the resolutions of the Seller's board of directors approving:

(i) the outright transfer of all the Seller's right, title and interest in and to the Initial Receivables; and

(ii) the execution and delivery on behalf of the Seller (in such capacity and as the Collection Agent) of the Receivables Purchase Agreement, the Assignment and all other Transaction Documents to which the Seller is to be a signatory;

(b) a copy, certified as of the Initial Closing Date as a true copy by a duly authorized officer of the Seller, of the Articles of Incorporation of the Seller;

(c) a certified copy, as of the date which is as close as practicably possible to the Initial Closing Date, of a commercial registry of the Seller;

(d) an incumbency certificate, certified as of the Initial Closing Date by a duly authorized officer of the Seller, setting forth the name(s), title(s) and specimen signature(s) of individual(s) authorized to execute and deliver on behalf of the Seller (in such capacity and as the Collection Agent) the Receivables Purchase Agreement, the Assignment and all other Transaction Documents to which the Seller is to be a signatory;

(e) the Guaranty, duly executed by the Guarantor;

(f) a copy, certified as of the Initial Closing Date as a true copy by a duly authorized officer of the Guarantor, of the resolution of the Guarantor's board of directors approving the execution and delivery on behalf of the Guarantor of the Guaranty and all other Transaction Documents to which the Guarantor is to be a signatory;

(g) a copy, certified as of the Initial Closing Date as a true copy by a duly authorized officer of the Guarantor, of the Certificate of Incorporation and the Bylaws of the Guarantor;

(h) a good standing certificate from California and Delaware, as of the date which is as close as practicably possible to the Initial Closing Date, of the Guarantor;

(i) an incumbency certificate, certified as of the Initial Closing Date by a duly authorized officer of the Guarantor, setting forth the names(s), title(s) and specimen

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signature(s) of individual(s) authorized to execute and deliver on behalf of the Guarantor the Guaranty and all other Transaction Documents to which the Guarantor is to be a signatory;

(j) a copy, certified as of the Initial Closing Date as a true copy by a duly authorized officer of the Seller, of the general terms and conditions of the Sales Agreements applicable to the Buyers relating to the Initial Receivables, or (if such written agreement does not exist) a certificate of a duly authorized officer of the Seller describing the agreed terms and conditions applicable to a particular Buyer(s);

(k) such evidence as the Purchaser may request to establish that the Initial Receivables are the Eligible Receivables;

(l) such financial statements and other financial information for the Seller and the Guarantor as the Purchaser may reasonably request;

(m) opinions, dated the Initial Closing Date and addressed to the Purchaser from (i) Nishimura & Sanada, a counsel to the Purchaser, in a form and substance reasonably satisfactory to the Purchaser, (ii) Nagashima & Ohno, a counsel to the Seller and the Guarantor, substantially in the form of Part 1 of the Ninth Schedule and (iii) Jan J. Kang, a counsel to the Guarantor, substantially in the form of Part 2 of the Ninth Schedule; and

(n) such other instruments, agreements, certificates, opinions and other documents as the Purchaser may reasonably request.

2. The receipt by the Purchaser on or prior to the Initial Closing Date, each in form and substance reasonably satisfactory to the Purchaser, of either of following (a) or (b), as chosen by the Seller:

(a) (i) Disapplication of Prohibition of Assignment from a Buyer who owes an Initial Receivable, if it is required pursuant to the terms and conditions of the relevant Sales Agreement; and

(ii) Perfection Document in relation to the assignment of each of the Initial Receivables; or

(b) Confirmation to Issue P/N from a Buyer who owes an Initial Receivable.

3. The representations and warranties contained in the Sixth Schedule (with respect to those provided for in Part 3 thereof, to the extent such representations and warranties relate to the Initial Receivables) being correct on and as of the Initial Closing Date by reference to the facts and circumstances then existing.

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4. The Seller having paid to ABN AMRO Bank N.V., San Francisco International

Branch the arrangement fees pursuant to Clause 29.1 of the Receivables Purchase Agreement.

5. Neither a Termination Event nor a Potential Termination Event having occurred and remaining unremedied on the Initial Closing Date.

6. No event having occurred and no condition existing which could have a Material Adverse Effect on the Seller, the Guarantor or the Collection Agent.

Part 2 : Conditions Precedent to Subsequent Closings

1. The receipt by the Purchaser on or prior to the relevant Subsequent Closing Date, each in form and substance reasonably satisfactory to the Purchaser, of:

(a) such evidence as the Purchaser may reasonably request to establish that the relevant Accepted Receivable is the Eligible Receivable;

(b) unless the same has been theretofore submitted to the Purchaser, a copy, certified as of the relevant Subsequent Closing Date as a true copy by a duly authorized officer of the Seller, of the general terms and conditions of the Sales Agreement applicable to the Buyer relating to the relevant Accepted Receivable, or (if such written agreement does not exist) a certificate of a duly authorized officer of the Seller describing the agreed terms and conditions applicable to such Buyer; and

(c) such other instruments, agreements, certificates, opinions and other documents as the Purchaser may reasonably request.

2. The receipt by the Purchaser on or prior to the relevant Subsequent Closing Date, each in form and substance reasonably satisfactory to the Purchaser, of either of following (a) or (b), as chosen by the Seller:

(a) (i) unless the same has been theretofore submitted to the Purchaser, Disapplication of Prohibition of Assignment from the Buyer who owes the relevant Accepted Receivable, if it is required pursuant to the terms and conditions of the relevant Sales Agreement; and

(ii) Perfection Document in relation to the assignment of the relevant Accepted Receivable; or

(b) unless the same has been theretofore submitted to the Purchaser, Confirmation to Issue P/N from the Buyer who owes the relevant Accepted Receivable.

3. The provisions contained in the second sentence of Clause 2.1 being complied with after giving effect to the assignment of the relevant Accepted Receivable.

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4. The representations and warranties contained in the Sixth Schedule (with respect to those provided for in Part 3 thereof, to the extent such representations and warranties relate to the relevant Accepted Receivable) being correct on and as of the relevant Subsequent Closing Date by reference to the facts and circumstances then existing.

5. The Seller having performed its obligations (including, but not limited to, the payment of fees) in compliance with the Receivables Purchase Agreement.

6. Neither a Termination Event nor a Potential Termination Event having occurred and remaining unremedied on the relevant Subsequent Closing Date.

7. No event having occurred and no condition existing which could have a Material Adverse Effect on the Seller, the Collection Agent or the Guarantor.

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Part 1 - Form of Assignment of Initial Receivables

THIS ASSIGNMENT made on [the Initial Closing Date]

BY:

(1) Lam Research Co., Ltd. (the "Seller")

IN FAVOR OF:

(2) ABN AMRO Bank N.V., Tokyo Branch (the "Purchaser")

WITNESSES as follows:

1. Interpretation

1.1 In this Assignment "Purchase Agreement" means the receivables purchase agreement dated , 1995 between the Seller, in its capacity as Seller (1), the Purchaser (2) and the Seller, in its capacity as Collection Agent (3).

1.2 Terms defined in the Purchase Agreement have the same meaning in this Assignment.

1.3 Headings in this Assignment are for ease of reference only.

2. Transfer

2.1 Subject to, and in accordance with, the terms and conditions of the Purchase Agreement, the Seller hereby sells and assigns to the Purchaser (by way of outright assignment and not merely by way of security) all of the Seller's right, title and interest in and to an Initial Receivable (the "Assigned Receivable") specified in the Exhibit hereto, to all Collections thereof and to the Related Security relating thereto and all proceeds thereof.

2.2 The Tentative Acceptance Date, the Tentative Credit Period, the Tentative Receivables Due Date, the Discount Interest Rate and the Discount Rate applicable to the Assigned Receivable shall be as follows:-

(a) Tentative Acceptance Date

[ ]

(b) Tentative Credit Period

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[ ]

(c) Tentative Receivables Due Date

[ ]

(d) Discount Interest Rate

[LIBOR Based Rate] [COF Based rate], which is percent ( %) per annum

(e) Discount Rate

percent ( %) per annum

In accordance with Clause 4.1 of the Purchase Agreement, the Purchase Price of the Assigned Receivable shall be

3. Representations and Warranties

The Seller hereby represents and warrants to the Purchaser as of the date hereof in the terms set out in Clause 12 of the Purchase Agreement by reference to the fact and circumstances currently existing.

4. Governing Law and Jurisdiction

4.1 This Assignment is governed by, and shall be construed in accordance with, the laws of Japan.

4.2 Both of the parties hereto agree that the Tokyo District Court shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Assignment and, for such purpose, irrevocably submits to the jurisdiction of such court.

4.3 Both of the parties hereto irrevocably waive any objection which they might now or hereafter have to the court referred to in Clause 4.2 being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and agree not to claim that such court is not a convenient or appropriate forum.

4.4 The submission to the jurisdiction of the court referred to in Clause 4.2 shall not (and shall not be construed so as to) limit the right of either of the Seller or the Purchaser to take proceedings against the other in any other court of competent jurisdiction nor shall the taking of

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proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

4.5 Each of the Seller and the Purchaser hereby consents generally in respect of any legal action or proceeding arising out of or in connection with this Assignment to the giving of any relief or the issue of any process in connection with such action or proceeding including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement which may be made or given in such action or proceeding.

AS WITNESS the hands of the duly authorized representatives of the parties hereto the day and year first before written.

Lam Research Co., Ltd.

By:

ABN AMRO Bank N.V., Tokyo Branch

By:

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Exhibit to the Assignment

Description of Assigned Receivable

- (1) Face Value
- (2) Name of Buyer
- (3) Description of Equipment Sold
- (4) Date of Purchase Order
- (5) Date of Shipment
- (6) Payment Terms Including Whether Promissory Note Has Been or Is to be Issued

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Part 2 - Form of Offer

To: ABN AMRO Bank N.V., Tokyo Branch

From: Lam Research Co., Ltd., as Seller

Dated: [ ]

Dear Sirs,

1. We refer to the Receivables Purchase Agreement dated [ ], 1995 (the "Purchase Agreement") between ourselves as Seller (1), yourselves as Purchaser (2) and ourselves as Collection Agent (3).
2. Terms defined in the Purchase Agreement shall have the same meaning herein.
3. We hereby offer for purchase by you on [the proposed date of assignment] an Additional Receivable, details of which are set out in the Exhibit hereto.
4. We hereby represent and warrant to you as of the date hereof in the terms set out in Clause 12 of the Purchase Agreement by reference to the facts and circumstances currently existing.

Subject to the terms of the Purchase Agreement, this Offer constitutes an irrevocable offer by us binding us to assign and sell to you on the proposed date of assignment as specified above an ownership interest in the Receivable referred to in this Offer.

Yours faithfully,

for and on behalf of  
Lam Research Co., Ltd.

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Exhibit to the Offer

1. Description of Offered Receivable
  - (1) Face Value
  - (2) Name of Buyer
  - (3) Description of Equipment Sold
  - (4) Date of Purchase Order
  - (5) Payment terms as provided for in the Purchase Order
  - (6) Date of Shipment
  - (7) Whether Promissory Note Has Been or Is to be Issued
2. Proposed Tentative Acceptance Date  
[ ]
3. Proposed Tentative Credit Period  
[ ]
4. Selected Discount Interest Rate  
[LIBOR Based Rate] [COF Based Rate], subject to further change by the Seller in accordance with the terms of the Purchase Agreement

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Part 3 - Form of Assignment of Accepted Receivable

THIS ASSIGNMENT made on [the relevant Subsequent Closing Date]

By:

(1) Lam Research Co., Ltd. (the "Seller")

IN FAVOR OF:

(2) ABN AMRO Bank N.V., Tokyo Branch (the "Purchaser")

WITNESSES as follows:

1. Interpretation

1.1 In this Assignment "Purchase Agreement" means the receivables purchase agreement dated , 1995 between the Seller, in its capacity as Seller (1), the Purchaser (2) and the Seller, in its capacity as Collection Agent (3).

1.2 Terms defined in the Purchase Agreement have the same meaning in this Assignment.

1.3 Headings in this Assignment are for ease of reference only.

2. Transfer

2.1 Subject to, and in accordance with, the terms and conditions of the Purchase Agreement, the Seller hereby sells and assigns to the Purchaser (by way of outright assignment and not merely by way of security) all of Seller's right, title and interest in and to an Accepted Receivable (the "Assigned Receivable") specified in the Exhibit hereto, to all Collections thereof and to the Related Security relating thereto and all proceeds thereof.

2.2 The Tentative Acceptance Date, the Tentative Credit Period, the Tentative Receivables Due Date, the Discount Interest Rate and the Discount Rate applicable to the Assigned Receivable shall be as follows:-

(a) Tentative Acceptance Date  
[ ]

(b) Tentative Credit Period  
[ ]

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(c) Tentative Receivables Due Date  
[ ]

(d) Discount Interest Rate

[LIBOR Based Rate] [COF Based Rate], which is percent ( %) per annum

(e) Discount Rate  
percent ( %) per annum

In accordance with Clause 8.1 of the Purchase Agreement, the Purchase Price of the Assigned Receivable shall be

3. Representations and Warranties

The Seller hereby represents and warrants to the Purchaser as of the date hereof in the terms set out in Clause 12 of the Purchase Agreement by reference to the fact and circumstances currently existing.

4. Governing Law and Jurisdiction

4.1 This Assignment is governed by, and shall be construed in accordance with, the laws of Japan.

4.2 Both of the parties hereto agree that the Tokyo District Court shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Assignment and, for such purpose, irrevocably submits to the jurisdiction of

such court.

4.3 Both of the parties hereto irrevocably waive any objection which they might now or hereafter have to the court referred to in Clause 4.2 being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and agree not to claim that such court is not a convenient or appropriate forum.

4.4 The submission to the jurisdiction of the court referred to in Clause 4.2 shall not (and shall not be construed so as to) limit the right of either of the Seller or the Purchaser to take proceedings against the other in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

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4.5 Each of the Seller and the Purchaser hereby consents generally in respect of any legal action or proceeding arising out of or in connection with this Assignment to the giving of any relief or the issue of any process in connection with such action or proceeding including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such action or proceeding.

AS WITNESS the hands of the duly authorized representatives of the parties hereto the day and year first before written.

Lam Research Co., Ltd.

By:

ABN AMRO Bank N.V., Tokyo Branch

By:

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Exhibit to the Assignment

Description of Assigned Receivable

- (1) Face Value
- (2) Name of Buyer
- (3) Description of Equipment Sold
- (4) Date of Purchase Order
- (5) Date of Shipment
- (6) Payment Terms Including Whether Promissory Note Has Been or Is to be Issued

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Part 4 - Form of Reassignment of Receivables

THIS ASSIGNMENT made on [date]

By:

(1) ABN AMRO Bank N.V., Tokyo Branch ("ABN AMRO")

IN FAVOR OF:

(2) Lam Research Co., Ltd. ("LRC")

WITNESSES as follows:

1. Interpretation

1.1 In this Assignment "Purchase Agreement" means the receivables purchase agreement dated \_\_\_\_\_, 1995 between LRC, in its capacity as Seller (1), ABN AMRO (2) and LRC, in its capacity as Collection Agent (3).

1.2 Terms defined in the Purchase Agreement have the same meaning in this Agreement.

1.3 Headings in this Assignment are for ease of reference only.

2. Transfer

2.1 Subject to, and in accordance with, the terms and conditions of the Purchase Agreement, ABN AMRO hereby sells and assigns to LRC (by way of outright assignment and not merely by way of security, and without any representation or warranty on the part of ABN AMRO except for the representation set out in Clause 2.2) all of ABN AMRO's right, title and interest in and to a Receivable (the "Assigned Receivable") specified in the Exhibit hereto, to all Collections thereof and to the Related Security relating thereto and all proceeds thereof.

2.2 ABN AMRO hereby represents and warrants to LRC that as of the date hereof ABN AMRO has not sold, transferred, assigned, created security interest over or otherwise disposed of the Assigned Receivable.

3. Governing Law and Jurisdiction

3.1 This Assignment is governed by, and shall be construed in accordance with, the laws of Japan.

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3.2 Both of the parties hereto agree that the Tokyo District Court shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Assignment and, for such purpose, irrevocably submits to the jurisdiction of such court.

3.3 Both of the parties hereto irrevocably waive any objection which they might now or hereafter have to the court referred to in Clause 3.2 being nominated as the forum to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Assignment and agree not to claim that such court is not a convenient or appropriate forum.

3.4 The submission to the jurisdiction of the court referred to in Clause 3.2 shall not (and shall not be construed so as to) limit the right of either of ABN AMRO or LRC to take proceedings against the other in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

AS WITNESS the hands of the duly authorized representatives of the parties hereto the day and year first before written.

ABN AMRO Bank N.V., Tokyo Branch

By:

Lam Research Co., Ltd.

By:

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Exhibit to the Assignment

Description of Assigned Receivable

- (1) Face Value or Revised Face Value
- (2) Name of Buyer
- (3) Description of Equipment Sold
- (4) Date of Purchase Order
- (5) Date of Shipment

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#### THE FIFTH SCHEDULE

##### Termination Events

1. The Seller (in that capacity or in its capacity as the Collection Agent) or the Guarantor is in breach of any of its obligations under this Agreement, the Guaranty or any of the Transaction Documents and such breach is not remedied, if it is capable of being remedied, within five (5) business days (in the case of the obligation to pay monies) or twenty (20) business days (in the case of other obligations).

2. Either of the Seller or the Guarantor goes into the Insolvency Event or becomes unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due or ceases to carry on its business.

3. Any representation or warranty referred to in Part 1 or Part 2 of the Sixth Schedule or in paragraph 3 of the Guaranty is incorrect when made.

4. If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof makes it unlawful or impossible for any party hereto or the Guarantor to perform its obligation under this Agreement, the Guaranty or any of the Transaction Documents.

5. The Seller or the Guarantor fails to pay any Debt in the aggregate amount in excess of ten million dollars (U.S.\$10,000,000) (or its equivalent in any other currency) when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt, or any other default under any agreement or instrument relating to any such Debt or any other event occurs and continues after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt, or any such Debt shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof.

6. A material adverse change occurs in the financial condition of the Seller or the Guarantor in relation to the Original Financial Statements of the Seller or the Guarantor, as the case may be, which has had or can reasonably be expected to have a Material Adverse Effect.

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#### THE SIXTH SCHEDULE

##### Part 1 : Representations as to Matters of Law

1. The Seller (in such capacity or, as the case may be, as the Collection Agent, in such status being referred to in Part 1 and 2 of this Sixth Schedule merely as the "Seller") is a corporation duly organized and is validly existing under the laws of Japan with power to enter into this Agreement and each assignment to be entered into by it in respect of any Receivables assigned or scheduled to be assigned pursuant hereto and to exercise its rights and perform its obligations hereunder and thereunder and all corporate and other action required to authorize its execution of this Agreement and each such assignment

and its performance of its obligations hereunder and thereunder has been duly taken. All of the issued and outstanding shares of the Seller is legally and beneficially owned by the Guarantor directly.

2. The Seller has corporate power and all governmental licenses, authorizations, consents and approvals to carry on its business in Japan.

3. The execution, delivery and performance of this Agreement and the transactions contemplated hereby by the Seller require no action by or in respect of, or filing, recording or enrolling with, any governmental body, agency, court official or other authority, and do not contravene, or constitute a default under, any provision of applicable law or regulation or its Articles of Incorporation or other internal regulations or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Seller or any of its assets.

4. Under the laws of Japan in force as at the date of making this representation, the claim of the Purchaser against the Seller under this Agreement will rank at least pari passu with the claims of all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency or other similar laws of general application.

5. In any proceedings taken in Japan in relation to this Agreement or any Assignment, the Seller will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

6. In any proceedings taken in Japan in relation to this Agreement or any Assignment, the choice of Japanese law by the Seller as the governing law of this Agreement or, as the case may be, such Assignment will be recognized and enforced subject to bankruptcy, insolvency, moratorium or other similar laws affecting creditor's rights generally and to principles of equity.

7. All acts, conditions and things required to be done, fulfilled and performed by the Seller in order (a) to enable the Seller lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in this Agreement

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or in any Assignment, (b) to ensure that the obligations expressed to be assumed by the Seller in this Agreement or in any Assignment are legal, valid and binding on it and (c) to make this Agreement and each Assignment admissible in evidence in Japan have been done, fulfilled and performed.

8. Under the laws of Japan in force as at the date of making this representation, it is not necessary that this Agreement or any Assignment be filed, recorded or enrolled with any court or other authority in Japan or that any stamp, registration or similar tax be paid on or in relation to this Agreement or such Assignment, save for the payment of stamp duty on this Agreement or any Assignment under any applicable law.

9. The obligations expressed to be assumed by the Seller in this Agreement and in each Assignment are legal and valid obligations binding on it and enforceable in accordance with their respective terms.

#### Part 2 : Representations as to Matters of Fact

1. The Seller has not taken any corporate action nor have legal proceedings been started or threatened (to the best of its knowledge and belief) against the Seller for its winding-up, dissolution, rehabilitation or re-organization or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar office of it or of any or all of its assets or revenues.

2. No action or administrative proceeding of or before any court or agency has been started or threatened against the Seller which might, if it were adversely determined, reasonably be expected to have a Material Adverse Effect.

3. The Original Financial Statements of the Seller were prepared in accordance with accounting principles generally accepted in Japan and consistently applied and give (in conjunction with the notes thereto) a true and fair view of its financial condition at the date as of which they were prepared and the results of its operations during the financial year then ended.

4. Since publication of the Original Financial Statements of the Seller, there has been no change in its financial condition or operations of the Seller so as to have a Material Adverse Effect.

#### Part 3 : Representations relating to Receivables

1. Each Purchased Receivable is an Eligible Receivable owed by an Eligible Buyer with the Face Value specified in the relevant Assignment or (if applicable) the Revised Face Value, subject to the applicable statute of limitation.

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2. The assignment of each Purchased Receivable in the manner herein contemplated will be effective to pass to the Purchaser full and unencumbered title thereto and the benefit thereof and no further act, condition or thing will be required to be done in connection therewith to enable the Purchaser to require payment of any such Purchased Receivable or the enforcement of any such right in the courts of Japan.

3. In all material respects the Seller has performed and is in compliance with the terms of the Sales Agreement relating to each Purchased Receivable.

4. The governing law of the Sales Agreement relating to each Purchased Receivable is Japanese law.

5. The Buyer owing each of the Purchased Receivables has, where required by the general terms and conditions of the relevant Sales Agreement, validly given the Disapplication of Prohibition of Assignment, except for the Purchased Receivables for which the conditions precedent set out in Paragraph 2(b) of Part 1 or Part 2, as the case may be, of the Second Schedule have been chosen or the conditions precedent set out in Paragraph 2 of Part 1 or Part 2, as the case may be, have been waived by the Purchaser.

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#### THE SEVENTH SCHEDULE

##### Covenants and Undertakings of the Collection Agent

The Collection Agent hereby covenants with the Purchaser that it shall at all times:

(i) give such time and attention and exercise the same degree of care, responsibility, diligence, prudent and skill with respect to the servicing, collection and administration of the Purchased Receivables and all related functions as if it were performing such functions on its own behalf;

(ii) take all reasonable action as to ensure that all Purchased Receivables are paid promptly into the Collection Account in accordance with the terms of this Agreement and the related Sales Agreement;

(iii) not take any steps which have the effect of in any manner disposing of any right or interest to or in, or transferring or withdrawing any amount from, the Collection Account otherwise than in accordance with this Agreement;

(iv) keep proper, complete, accurate and up to date Records in a manner reasonably acceptable to the Purchaser;

(v) keep and maintain Records, on a Receivable-by-Receivable basis, for the purposes of identifying, in particular, at any time, any amount paid by and to each Buyer, any amount due by or to a Buyer and the source of receipts which are paid into the Collection Account;

(vi) permit audit and inspection under its guidance of its Records by or on behalf of the Purchaser during normal working hours upon reasonable notice and with reasonable frequency;

(vii) notify the Purchaser of material developments in the Seller's

performance of its obligations under the Sales Agreements, including, but not limited to, the Shipment, the Acceptance and the Partial Acceptance of the Equipment and the refusal thereof by the Buyers;

(viii) notify the Purchaser of the Scheduled Receivables Due Date and (if applicable) the Revised Face Value promptly after it is confirmed between the Seller and the relevant Buyer and, if the payment by the Buyer of the relevant Purchased Receivable is known to be made on the date which is not the Scheduled Receivables Due Date, notify the Purchaser of such date of payment at least two business days prior to the Scheduled Receivables Due Date or such date of payment, whichever comes earlier;

(ix) use its best endeavors to maintain records of all correspondence with the Buyer in respect of the Purchased Receivables;

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(x) promptly obtain, comply in all material respects with the terms of and do all that is necessary and within its control to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws and regulations of Japan to enable it lawfully to enter into and perform its obligations under this Agreement or to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement;

(xi) do all things necessary to remain duly organized, validly existing under the laws of Japan and maintain all requisite authority to conduct its business in Japan;

(xii) comply in all respects which could be regarded as material in the context of the transactions contemplated by this Agreement, with all laws, rules, regulations, orders, writs, judgements, injunctions decrees or awards to which it may be subject;

(xiii) maintain sufficient operating procedures, employees and other resources to perform its obligations as Collection Agent hereunder; and

(xiv) submit to Purchaser a monthly report relating to the Purchased Receivables and the Buyer owing them in such a form as is reasonably requested by the Purchaser.

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THE EIGHTH SCHEDULE

Form of Guaranty

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THE NINTH SCHEDULE

Part 1: Form of Opinion of Nagashima & Ohno

, 1995

ABN AMRO Bank  
Tokyo Branch  
Shiroshima JT Mori Building  
3-1, 4-chome, Toranomon  
Minato-ku, Tokyo  
(the "Purchaser")

Dear Sirs:

We have acted as Japanese counsel to Lam Research Co., Ltd., a Japanese corporation (the "Seller"), in connection with the preparation, execution and delivery of the Receivables Purchase Agreement dated as of \_\_\_\_\_, 1995 (the

"Agreement") , among the seller, the Purchaser, and Lam Research Co., Ltd. as Collection Agent. Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Agreement. In this opinion, Lam Research Co., Ltd. in the capacity as the Seller and as the Collection Agent is referred to merely as "Lam".

In rendering the opinions expressed herein, we have examined a photostatic copy of the executed original of the Agreement, a certificate from the representative director of Lam, and such corporate records and other documents, and have made such investigations of law as in our judgment are necessary or appropriate to enable us to render the opinions expressed below. As to factual matters, however, we have solely relied upon the above-described certificate, and have not conducted any independent examination or investigation with respect to any factual matters, including those contained in said certificate.

For the purposes of rendering this opinion, we have assumed without independently verifying:

(A) the genuineness of all seal impressions and signatures on documents that we have examined, and the authenticity and completeness of all documents submitted to us as originals or copies of originals;

(B) the exact conformity to complete original documents of all documents submitted to us as copies;

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(C) the Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the kingdom of Netherlands, and the Tokyo branch of the Purchaser has full and complete corporate power and authority to execute and deliver, and to perform its obligations under the Agreement;

(D) the execution and delivery of the Agreement by the Purchaser, and the performance by the Purchaser of its obligations under the Agreement, have been duly authorized by all necessary corporate action; and

(E) the Agreement and all other documents submitted to us have been duly executed and delivered by or on behalf of all persons and entities that are signatories thereto (other than Lam).

Based upon and subject to the foregoing, and further subject to the qualifications hereinafter set forth, we are of the opinion that:

1. Lam is a corporation validly existing under the laws of Japan with corporate power to enter into the Agreement and each Assignment and to exercise its rights and perform its obligations under the Agreement and each Assignment, and all corporate action required to authorize its execution of the Agreement and each Assignment and its performance of its obligations thereunder has been duly taken.

2. Lam has corporate power and all governmental license, authorizations, consents and approvals necessary to carry on its business currently conducted in Japan.

3. There is no consent, approval, order or authorization of, or registration, filing, recordation or enrollment with, or giving of prior notice to, any Japanese governmental body or agency or any Japanese court required with respect to the execution, delivery and performance of the Agreement by Lam. The execution, delivery and performance of the Agreement by Lam do not contravene any provision of applicable laws of Japan or Lam's Articles of Incorporation or other internal regulations.

4. The claims of the Purchaser against Lam under the Agreement will rank at least pari passu with the claims of all of Lam's other unsecured creditors.

5. In any legal proceedings taken in Japan in relation to the Agreement or any Assignment, Lam will not be entitled to claim for itself or any of its assets sovereign immunity from suit, execution, attachment or other legal process.

6. The choice of Japanese law to govern the Agreement is a valid choice of law, and the submission by Lam to the jurisdiction of the Tokyo District Court is a valid submission to the jurisdiction of such court as a court of first

instance, except in cases where other courts in Japan have exclusive jurisdiction.

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7. Save for Japanese stamp duties, no similar taxes are payable in respect of the execution and delivery of the Agreement or any Assignment.

8. The Agreement has been duly executed and delivered by Lam, and the obligations expressed to be assumed by Lam in the Agreement are legal and valid obligations binding on Lam and enforceable against Lam in accordance with their respective terms.

Our opinions set forth herein are subject to the following qualifications and limitations:

(a) we express no opinion as to:

(i) except as set forth in paragraph 7, compliance with or the effect of any tax law; or

(ii) the availability of specific performance, injunctive relief, or any other similar remedy;

(b) the opinions expressed above are subject to limitation by statute of limitation, appropriate court procedures and the full discretion of the court, which must consider the public order and good morals doctrine and the abuse of rights doctrine;

(c) the legality, validity, binding nature and enforceability of the Agreement may be limited by the application of:

(i) bankruptcy, insolvency, reorganization, fraudulent conveyance and other similar laws affecting the rights, powers, privileges, remedies and/or interests of creditors generally; or

(ii) the Interest Rate Restriction Law, Risoku Seigen Ho (the "Interest Rate Law"). Under the Interest Rate Law, the maximum rate of interest per annum recoverable by action in the courts of Japan is as set forth below:

Principal Amount	Interest Rate (%)
Less than _100,000	20
_100,000 or more but less than 1,000,000	18
_1,000,000 or more	15

The Interest Rate Law further provides that if any stipulated default interest amount sought to be recoverable by action in the courts of Japan exceeds double

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the amount calculated in accordance with the interest rate set forth above, the right of the party seeking recovery to recover an amount in excess of double the amount as calculated above shall be unenforceable;

(d) we express no opinion on any provision in the Agreement requiring written amendments and waivers of the Agreement insofar as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed upon or granted between or by the parties or by a duly authorized agent; and

(e) the court may not give full effect to an indemnity for legal costs.

We are members of the bar of Japan and, with your permission, our opinion is limited to the laws of Japan.

This opinion is given as of the date hereof and only for the benefit of

the addressees and on the basis that it will be relied upon only by such addressees and will not be disclosed to any third party other than such addressees' professional advisers.

Very truly yours,

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Part 2: Form of Opinion of Jan J. Kang

, 1995

ABN AMRO Bank  
Tokyo Branch  
Shiroyama JT Mori Building  
3-1, 4-chome, Toranomon  
Minato-ku, Tokyo  
(the "Purchaser")

Dear Sirs:

I am senior counsel for Lam Research Corporation, a Delaware corporation (the "Guarantor"), in connection with its preparation, execution and delivery of the Guaranty (the "Guaranty") dated as of , 1995 in relation to the Receivables Purchase Agreement, dated as of , 1995 (the "Agreement") among the Purchaser and Lam Research Co., Ltd., a Japanese corporation, as Seller and Collection Agent. Capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Guaranty or the Agreement.

Based on my examination of such corporate records, certificates and other documents and questions of law as I have considered necessary or appropriate, it is my opinion that:

1. The Guarantor is a corporation duly organized and is validly existing and in good standing under the laws of the state of Delaware with power to enter into the Guaranty and to exercise its rights and perform its obligations thereunder and all corporate and other action required to authorize its execution of the Guaranty and its performance of its obligations thereunder has been duly taken.

2. The execution, delivery and performance of the Guaranty and the transactions contemplated thereby by the Guarantor require no action by or in respect of, or filing, recording or enrolling with, any governmental body, agency, court official or other authority, and do not contravene, or constitute a default under, any provision of applicable law or regulation or its constitutive documents or other internal regulations or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Guarantor or any of its assets.

3. The claim of the Purchaser against the Guarantor under the Guaranty will rank at least pari passu with the claims of all its other unsecured creditors.

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4. In any proceedings taken in the United States in relation to the Guaranty, the choice of California law by the Guarantor as the governing law of, and the submission to jurisdiction under, the Guaranty will be recognized and enforced.

5. The obligations expressed to be assumed by the Guarantor in the Guaranty are legal and valid obligations binding on it and enforceable in accordance with its terms.

6. No deduction or withholding (whether on account of tax or otherwise) will be required from any payment by the Guarantor arising out of or under the Guaranty.

For purposes of this opinion, I have assumed:

(i) the authenticity and completeness of all documents submitted to us as copies;

(ii) the authenticity of all signatures and seals of parties; and

(iii) the conformity to complete original documents of all documents submitted to us as copies or facsimiles.

This opinion must be read subject to the following qualifications:

(a) I neither express nor imply any opinion as to laws other than the laws of the United States, the laws of the State of California and the General Corporation Law of the State of Delaware as at the date of this opinion.

(b) Enforcement may be limited by any laws from time to time in effect relating to bankruptcy, insolvency, liquidation, receivership, reconstruction, reorganization, moratorium or other similar laws affecting creditors' rights generally.

This opinion is given solely for your benefit, and except with my prior written consent is not to be disclosed to or relied on by any other person. This opinion is limited to the matters stated herein and is not to be construed as extending by implication to any other matter.

Very truly yours,

GUARANTY

THIS GUARANTY, dated as of June 28, 1995, is executed by LAM RESEARCH CORPORATION, a Delaware corporation ("GUARANTOR"), in favor of ABN AMRO BANK N.V. ("PURCHASER").

RECITALS

A. At the request of Guarantor, Purchaser, acting through its Tokyo Branch, has entered into a Supplemental Receivables Purchase Agreement dated as of June 28, 1995 (the "SUPPLEMENTAL PURCHASE AGREEMENT") with Purchaser and Lam Research Co., Ltd., a Japanese corporation which is a wholly-owned subsidiary of Guarantor ("SELLER"), pursuant to which (i) Purchaser has agreed to purchase from Seller a certain account, promissory note or other obligation payable to Seller (the "RECEIVABLE") upon the terms and subject to the conditions set forth in the Supplemental Purchase Agreement and (ii) Seller has agreed to act as collection agent for the Receivable so purchased by Purchaser from Seller (the "PURCHASED RECEIVABLE").

B. Purchaser's obligation to purchase the Receivable from Seller under the Supplemental Purchase Agreement is subject, among other conditions, to receipt by Purchaser of this Guaranty, duly executed by Guarantor.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Guarantor hereby agrees with Purchaser as follows:

1. DEFINITIONS AND INTERPRETATION.

(a) DEFINITIONS. Unless otherwise indicated in this Guaranty, each term set forth in SCHEDULE 1, when used in this Guaranty, shall have the respective meaning given to

that term in SCHEDULE 1 or in the provision of this Guaranty referenced in SCHEDULE 1.

(b) OTHER INTERPRETIVE PROVISIONS. Headings in this Guaranty are for convenience of reference only and are not part of the substance hereof. All terms defined in this Guaranty in the singular form shall have comparable meanings when used in the plural form and VICE VERSA. This Guaranty shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules. References in this Guaranty to any document, instrument or agreement (i) shall include all exhibits, schedules and other attachments thereto, (ii) shall include all documents, instruments or agreements issued or executed in replacement thereof and (iii) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified and supplemented from time to time and in effect at any given time.

2. CONTINUING GUARANTY. Guarantor unconditionally guarantees and promises to pay and perform as and when due, upon the demand of Purchaser, (a) all obligations of the obligor under the Purchased Receivable ("BUYER") and (b) all obligations of Seller under the Supplemental Purchase Agreement and all other documents, instruments and agreements delivered to Purchaser in connection therewith (collectively, including this Guaranty, the "TRANSACTION DOCUMENTS") (all such obligations, including the obligations described in CLAUSE (a) above, to be referred to herein collectively as the "GUARANTEED OBLIGATIONS"). Guarantor shall make all payments required hereunder to Purchaser, or its order, at Purchaser's office located at the address set forth in SUBPARAGRAPH 8(a)

hereof, or at such other office as Purchaser may designate, on demand in such lawful currency as is required by SUBPARAGRAPH 8(d) hereof. Notwithstanding any termination of this Guaranty in accordance with PARAGRAPH 6 hereof, this Guaranty shall continue to be in full force and effect and applicable to any Guaranteed Obligations arising thereafter which arise because prior payments of Guaranteed Obligations are rescinded or otherwise required to be surrendered by Purchaser after receipt. The liability of Guarantor hereunder is independent of the obligations of Seller and Buyer, and a separate action or actions may be brought and prosecuted against Guarantor irrespective of whether action is brought against

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Seller, Buyer or any other guarantor of the Guaranteed Obligations or whether Seller, Buyer or any other guarantor of the Guaranteed Obligations is joined in any such action or actions. This Guaranty is a guaranty of payment and not of collection.

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3. REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Purchaser, as of the date hereof, the date the Receivable is purchased pursuant to the Supplemental Purchase Agreement and each other date on which Seller makes (pursuant to CLAUSE 12.1 OF THE SUPPLEMENTAL PURCHASE AGREEMENT or otherwise) the representations and warranties set forth in the SIXTH SCHEDULE TO THE SUPPLEMENTAL PURCHASE AGREEMENT, that (a) each of Guarantor and Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly qualified and in good standing in each jurisdiction where the nature of its business or properties requires such qualification, except where the failure to qualify could not have a Material Adverse Effect; (b) the execution, delivery and performance by Guarantor and Seller of this Guaranty and the other Transaction Documents are within the power of Guarantor and Seller and have been duly authorized by all necessary actions on the part of Guarantor and Seller; (c) this Guaranty and the other Transaction Documents have been duly executed and delivered by Guarantor and Seller and constitute legal, valid and binding obligations of Guarantor and Seller, enforceable against them in accordance with their terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally; (d) the execution, delivery and performance of this Guaranty and the other Transaction Documents do not (i) violate any Requirement of Law, (ii) contravene any material Contractual Obligation, or (iii) result in the creation or imposition of any Lien upon any property, asset or revenue of Guarantor or Seller; (e) no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Authority or other Person (including, without limitation, the shareholders of any Person) is required in connection with the execution, delivery and performance of this Guaranty and the other Transaction Documents, except such consents, approvals, orders, authorizations, registrations, declarations and filings that are so required and which have been obtained and are in full force and effect; (f) each of Guarantor and Seller has paid all taxes and other charges imposed by any Governmental Authority due and payable by Guarantor or Seller other than those which are being challenged in good faith by appropriate proceedings and for which adequate reserves have been established; (g) neither Guarantor nor Seller is in violation of any Requirement of Law or Contractual Obligation other than those the consequences of which could not have a Material Adverse

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Effect; (h) the financial statements of Guarantor and Seller which have been delivered to Purchaser fairly present the respective financial positions and results of Guarantor and Seller for the periods and as of the dates covered thereby; (i) no litigation, investigation or proceeding of any Governmental Authority is pending or, to the knowledge of Guarantor, threatened against Guarantor or Seller which, if adversely determined, could have a Material

Adverse Effect; (j) Seller is a wholly-owned subsidiary of Guarantor; (k) the obligations of Guarantor hereunder rank at least pari passu with all other unsecured debt of Guarantor; and (l) no event or condition which could have a Material Adverse Effect has occurred or arisen and is continuing.

4. COVENANTS. Until the Supplemental Purchase Agreement is terminated and the Purchased Receivable is paid in full, Guarantor hereby agrees (a) to deliver to Purchaser (i) within 55 days after the last day of its fiscal quarters, its financial statements for such quarter, (ii) within 100 days after the last day of each of its fiscal years, its audited financial statements for such year, (iii) notice of any Potential Termination Event, any Termination Event or any other default under the Transaction Documents or of any other event or condition which could have a Material Adverse Effect, and (iv) such other information regarding the business, operations or financial or other condition of Guarantor or Seller as Purchaser may reasonably request; (b) to keep, and cause Seller to keep, proper books of record and account and to permit Purchaser to examine the same; (c) to the extent failure to do so could have a Material Adverse Effect, to comply and cause Seller to comply with all Requirements of Law and Contractual Obligations; (d) to maintain and cause Seller to maintain its corporate existence and all rights, privileges and franchises necessary for the conduct of its business; (e) to cause the obligations of Guarantor hereunder to rank at least pari passu with all other unsecured debt of Guarantor at all times; (f) to maintain, at all times, a ratio of Quick Assets to Current Liabilities of at least 1.25 to 1.00; (g) to maintain, at all times, Tangible Net Worth of not less than the Tangible Net Worth Requirements at such times; and (h) to maintain, at all times, a ratio of Total Debt LESS Subordinated Debt to Capital of no more than 0.50 to 1.00.

5. AUTHORIZED ACTIONS. Guarantor authorizes Purchaser, in its discretion, without notice to Guarantor, irrespective of any

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change in the financial condition of Seller, Guarantor, Buyer or any other guarantor of the Guaranteed Obligations since the date hereof, and without affecting or impairing in any way the liability of Guarantor hereunder, from time to time to (a) purchase from Seller new Receivables and create new Guaranteed Obligations, and, either before or after receipt of notice of revocation, renew, compromise, extend, accelerate or otherwise change the time for payment or performance of, or otherwise change the terms of the Purchased Receivable and Guaranteed Obligations or any part thereof, including increase or decrease of the rate of interest or discount thereon; (b) take and hold security for the payment or performance of the Purchased Receivable and Guaranteed Obligations and exchange, enforce, waive or release any such security; (c) apply such security and direct the order or manner of sale thereof; (d) purchase such security at public or private sale; (e) otherwise exercise any right or remedy it may have against Seller, Guarantor, Buyer, any other guarantor of the Guaranteed Obligations or any security, including, without limitation, the right to foreclose upon any such security by judicial or nonjudicial sale; (f) settle, compromise with, release or substitute any one or more makers, endorsers or guarantors of the Purchased Receivable or Guaranteed Obligations; and (g) assign the Purchased Receivable, the Guaranteed Obligations, this Guaranty, or the other Transaction Documents in whole or in part.

6. WAIVERS. Guarantor waives (a) any right to require Purchaser to (i) proceed against Seller, Buyer or any other guarantor with respect to the Guaranteed Obligations, (ii) proceed against or exhaust any security received from Seller, Buyer or any other guarantor with respect to the Guaranteed Obligations, or (iii) pursue any other remedy in Purchaser's power whatsoever; (b) any defense arising by reason of the application by Seller of the proceeds of any purchase; (c) any defense resulting from the absence, impairment or loss of any right of reimbursement, subrogation, contribution or other right or remedy of Guarantor against Seller, Buyer, any other guarantor with respect to the Guaranteed Obligations or any security, whether resulting from an election by Purchaser to foreclose upon security by nonjudicial sale, or otherwise; (d) any setoff or counterclaim of Seller or any defense which results from any disability or other defense of Seller or the cessation or stay of enforcement from any cause whatsoever of the liability of Seller (including, without limitation, the lack of

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validity or enforceability of any Transaction Document); (e) any right to exoneration of sureties which would otherwise be applicable; (f) until all obligations of Purchaser under the Transaction Documents have been terminated and the Guaranteed Obligations have been fully satisfied, any right of subrogation or reimbursement and, if there are any other guarantors of the Guaranteed Obligations, any right of contribution, and right to enforce any remedy which Purchaser now has or may hereafter have against Seller, and any benefit of, and any right to participate in, any security now or hereafter received by Purchaser; (g) all presentments, demands for performance, notices of non-performance, notices delivered under the Supplemental Purchase Agreement or any other Transaction Document, protests, notice of dishonor, and notices of acceptance of this Guaranty and of the existence, creation or incurring of new or additional Purchased Receivable or Guaranteed Obligations and notices of any public or private foreclosure sale; (h) the benefit of any statute of limitations to the extent permitted by law; (i) any appraisal, valuation, stay, extension, moratorium redemption or similar law or similar rights for marshalling; (j) any right to be informed by Purchaser of the financial condition of Seller, Buyer or any other guarantor with respect to the Guaranteed Obligations or any change therein or any other circumstances bearing upon the risk of nonpayment or nonperformance of the Purchased Receivable or Guaranteed Obligations; and (k) any right to revoke this Guaranty prior to the termination of the Transaction Documents and the satisfaction in full of all the Guaranteed Obligations. Guarantor has the ability and assumes the responsibility for keeping informed of the financial condition of Seller, the Buyers and any other guarantors of the Guaranteed Obligations and of other circumstances affecting such nonpayment and nonperformance risks. Without limiting the scope of any of the foregoing waivers, Guarantor hereby waives (i) all rights and defenses arising out of an election of remedies by Purchaser, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a Guaranteed Obligation, has destroyed Guarantor's rights of subrogation and reimbursement against Seller by the operation of Section 580d of the Code of Civil Procedure or otherwise, (ii) all rights and defenses Guarantor may have by reason of protection afforded to Seller with respect to the Guaranteed Obligations pursuant to the antideficiency or other laws of California limiting or discharging the Guaranteed Obligations, including, without limitation, Section 580a, 580b, 580d, or 726 of the California

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Code of Civil Procedure, and (iii) all other rights and defenses available to Guarantor by reason of Sections 2787 to 2855, inclusive, of the California Civil Code.

7. SUBORDINATION. Guarantor hereby subordinates any obligations of Seller to Guarantor (the "SUBORDINATED OBLIGATIONS") to the Guaranteed Obligations as provided in this PARAGRAPH 7. Until the occurrence of a Potential Termination Event or Termination Event, Guarantor may receive regularly scheduled payments from Seller on account of Subordinated Obligations. Upon the occurrence and during the continuance of any Potential Termination Event or Termination Event, however:

(a) Purchaser shall be entitled to receive payment of all Guaranteed Obligations before Guarantor receives payment of any Subordinated Obligations;

(b) Any payments on the Subordinated Obligations, if Purchaser so requests, shall be collected, enforced and received by Guarantor as trustee for Purchaser and be paid over to Purchaser on account of the Guaranteed Obligations, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty; and

(c) Purchaser is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of Guarantor, to collect and enforce, and to submit claims in respect of, the Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations and (ii) to require Guarantor (A) to collect and enforce, and to submit claims in respect of, the Subordinated Obligations and (B) to pay any amounts received on such Subordinated Obligations to Purchaser for application to the Guaranteed Obligations.

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8. MISCELLANEOUS.

(a) NOTICES. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Purchaser or Guarantor under this Guaranty shall be in writing and telecopied, mailed or delivered to each party at its telecopier number or address set forth below (or to such other telecopier number or address for any party as indicated in any notice given by that party to the other party). All such notices and communications shall be effective (i) when sent by Federal Express or other overnight service of recognized standing, on the Business Day following the deposit with such service; (ii) when mailed, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (iii) when delivered by hand, upon delivery; and (iv) when telecopied, upon confirmation of receipt.

PURCHASER: ABN AMRO Bank N.V.  
101 California Street  
Suite 4550  
San Francisco, California 94111-5812  
Attn: Robert N. Hartinger  
Telephone: (415) 984-3710  
Facsimile: (415) 362-3524

GUARANTOR: Lam Research Corporation  
47300 Bayside Parkway  
Fremont, California 94538  
Attn: Yuko Hashimoto  
Telephone: (510) 438-4887  
Facsimile: (510) 661-1586

(b) EXPENSES. Guarantor shall pay on demand, whether or not any Receivable is purchased under the Transaction Documents, (i) all reasonable fees and expenses, including reasonable attorneys' fees and expenses, incurred by Purchaser in connection with the preparation, execution and delivery of, and the exercise of its duties under, this Guaranty and the other Transaction Documents, and the preparation, execution and delivery of amendments and waivers hereunder and thereunder; and (ii) all reasonable fees and expenses, including reasonable attorneys' fees and

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expenses, incurred by Purchaser in the enforcement or attempted enforcement of this Guaranty or any of the Guaranteed Obligations or in preserving any of Purchaser's rights and remedies (including, without limitation, all such fees and expenses incurred in connection with any "workout" or restructuring affecting the Transaction Documents or the Guaranteed Obligations or any bankruptcy or similar proceeding involving Guarantor, Seller or any of their affiliates).

(c) INDEMNIFICATIONS. To the fullest extent permitted by law, Guarantor agrees to protect, indemnify, defend and hold harmless Purchaser and its affiliates and their respective directors, officers, employees, agents and advisors ("INDEMNITEES") from and against any and all liabilities, losses, damages or expenses of any kind or nature and from any and all suits, claims or demands (including in respect of or for reasonable attorney's fees and other expenses) arising on account of or in connection with any matter or thing or action or failure to act by Indemnitees, or any of them, arising out of or relating to this Guaranty or the other Transaction Documents, including without limitation any use by Guarantor of any proceeds of any Receivable purchases, except to the extent such liability arises from the willful misconduct or gross negligence of the Indemnitees. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Purchaser believes is covered by this indemnity, Purchaser shall give Guarantor reasonable notice of the matter and an opportunity to defend it, at Guarantor's sole cost and expense, with legal counsel satisfactory to Purchaser. Any failure or delay of Purchaser so to notify Guarantor of any such suit, claim or demand shall not relieve Guarantor of its obligations under this SUBPARAGRAPH 8(C) but shall reduce such obligations to the extent of any increase in those obligations caused solely by such failure or delay. The obligations of Guarantor under this SUBPARAGRAPH 8(C) shall survive the payment and performance of the Guaranteed Obligations.

(d) CURRENCY OF PAYMENT.

(i) Guarantor shall make all payments of the Guaranteed Obligations hereunder in the currency in

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which such Guaranteed Obligations are required to be paid by Seller pursuant to the other Transaction Documents and shall make all other payments hereunder in the lawful currency of the United States.

(ii) If any sum due from Guarantor under this Guaranty or any order or judgment given or made in relation hereto has to be converted from the currency (the "first currency") in which the same is payable hereunder or under such order or judgment into another currency (the "second currency") for the purpose of (A) making or filing a claim or proof against Guarantor with any Governmental Authority, (B) obtaining an order or judgment in any court or other tribunal or (C) enforcing any order or judgment given or made in relation hereto, Guarantor shall, to the fullest extent permitted by law, indemnify and hold harmless each of the Persons to whom such sum is due from and against any loss suffered as a result of any discrepancy between (1) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (2) the rate or rates of exchange at which such Person may, using reasonable efforts in the ordinary course of business, purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. The foregoing indemnity shall constitute a separate obligation of Guarantor distinct from its other obligations hereunder and shall survive the giving or making of any judgment or order in relation to all or any of such obligations.

(e) WAIVERS; AMENDMENTS. Any term, covenant, agreement or condition of this Guaranty may be amended or waived if such amendment or waiver is in writing and is signed by Guarantor and Purchaser. No failure or delay by Purchaser in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the

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specific instance and for the specific purpose for which given.

(f) ASSIGNMENTS. This Guaranty shall be binding upon and inure to the benefit of Guarantor and Purchaser and their respective successors and permitted assigns, except that Guarantor may not assign or transfer any of its rights or obligations under this Guaranty without the prior written consent of Purchaser. All references in this Guaranty to any Person shall be deemed to include all successors and assigns of such Person.

(g) CUMULATIVE RIGHTS, ETC. The rights, powers and remedies of Purchaser under this Guaranty shall be in addition to all rights, powers and remedies given to Purchaser by virtue of any applicable law, rule or regulation of any Governmental Authority, the other Transaction Documents or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Purchaser's rights hereunder.

(h) PAYMENTS FREE OF TAXES, ETC. All payments made by Guarantor under this Guaranty shall be made by Guarantor free and clear of and without deduction for any and all present and future taxes, levies, charges, deductions and withholdings. In addition, Guarantor shall pay upon demand any stamp or other taxes, levies or charges of any jurisdiction with respect to the execution, delivery, registration, performance and enforcement of this Guaranty. If any taxes, levies, charges or other amounts are required to be withheld from any amounts payable to Purchaser hereunder, the amounts so payable to Purchaser shall be increased to the

extent necessary to yield to Purchaser (after payment of all such amounts) any such amounts payable hereunder in the amounts specified in this Guaranty. Upon request by Purchaser, Guarantor shall furnish evidence satisfactory to Purchaser that all requisite authorizations and approvals by, and notices to and filings with, governmental authorities and regulatory bodies have been obtained and made and that all requisite taxes, levies and charges have been paid.

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(i) PARTIAL INVALIDITY. If at any time any provision of this Guaranty is or becomes illegal, invalid or unenforceable in any respect under the law or any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Guaranty nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

(j) JURY TRIAL. EACH OF GUARANTOR AND PURCHASER, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AS TO ANY ISSUE RELATING HERETO IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY.

(k) SUBMISSION TO JURISDICTION. Guarantor hereby irrevocably and unconditionally:

(i) Submits for itself and its property in any legal action or proceeding relating to this Guaranty, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive jurisdiction of the courts of the State of California and the courts of the United States of America for the Northern District of California, and consents and agrees to suit being brought in such courts as Purchaser may elect;

(ii) Waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such proceeding was brought in an inconvenient court and agrees not to plead or claim the same; and

(iii) Agrees that nothing herein shall affect Purchaser's right to effect service of process in any manner permitted by law, and that Purchaser shall have the right to bring any legal proceedings (including a proceeding for enforcement of a judgment entered by any of the aforementioned courts) against Guarantor in such courts or in any other court or jurisdiction in accordance with applicable law.

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed as of the day and year first above written.

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LAM RESEARCH CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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SCHEDULE 1

DEFINITIONS

"BUYER" shall have the meaning given to that term in SUBPARAGRAPH 2(A) hereof.

"CAPITAL" shall mean, at any date as of which the amount thereof shall be determined, the sum of (a) Total Debt and (b) Tangible Net Worth.

"CONTINGENT OBLIGATION" shall mean, as applied to any Person, direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend, letter of credit or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable. The amount of any Contingent Obligations shall be equal to the amount of the obligation so guaranteed or otherwise supported.

"CONTRACTUAL OBLIGATION" of any Person shall mean, any indenture, note, security, deed of trust, mortgage, security agreement, lease, guaranty, instrument, contract, agreement or other form of obligation or undertaking to which such Person is a party or by which such Person or any of its property is bound.

"CURRENT LIABILITIES" shall mean, at any date as of which the amount thereof shall be determined, the consolidated current liabilities of Guarantor and its subsidiaries determined in accordance with GAAP.

"GOVERNMENTAL AUTHORITY" shall mean any domestic or foreign national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, the Federal Deposit Insurance Corporation, the Federal Reserve Board, the Comptroller of the Currency, any central bank or any comparable authority.

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"GOVERNMENTAL RULE" shall mean any law, rule, regulation, ordinance, order, code interpretation, judgment, decree, directive, guidelines, policy or similar form of decision of any Governmental Authority.

"GUARANTEED OBLIGATIONS" shall have the meaning given to that term in SUBPARAGRAPH 2(A) hereof.

"GUARANTOR" shall have the meaning given to that term in the INTRODUCTORY PARAGRAPH hereof.

"GUARANTY" shall mean this Guaranty.

"LIEN" shall mean, with respect to any property, any security interest, mortgage, pledge, lien, claim, charge or other encumbrance in, of, or on such property or the income therefrom, including, without limitation, the interest of a vendor or lessor under a conditional sale agreement, capital lease or other title retention agreement, or any agreement to provide any of the foregoing, and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable law of any jurisdiction.

"MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of Guarantor or Seller; (b) the ability of Guarantor or Seller to pay or perform the Guaranteed Obligations in accordance with the terms of this Guaranty and the other Transaction Documents; or (c) the rights and remedies of Purchaser under this Guaranty, the other Transaction Documents, any Purchased Receivable or any related document, instrument or agreement.

"PERSON" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, an unincorporated association, a joint venture, a trust or other entity or a Governmental Authority.

"POTENTIAL TERMINATION EVENT" shall have the meaning given to that term in the Supplemental Purchase Agreement.

"SUPPLEMENTAL PURCHASE AGREEMENT" shall have the meaning given to that term in RECITAL A hereof.

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"PURCHASED RECEIVABLE" shall have the meaning given to that term in RECITAL A hereof.

"PURCHASER" shall have the meaning given to that term in the INTRODUCTORY PARAGRAPH hereof.

"QUICK ASSETS" shall mean, at any date as of which the amount thereof shall be determined, the consolidated cash, cash-equivalents, accounts receivable and investments (including marketable securities), with maturities not to exceed 360 days, of Guarantor and its subsidiaries determined in accordance with GAAP.

"RECEIVABLE" shall have the meaning given to that term in RECITAL A hereof.

"REQUIREMENT OF LAW" applicable to any Person shall mean (a) the Articles or Certificate of Incorporation and By-laws, Partnership Agreement or other organizational or governing documents of such Person, (b) any Governmental Rule applicable to such Person, (c) any license, permit, approval or other authorization granted by any Governmental Authority to or for the benefit of such Person and (d) any judgment, decision or determination of any Governmental Authority or arbitrator, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"SELLER" shall have the meaning given to that term in RECITAL A hereof.

"SUBORDINATED DEBT" shall mean any debt subordinated to the obligations of Guarantor hereunder on terms acceptable to Purchaser.

"SUBORDINATED OBLIGATIONS" shall have the meaning given to that term in PARAGRAPH 7 hereof.

"TANGIBLE NET WORTH" shall mean, at any date as of which the amount thereof shall be determined, the consolidated total assets of Guarantor and its subsidiaries MINUS, without duplication, (a) the sum of any amounts attributable to (i) goodwill, and (ii) tangible items such as unamortized debt discount and expense,

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patents, trade and service marks and names, copyrights, franchises, treasury stock, deferred charges and research and development expenses except prepaid expenses, AND (b) Total Liabilities.

"TANGIBLE NET WORTH REQUIREMENT" shall mean, at any date as of which the amount thereof shall be determined, the sum of (i) \$250,000,000, PLUS (ii) fifty percent (50%) of the sum of the consolidated net income of Guarantor and its subsidiaries for each quarter (excluding any quarter in which such net income was negative) which begins on or after July 1, 1994 and ends on or prior to such date of determination, PLUS (iii) one hundred percent (100%) of the net proceeds received by Guarantor and its subsidiaries from the sale of stock and other equity securities issued by Guarantor and its subsidiaries and from other equity contributions to Guarantor and its subsidiaries to the extent received on or after April 1, 1995 and on or prior to such date of determination.

"TERMINATION EVENT" shall have the meaning given to that term in the Supplemental Purchase Agreement.

"TOTAL DEBT" shall mean, at any date as of which the amount thereof shall be determined, the sum (without duplication) of (a) short-term bank debt, (b) current maturities of long-term debt and current portion of capitalized leases, (c) long-term debt, (d) capitalized leases and (e) all off-balance sheet obligations including Contingent Obligations and the face amount of all outstanding letters of credit (including drawn and unreimbursed amounts).

"TOTAL LIABILITIES" shall mean, at any date as of which the amount thereof shall be determined, all obligations that should, in accordance with GAAP be classified as liabilities on the consolidated balance sheet of Guarantor.

"TRANSACTION DOCUMENTS" shall have the meaning given to that term in SUBPARAGRAPH 2(A) hereof.



LAM RESEARCH CORPORATION  
STATEMENT OF COMPUTATION OF EARNINGS PER SHARE  
FOR THE YEARS ENDED JUNE 30, 1995, 1994 AND 1993  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PRIMARY	FULLY DILUTED
	-----	-----
Year-ended June 30, 1995		
Net Income.....	\$ 89,211	\$ 89,211
Add interest expense on convertible subordinated debentures, net of tax.....	--	3,455
	\$ 89,211	\$ 92,666
	-----	-----
Average shares outstanding.....	26,090	26,090
Net effect of dilutive stock options.....	1,210	1,570
Assumed conversion of subordinated debentures.....	--	2,640
	-----	-----
Common and common equivalent shares used in computing per share amounts.....	27,300	30,300
	-----	-----
Net income per share.....	\$ 3.27	\$ 3.06
	-----	-----
Year-ended June 30, 1994		
Net Income.....	\$ 37,756	\$ 37,756
Add interest expense on convertible subordinated debentures, net of tax.....	--	2,940
	\$ 37,756	\$ 40,696
	-----	-----
Average shares outstanding.....	23,389	23,389
Net effect of dilutive stock options.....	911	971
Assumed conversion of subordinated debentures.....	--	2,640
	-----	-----
Common and common equivalent shares used in computing per share amounts.....	24,300	27,000
	-----	-----
Net income per share.....	\$ 1.55	\$ 1.51
	-----	-----
Year-ended June 30, 1993		
Net Income.....	\$ 18,907	\$ 18,907
Add interest expense on convertible subordinated debentures, net of tax.....	--	441
	\$ 18,907	\$ 19,348
	-----	-----
Average shares outstanding.....	22,751	22,751
Net effect of dilutive stock options.....		
	-----	-----
1,249      1,429		
Assumed conversion of subordinated debentures.....	--	420
	-----	-----
Common and common equivalent shares used in computing per share amounts.....	24,000	24,600
	-----	-----
Net income per share.....	\$ 0.79	\$ 0.79
	-----	-----

## EXHIBIT 13

Selected Financial Data  
(In thousands, except per share data)

Year ended June 30,	1995	1994	1993	1992	1991
<b>Operations:</b>					
Total revenue	\$810,557	\$493,695	\$265,038	\$171,416	\$144,026
Gross profit	391,739	227,664	125,110	86,192	67,614
Operating income	118,392	60,206	28,153	15,267	9,434
Net income	89,211	37,756	18,907	9,947	6,063
<b>Net income per share</b>					
Primary	\$ 3.27	\$ 1.55	\$ 0.79	\$ 0.49	\$ 0.33
Fully diluted	\$ 3.06	\$ 1.51	\$ 0.79	\$ 0.49	\$ 0.33
<b>Balance sheet:</b>					
Working capital	\$337,386	\$171,918	\$154,723	\$ 81,521	\$ 51,830
Total assets	682,649	381,497	268,839	156,600	116,934
Long-term obligations, less current portion	95,928	78,843	79,066	13,698	21,938

Quarterly 1995	1ST	2ND	3RD	4TH
<b>Total revenue</b>				
	\$161,513	\$172,739	\$219,014	\$257,291
<b>Gross profit</b>				
	76,823	83,888	106,965	124,063
<b>Operating income</b>				
	22,380	26,939	35,458	33,615
<b>Net income</b>				
	15,053	18,931	24,793	30,434
<b>Net income per share</b>				
Primary	\$ 0.61	\$ 0.68	\$ 0.89	\$ 1.07
Fully diluted	\$ 0.58	\$ 0.64	\$ 0.83	\$ 1.00
<b>Price range per share</b>				
	\$25.75-42.50	\$ 35-46.75	\$35.25-51.50	\$42.50-68.50

Fourth quarter net income includes the effect of a \$10.4 million pre-tax gain on the sale of Brooks Automation, Inc. securities.

Quarterly 1994	1ST	2ND	3RD	4TH
<b>Total revenue</b>				
	\$100,889	\$115,740	\$127,701	\$149,365
<b>Gross profit</b>				
	47,152	53,961	58,313	
<b>Operating income</b>				
	13,294	13,344	15,028	18,540
<b>Net income</b>				
	8,038	8,526	9,556	11,636
<b>Net income per share</b>				
Primary	\$ 0.33	\$ 0.35	\$ 0.39	\$ 0.48
Fully diluted	\$ 0.33	\$ 0.34	\$ 0.38	\$ 0.46
<b>Price range per share</b>				
	\$24.17-36.75	\$24.50-34.25	\$27.75-39.50	\$22.75-34.75

**Stock and Dividend Information:**

The Company's Common Stock is traded in the over-the-counter market under the Nasdaq National Market symbol LRCX. The price range per share is the highest and lowest bid prices as reported by the National Association of Security Dealers, Inc.

As of June 30, 1995, the Company had 903 stockholders of record.

No cash dividends have been declared or are anticipated to be paid by the Company as all available funds are intended to be employed in the development of the business, and the Company's bank lines of credit restrict the payment of dividends.

Management's Discussion and Analysis of Financial Condition and  
Results of Operations

Results of Operations

The following table sets forth, for the fiscal years indicated, certain income and expense items as a percentage of total revenues:

Year ended June 30,	1995	1994	1993
Net sales	98.5%	98.2%	98.3%
Royalty income	1.5	1.8	1.7
<hr/>			
Total revenue	100.0	100.0	100.0
Cost of goods sold	51.7	53.8	52.8
Research and development	15.8	15.5	16.6
Selling, general and administrative	17.9	18.5	20.0
<hr/>			
Operating income	14.6	12.2	10.6
Other income/(expense)	1.1	(0.6)	( 0.4)
<hr/>			
Income before income taxes	15.7	11.6	10.2
Income tax expense	4.7	3.9	3.1
<hr/>			
Net income	11.0%	7.7%	7.1%

FISCAL 1995 VS. 1994

Lam's net sales for fiscal year 1995 increased to \$798.2 million, a 65% increase from the prior year, as the Company continued to participate strongly in the worldwide expansion of the semiconductor chip market. Approximately two-thirds of the increase was due to increased unit shipments of the Company's Rainbow and TCP product lines, with shipments of the more advanced TCP products rising at a slightly higher rate when compared to the prior year. Of the remaining increase, approximately half was due to the first volume shipments of the Company's Alliance cluster tool, with most of that product's revenue growth occurring in the last two quarters of the fiscal year. Increased spares and service revenue, resulting from the Company's growing installed base, accounted for most of the remainder of the sales increase, with spares and service revenue representing 20% of the Company's total revenue. Geographically, for the first time in its history, more than half of the Company's revenues came from foreign customers, with foreign sales representing 54.0% of total revenue, up from 48.4% in the prior year. During fiscal year 1995, the Company commenced direct sales of its TCP products to customers in Japan, which accounted for almost 41.5% of the TCP product lines' growth over the prior year. These sales are Japanese yen-denominated (the only significant sales which are not U.S. dollar-denominated) and the Company's practice is to enter into yen forward exchange contracts at or near the date purchase orders for TCP systems are received from Japanese customers in order to minimize the subsequent foreign exchange fluctuations. Korea continued to be the Company's largest single foreign market and accounted for 16.3% and 15.1% of net sales in fiscal 1995 and 1994, respectively, and sales to European customers increased by over 47% from the prior year.

Royalty income increased by 40.3% from fiscal year 1994 due to increased sales of systems incorporating Lam technology by Tokyo Electron Limited (TEL) and Sumitomo Metal Industries, Ltd. (Sumitomo). The Company believes that sales of systems incorporating the Company's technologies to Japanese customers and royalty income derived therefrom will continue to fluctuate on a quarterly and annual basis.

Gross margin for fiscal 1995 was 48.3% compared to 46.2% for the prior year. The improvement in gross margin was due in approximately equal measure to lower unit manufacturing costs and lower installation and warranty costs.

Most of the decrease in unit manufacturing costs was due to reduced average material costs as a result of higher volume purchasing (material costs represent a relatively high percentage of total costs). Reductions in installation and warranty costs were achieved as a result of active cost reduction programs, increased training of field service and customer personnel, as well as ongoing system design improvements.

Research and development (R&D) spending dollars increased by 67% in fiscal 1995 over fiscal 1994, and as a percentage of total revenues, increased slightly to 15.8%, up from 15.5% for the prior fiscal year. The Company operates in a constantly changing and highly competitive market, and therefore the Company believes it is critical to continue to make its investment in R&D programs in order to maintain its position as a technology leader. During fiscal year 1995, the Company opened a major new R&D facility at its Fremont, California campus and continued to add scientific and engineering personnel to staff its ongoing development

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projects, which included improvements to its existing etch products, continued development of its cluster tool and chemical vapor deposition (CVD) products, and new product development, including the flat panel display system.

Selling, general and administrative (S,G&A) expenses increased by 60% in fiscal 1995 over fiscal 1994, but continued to decrease as a percentage of total revenue to 17.9% from 18.5% for the prior fiscal year. The Company added significant facilities and information technology infrastructure in fiscal 1995 to accommodate the rapidly expanding growth in its sales, field service, customer support, and administration areas as a result of the increased sales volume. S,G&A headcount increased by 57% in fiscal 1995 over fiscal 1994. The Company now occupies twelve major buildings in Fremont, California and has expanded its foreign operations, which are primarily sales and service offices.

Interest expense increased by 30.6% over the prior fiscal year, due to additional yen-based borrowings by its Japanese subsidiary, additional interest expense related to an interest rate swap described in Note D to the consolidated financial statements, and the increased acquisition of equipment under capital leases. Interest income increased due to the investment of the proceeds of a public offering of the Company's common stock completed in the first quarter of fiscal 1995. Other income includes a \$10.4 million gain recorded in the fourth quarter of fiscal 1995 from the sale of stock held in Brooks Automation, Inc., a vendor of the Company.

The combined effective tax rate for fiscal 1995 of 30% decreased over the prior year's 34% due to an increase in benefits resulting from federal and state research and other tax credits. The Company expects its effective tax rate to rise slightly in fiscal 1996 as the tax credits become a smaller percentage of the Company's tax liability. The Company believes its future income will be sufficient to realize its net deferred tax assets.

#### FISCAL 1994 VS. 1993

Lam's net sales for fiscal year 1994 increased to \$484.9 million, an 86% increase from the prior year. The Company's increased net sales were driven by strong sales of the Company's Rainbow and TCP etch product lines, and, to a lesser extent, by the addition of etch product lines acquired from Drytek, Inc. in July 1993. Sales of the Company's etch systems, principally Rainbow and TCP products, contributed approximately 76% of the Company's revenue in fiscal 1994 compared with 78% in 1993. The increase in etch product sales in fiscal 1994 reflected strong growth across all three of Lam's major etch applications (polysilicon, oxide and metal), as well as the ongoing transition of semiconductor manufacturers to more advanced products and processes. As a result, sales of TCP products to support these manufacturers' requirements grew at a faster rate than Rainbow products. Average machine selling prices increased 18% over the prior year, as TCP systems have significantly higher average selling prices than Rainbow systems, and unit machine sales increased by 59% over the prior year. Spares and service revenue increased 74% as a result of the Company's expanding installed machine base and represented approximately 19% of the Company's net sales. Geographically, foreign sales represented 49% of net sales in fiscal 1994

compared to 47% in fiscal 1993, based on strong net sales growth in the Asia Pacific region and Europe. Major multi-unit shipments to Korean customers accounted for the largest portion of the increase. Substantially all of the Company's export sales in fiscal 1994 were denominated in the U.S. dollar. Royalty income increased by 92% from fiscal 1993 due to increased sales of systems incorporating its technology by TEL and Sumitomo.

Gross margin for fiscal 1994 was 46.2% compared to 47.2% for the prior fiscal year. The decline in margin reflected higher provision for installation and warranty expenses due in part to the strong sales of the Company's new TCP machines in fiscal 1994, as well as increased provisions for excess and obsolete inventories, particularly spare parts inventories related to the Company's expansion of its operations worldwide. To a lesser extent, the lower gross margin in fiscal 1994 reflects discounts on certain multi-unit orders from Korean customers, and increased sales of Rainbow modules at low margins to Sumitomo in Japan. These factors were offset in part by increased margins for Lam's mature Rainbow machines due to higher average selling prices and by an increase in spare parts and service margins.

R&D spending, net of third party funding, increased by 74% in fiscal 1994 over fiscal 1993, although as a percentage of total revenues, it decreased to 15.5%, slightly less

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than fiscal year 1993. The increased spending was due to enhancements of existing etch and deposition products.

S,G&A expenses increased by 72% in fiscal 1994 over fiscal 1993, but decreased as a percentage of total revenue to 18.5% from 20.0%. The Company added employees in all S,G&A areas to accommodate the increased sales volume, in particular in field service and customer support, both in the United States and in its foreign sales and service subsidiaries. Fiscal year 1994 marked the first full year of operation for the Company's development center in Japan. The Company also established a new customer and employee training facility at its Fremont headquarters, and facility-related expenses in general have risen due to increasing employee headcount.

The increase in other expense from fiscal 1993 to fiscal 1994 was due primarily to higher interest expense resulting from the Company's May 1993 \$66 million convertible subordinated debenture offering. The effective tax rate for fiscal 1994 of 34% increased over the prior year's 30% due primarily to a decrease in estimated business tax credits available for use in fiscal 1994 and the 1% income tax rate increase as a result of passage of the Revenue Reconciliation Act of 1993.

#### LIQUIDITY AND CAPITAL RESOURCES

Operating activities provided approximately \$19.1 million in cash flows for fiscal 1995. Approximately \$112.7 million of net cash was generated from net income plus non-cash depreciation and amortization, which was partially offset by increases in accounts receivable and inventories less increases in trade accounts payable and accrued expenses, all such increases being due to the Company's increased sales volume. During fiscal year 1995, the Company entered into two agreements with banks which allow the Company to sell up to \$70.0 million of yen-denominated accounts receivable to the banks. At June 30, 1995, \$37.6 million of receivables had been sold to the banks, with \$30.1 million still uncollected by the banks and subject to recourse provisions.

Net cash used in investing activities for fiscal 1995 was \$124.7 million, primarily for capital expenditures including acquisition of equipment used in manufacturing and research and development and construction of demonstration labs and leasehold improvements. In July 1995, the Company completed construction of a new manufacturing facility in Korea which is expected to supply a portion of the systems requirements of the Company's customers there by the end of fiscal 1996. Other uses of cash in investing activities included purchases of short-term investments totaling \$58.2 million (net of sales). The short-term investments consisted primarily of money market preferred issues and floating rate municipal bonds which had terms of less than 90 days.

In addition to internally generated sources of cash flows, the Company

completed a public offering of its Common Stock during the first quarter of fiscal 1995, raising \$115.0 million from the sale of 3,100,000 shares. Additionally, the Company made primarily Japanese yen-denominated borrowings totaling approximately \$9.5 million during fiscal 1995.

As of June 30, 1995, the Company had \$101.0 million in cash, cash equivalents and short-term investments compared with \$38.3 million at June 30, 1994. The Company also had \$50.0 million available under four bank lines of credit which expire between September 1995 and June 1996; the Company expects to negotiate extensions on all of the lines of credit upon substantially similar terms. Borrowings under the lines are unsecured. There were no outstanding borrowings on the lines at June 30, 1995.

During fiscal 1994, the Company entered into a lease for a new research and development facility at its Fremont headquarters. Under the terms of a pledge agreement related to this lease, the Company is required to provide collateral (restricted investments) equal to 110% of the construction costs. The restricted investments were \$25.0 million at June 30, 1995. The Company is currently renegotiating the pledge agreement to reduce the amount of restricted investments.

The Company's commitments consist primarily of debt obligations and operating and capital lease commitments for its facilities and equipment. Based upon current forecasts, the Company's cash, cash equivalents, short-term investments and available lines of credit at June 30, 1995 should be sufficient to support anticipated levels of operations and capital expenditures through June 30, 1996.

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Consolidated Balance Sheets  
(in thousands, except per share data)

June 30,	1995	1994
<b>Assets</b>		
Cash and cash equivalents	\$ 43,675	\$ 24,092
Short-term investments	57,334	14,194
Accounts receivable less allowance for doubtful accounts of \$1,189 in 1995 and \$1,156 in 1994	195,682	120,326
Inventories	171,401	115,569
Prepaid expenses and other assets	25,263	6,023
Deferred income taxes	32,778	17,537
<hr/>		
Total current assets	526,133	297,741
Equipment and leasehold improvements, net	117,571	61,749
Restricted investments	25,024	9,928
Other assets	13,921	12,079
<hr/>		
	\$682,649	\$381,497
<hr/>		
<b>Liabilities and Stockholders' Equity</b>		
Trade accounts payable	\$ 82,542	\$ 66,127
Accrued expenses and other liabilities	98,633	52,866
Current portion of long-term debt and capital lease obligations	7,572	6,830
<hr/>		
Total current liabilities	188,747	125,823
Long-term debt and capital lease obligations, less current portion	95,928	78,843
Deferred income taxes	2,712	--
Commitments and contingencies		
Preferred Stock; 5,000 shares authorized, none outstanding	--	--
Common stock at par value of \$.001 per share Authorized--90,000 shares; issued and outstanding--27,275 shares at June 30, 1995 and 23,528 shares at June 30, 1994	27	24
Additional paid-in capital	224,730	95,513
Retained earnings	170,505	81,294

Total stockholders' equity	395,262	176,831
	\$682,649	\$381,497

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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Consolidated Statements of Income  
(in thousands, except per share data)

Year ended June 30,	1995	1994	1993
Net sales	\$798,209	\$484,892	\$260,454
Royalty income	12,348	8,803	4,584
Total revenue	810,557	493,695	265,038
Costs and expenses:			
Cost of goods sold	418,818	266,031	139,928
Research and development	127,840	76,328	43,888
Selling, general and administrative	145,507	91,130	53,069
	692,165	433,489	236,885
Operating income	118,392	60,206	28,153
Other income (expense):			
Interest income	5,138	1,743	818
Interest expense	(6,732)	(5,155)	(2,112)
Other	10,646	363	151
	9,052	(3,049)	(1,143)
Income before income taxes	127,444	57,157	27,010
Income tax expense	38,233	19,401	8,103
Net income	\$ 89,211	\$ 37,756	\$ 18,907
Net income per share			
Primary	\$ 3.27	\$ 1.55	\$ 0.79
Fully diluted	\$ 3.06	\$ 1.51	\$ 0.79
Number of shares used in per share calculations			
Primary	27,300	24,300	24,000
Fully diluted	30,300	27,000	24,600

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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Consolidated Statements of Cash Flows  
(in thousands)

Year ended June 30,	1995	1994	1993
Cash flows from operating activities:			
Net income	\$ 89,211	\$ 37,756	\$ 18,907
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	23,532	18,438	12,690
Deferred income taxes	(12,529)	(13,310)	(2,808)
Changes in certain working capital accounts:			
Accounts receivable	(75,356)	(50,382)	(24,727)
Inventories	(55,832)	(51,280)	(36,513)
Prepaid expenses and other assets	(19,240)	(2,635)	(761)
Trade accounts payable	16,415	35,289	13,624
Accrued expenses and other liabilities	52,895	32,378	10,066
Total adjustments	(70,115)	(31,502)	(28,429)
Net cash provided by (used in) operating activities	19,096	6,254	(9,522)
Cash flows from investing activities:			
Capital expenditures	(63,405)	(18,975)	(14,218)
Purchase of short-term investments	(348,204)	(14,194)	--
Sale of short-term investments	289,968	--	--
Purchase of restricted investments	--	(9,928)	--
Acquisition of Drytek, Inc., net of cash acquired	--	(5,785)	--
Other	(3,026)	(2,102)	(2,731)
Net cash used in investing activities	(124,667)	(50,984)	(16,949)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	9,468	5,724	71,738
Principal payments on long-term debt and capital lease obligations	(6,406)	(6,843)	(6,260)
Proceeds from issuance of common stock	122,092	2,688	2,414
Net cash provided by financing activities	125,154	1,569	67,892
Net increase (decrease) in cash and cash equivalents	19,583	(43,161)	41,421
Cash and cash equivalents at beginning of year	24,092	67,253	25,832
Cash and cash equivalents at end of year	\$ 43,675	\$ 24,092	\$ 67,253
Cash payments for interest	\$ 6,614	\$ 4,575	\$ 1,582
Cash payments for income taxes	\$ 31,319	\$ 20,289	\$ 6,065

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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Consolidated Statements of Stockholders' Equity  
(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total
Balance at June 30, 1992	22,290	\$22	\$ 81,939	\$ 24,631	\$106,592
Sale of Common Stock, net of repurchases	774	1	2,413	--	2,414
Income tax benefit from stock option transactions	--	--	1,735	--	1,735
Common Stock issued to acquire Monkowski-Rhine, Inc.	78	--	622	--	622
Net income	--	--	--	18,907	18,907
Balance at June 30, 1993	23,142	23	86,709	43,538	130,270
Sale of Common Stock, net of repurchases	350	1	2,687	--	2,688

Income tax benefit from stock option transactions	--	--	4,939	--	4,939
Common Stock issued to acquire Monkowski-Rhine, Inc.	36	--	1,178	--	1,178
Net income	--	--	--	37,756	37,756
-----					
Balance at June 30, 1994	23,528	24	95,513	81,294	176,831
Sale of Common Stock, net of repurchases	3,747	3	122,089	--	122,092
Income tax benefit from stock option transactions	--	--	7,128	--	7,128
Net income	--	--	--	89,211	89,211
-----					
Balance at June 30, 1995	27,275	\$27	\$224,730	\$170,505	\$395,262
-----					

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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Notes to Consolidated Financial Statements  
June 30, 1995

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A Summary of Significant Accounting Policies

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

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

INVESTMENTS

Effective July 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115), which requires investments in debt and marketable equity securities to be classified as either held-to-maturity, trading or available-for-sale. The Company reviewed its portfolio and determined that its investments are to be classified as either available-for-sale or held-to-maturity. Under FAS 115, securities classified as available-for-sale are stated at fair value and any difference between an investment's cost and its fair value is recorded in stockholders' equity. Debt securities classified as held-to-maturity are stated at amortized cost.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company adjusts the carrying value of excess or obsolete inventory as appropriate.

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements are stated at cost. Equipment is depreciated by the straight-line method over the estimated useful lives of the assets, generally three to five years. Leasehold improvements are amortized by the straight-line method over the shorter of the life of the related asset or the term of the lease. Amortization of equipment under capital leases is included with depreciation.

REVENUE RECOGNITION

Sales of the Company's products are generally recorded upon shipment. Estimated costs to be incurred by the Company related to product installation and warranty fulfillment are accrued at the date of shipment.

FOREIGN CURRENCY

The Company has foreign sales and service operations. With respect to all foreign subsidiaries excluding Japan, the functional currency is the U.S.

dollar and transaction and translation gains and losses are included in net income and have not been material in any year presented. Due to the changing nature of the operation of the Company's Japanese subsidiary, effective January 1, 1994, the Company determined that the functional currency of this subsidiary is the Japanese yen. Accordingly, translation gains and losses related to the Japan subsidiary are included as a component of stockholders' equity subsequent to January 1994, but have not been material through June 30, 1995.

INCOME PER SHARE

Income per share computations are based upon the weighted average number of shares of Common Stock and common stock equivalents outstanding during the year. The common stock equivalents include shares issuable upon the assumed exercise of the stock options reflected under the treasury stock method. The convertible subordinated debentures are not common stock equivalents and, accordingly, are excluded from the calculation of primary income per share. Fully diluted income per share includes the effect of the convertible subordinated debentures and net income is adjusted to reflect the exclusion of net interest expense and net amortization expense of debt issuance costs related to the debentures assuming their conversion at the beginning of the period.

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INCOME TAXES

In February 1992, the Financial Accounting Standards Board issued FAS No. 109, "Accounting for Income Taxes." The Company adopted the provisions of the standard as of July 1, 1993, the beginning of fiscal year 1994. Adoption of FAS 109 had no current or cumulative impact on the Company's income at the date of adoption. As permitted by FAS 109, the Company has elected not to restate the financial statements for the years prior to adoption.

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 B Company and Industry Information

Lam Research Corporation is a leading supplier of technically complex thin film processing equipment used in primary stages of semiconductor manufacturing. The Company's product offerings include single wafer plasma etch systems with a wide range of applications and chemical vapor deposition (CVD) systems. The Company sells its products primarily to large companies involved in the production of semiconductors in the United States, Europe, Japan and Asia Pacific. Credit evaluations are performed on all customers and the Company usually does not require collateral on sales.

During fiscal 1995, the Company entered into two agreements totaling approximately \$70,000,000 to sell specific Japanese yen-denominated receivables subject to recourse provisions. At June 30, 1995, \$37,612,000 of receivables had been sold to the bank, of which \$30,107,000 remained uncollected by the bank at June 30, 1995.

One customer accounted for 11%, 14% and 15% of sales for fiscal 1995, 1994 and 1993, respectively. Another customer accounted for 10% of sales for fiscal 1994.

The Company operates in four geographic regions, the United States, Europe, Japan and Asia Pacific. The following is a summary of local operations by geographic region at June 30:

(in thousands)	1995	1994	1993
Revenues:			
United States	\$820,418	\$491,909	\$262,268
Europe	38,604	23,776	10,913
Japan	52,923	5,705	946

Asia Pacific	38,162	13,522	4,376
Elimination	(139,550)	(41,217)	(13,465)
-----			
Total	\$810,557	\$493,695	\$265,038
-----			
Operating income (loss):			
United States	\$111,284	\$ 57,694	\$ 27,959
Europe	9,874	7,902	1,902
Japan	520	793	44
Asia Pacific	13,199	2,885	(1,679)
Elimination	(16,485)	(9,068)	(73)
-----			
Total	\$118,392	\$ 60,206	\$ 28,153
-----			
Identifiable assets:			
United States	\$772,696	\$411,838	\$271,745
Europe	28,936	26,067	6,220
Japan	64,135	10,993	5,149
Asia Pacific	32,832	15,346	5,660
Elimination	(215,950)	(82,747)	(19,935)
-----			
Total	\$682,649	\$381,497	\$268,839
-----			

Sales between geographic areas are accounted for at prices which the Company believes are arm's length prices, which in general are in accordance with the rules and regulations of the respective governing authorities. Total export revenues consisting of sales from the Company's U.S. operating subsidiary to nonaffiliated customers by geographic region for years ended June 30 are as follows:

(in thousands)	1995	1994	1993
Asia Pacific	\$173,549	\$102,763	\$ 56,591
Europe	105,349	73,563	39,417
Japan	29,477	19,612	9,388
-----			
	\$308,375	\$195,938	\$105,396
-----			

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#### C Financial Instruments

During fiscal 1995, the Company adopted FAS 115 "Accounting for Certain Investments in Debt and Equity Securities."

Due to insignificant differences at the date of adoption of FAS 115 between cost and fair value of the Company's investments in debt and equity securities, the adoption of FAS 115 had no effect on the Company's financial statements. In accordance with FAS 115, prior period financial statements have not been restated.

Investments at June 30, 1995 are comprised of the following:

	Gross Unrealized	Gross Unrealized	Estimated Fair
--	---------------------	---------------------	-------------------

(in thousands)	Cost	Gains	Losses	Value
-----				
Available-for-Sale:				
Commercial Paper	\$12,983	\$ --	\$ --	\$12,983
Institutional				
Money Markets	15,050	--	--	15,050
US Treasury Notes	1,973	--	--	1,973
-----				
Amounts included				
in cash and				
cash equivalents	30,006	--	--	30,006
-----				
Floating Rate				
Municipal Bonds	50,334	--	--	50,334
-----				
Money Market				
Preferred Issues	7,000	--	--	7,000
-----				
Amounts included				
in short-term				
investments	57,334	--	--	57,334
-----				
Total				
Available-for-sale	\$87,340	\$ --	\$ --	\$87,340
-----				
Held-to-Maturity:				
US Treasury Notes	\$25,024	\$ --	\$ (509)	\$24,515
-----				
Amounts included				
in restricted cash	\$25,024	\$ --	\$ (509)	\$24,515
-----				

The amortized cost and estimated fair value of investments in debt securities at June 30, 1995, by contractual maturities are as follows:

(in thousands)	Cost	Estimated Fair Value
-----		
Due in less than one year	\$ 87,340	\$ 87,340
Due after one year through five years	25,024	24,515
-----		
Total investments in debt securities	\$112,364	\$111,855
-----		

During fiscal 1995, the Company transferred \$15,096,000 of short-term investments to restricted investments to comply with the collateral requirements under a facility lease agreement.

The carrying and fair values of the Company's other financial instruments at June 30 are as follows:

(in thousands)	1995		1994	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
-----				
Cash & cash equivalents	\$43,675	\$ 43,675	\$24,092	\$24,092

Convertible subordinated debentures	\$66,000	\$169,868	\$66,000	\$83,160
Other long-term debt	\$37,500	\$ 37,200	\$19,673	\$19,963

The fair values of the Company's short-term investments, restricted investments, and convertible subordinated debentures are based on quoted market prices at June 30, 1995 and 1994. The fair value of the Company's other long-term debt is estimated based on the current rates offered to the Company for similar debt instruments of the same remaining maturities.

During the fourth quarter of fiscal 1995, the Company sold all of its shareholdings of Brooks Automation, Inc., (Brooks) for a pre-tax gain of \$10,399,000, which is included as other income. At June 30, 1995, the receivable related to the sale of these securities is included in other current assets. The shares the Company sold were included as part of a Brooks secondary public offering of common stock on June 27, 1995. Roger Emerick, the Company's Chief Executive Officer, serves on the board of directors of Brooks.

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D Derivative Financial Instruments

During fiscal 1995, the Company adopted Statement of Financial Accounting Standards No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments" (FAS 119).

The Company enters into forward foreign currency exchange contracts to hedge the value of Japanese yen-denominated sales transactions against fluctuations in exchange rates. The purpose of entering into these forward yen contracts is to attempt to minimize the impact of exchange rate fluctuations on the value of the yen-denominated assets and liabilities. Substantially all forward contracts entered into by the Company have maturities of 360 days or less. The realized and unrealized gains and losses on these contracts are deferred and are offset against realized and unrealized gains and losses from the settlement of the related yen receivables. At June 30, 1995, the Company had forward contracts to sell \$30,701,000 in Japanese yen. The unrealized gain on these contracts at June 30, 1995 was \$464,000. The realized losses on forward yen contracts during fiscal 1995 were offset by underlying gains on the receivables. At June 30, 1994, the outstanding face amounts of currency forward contracts was approximately \$8,000,000, all of which hedge Japanese yen purchase commitments from Japanese customers.

In May 1993, the Company entered into a three year interest-rate swap agreement with a third party which is scheduled to mature in May 1996. Under the agreement the third party is assuming 4.5% of the 6% fixed interest rate payments related to the Company's \$66,000,000 convertible subordinated debentures while the Company is assuming variable interest rate (equal to the six-month London Interbank Offered Rate (LIBOR), 6.375% at June 30, 1995) payments of the third party on a like principal amount. The net amount of interest payments assumed by the third party and interest payments made by the Company is included in interest expense. The fair value of the liability related to the Company's interest rate swap was \$1,216,000 at June 30, 1995.

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E Inventories

Inventories consist of the following at June 30:

(in thousands)	1995	1994
----------------	------	------

Raw materials	\$ 80,910	\$ 52,018
Work-in-process	73,183	50,189
Finished goods	17,308	13,362
-	-----	-----
	\$171,401	\$115,569
-	-----	-----
-	-----	-----

-----  
F Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following at June 30:

(in thousands)	1995	1994
-	-----	-----
Equipment	\$ 80,910	\$ 65,653
Furniture and fixtures	25,372	14,815
Leasehold improvements	64,707	32,237
-	-----	-----
	170,989	112,705
Less allowance for depreciation and amortization	(53,418)	(50,956)
-	-----	-----
	\$117,571	\$ 61,749
-	-----	-----
-	-----	-----

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G Other Assets

Patents and other intangibles are amortized on a straight-line basis over their estimated useful lives. Debt issuance costs related to the convertible subordinated debentures issued by the Company in May 1993 are being amortized ratably over ten years. Accumulated amortization of patents, other intangibles, and debt issuance costs was \$522,000 and \$3,951,000 at June 30, 1995 and 1994, respectively. In the fourth quarter of fiscal 1995, the Company determined the future usefulness of certain capitalized patents and other intangibles was in significant doubt and that the carrying value of these assets would not be realized through future cash flows. Accordingly, the Company wrote off the net book value (\$1,960,000) of these assets.

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H Accrued Expenses and Other Liabilities

The significant components of accrued expenses and other liabilities consist of the following at June 30:

(in thousands)	1995	1994
-	-----	-----
Warranty, installation, and product improvement reserves	\$40,986	\$21,609
Accrued compensation	22,260	12,471
Income and other taxes payable	22,546	11,641
Other	12,841	7,145
-	-----	-----
	\$98,633	\$52,866
-	-----	-----
-	-----	-----

I Lines of Credit, Long-Term Debt and  
Capital Lease Obligations

Long-term debt and capital lease obligations at June 30 consist of the following:

(in thousands)	1995	1994
6% convertible subordinated debentures due 2003, convertible into 2,640,000 shares of Common Stock at \$25 per share at any time prior to maturity	\$ 66,000	\$66,000
Japanese yen-denominated bank loans with fixed interest rates from 3.5% to 4.9%; principal payable in quarterly installments from July 1995 to April 2003	16,572	7,919
Notes payable to leasing companies with interest rates from 4.9% to 11.2%, payable in monthly installments through July 1996	2,391	4,826
Long-term obligation for technology rights	2,250	4,250
Capitalized lease obligations with varying interest rates from 6.3% to 10.5%	15,508	2,517
Other	779	161
	103,500	85,673
Less current portion	(7,572)	(6,830)
	\$ 95,928	\$78,843

The Company has lines of credit available with four banks totalling \$50,000,000 on which borrowings bear interest at the bank's prime rate or 1% over either the three month LIBOR rate or Eurodollar rate. No borrowings were outstanding at June 30, 1995 or June 30, 1994. The Company's lines of credit restrict the Company from paying dividends. These lines expire between September 1995 and June 1996, and the Company expects to renegotiate extensions on all of them with similar terms.

The notes payable to leasing companies are collateralized by equipment additions with a cost equal to the original principal amount of the notes.

At June 30, 1995, future maturities of long-term debt and minimum payments for capital lease obligations are as follows:

Year ending June 30 (in thousands)	Long term Debt	Capital Lease Obligations	Total
1996	\$ 4,782	\$ 5,726	\$ 10,508
1997	5,194	5,194	10,388

1998	3,815	4,283	8,098
1999	2,881	2,104	4,985
2000	1,968	479	2,447
Thereafter	69,352	--	69,352
Less amounts representing interest	--	(2,278)	(2,278)
-----			
	\$87,992	\$15,508	\$103,500
-----			
-----			

Long-term debt and capital lease obligations are collateralized by equipment included in equipment and leasehold improvements with a cost and accumulated depreciation and amortization of \$27,009,000 and \$(16,136,000), respectively, at June 30, 1995, and \$18,296,000 and \$(11,613,000), respectively, at June 30, 1994.

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J Incentive Stock Option Plans and  
Stock Purchase Plan

The Company has adopted incentive stock option plans that provide for the granting to qualified employees of incentive stock options to purchase shares of Common Stock.

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In addition, the plans permit the granting of nonstatutory stock options to paid consultants and employees and provide for the automatic grant of nonstatutory stock options to outside directors. The option price is determined by the Board of Directors, but in no event will it be less than the fair market value on the date of grant (no less than 85% of the fair market value at the date of grant in case of nonstatutory options). Options granted under the plans vest over a period determined by the Board of Directors. Under the automatic grant program, each outside director receives an option exercisable for 6,000 shares of Common Stock during January of each year with the exercise price equal to the fair market value on date of grant.

A summary of incentive stock option plan transactions follows:

	Authorized	Outstanding	Option Price
-----			
June 30, 1992	710,467	1,706,602	\$ 0.34-9.21
Granted	(524,400)	524,400	8.17-20.21
Exercised	--	(674,243)	0.34-9.21
Cancelled	46,247	(46,247)	2.04-5.83
Expired	(6,195)	--	--
-----			
June 30, 1993	226,119	1,510,512	0.34-20.21
Additional amount authorized	900,000	--	--
Granted	(743,225)	743,225	26.29-35.88
Exercised	--	(281,528)	0.34-20.00
Cancelled	100,589	(100,589)	0.34-35.88
Expired	(9,767)	--	--
-----			
June 30, 1994	473,716	1,871,620	2.04-35.88
Additional amount authorized	1,075,000	--	--
Granted	(820,600)	820,600	28.00-63.88
Exercised	--	(563,965)	2.04-35.88
Cancelled	49,654	(49,654)	1.70-50.63
Expired	(5,481)	--	--
-----			
June 30, 1995	772,289	2,078,601	\$2.04-63.88
-----			
-----			

At June 30, 1995, 2,850,890 shares of Common Stock were reserved for future issuance under the stock option plans and options to purchase 698,864 shares were exercisable at a range of \$2.04-\$36.63.

Common Stock is sold to employees under the 1984 Employee Stock Purchase Plan. The purchase price per share is the lower of 85% of the fair market value of the Common Stock on the first or last day of a six-month offering period. A total of 808,932 shares of the Company's Common Stock was issued under the plan through June 30, 1995 at prices ranging from \$2.65 to \$32.67 per share. At June 30, 1995, 378,568 shares remain available for sale under this plan.

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K Profit Sharing Plan and Benefit Plan

During fiscal 1995, the Company revised the profit sharing plan for its domestic employees. Distributions to employees by the Company are made quarterly based upon a percentage of base salary provided that a threshold level of the Company's financial performance is met. Upon achievement of the threshold, the profit sharing is awarded based upon performance against certain corporate financial and operating goals. Prior to fiscal 1995, distributions to the domestic employees under the profit sharing plan were made semi-annually based on 5% of pretax income provided certain minimum net income goals were met. Profit sharing plan expense for fiscal 1995, 1994 and 1993 was \$9,506,000, \$3,008,000, and \$1,422,000 respectively.

The Company maintains a 401(k) retirement savings plan for its full-time domestic employees. Each participant in the plan may elect to contribute 2% to 20% of his or her annual salary to the plan, subject to statutory limitations. Beginning January 1, 1994, the Company began to match employee contributions to the plan at the rate of 50% of the first 6% of salary contributed. The Company match expense for fiscal 1995 and 1994 was \$2,342,000 and \$770,000, respectively.

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L Commitments

The Company leases its administrative, research and development, and manufacturing facilities, regional sales/service offices and certain equipment under noncancelable operating leases, which expire at various dates through 2005. All of the Company's facility leases for buildings located at its Fremont, California headquarters and certain other operating leases provide the Company an option to extend the lease for additional periods. Certain of the Company's other facility leases provide for periodic rent increases based on the general rate of inflation.

Future minimum lease payments for the years ended June 30 and in the aggregate under operating leases consist of the following:

-----  
(in thousands)  
-----

1996	\$ 18,720
1997	15,398
1998	12,746
1999	8,819
2000	8,230
Thereafter	40,125
	-----
	\$104,038
	-----
	-----

During fiscal 1994, the Company entered into a lease for a new research and development facility at its Fremont headquarters. Under the terms of a

pledge agreement related to this lease, the Company is required to provide collateral (restricted investments) for 110% of the construction costs. The restricted investments were \$25,024,000 at June 30, 1995.

Total rental expense for all leases amounted to approximately \$9,528,000, \$6,173,000, and \$5,370,000 for the years ended June 30, 1995, 1994 and 1993, respectively.

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M Licensing/Royalty Agreements

The Company has an agreement with Sumitomo Metal Industries, Ltd. (Sumitomo) giving the Company the right to distribute Sumitomo's ECR CVD systems in the United States and Europe while giving Sumitomo the right to distribute Lam's Rainbow etch systems in Japan. The Company's sales of Rainbow (for the entire fiscal year 1995) and TCP (through October 1994) etch systems to Sumitomo were approximately \$18,800,000, \$23,300,000, and \$9,800,000, for fiscal 1995, 1994, and 1993, respectively. Royalty income earned from Sumitomo for fiscal 1995, 1994 and 1993 amounted to approximately \$1,700,000, \$1,800,000, and \$1,300,000.

The Company also receives royalty income from Tokyo Electron, Limited (TEL) under a licensing agreement signed in fiscal 1987 and extended in fiscal 1992. For the years ended June 30, 1995, 1994 and 1993, the Company earned approximately \$10,500,000, \$7,000,000, and \$3,300,000, of royalty income, respectively from TEL.

During fiscal 1995, the Company earned \$100,000 of royalty income from other sources.

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N Income Taxes

Income tax expense consists of the following:

(in thousands)	1995	1994	1993
Federal:			
Current	\$36,093	\$23,544	\$7,025
Deferred	(10,247)	(13,310)	(2,808)
	25,846	10,234	4,217
State:			
Current	6,131	3,572	1,728
Deferred	(2,282)	--	--
	3,849	3,572	1,728
Foreign:			
Current	8,538	5,595	2,158
	\$38,233	\$19,401	\$8,103

Actual current tax liabilities are lower than reflected above for fiscal years 1995, 1994 and 1993 by \$7,128,000, \$4,939,000 and \$1,735,000 respectively, for the stock

Lam Research Corporation / 30

option deduction benefits recorded as a credit to stockholders' equity.

Under FAS No. 109, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets as of June 30, are as follows:

(in thousands)	1995	1994
Deferred tax assets:		
Inventory valuation differences	\$15,969	\$ 8,330
Accounting reserves and accruals deductible in different periods	16,809	8,901
Other	--	306
Total deferred tax assets	32,778	17,537
Deferred tax liabilities:		
Other	(2,712)	--
Total deferred tax liabilities	(2,712)	--
Net deferred tax assets	\$30,066	\$17,537

The Company believes its future income will be sufficient to realize its net deferred tax assets.

A reconciliation of income tax expense provided at the federal statutory rate (35% in 1995 and 1994, and 34% in 1993) to income tax expense follows:

(in thousands)	1995	1994	1993
Income tax expense			
computed at federal statutory rate	\$44,605	\$20,005	\$9,183
Tax credits used	(2,800)	(701)	(1,575)
State income taxes, net of federal tax benefits	2,502	2,322	1,140
Foreign sales corporation tax benefits	(5,250)	(2,038)	(1,099)
Other	(824)	(187)	454
	\$38,233	\$19,401	\$8,103

Income from foreign operations for fiscal years 1995, 1994 and 1993 was \$17,830,000, \$12,859,000, and \$3,235,000, respectively.

#### O Acquisition of Drytek, Inc.

On July 1, 1993, the Company purchased the assets and assumed the liabilities of Drytek, Inc. (a Massachusetts corporation and wholly-owned subsidiary of General Signal Corporation (GSC), a New York corporation). The purchase price was approximately \$5,800,000 in cash. The assets acquired consisted primarily of accounts receivable, inventory and fixed assets, while the liabilities assumed consisted primarily of trade accounts payable and other specified general liabilities. Drytek, Inc. was a manufacturer of semiconductor etch equipment since its founding in 1980.

#### P Litigation

In October 1993, Varian Associates, Inc. (Varian) brought suit against the Company in the United States District Court, Northern District of California, seeking monetary damages and injunctive relief based on the Company's alleged infringement of certain patents held by Varian. The lawsuit is in the late

stages of discovery. The Company has asserted defenses of invalidity and unenforceability of the patents that are the subject of the lawsuit, as well as noninfringement of such patents by the Company's products. While litigation is subject to inherent uncertainties and no assurance can be given that the Company will prevail in such litigation or will obtain a license under such patents on commercially reasonable terms or at all if such patents are held valid and infringed by the Company's products, the Company believes that the Varian lawsuit will not have a material adverse effect on the Company's consolidated financial statements.

In addition, the Company is from time to time notified by various parties that it may be in violation of certain patents. In such cases, it is the Company's intention to seek negotiated licenses where it is considered appropriate. The outcome of these matters will not, in management's opinion, have a material impact on the Company's consolidated financial position, operating results or cash flows.

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Report of Ernst & Young LLP, Independent Auditors

Board of Directors  
Lam Research Corporation  
Fremont, California

We have audited the accompanying consolidated balance sheets of Lam Research Corporation as of June 30, 1995 and 1994, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lam Research Corporation at June 30, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 1995, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

August 3, 1995  
San Jose, California

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Corporate Directory

Board of Directors

Roger D. Emerick  
Chairman of the Board and  
Chief Executive Officer  
Lam Research Corporation

Osamu Kano\*  
Chairman of Lam Research Co., Ltd.

and President of Innoquest Corporation

David G. Arscott\*\*  
General Partner  
Compass Technology Partners

Jack R. Harris\*\*  
President  
Optical Specialties Inc.

Grant M. Inman\*\*  
General Partner  
Inman & Bowman

Officers

Roger D. Emerick  
Chairman of the Board  
Chief Executive Officer

Henk J. Evenhuis  
Senior Vice President, Finance,  
Chief Financial Officer

Alexander M. Voshchenkov  
Vice President and  
Chief Technical Officer

Raymond L. Degner  
Senior Vice President

Robert C. Fink  
Executive Vice President

G. Dennis Key  
Vice President

Richard H. Lovgren  
Vice President, General Counsel  
and Secretary

Larry N. Stewart  
Vice President

Hsui-Sheng (Way) Tu  
Vice President

Thomas O. Yep  
Vice President

Corporate Headquarters

Lam Research Corporation  
4650 Cushing Parkway  
Fremont, California 94538  
Telephone: (510) 659-0200  
Fax: (510) 572-6454

Worldwide Sales and Support Offices

DOMESTIC

Tempe, Arizona  
Costa Mesa, California  
Fremont, California  
San Jose, California  
Colorado Springs, Colorado  
Bradford, Connecticut  
Danbury, Connecticut  
Boise, Idaho  
Franklin, Massachusetts  
Wilmington, Massachusetts  
Albuquerque, New Mexico  
Fishkill, New York  
Aloha, Oregon

Austin, Texas  
Richardson, Texas  
Williston, Vermont  
Vancouver, Washington

#### INTERNATIONAL

Beijing, China  
Shanghai, China  
Grenoble, France  
Menecy, France  
Achenmuhle, Germany  
Leixlip, County Kildare, Ireland  
Milan, Italy  
Jerusalem, Israel  
Sagamihara, Japan  
CheonAn, Korea  
East Kilbride, Scotland  
Singapore  
Hsin-Chu, Taiwan

#### Legal Counsel

Wilson, Sonsini, Goodrich  
& Rosati, P.C.  
Palo Alto, California

#### Independent Auditors

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.

Chemical Mellon Shareholders Services  
50 California Street, 10th Floor  
San Francisco, California 94111  
(800) 356-2017

#### Investor Relations

Lam Research Corporation welcomes  
inquiries from its stockholders and other  
interested investors. For further  
information on the Company's activities,  
additional copies of this report,  
the Form 10-K or other financial materials,  
please contact:

Lam Research Corporation  
Investor Relations Department  
4650 Cushing Parkway  
Fremont, California 94538  
(510) 572-6820

#### Stock Listing

The Company's Common Stock is  
traded in the over-the-counter market  
on the Nasdaq National Market under  
the symbol LRCX.

#### Annual Meeting

The annual meeting of stockholders  
will be held at 10:00 a.m. on Thursday,  
October 26, 1995 at the Company's  
corporate headquarters.

\*Design: Heiney & Craig, Inc., San Francisco

\*Member of Audit Committee

+Member of Compensation Committee

## SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY -----	STATE OR OTHER JURISDICTION OF OPERATION -----
LAM RESEARCH GMBH	GERMANY
LAM RESEARCH CO., LTD.	JAPAN (KANAGAWA)
LAM RESEARCH CO., LTD.	JAPAN (SAITAMA)
LAM RESEARCH (SHANGHAI) CO., LTD	CHINA
LAM RESEARCH LTD.	UNITED KINGDOM
LAM RESEARCH SARL	FRANCE
LAM RESEARCH SINGAPORE PTE LTD	SINGAPORE
LRC INTERNATIONAL FSC CORPORATION	BARBADOS
LAM RESEARCH KOREA LIMITED	KOREA
LAM RESEARCH S.R.L.	ITALY
LAM RESEARCH (ISRAEL) LTD.	ISRAEL
MONKOWSKI-RHINE, INCORPORATED	CALIFORNIA

EXHIBIT 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Lam Research Corporation of our report dated August 3, 1995, included in the 1995 Annual Report to Stockholders of Lam Research Corporation.

Our audits also included the financial statement schedule of Lam Research Corporation listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-32166, Amendment No. 1, and 33-43857) of our report dated August 3, 1995, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Lam Research Corporation.

/s/ ERNST & YOUNG LLP

September 25, 1995  
San Jose, California

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF INCOME, THE CONSOLIDATED BALANCE SHEET AND THE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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