




Lam Research Corporation

Values Based Leadership

Steve Newberry
President and Chief Executive Officer

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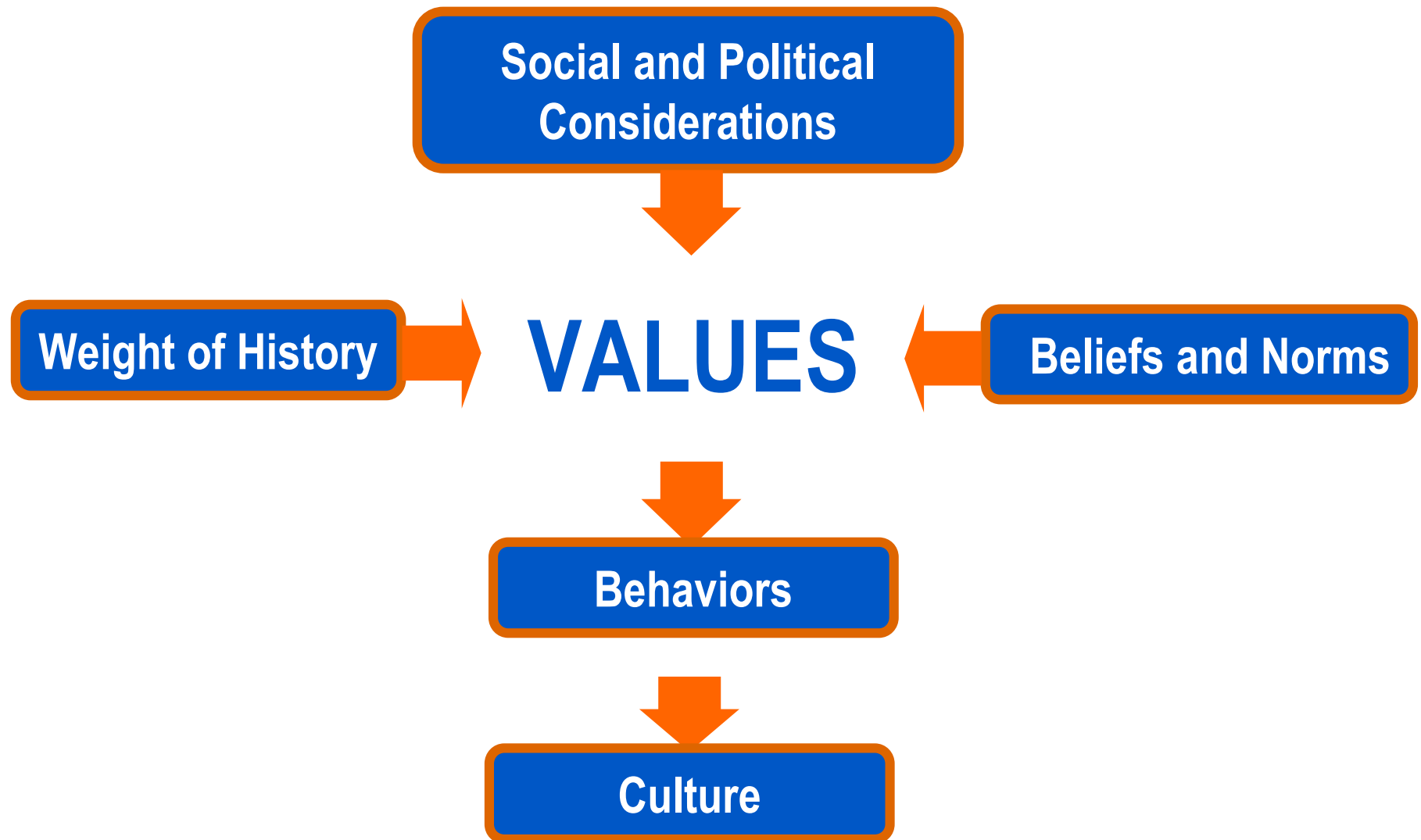
Why Values Based Leadership?



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Defining and Creating a Values Based Company

Defining and Creating a Values Based Company



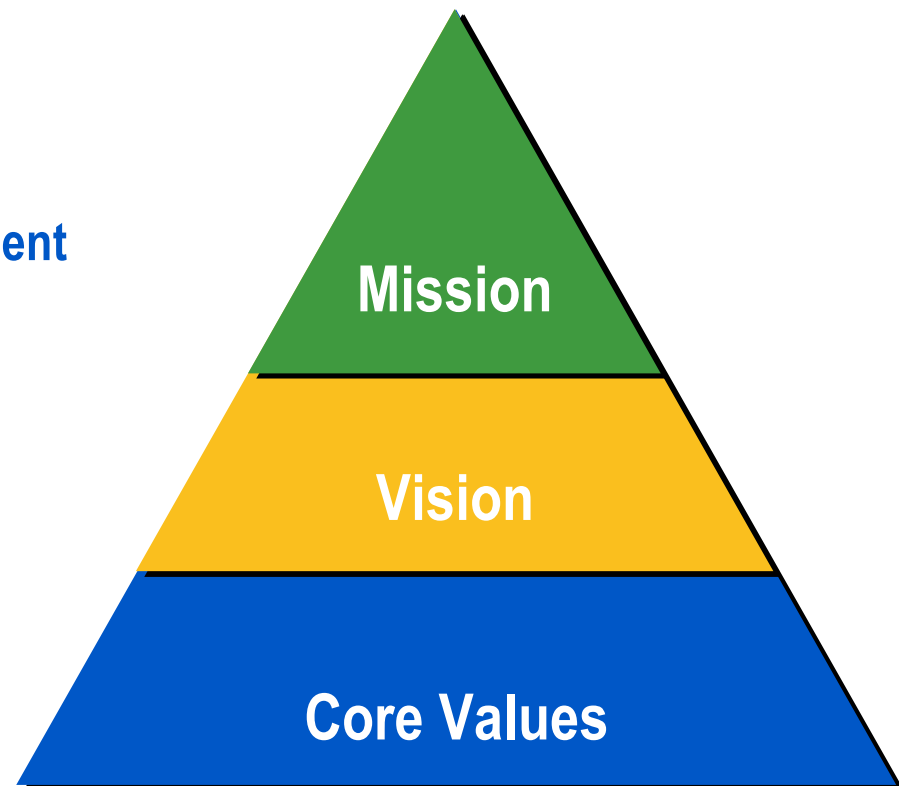
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Core Values at Lam Research

Core Values at Lam Research

What we believe, practice, and reward

- ❑ Achievement
- ❑ Honesty and integrity
- ❑ Innovation and continuous improvement
- ❑ Mutual trust and respect
- ❑ Open communications
- ❑ Ownership and accountability
- ❑ Teamwork
- ❑ Think: customer, company, individual



Vision at Lam Research

- **#1 in customer trust**
- **#1 in market share**
- **Company where successful people want to work**
- **Multi-product company**
- **Profitability levels to finance the productivity solutions our customers require**

Mission Statement: Lam Research Corporation

**Lam Research is
dedicated to the success of our customers
by being the world-class provider of
innovative productivity solutions to the
semiconductor industry**

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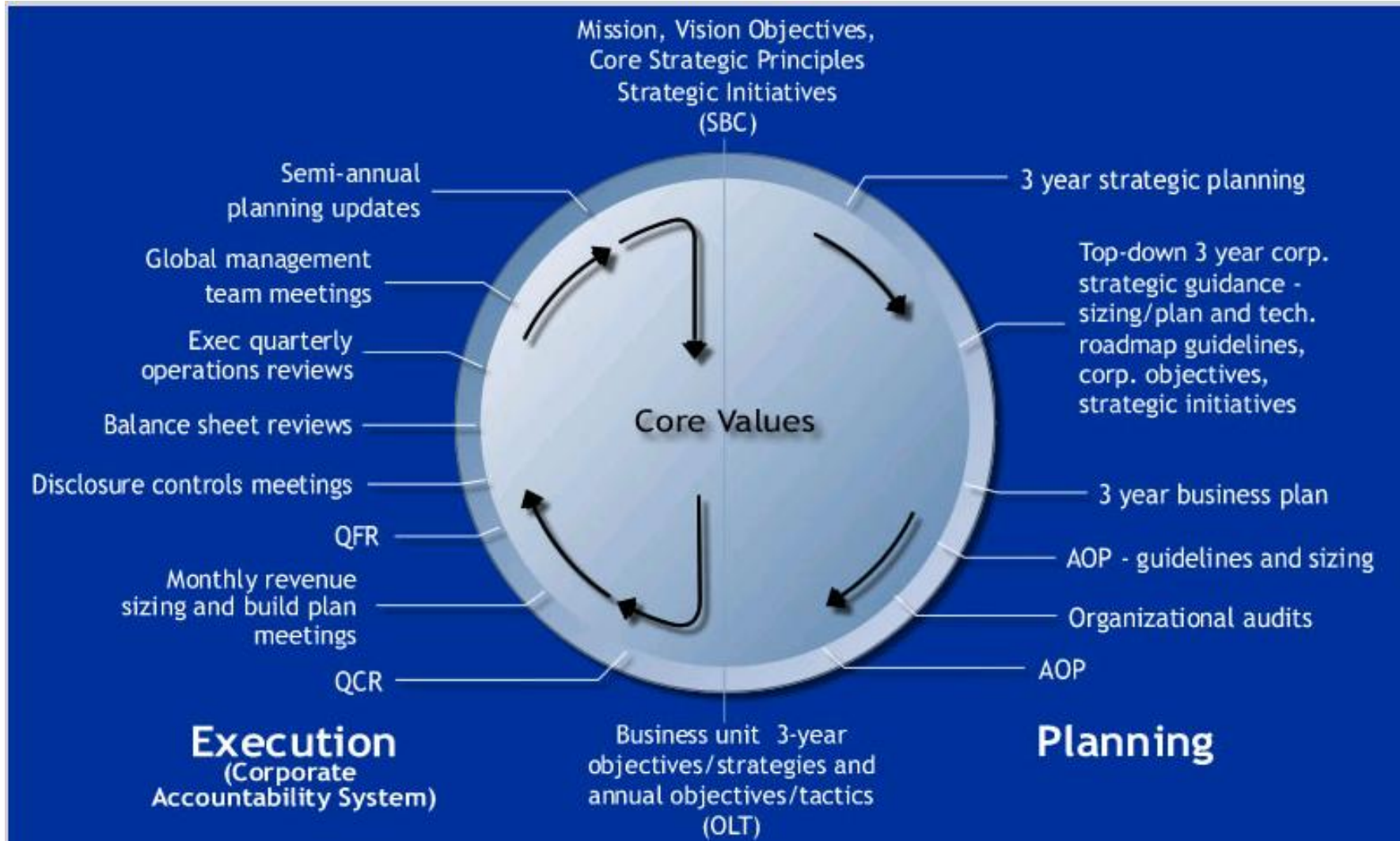
Lam Research is
dedicated to the success of our customers
by being the world-class provider of
innovative productivity solutions to the
semiconductor industry

Ties to our Core Value of “Think Customer, Company, Individual”

Ties to our Core Value of “Achievement”

Ties to our Core Value of “Innovation and Continuous Improvement”

Core Values are Integral to Lam's Business Management System





Benefits of Achieving a Strong Values Based Company

Operating Effectiveness and Wealth Creation

OEWC 1 Year		Source: Company reports and JPMorgan estimates						
Data as of Mar quarter 2006	#1	#2	#3	#4	#5	#6	#7	Average 15
Operating Effectiveness	LRCX	AMAT	ASML	KLAC	CYMI	VSEA	NVLS	Eqpmt Co's
Cumul revenues to cumul R&D (3 yrs)	6.6	7.4	7.6	5.7	6.2	7.3	5.1	7.2
Revenue per employee	\$656,000	\$589,000	\$601,000	\$357,000	\$544,000	\$378,000	\$389,000	\$407,000
Average gross margins	49.8%	45.2%	38.3%	57.3%	42.8%	41.8%	45.2%	42.7%
Average operating margins	23.3%	22.1%	16.5%	24%	14.1%	12.5%	11.9%	11.4%
Net inc/employee incl charges	\$125,000	\$93,000	\$71,000	\$64,000	\$79,000	\$41,000	\$30,000	\$38,000
Net inc/employee excl charges	\$134,000	\$100,000	\$71,000	\$79,000	\$73,000	\$39,000	\$36,000	\$43,000
GAAP net inc / pro forma net inc	94%	92%	100%	81%	108%	105%	82%	88%
Wealth Creation								
Cumulative cap-x to sales (3 years)	1.7%	3.0%	3.1%	3.3%	6.8%	2.2%	2.9%	3.9%
Avg ROA excluding charges	19.1%	11.2%	8.1%	10.6%	7.1%	7.7%	5.5%	6.5%
Avg ROE including charges	24.7%	13.3%	17.4%	11.0%	11.3%	10.1%	5.7%	8.0%
Avg ROE excluding charges	26.4%	14.5%	17.4%	13.5%	10.3%	9.6%	7.0%	9.7%
Cumulative earnings/paid in capital	143%	NM	92%	201%	50%	85%	27%	28%
FCF ROIC	232%	38%	32%	30%	23%	20%	14%	37%

Operating Effectiveness and Wealth Creation

Rank	Source: Company reports and JPMorgan estimates						
Operating Effectiveness	LRCX	AMAT	ASML	KLAC	CYMI	VSEA	NVLS
Revenues to R&D (3 yrs)	9	6	4	12	10	7	13
Revenue per employee (annualized)	1	4	3	9	5	8	6
Average gross margins	2	5	12	1	6	7	4
Average operating margins	2	3	4	1	5	6	8
Net inc/EE incl chrgs (annualized)	1	2	4	5	3	7	8
Net inc/EE excl chrgs (annualized)	1	2	5	3	4	6	7
GAAP net inc / pro forma net inc	7	8	5	10	3	4	9
Operating Effectiveness Total	23	30	37	41	36	45	55
Operating Effectiveness Rank	1	2	4	5	3	6	7
Wealth Creation							
Cap-x to sales, 3 yrs (reverse rank)	1	7	8	9	13	4	6
Avg ROA excluding charges	1	2	4	3	7	6	9
Avg ROE including charges	1	4	2	7	5	8	10
Avg ROE excluding charges	1	3	2	4	7	8	9
Cumulative earnings/paid in capital	3	1	4	2	6	5	7
FCF ROIC	1	4	5	6	7	8	9
Total	8	21	25	31	45	39	50
Wealth Creation Rank	1	2	3	4	6	5	9
Overall Financial Performance Totals	31	51	62	72	81	84	105
Overall Financial Performance Rank	1	2	3	4	5	6	7

How was this Achieved?

- **Strong product development capability**
- **Strong operations execution capability**
- **Strong “close to the customer” regional/account teams (sales, marketing and customer service)**
- **New business model focused on retention and optimization of core capabilities and critical support functions while outsourcing non-critical activities to world-class providers**
- **Strong culture which believes, practices, and rewards core values and the resultant behaviors**



Fastest to Customer Solutions

