

INVESTOR DAY 2016

The background features a dark field with a series of vibrant, multi-colored streaks (orange, red, pink, and blue) radiating from the right side towards the left. A solid blue horizontal bar is positioned below the 'INVESTOR DAY 2016' text.

Western Digital®

Welcome

Bob Blair
Vice President, Investor Relations

INVESTOR DAY 2016

Western Digital®

Agenda

- 8:30am** **Bob Blair**, Vice President, Investor Relations
- 8:40am** **Steve Milligan**, Chief Executive Officer
- 9:00am** **Mark Long**, Chief Strategy Officer
- 9:30am** **Mike Cordano**, President and Chief Operating Officer
- 10:00am** Break
- 10:15am** **Steve Campbell**, Executive Vice President and Chief Technology Officer
- 10:30am** **Siva Sivaram**, Executive Vice President, Memory Technology
- 10:55am** **Manish Bhatia**, Executive Vice President, Silicon Operations
- 11:25am** **Team Q&A:** Steve Milligan, Mark Long, Mike Cordano, Steve Campbell, Siva Sivaram and Manish Bhatia
- 12:00pm** Lunch with Western Digital Executives
- 1:00pm** **Mark Long**, Chief Financial Officer
- 1:35pm** **Team Q&A:** Steve Milligan, Mike Cordano, Mark Long
- 2:00pm** Completion of Investor Day

Forward Looking Statements

These presentation materials may contain forward-looking statements within the meaning of the federal securities laws, including statements concerning: our future results; our market positioning; expectations regarding our transformation and growth opportunities; our financial and business models, strategies and execution; integration activities and achievement of synergy goals; the demand for digital storage and market trends; our product portfolio, product development efforts and customer acceptance, introduction of new products, and expansion into new data storage markets; and data growth and its drivers. These forward-looking statements are based on Western Digital Corporation's current expectations. Risks and uncertainties may cause actual results to differ materially from those currently expected. These potential risks and uncertainties include, among others:

- volatility in global economic conditions;
- business conditions and growth in the storage ecosystem;
- impact of competitive products and pricing;
- market acceptance and cost of commodity materials and specialized product components;
- actions by competitors;
- unexpected advances in competing technologies;
- our development and introduction of products based on new technologies and expansion into new data storage markets;
- risks associated with acquisitions, mergers and joint ventures;
- difficulties or delays in manufacturing; and
- other factors listed in our periodic SEC filings and on this website in [Risk Factors](#).

In addition, these presentation materials include references to non-GAAP financial measures. Reconciliations of the differences between the historical non-GAAP measures we provide in these presentation materials to the comparable historical GAAP financial measures are included in the appendix to the applicable presentation materials. We have not reconciled our non-GAAP financial measures related to future results to the most directly comparable GAAP measures because material items that impact these measures are out of our control and/or cannot be reasonably predicted. Accordingly, a reconciliation of the non-GAAP financial measures related to future results to the corresponding GAAP measures is not available without unreasonable effort.

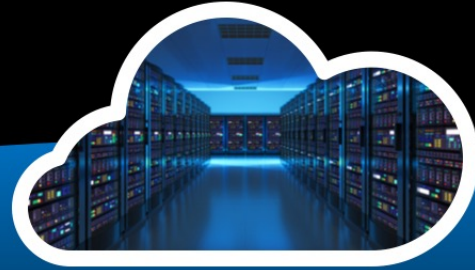
Creating a Platform for Growth and Transformation

Steve Milligan
Chief Executive Officer

INVESTOR DAY 2016

Western Digital®

The Universe of Data



Home



City



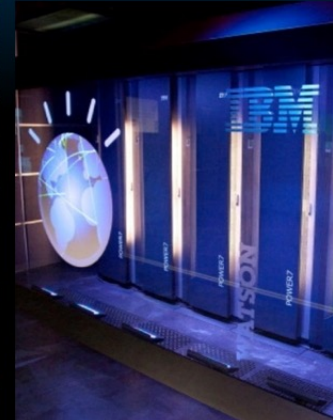
Medical



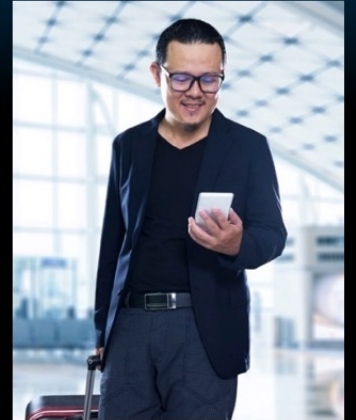
Industrial



Autonomous
Vehicles



Machine
Learning



Mobile

Enabling Change for a Data-centric World

Generate



Transform



Access



Storage

Driving a New Era in Data Storage, Access, and Transformation



SanDisk®

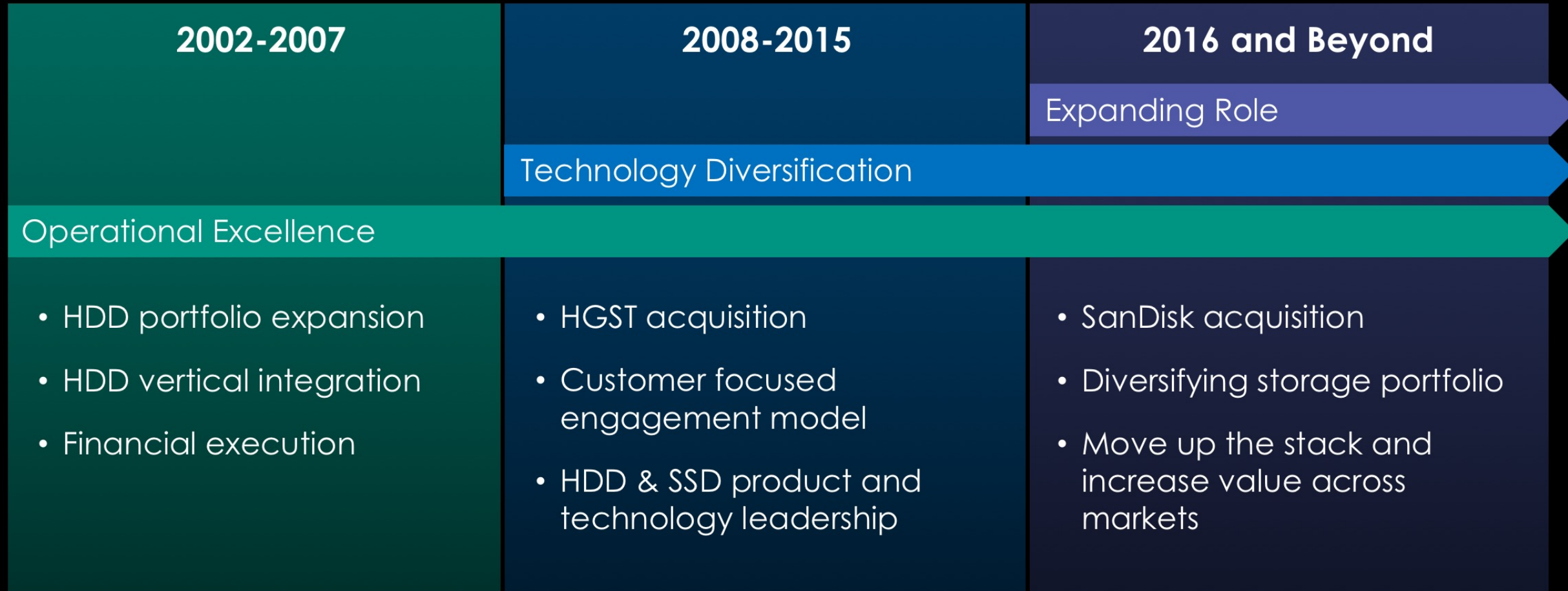


Driving a New Era in Data Storage, Access, and Transformation

Western Digital®

The Strategic Evolution of Western Digital

Driving Successive Innovation and Transformation to Set the Pace of Change



Our Platform for Growth and Transformation

Western Digital®

**Technology
Engine**

**Portfolio
Breadth**

**Market
Reach**

**Trusted
Partner**

**Financial
Leadership**

A Talented Global Team

Western Digital®

70,000+
Employees
Worldwide

Leadership Driving Our Transformation



Steve Milligan
Chief Executive
Officer



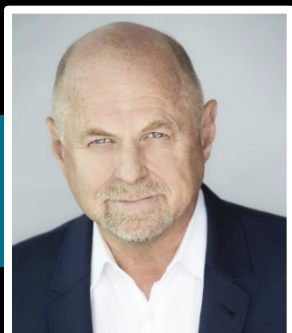
Mike Cordano
President and Chief
Operating Officer



Mark Long
Chief Financial Officer, Chief Strategy
Officer, President Western Digital Capital



Manish Bhatia
Executive Vice President,
Silicon Operations



Steve Campbell
Executive Vice President
and Chief Technology Officer



Jackie DeMaria
Executive Vice President and
Chief Human Resources Officer



Michael Ray
Executive Vice President, Chief
Legal Officer and Secretary



Siva Sivaram
Executive Vice President,
Memory Technology

Thank You

INVESTOR DAY 2016

Western Digital®

An abstract graphic on the right side of the slide, featuring a dense collection of thin, overlapping lines in shades of orange, red, and teal, radiating from the right edge towards the center, creating a sense of motion and energy.

Strategy for Growth and Transformation

Mark Long
Chief Strategy Officer

INVESTOR DAY 2016

Western Digital®

Key Themes



Data is the
currency of the
digital economy



Storage provides
the foundational
infrastructure for the
data-centric world



We are delivering
on our growth
strategy using the
power of our platform

Anticipating and Enabling Change for a Data-centric World

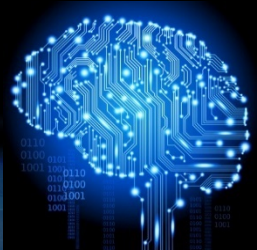
Connected Devices
Including IoT



Anticipating and Enabling Change for a Data-centric World

Connected Devices
Including IoT

Big Data/
Machine Learning



Anticipating and Enabling Change for a Data-centric World



Connected Devices
Including IoT

Big Data/
Machine Learning

Mobility

Anticipating and Enabling Change for a Data-centric World



Connected Devices
Including IoT

Big Data/
Machine Learning

Mobility

Move to Cloud

Anticipating and Enabling Change for a Data-centric World



Connected Devices Including IoT

Big Data/ Machine Learning

Mobility

Move to Cloud

Solid State

Anticipating and Enabling Change for a Data-centric World

Generate



Transform



Access



Connected Devices
Including IoT

Big Data/
Machine Learning

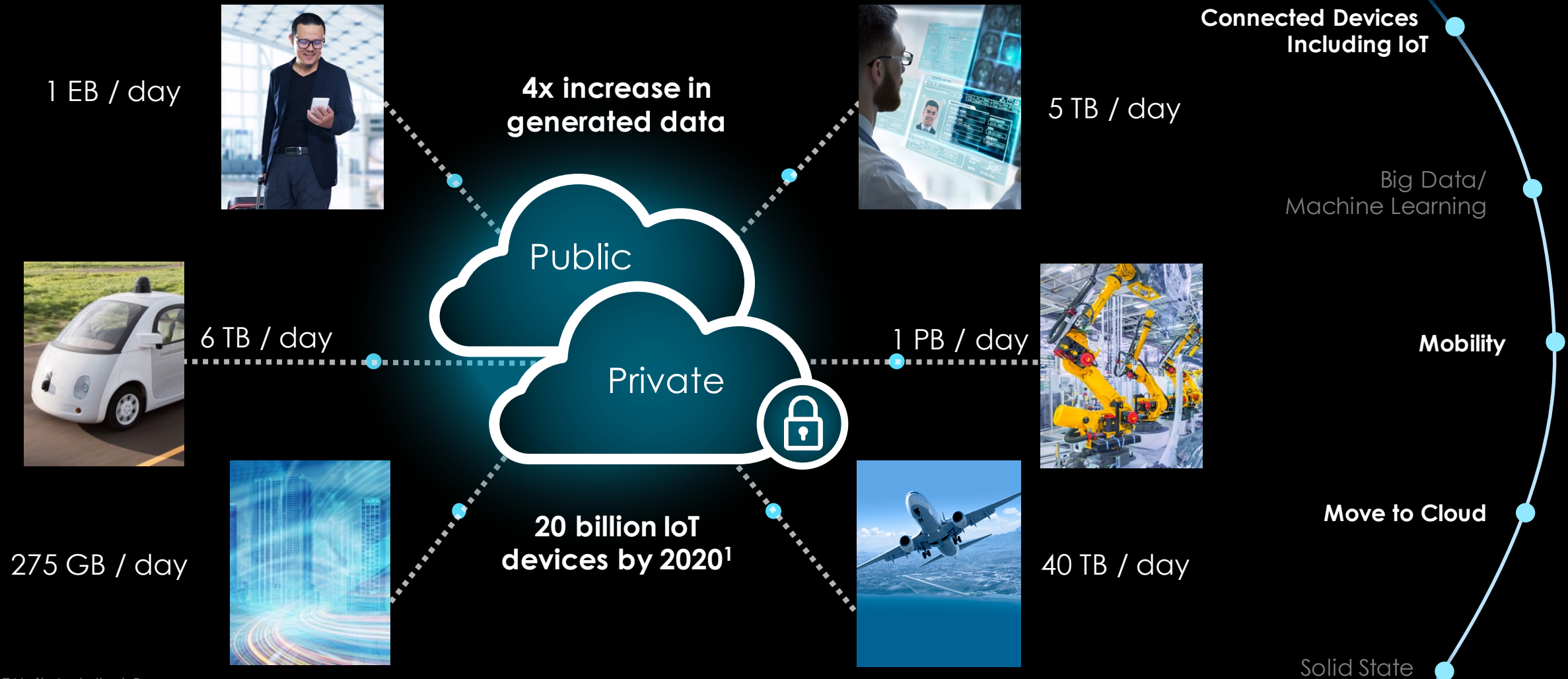
Mobility

Move to Cloud

Solid State

Storage

Innovation Is Enabling Rapid Rate of Data Generation



¹ IoT Units Installed Base

Sources: Global Cloud Index: Forecast and Methodology 2015-2020, Cisco, 2016; Visual Networking Index: Forecast and Methodology, 2015-2020, Cisco, 2015; Internet of Things Units Installed Base 2015-2020, Gartner, 2015; Self-driving Cars Report, DataFloq, 2016

Massive Value Creation from Transforming Data



**6x increase in
data deemed
valuable**



**Power of
the 1%**

\$90B value over
15 years from a 1%
decrease in oil and
gas capex

\$3-5T

Incremental value from
big data analytics

- **US retail:** 60+% increase in net margin possible
- **Manufacturing:** Up to 50% decrease in product development and assembly cost

Connected Devices
Including IoT

**Big Data/
Machine Learning**

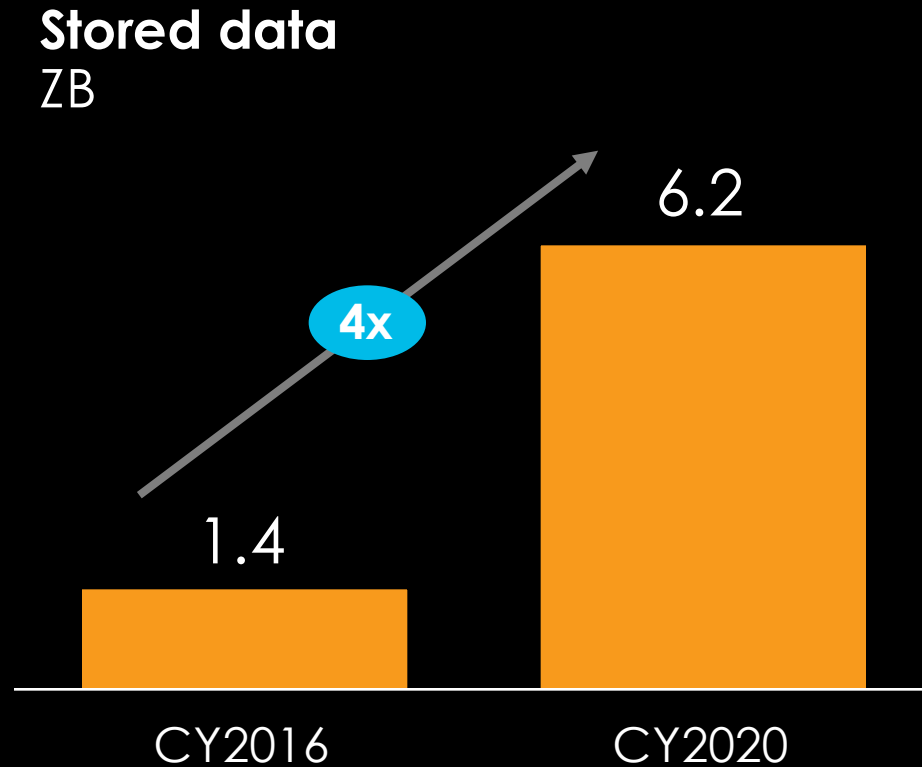
Mobility

Move to Cloud

Solid State

Sources: Open Data: Unlocking Innovation and Performance with Liquid Information, McKinsey Global Institute, 2013;
EMC Digital Universe with Research & Analysis, IDC, 2014; WDC estimates

Stored Data Expected to Increase 4x by 2020



4x Increase in data being stored in flash-based products

5x Increase in cloud data center storage capacity

Connected Devices
Including IoT

Big Data/
Machine Learning

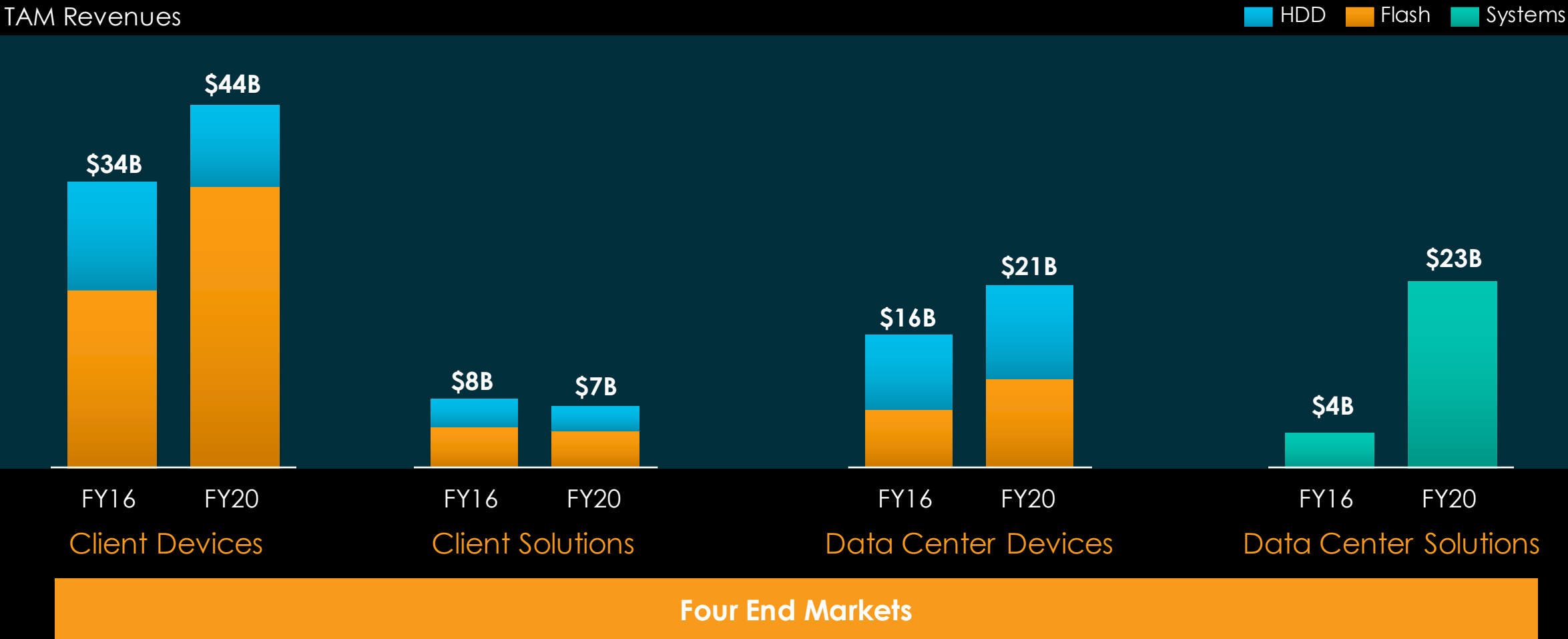
Mobility

Move to Cloud

Solid State

Source: Global Cloud Index: Forecast and Methodology 2015-2020, Cisco, 2016; WDC estimates

~\$72B TAM in Core Business, Incremental ~\$23B TAM in Data Center Solutions Estimated by FY20



Source: WDC estimates

Leaders



**Operational
Excellence**



**Technology
Leadership and
Product Innovation**

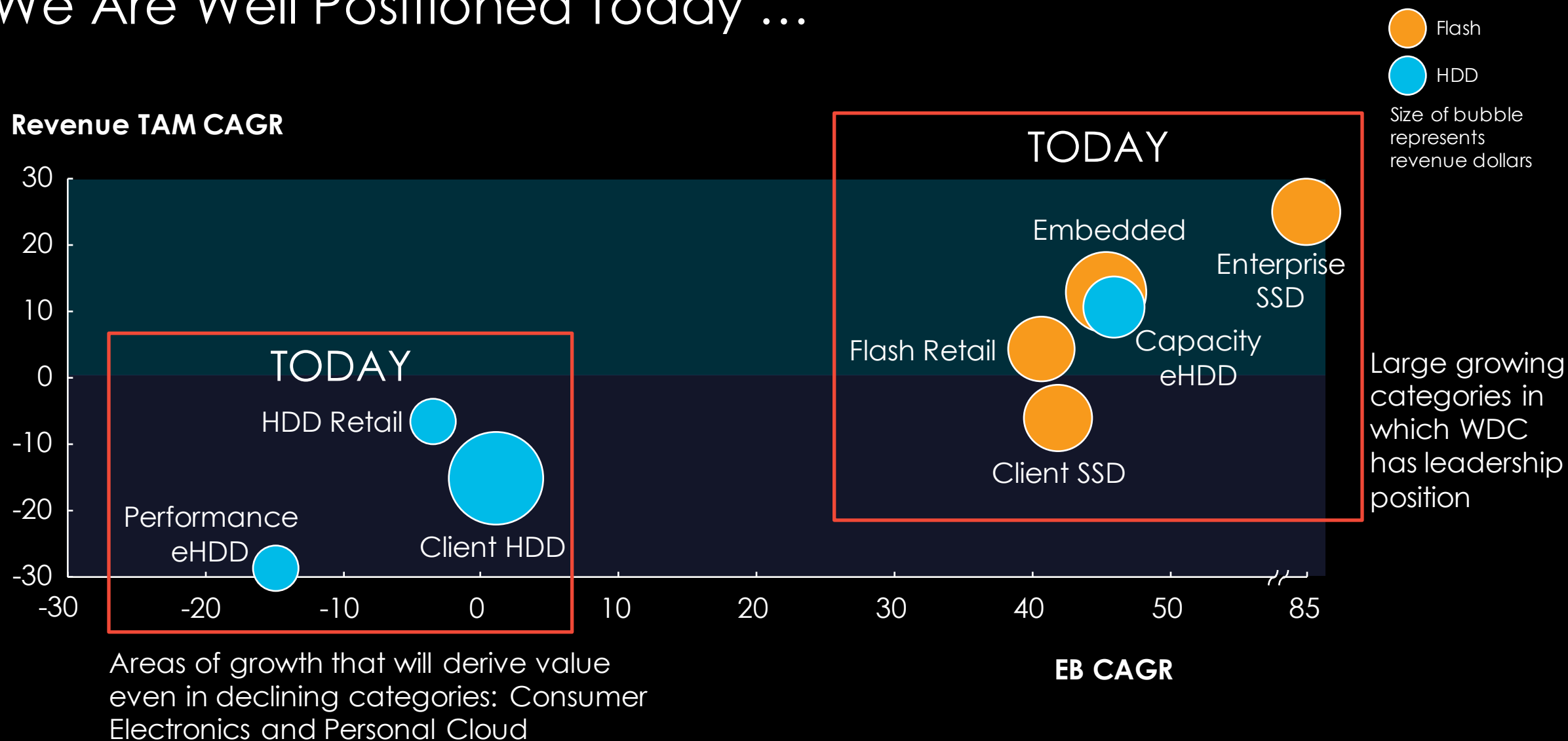


**Focused and
Strategic M&A**



**Achieve Scale
and Efficient
Capital Allocation**

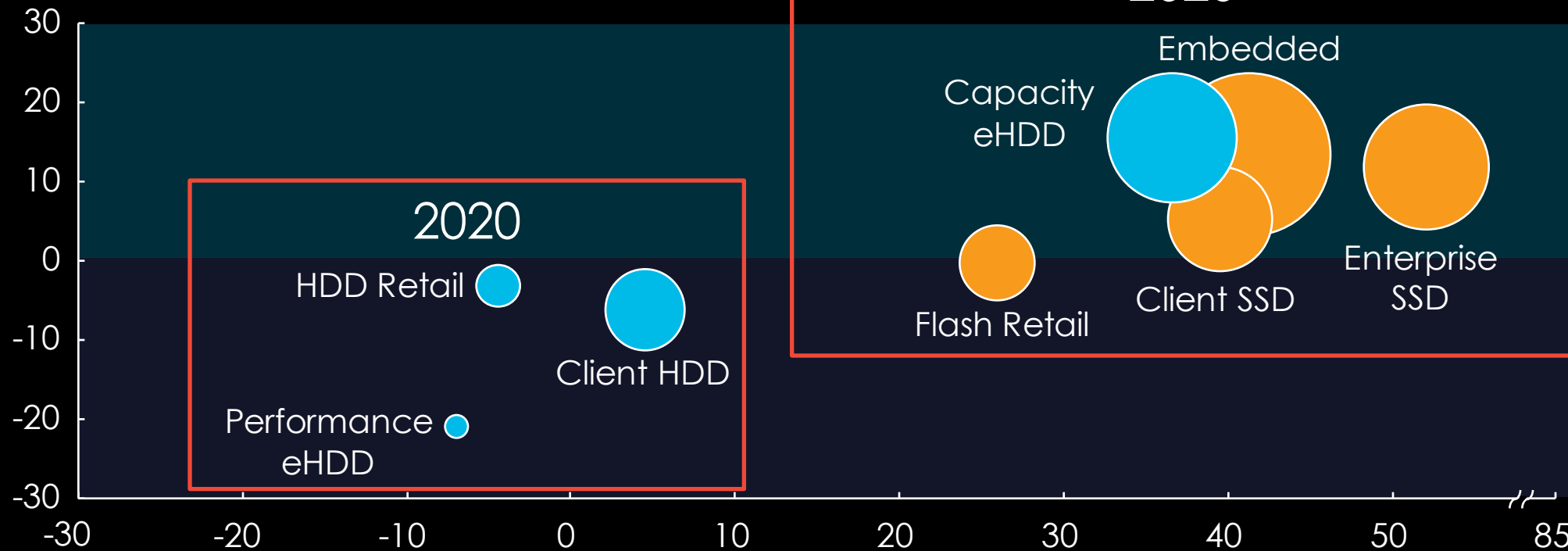
We Are Well Positioned Today ...



Source: WDC estimates

... and Better Positioned for the New Reality

Revenue TAM CAGR (%) 2016-2020



Areas of growth that will derive value even in declining categories: Consumer Electronics and Personal Cloud

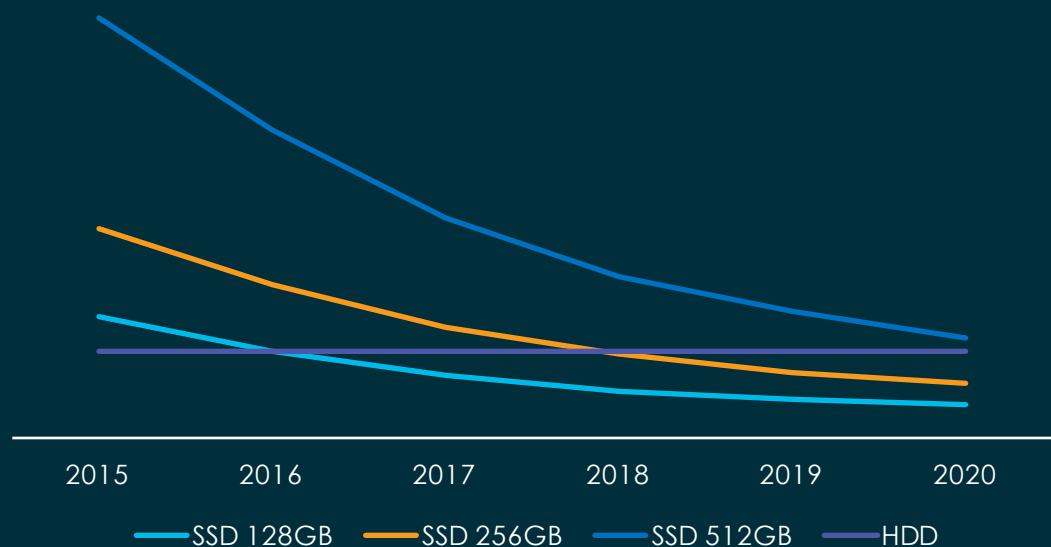
Source: WDC estimates

Western Digital®

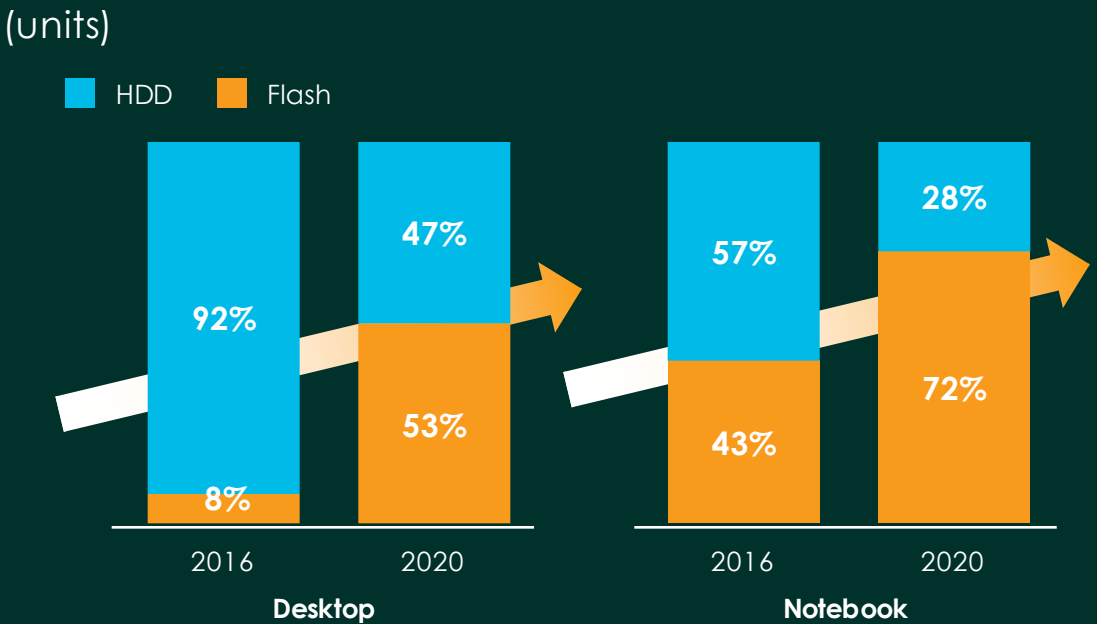
2016 Investor Day | Milpitas, CA | December 6, 2016

Client Devices – HDD to Flash Transition in Notebooks and Desktops

Cost curves for SSDs are improving...



...enabling higher flash penetration in Notebook and Desktop markets



We Are Well Positioned to Effectively Address the cHDD-SSD Crossover

Source: WDC estimates; Worldwide SSD Forecast Update Q3, IDC, 2016

Client Solutions – Consumer Storage Demand Continues to Increase Exponentially

~6 hours of video

~5K photos

YouTube

facebook
Instagram

In 1 sec



~14K files

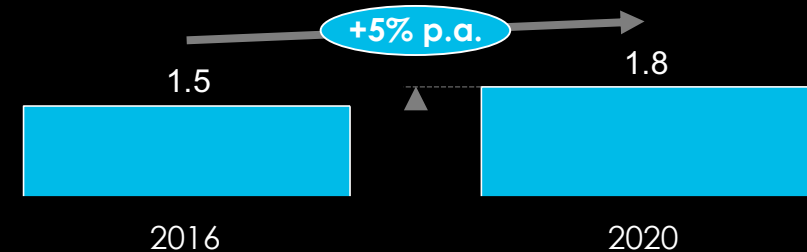


> 6K tweets



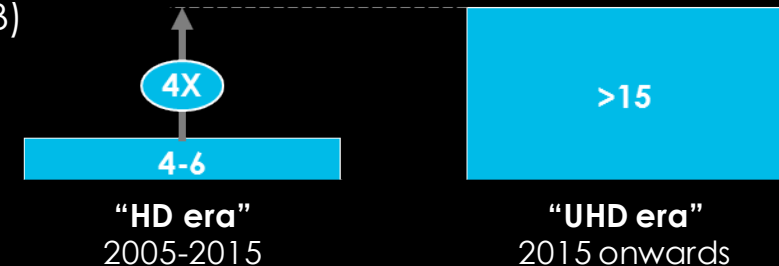
... and annual shipments of devices with cameras growing at ~5% Y/Y¹

(units, billions)



Additionally, the size of a 2 hour movie has increased by 4x

(GB)

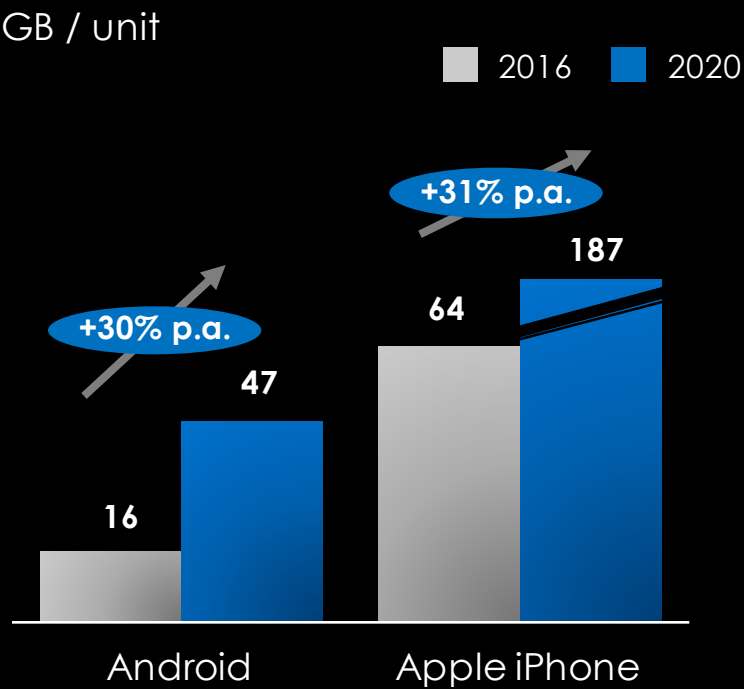


¹ Smartphone data used as it constitutes >95% of personal devices with camera

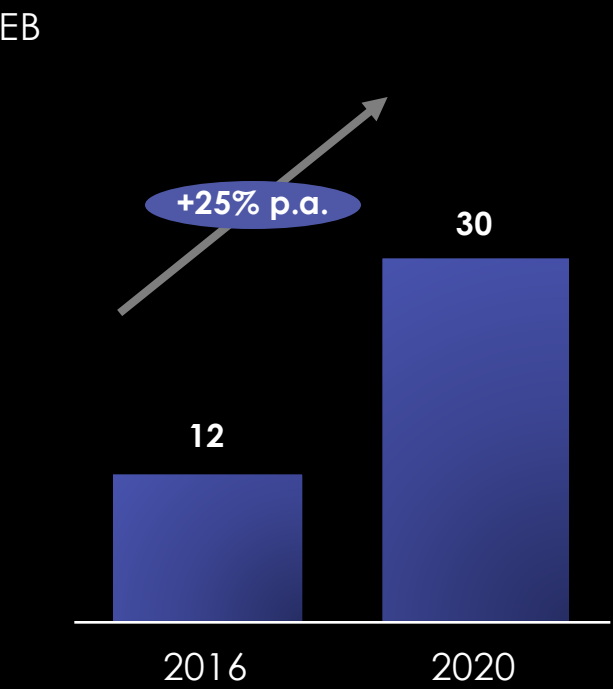
Source: Data Never Sleeps Report, DOMO, 2016; Digital TV Research, 2014; Static Brain, 2016; University of Southern California

Client Solutions – Massive Growth of Local and Personal Cloud Storage Needs

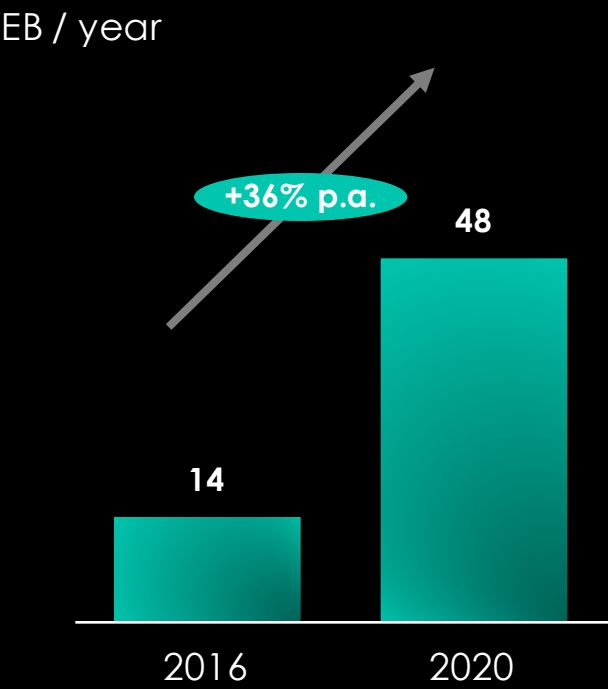
Smartphone capacity per unit
expected to grow at ~30% CAGR



External storage for mobile to
grow at ~25% CAGR



Personal cloud storage traffic
expected to grow at ~36% CAGR



Source: WDC estimates; Global Cloud Index: Forecast and Methodology 2015-2020, Cisco, 2016

Data Center Devices – Performance Workloads Switching to Flash as Capacity HDD Continues to Grow

PERFORMANCE

Performance enterprise workloads shifting to SSDs

up to **10x**

\$ per IOPS advantage for SSDs vs. performance HDD¹

~45%

TCO advantage over 5 years for SSDs over performance HDDs

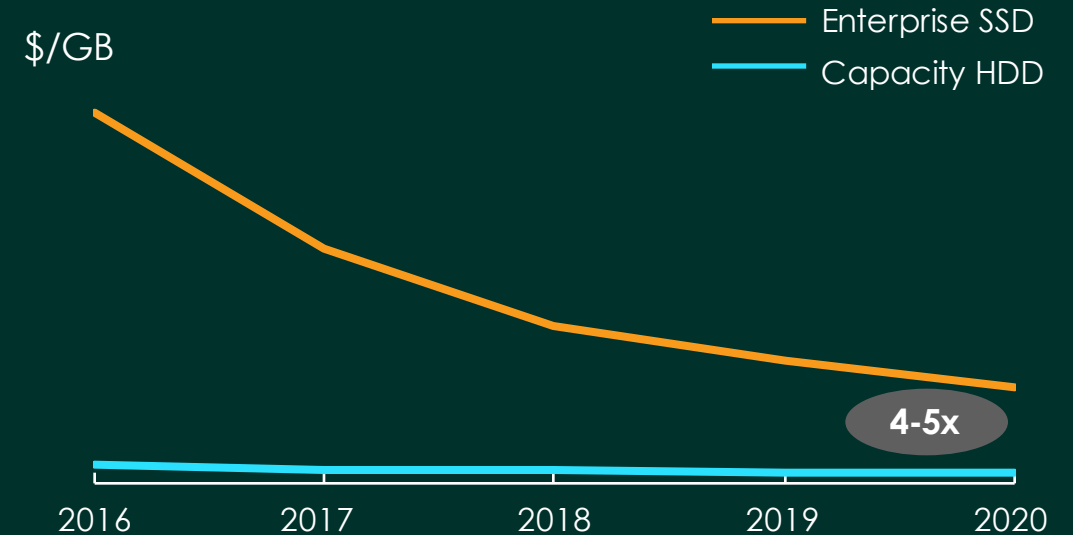
~33%

TCA advantage for SSDs over performance HDDs

+

CAPACITY

... while Capacity HDD remains the \$/GB leader



We Effectively Serve Our Enterprise Customers through Our Combined HDD and Flash Portfolio

¹ Assuming 528 GB, 15K SAS, 12 Drives 50:50 Workload, Raid 10 Capacity

Source: WDC estimates; Industry Expert Interviews

Data Center Solutions – Data Is Shifting to the Cloud, Both Public and Private

2020 opportunities from the shift to the cloud ...

~\$6B ... in archiving systems business due to compliance needs

~\$9B ... from HDD platforms due to need for large scale and low cost storage

~\$6B ... from flash platforms driven by disaggregation of data center stacks

... strengthened by emerging use cases from large sophisticated enterprises and Tier 2/3 service providers



Cloud providers

- Backup and archiving
- Security and surveillance
- Data repository for analytics



Life Sciences

- Genomics data, clinical trial information, drugs interaction modeling and analysis



China

- Favors private cloud to address security concerns and to avoid vendor lock-ins

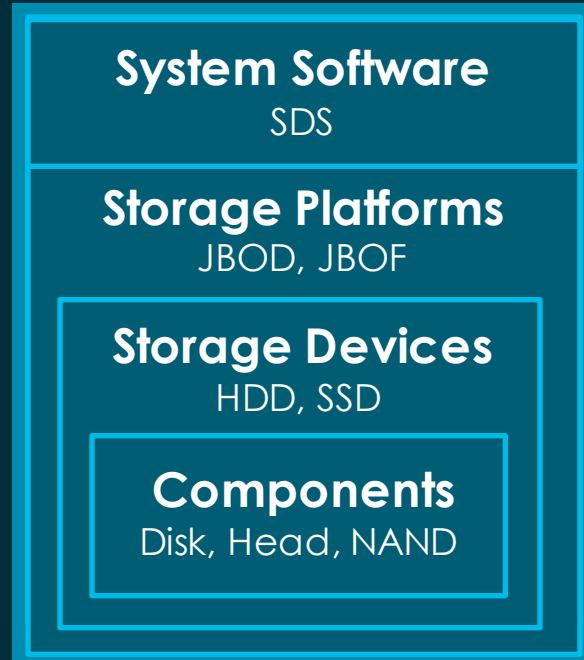
We Can Leverage Our Vertical Integration and Vertical Innovation Capability

Source: Storage System Forecast, IDC, 2015; Storage Forecast, Gartner, 2016; Cloud survey, McKinsey & Company, 2015; WDC estimates

Data Center Solutions – Western Digital's Unique Advantage

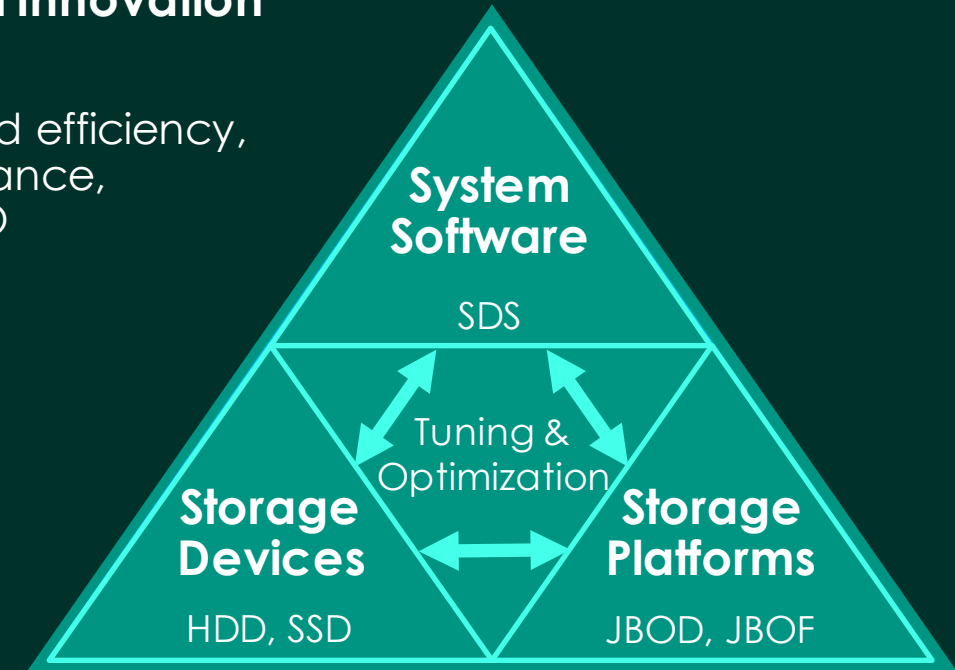
Vertical Integration

Higher margin products



Vertical Innovation

Improved efficiency, performance, and TCO



Creating Value in Integrated Systems that Exceeds the Sum of the Parts

Five Pillar Strategy Established to Address These Trends



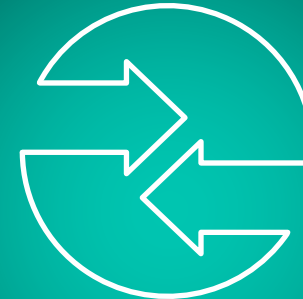
Optimize Core
HDD Business



Lead in
Solid State



Move Up
the Stack



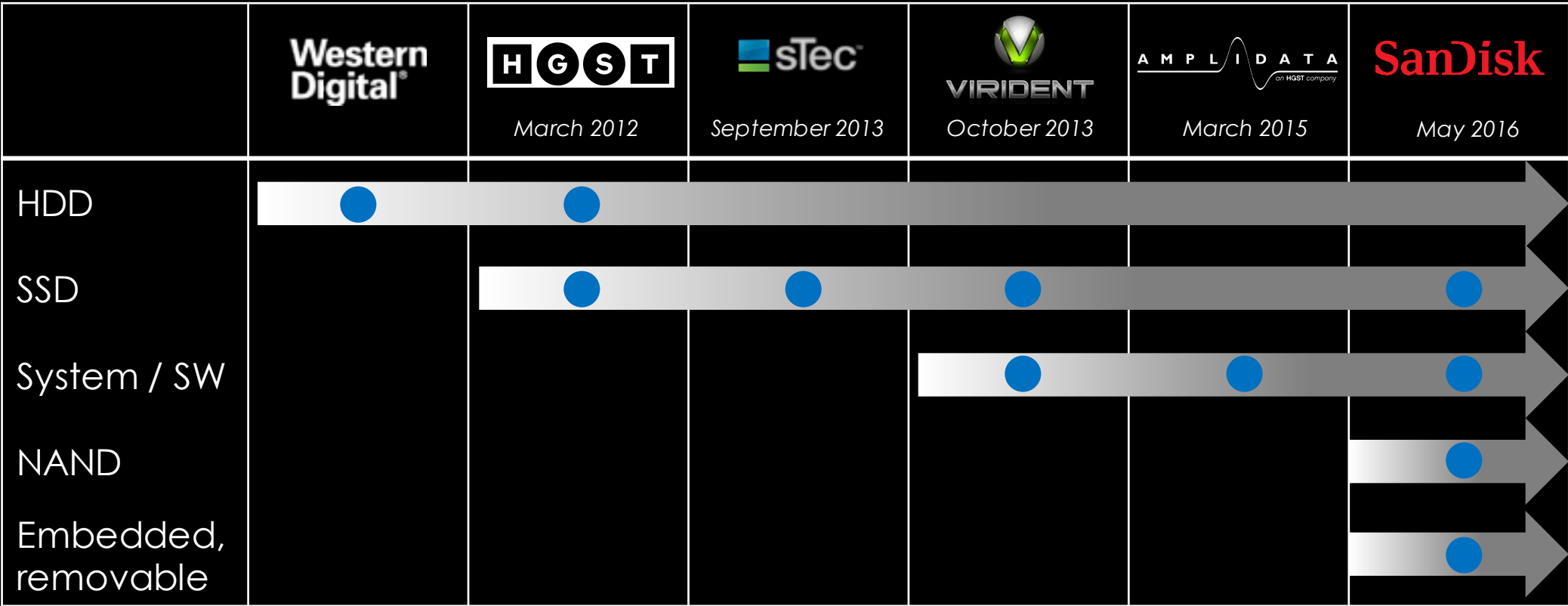
Align Client
Solutions Portfolio



Enable
Organizational
Transformation

Deliver on the Promise of Our Transformation

Acquisitions for Storage Technology Breadth ...



... and Strategic Investments

Western Digital®
Capital

Our Platform for Growth and Transformation

Western Digital®

**Technology
Engine**

**Portfolio
Breadth**

**Market
Reach**

**Trusted
Partner**

**Financial
Leadership**

Delivering the Possibilities of Data

INVESTOR DAY 2016

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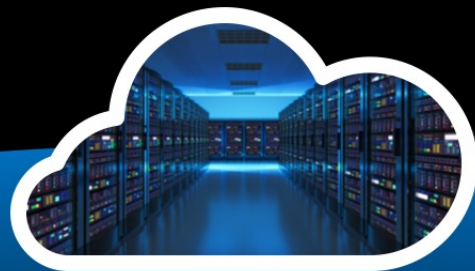
Delivering the Promise of Growth and Transformation

Mike Cordano
President & Chief Operating Officer

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Western Digital®

The Universe of Data



Home



City



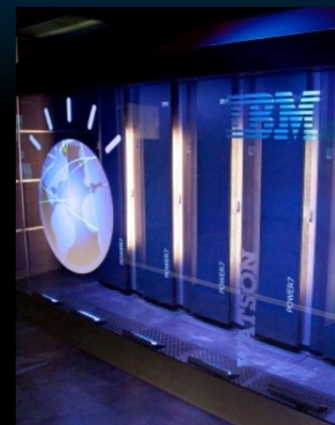
Medical



Industrial



Autonomous
Vehicles



Machine
Learning



Mobile

Enabling Change for a Data-centric World

Generate



Transform



Access



Storage

Leadership across Broad Range of Products

Client Solutions



Client Devices



Data Center Devices & Solutions



Western Digital®

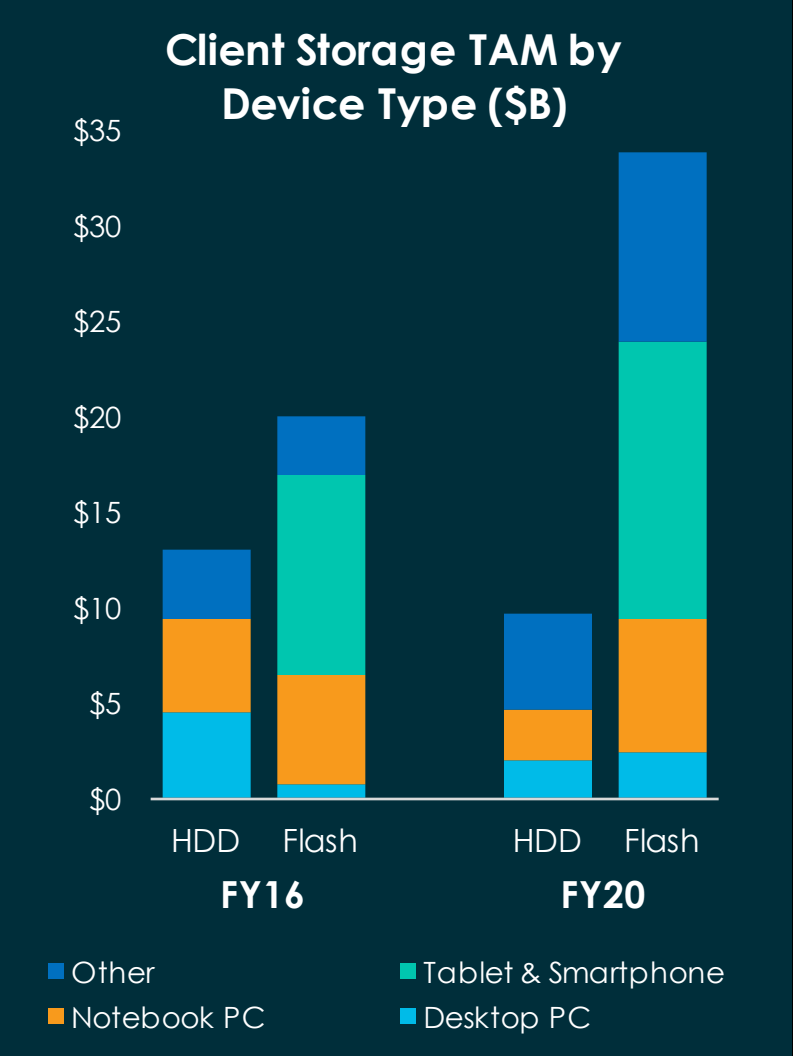
SanDisk®



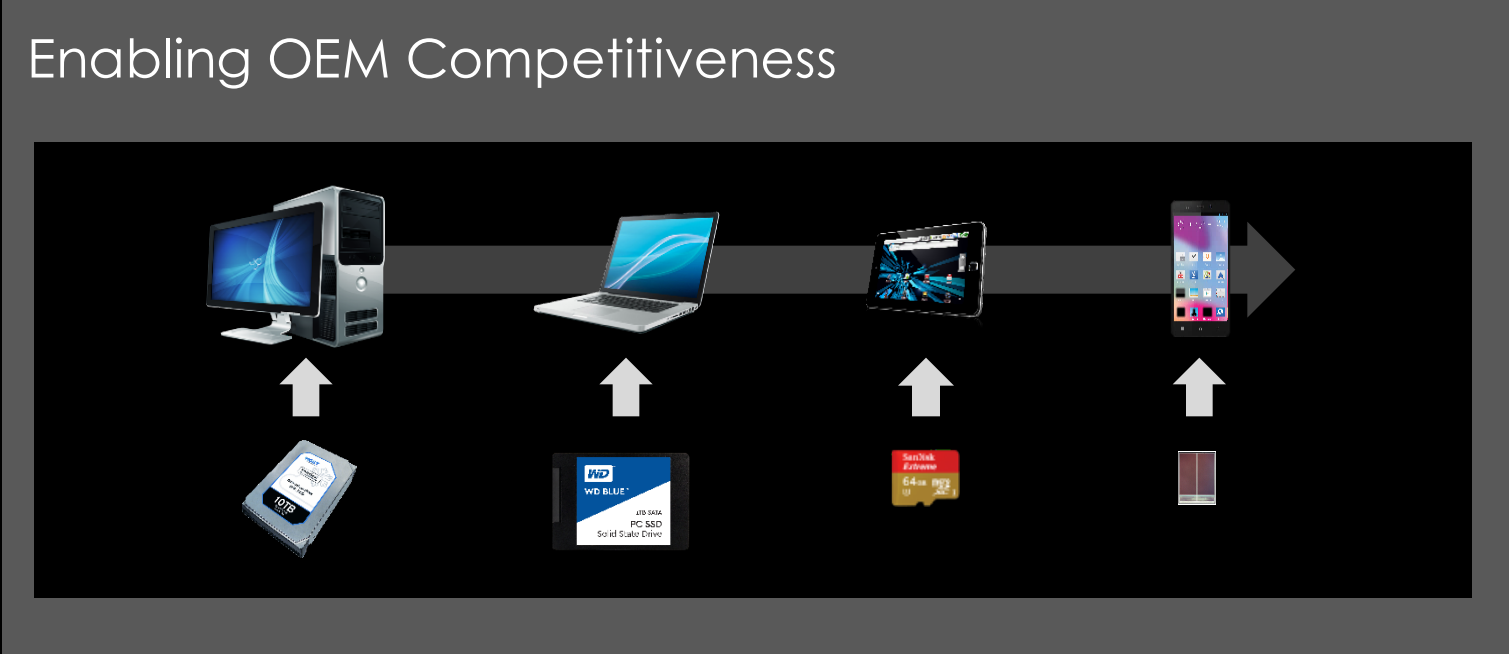
HGST

Client Market Dynamics

Setting the Pace of Technology Transition

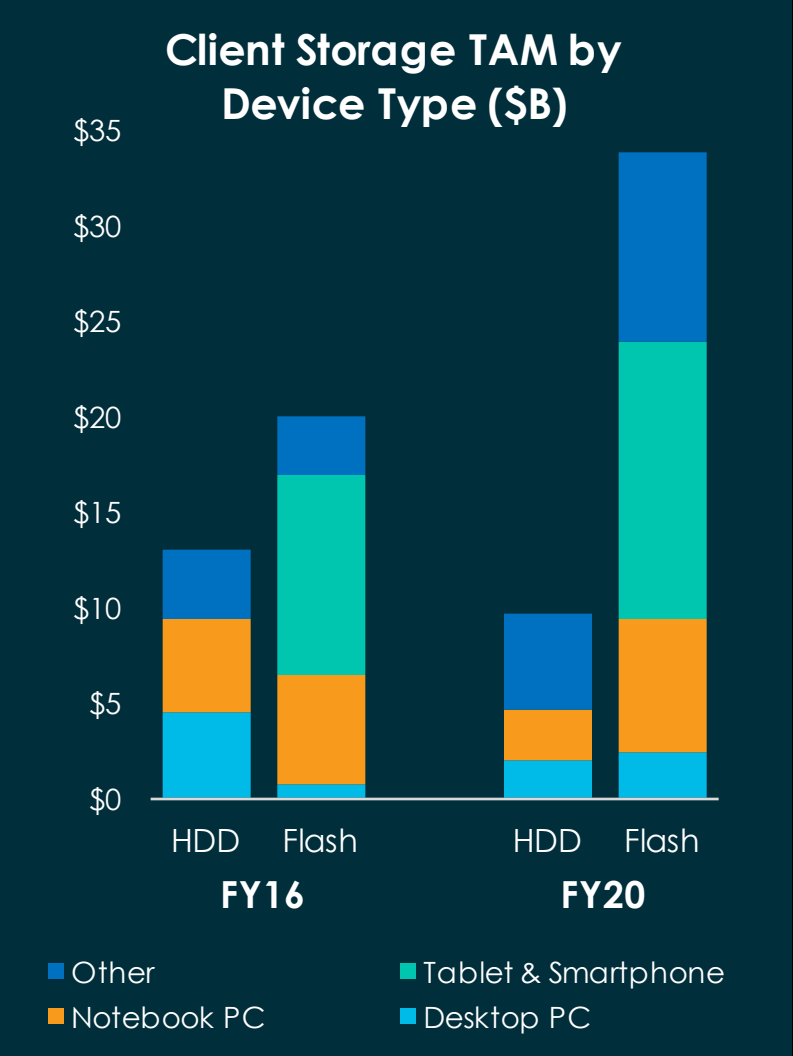


Source: WDC estimates; Global Cloud Index: Forecast and Methodology 2015-2020, Cisco, 2016

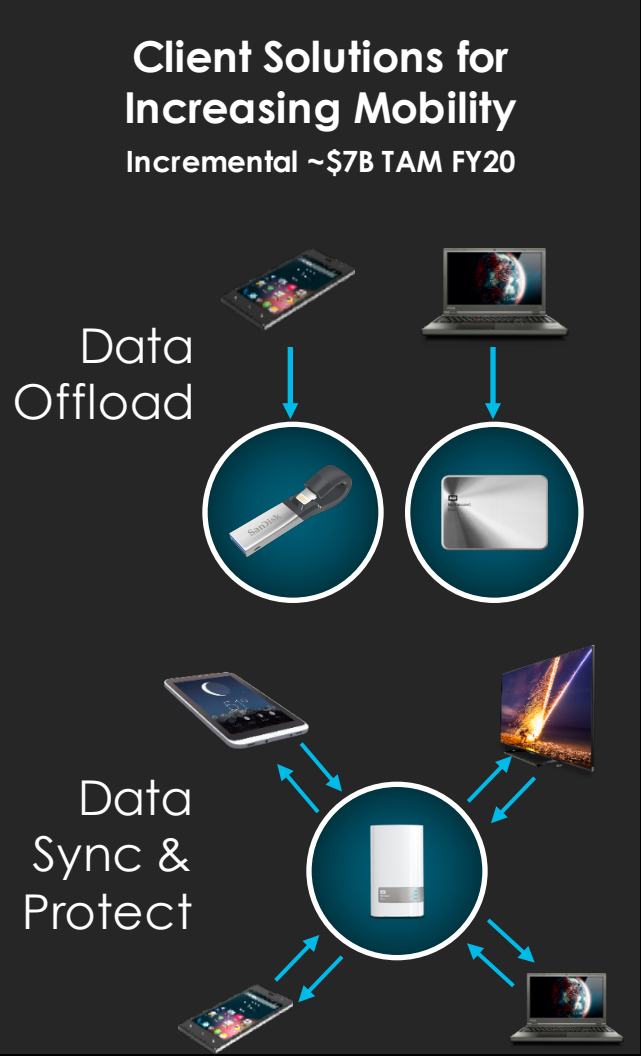


Client Market Dynamics

Setting the Pace of Technology Transition



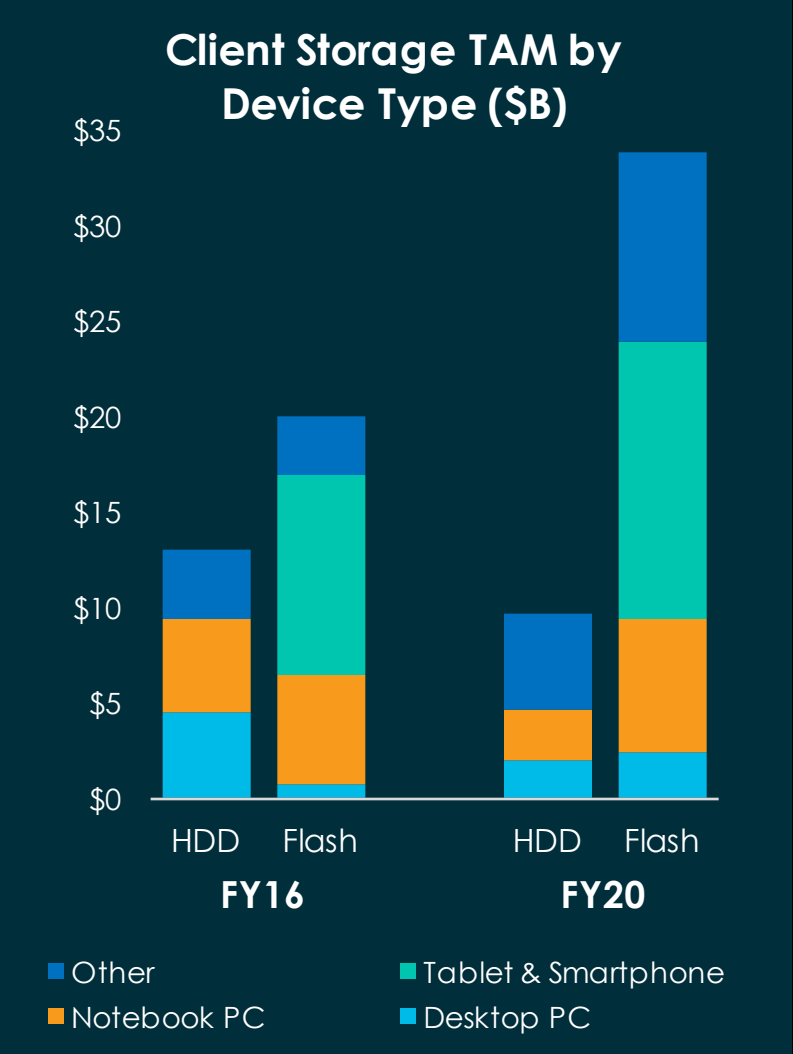
Average Devices and Connections per User Increasing by 1.8x (2015-2020)



Source: WDC estimates; Global Cloud Index: Forecast and Methodology 2015-2020, Cisco, 2016

Client Market Dynamics

Setting the Pace of Technology Transition



The Evolving “Client”
From personal computing to ...
wearables, sensors and automation

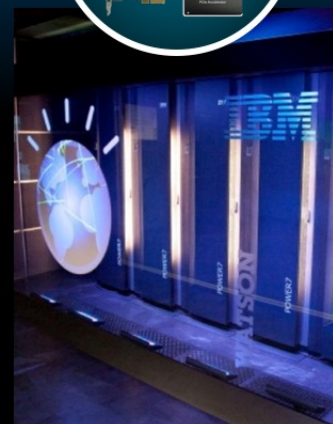
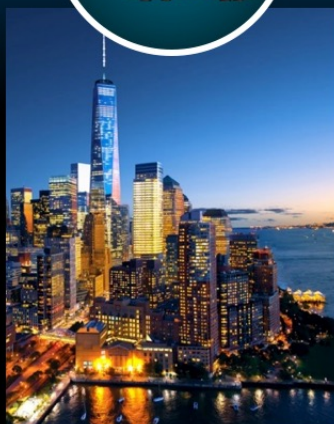
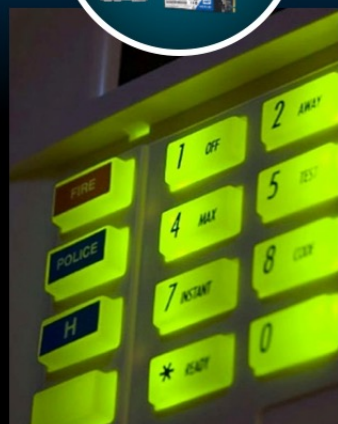


Connected
Wearable Devices
Grow to 600M
(44% CAGR to 2020)



Machine-to-Machine
Data Traffic Grows
to 2 EB / Mo.
(88% CAGR to 2020)

Broadest Portfolio of Client Devices and Solutions



Home

City

Medical

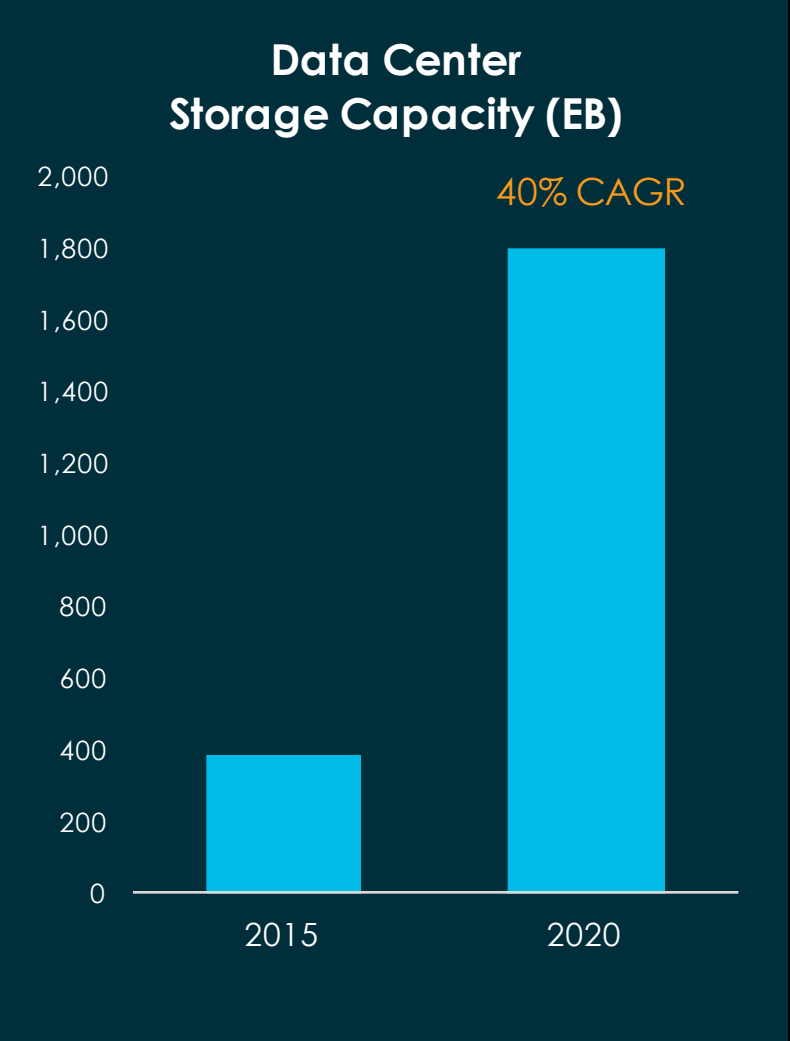
Industrial

Autonomous Vehicles

Machine Learning

Mobile

Data Center Market Dynamics



**Big Data
Storage Capacity
Grows to 240EB
(58% CAGR to 2020)**

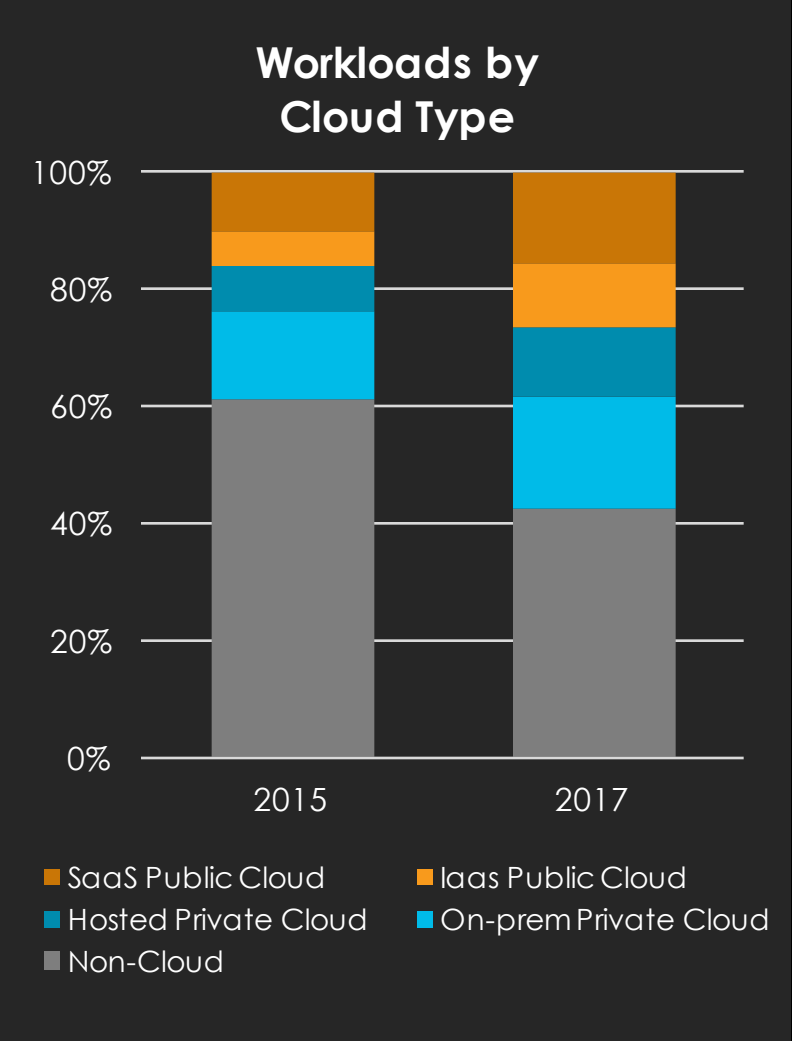


**Streaming Analytics
TAM Grows
to \$13.7B
(35% CAGR to 2020)**

Source: WDC estimates; Global Cloud Index: Forecast and Methodology 2015-2020, Cisco, 2016; MarketsandMarkets, 2016

Data Center Market Dynamics

Expanding Routes-to-Market and Portfolio Target Growth



Segment	Sales Channels	Products
Hyperscale and Public Cloud	<ul style="list-style-type: none">Systems IntegratorsDirect	
Private Cloud Hosted and On-Premise	<ul style="list-style-type: none">Systems OEMsSolution ProvidersDirect	
Traditional Non-Cloud	<ul style="list-style-type: none">Systems OEMsSystems Integrators	

Source: 451 Research (2015)

Broadest Portfolio of Data Center Devices and Solutions



Home



City



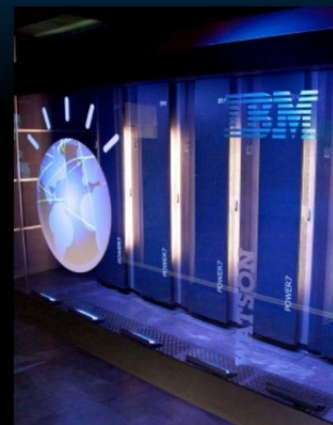
Medical



Industrial



Autonomous
Vehicles









Machine
Learning



Mobile







Power of the Portfolio

Opportunity to Grow Share-of-Wallet

	HDD	External	SSD	
OEM				
Hyperscale				
T2/3 Cloud				
Enterprise				
Retail				








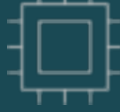










Power of the Portfolio

Opportunity to Grow Share-of-Wallet

	HDD	External	
OEM			
Hyperscale			
T2/3 Cloud			
Enterprise			
Retail			
	1x share-of-wallet		

Power of the Portfolio

Opportunity to Grow Share-of-Wallet

	HDD	External/ Removable	SSD	Embedded	Platforms/ Systems
OEM					
Hyperscale					
T2/3 Cloud					
Enterprise					
Retail					
2-3x share-of-wallet					Incremental




Power of the Portfolio

Opportunity to Grow Share-of-Wallet

	HDD	External/ Removable	SSD	Embedded	Platforms/ Systems
OEM					

Deeper, more strategic relationships with our customers

Preferred access to \$72B TAM in FY2020
(with incremental \$23B opportunity)

	HDD	External/ Removable	SSD	Embedded	Platforms/ Systems
Retail					
2-3x share-of-wallet					Incremental

Our Platform for Growth and Transformation

Western Digital®

**Technology
Engine**

**Portfolio
Breadth**

**Market
Reach**

**Trusted
Partner**

**Financial
Leadership**

Thank You

INVESTOR DAY 2016

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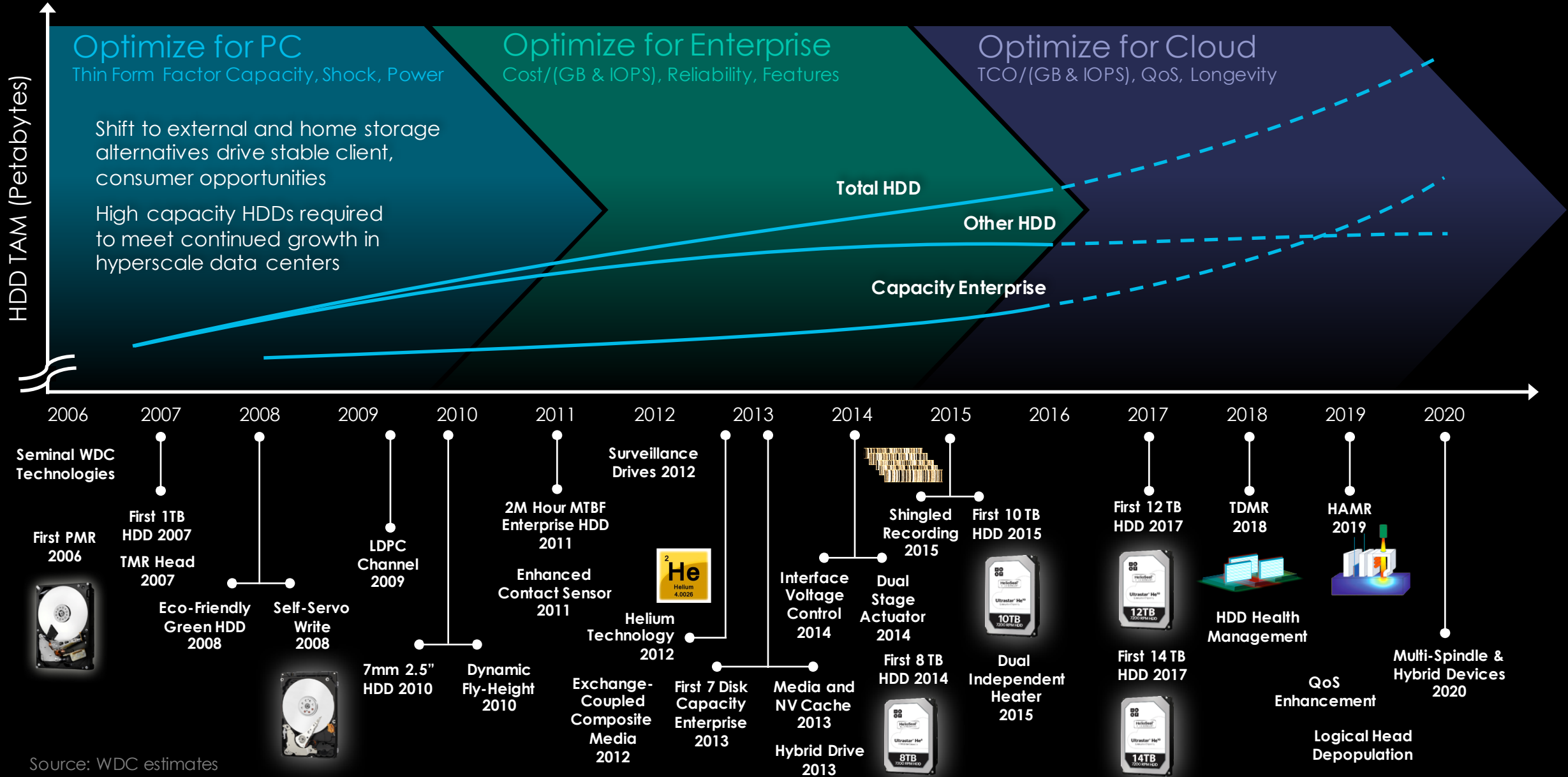
WDC: Industry-Leading Storage Technology

*Steve Campbell
Executive Vice President and
Chief Technology Officer*

INVESTOR DAY 2016

Western Digital®

Rich Variety of Solutions for the World's Data Storage Needs

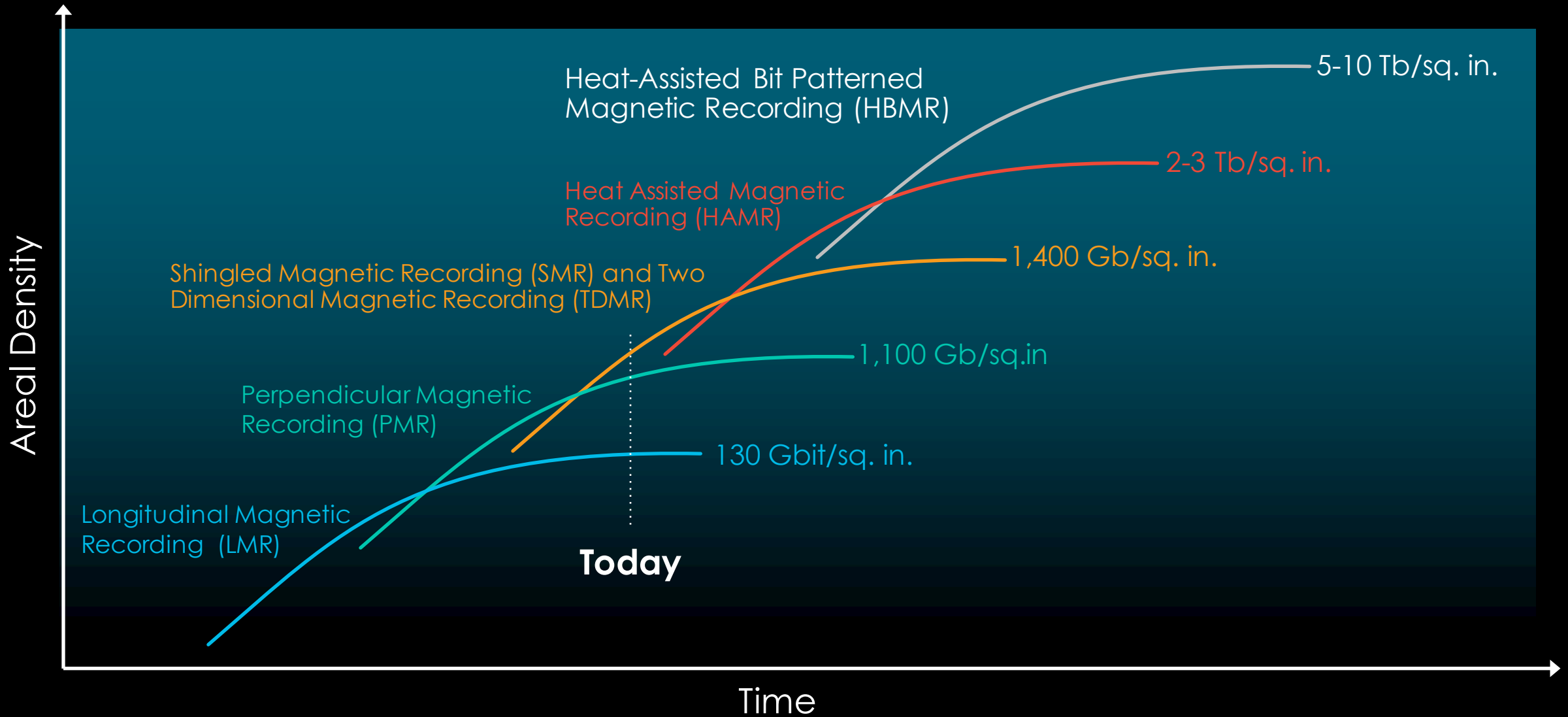


Source: WDC estimates

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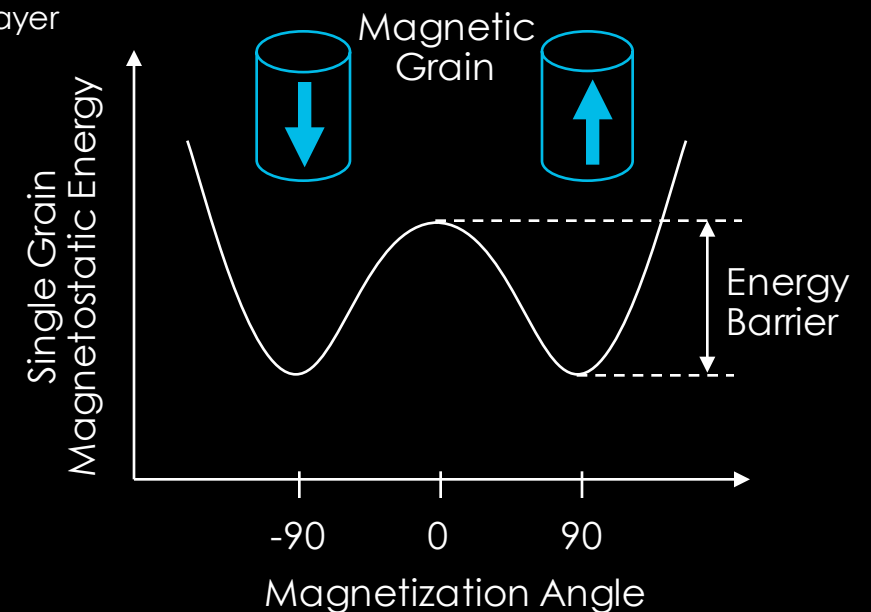
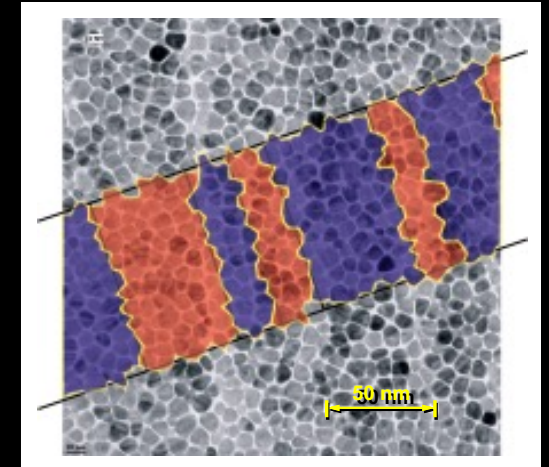
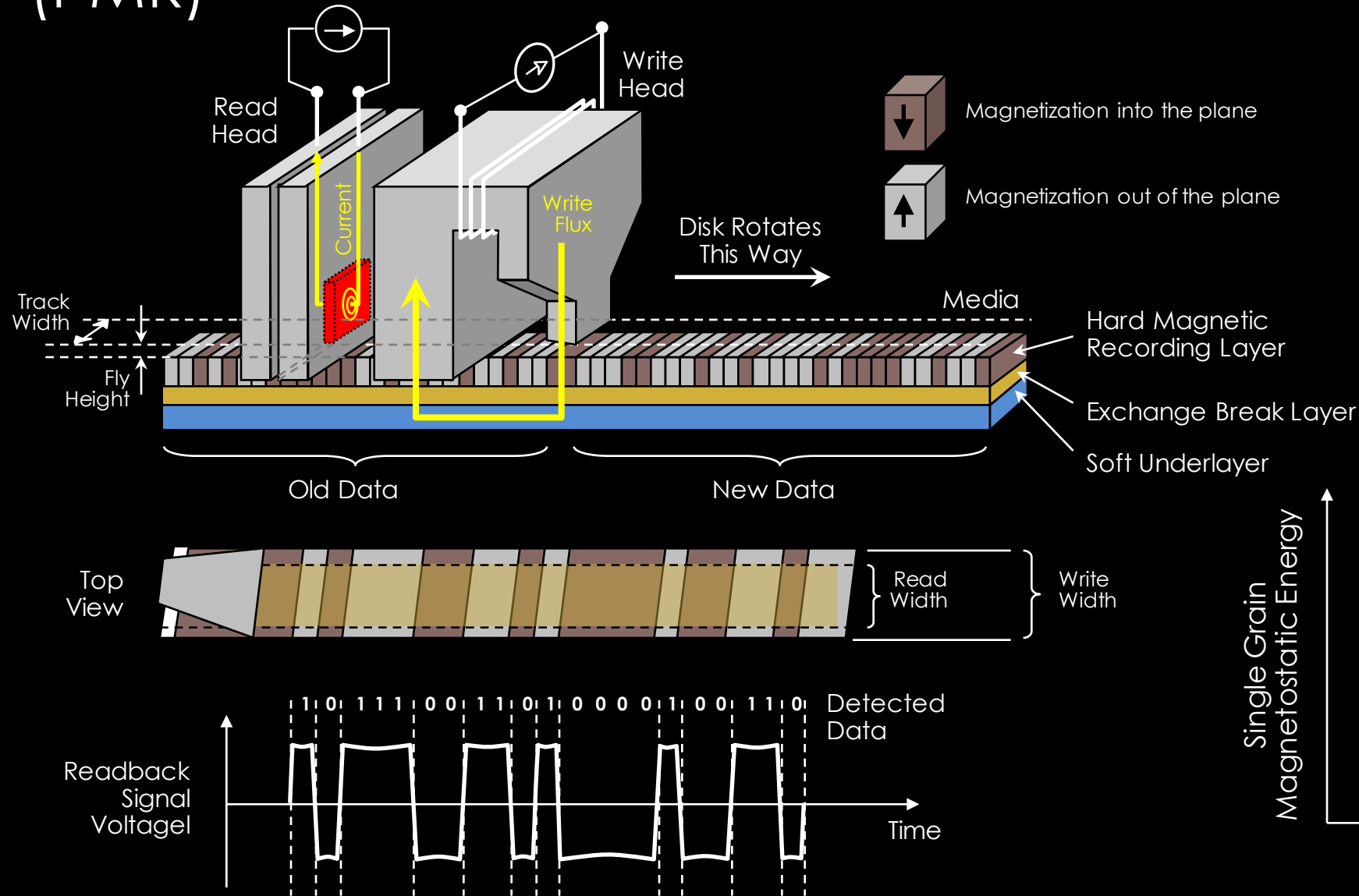
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Areal Density Increases Supported by Innovative Technologies



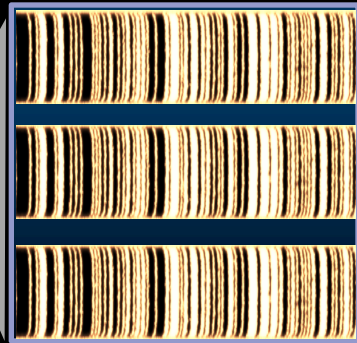
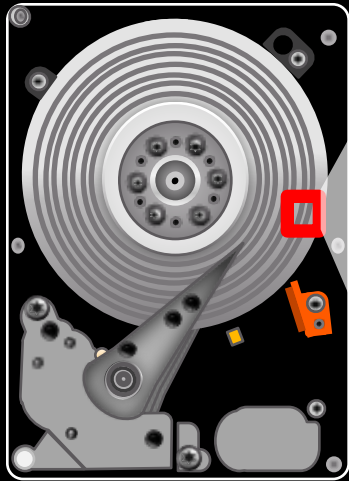
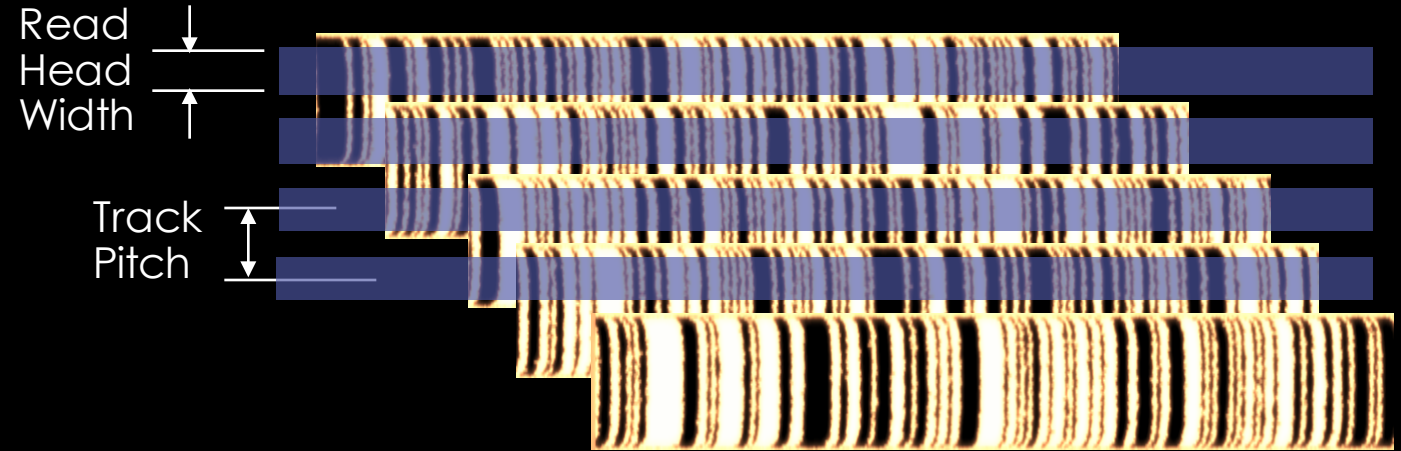
>50 Million Increase in Areal Density Over 50 Years

Limits of Conventional Perpendicular Magnetic Recording (PMR)



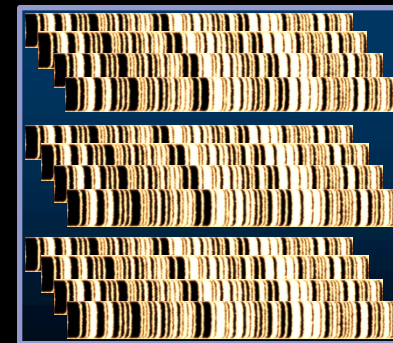
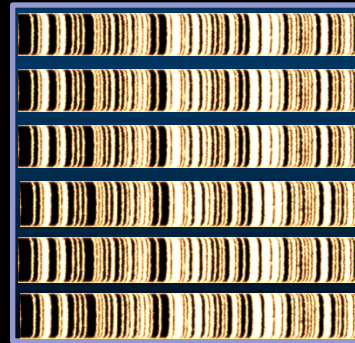
Shingled Magnetic Recording (SMR)

- Write overlapping tracks like shingles on a roof, and use an indirection system to handle data placement
- Enables 1.3x recording density
- Introduced in 2015



Conventional PMR HDD

Data in Discrete Tracks

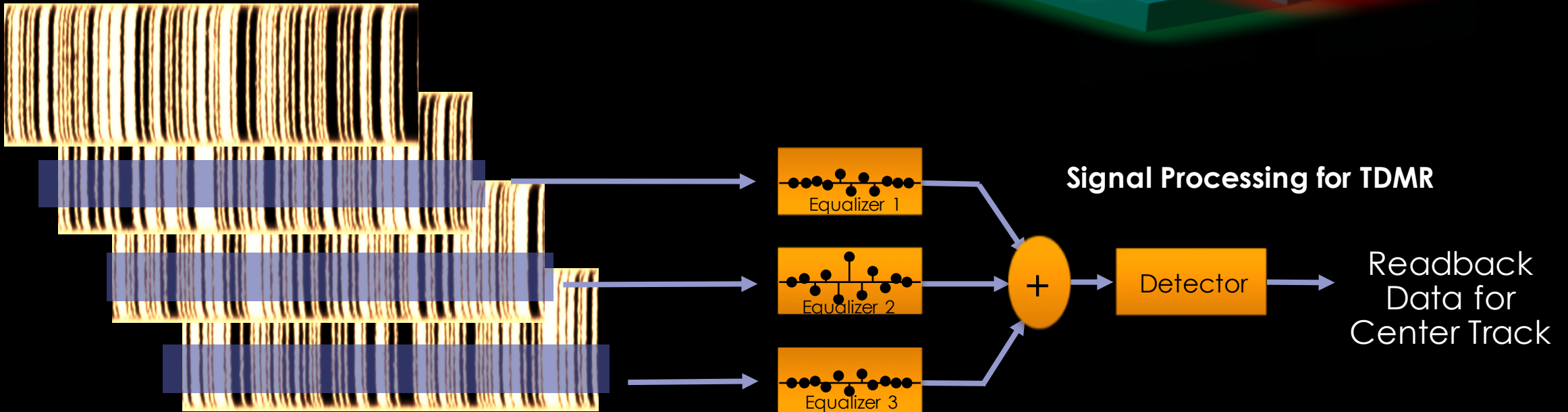


SMR HDD

Data in Zones of Overlapped Tracks

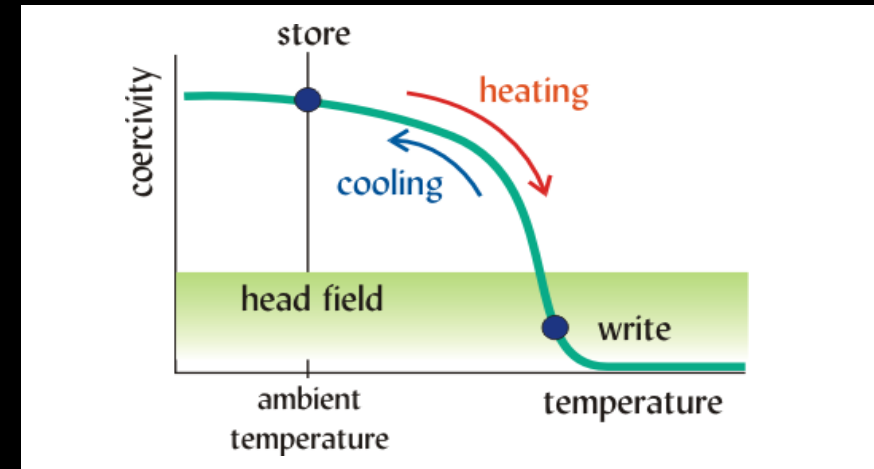
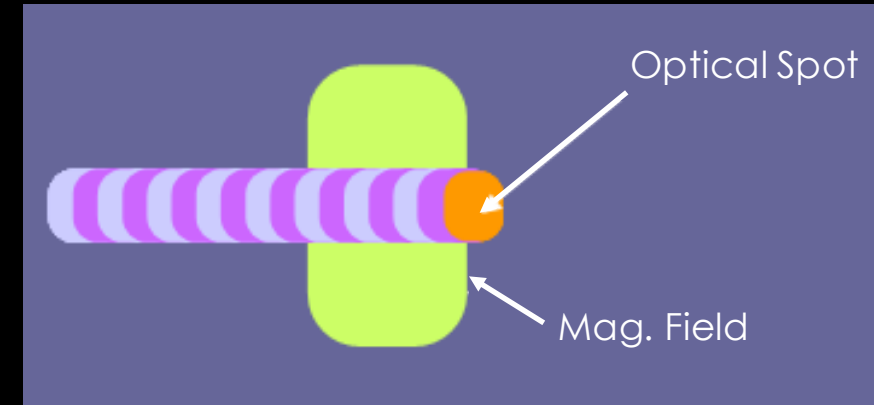
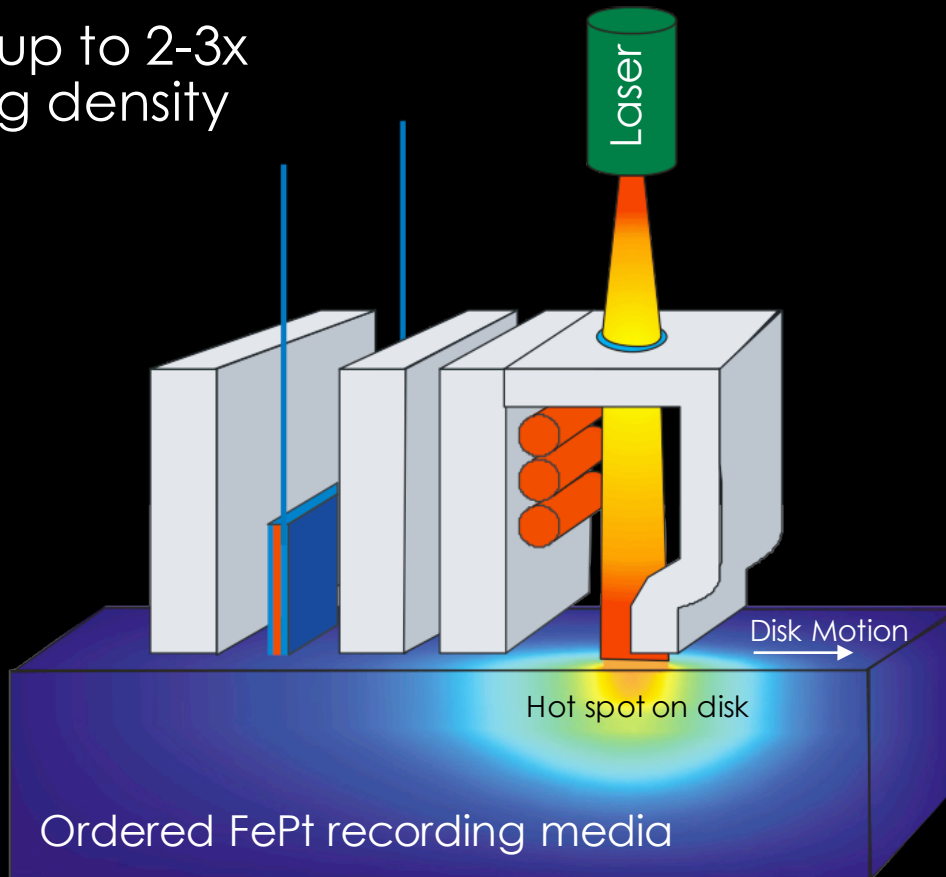
Two-Dimensional Magnetic Recording (TDMR)

- A read head containing multiple independent read elements provides multiple views of the same recorded data and enables noise cancellation from adjacent tracks for higher overall readback signal quality, and higher recording density
- Enables 1.2x recording density



Heat-Assisted Magnetic Recording (HAMR)

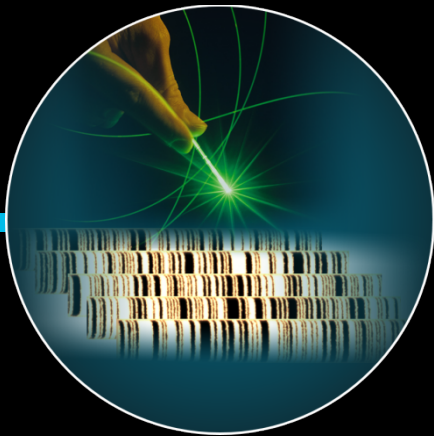
- A laser in the write head is used to heat up a small spot on the disk, which enables data to be recorded on higher density iron-platinum storage media
- Enables up to 2-3x recording density



HDD Technologies

Shingled Recording

Mature shingled recording head/media technology and firmware base



TDMR/HAMR

Broad scope of investments in future recording technologies



Helium

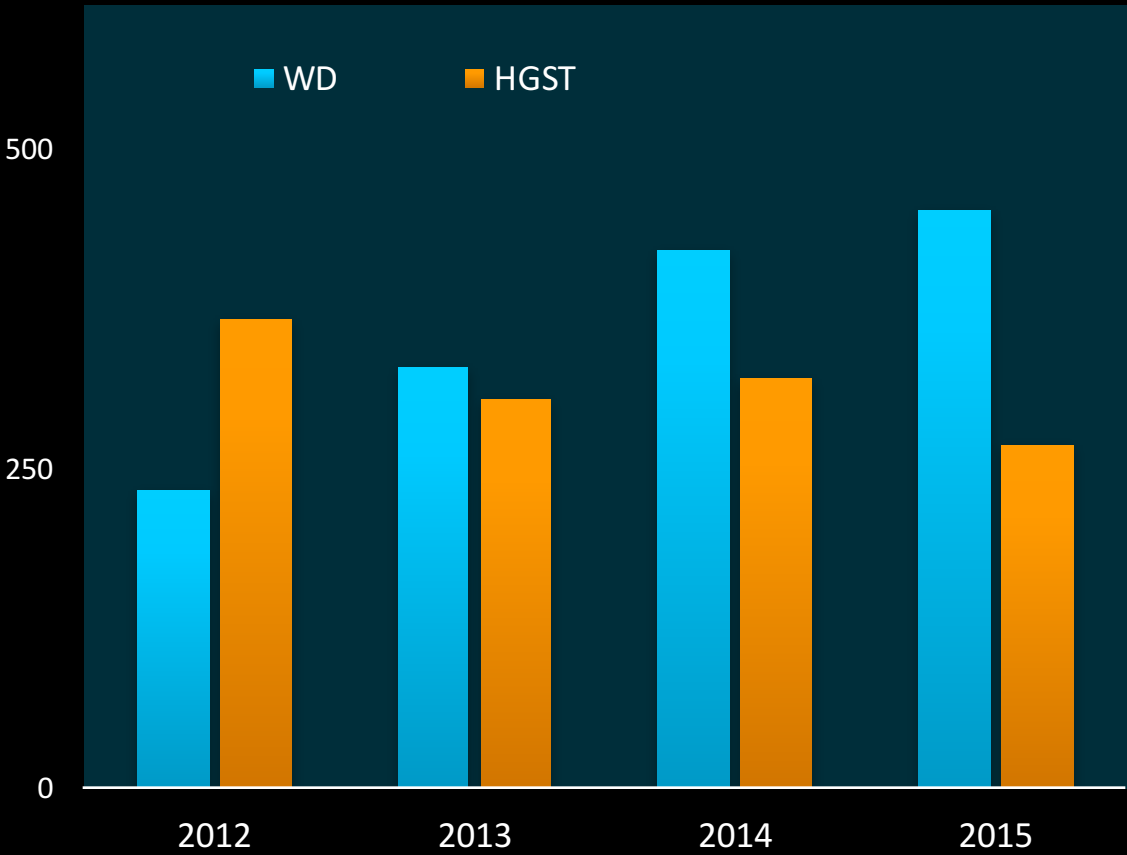
Industry-leading 3rd generation Helium sealed drive technology

More than 12M He HDDs shipped



Industry-Leading HDD Technology Portfolio

US Issued HDD Patents



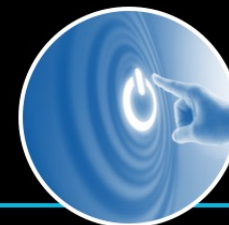
Leveraging Core Engineering Competencies Across Portfolio

Data Center Solutions



Storage System Software
Low-Latency Interconnect
Network and Compute

Client Solutions



HDD Devices



ECC and Security Architecture
Controller & Firmware
ASIC Design, Fab Relationships
Packaging & Thermal Design
Precision Mechanical Design

SSD & NVM Products

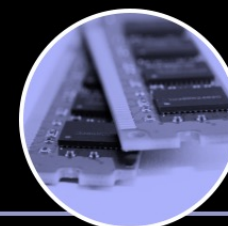


HDD Heads & Media



High-Volume Manufacturing
Semiconductor Fabrication Processes
Fundamental Physics, Materials Science,
Modeling & Characterization

Memory (NAND & SCM)



Thank You

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An abstract graphic on the right side of the slide, consisting of numerous thin, overlapping lines in shades of orange, red, pink, and blue. These lines radiate from the right edge towards the center, creating a sense of motion and energy. The background is solid black.

NAND Flash and Beyond

*Dr. Siva Sivaram
Executive Vice President,
Memory Technology*

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Elements of WDC Technology Leadership

Power, Performance



Latency, Endurance

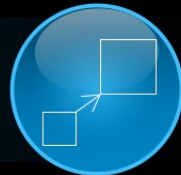
Cost



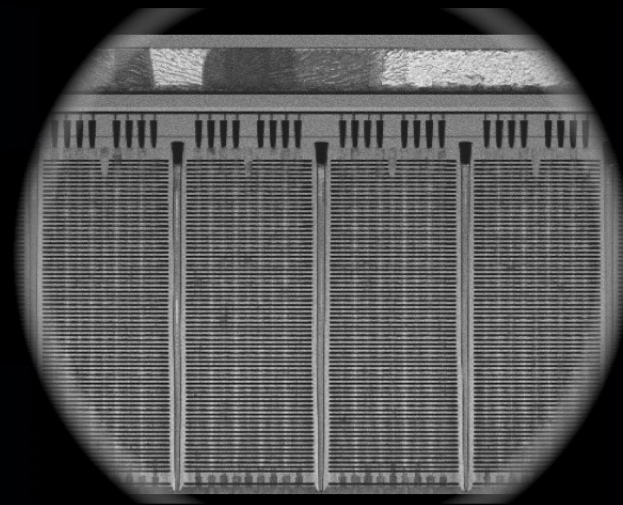
Vertical Integration
and Ecosystem



Scalability



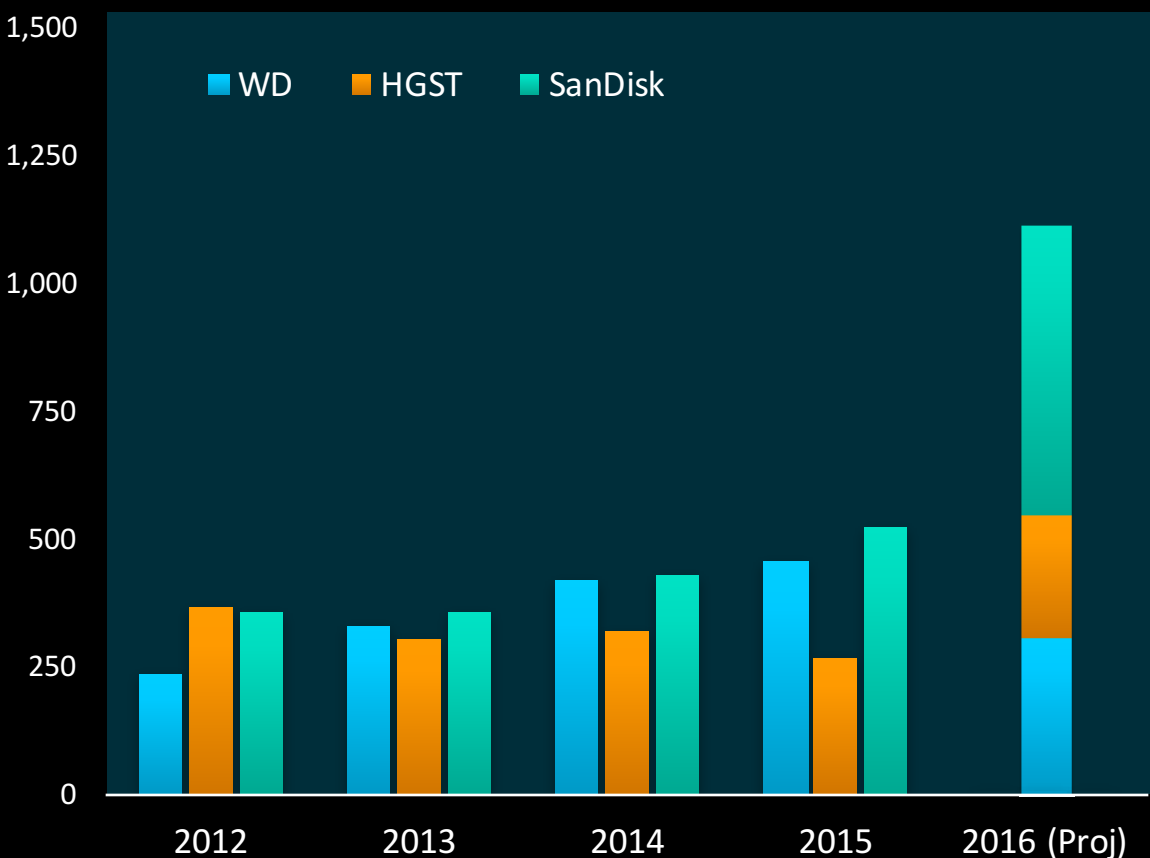
Scale



On Time, On Target, All the Time

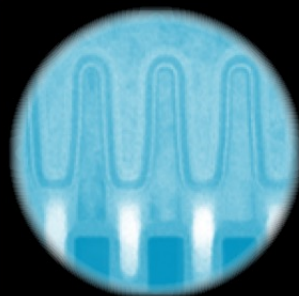
Culture of IP Excellence at All Three Legacy Companies

Total US Issued Patents



Technology Platforms to Meet Expanding Customer Needs

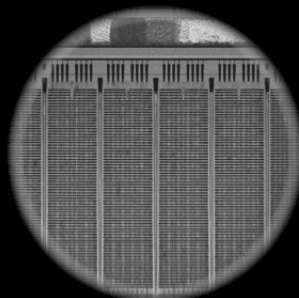
2D NAND



15nm 1Z: World's most successful 2D NAND technology



3D NAND: BiCS



BiCS3: World's first 64 layer 3D NAND products



Storage Class Memory



3D ReRAM: Highly scalable fast access memory



System Integration



Firmware



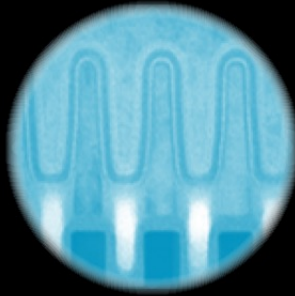
Controller



IC Assembly

Memory Technology Roadmap

2D NAND



CY 2015

2016

2017

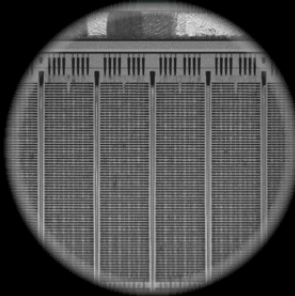
2018

2019

2020

15nm 1Z X2, X3*

3D NAND: BiCS



BiCS2 48L X3

BiCS3 64L X3, X4*

BiCS4

BiCS5

Storage Class Memory



ReRAM (Resistive RAM) R&D

Gen 1

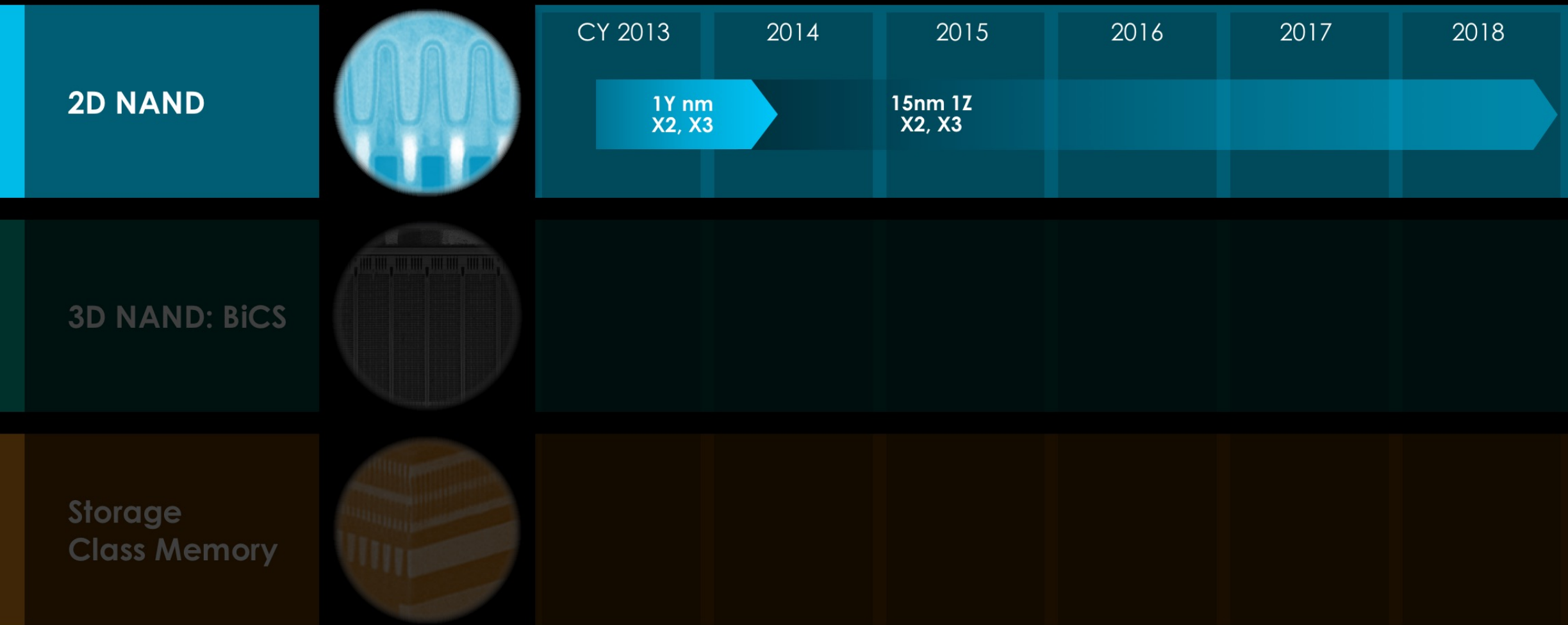
Gen 2

*X2: 2 bits per cell, MLC

X3: 3 bits per cell, TLC

X4: 4 bits per cell, QLC

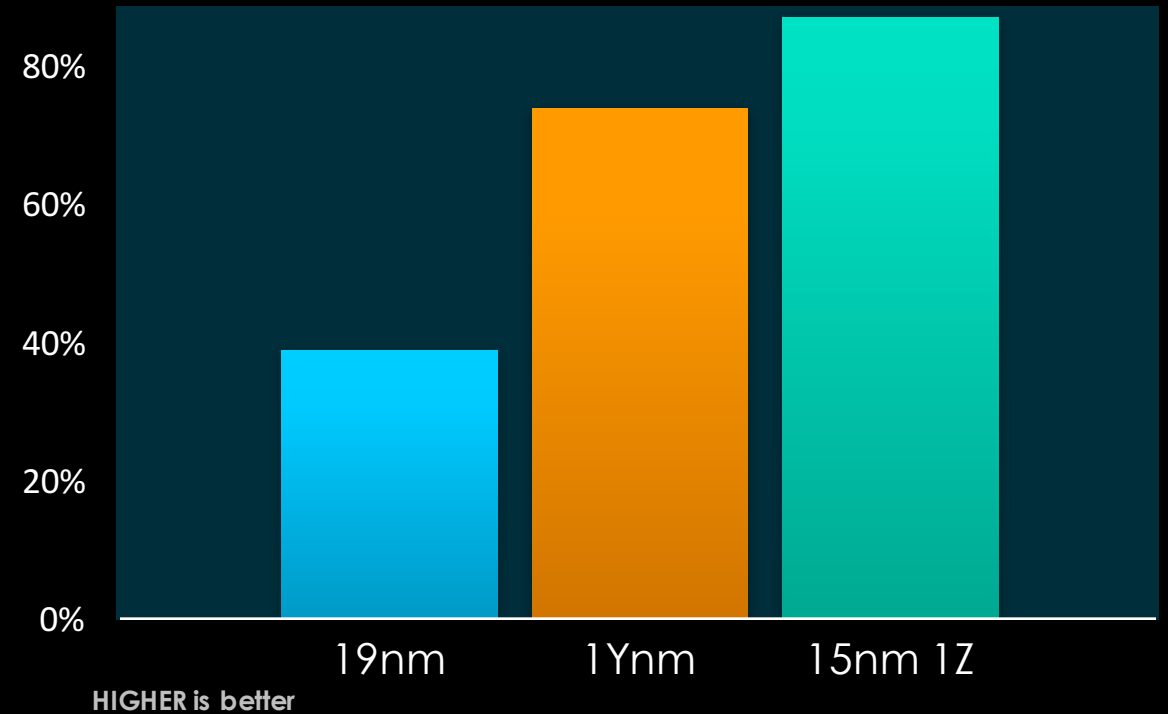
2D NAND: 11 Generations of Learning and Leadership



The Three Bits Per Cell Advantage

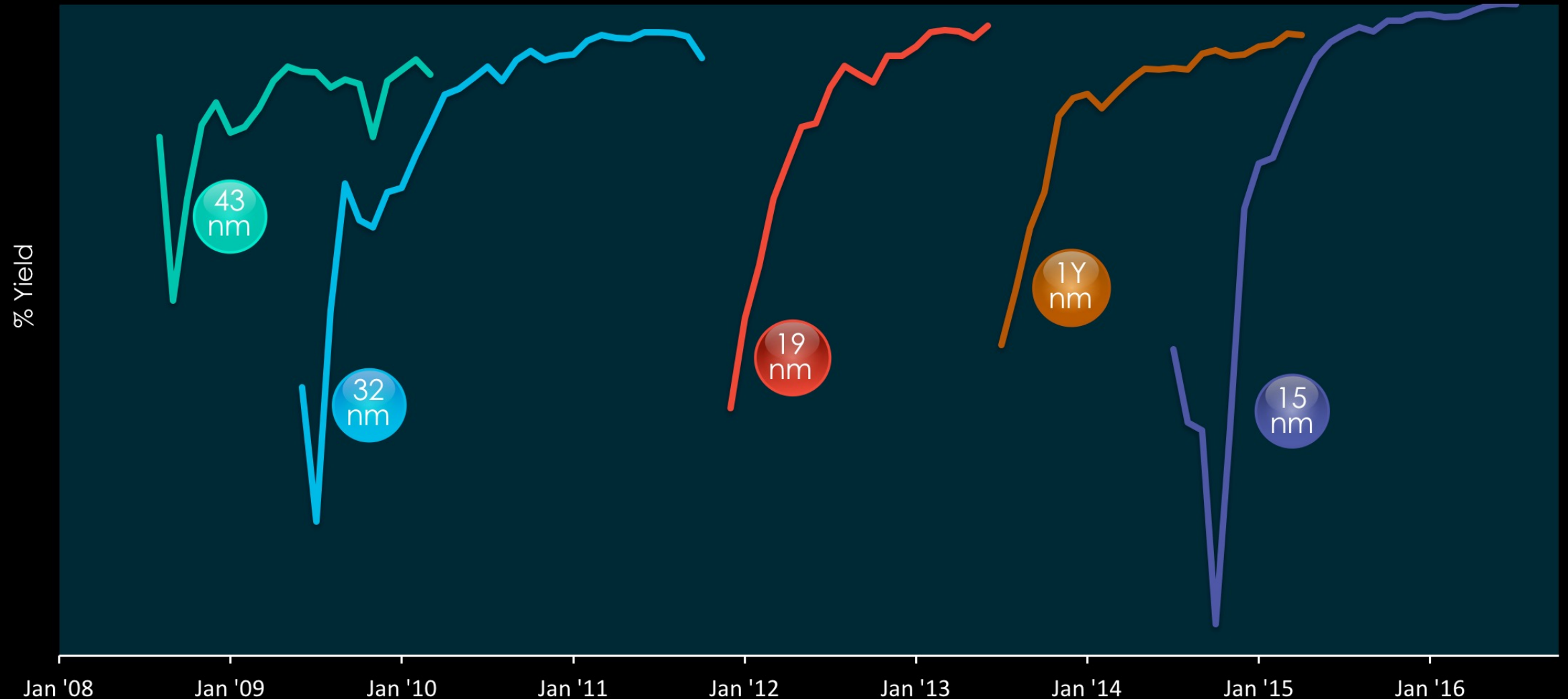
- WDC leads the industry in X3 device and system technologies
- Wide market acceptance of our X3 solutions
 - Retail, embedded, and SSDs

X3 % of Total 2D Bits Shipped by WDC
Average in Year of Volume Ramp



Logical Scaling Enabled by Vertical Integration

15nm 1Z: Highest Yields and Fastest Yield Learning



Source: WDC estimates

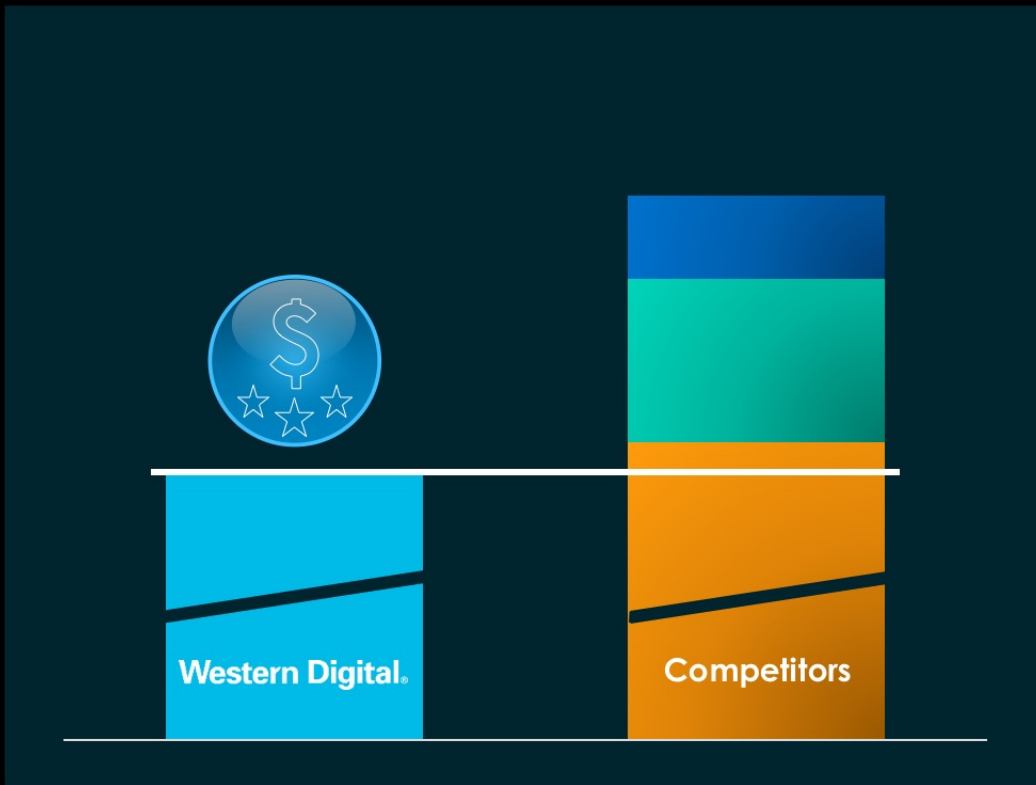
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15nm 1Z: World's Best 2D NAND Flash Technology

Best Cost – X3

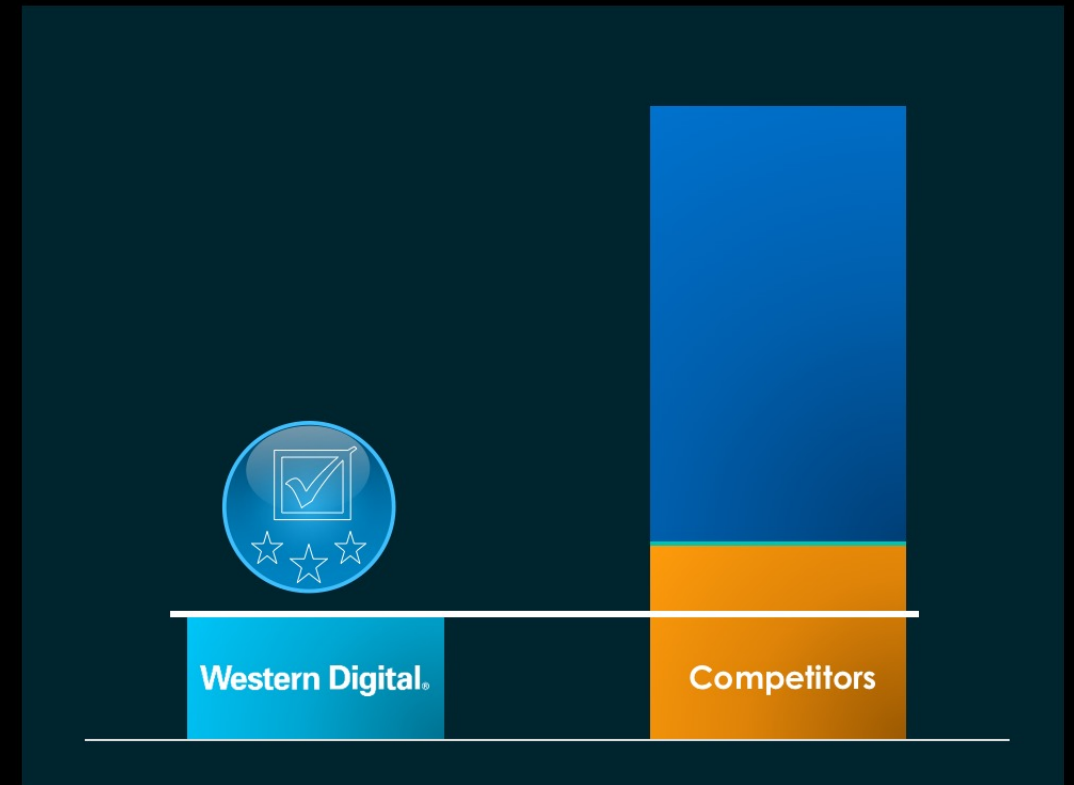
Die Size 15nm 1Z vs. Competitors, Including 14nm



LOWER is better

End of Life Bit Error Rate for X3

15nm 1Z vs. Competitors, Including 14nm



LOWER is better

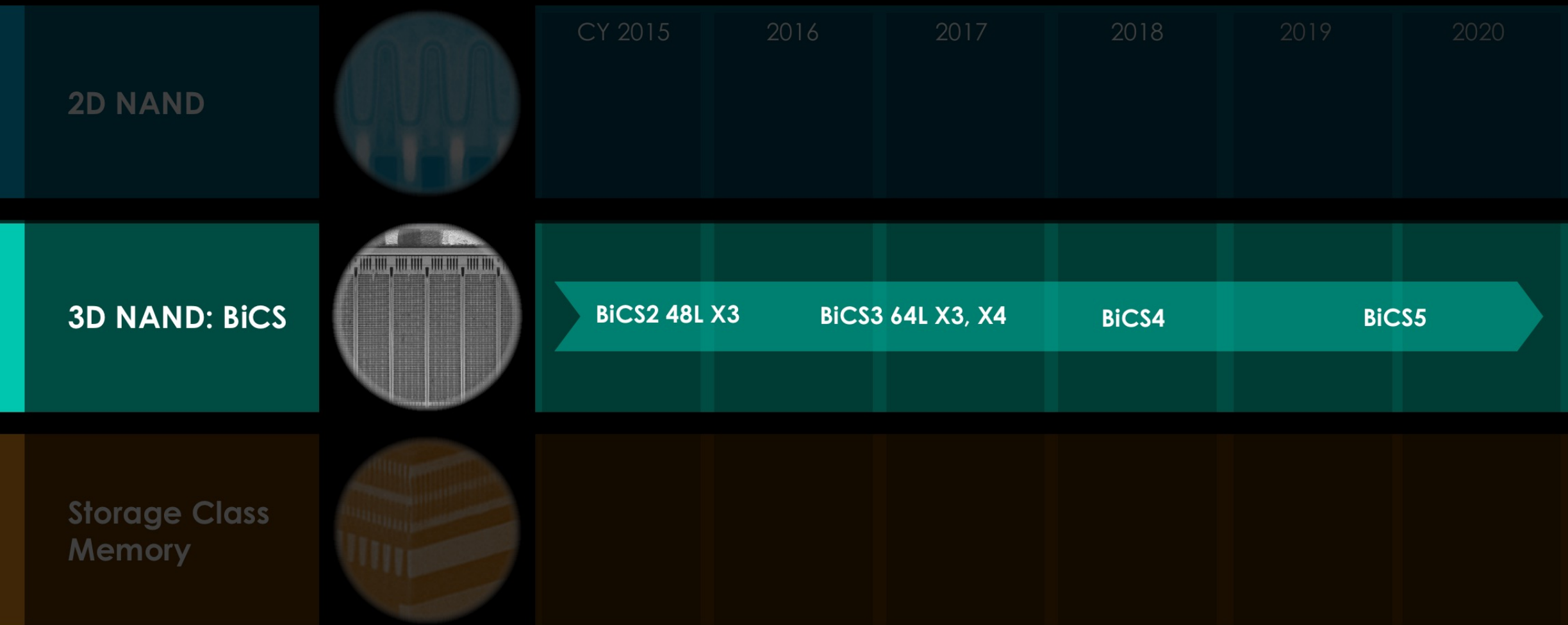
Source: WDC estimates

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2016 Investor Day | Milpitas, CA | December 6, 2016

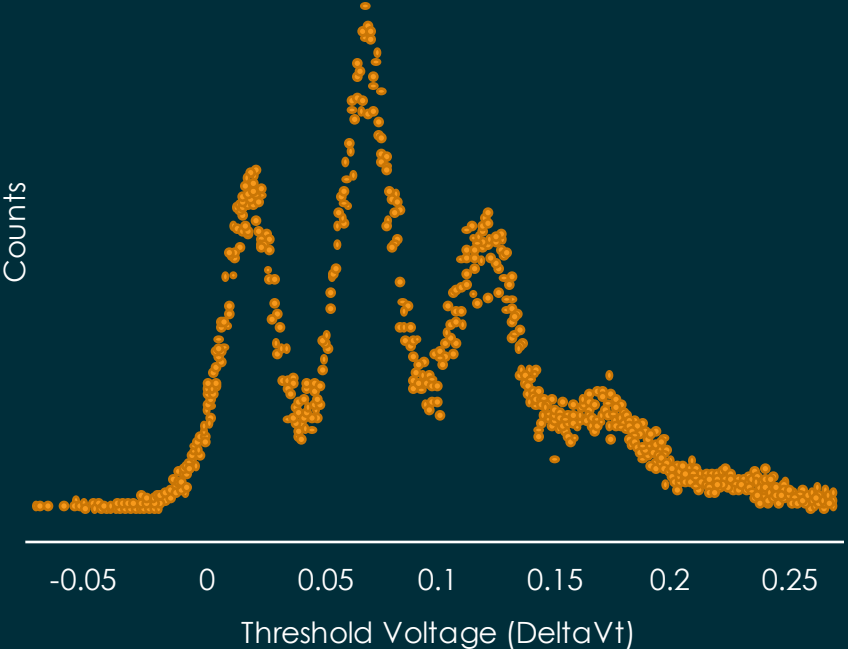
76

3D NAND Flash: The Future Is Here

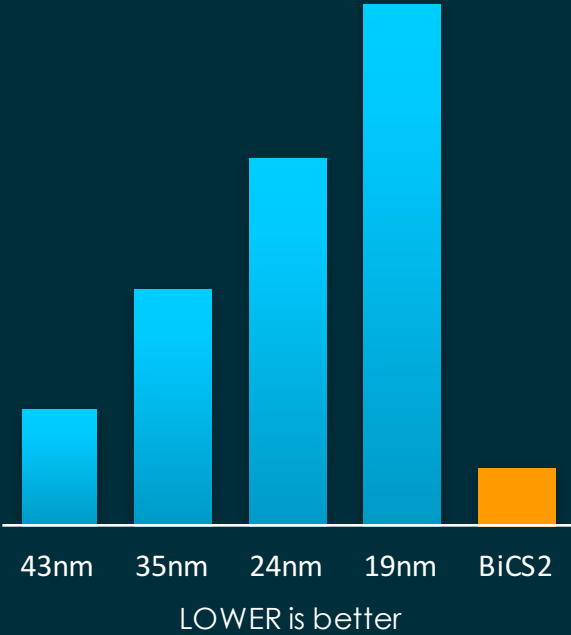


No Moore: End of Line for 2D NAND Scaling

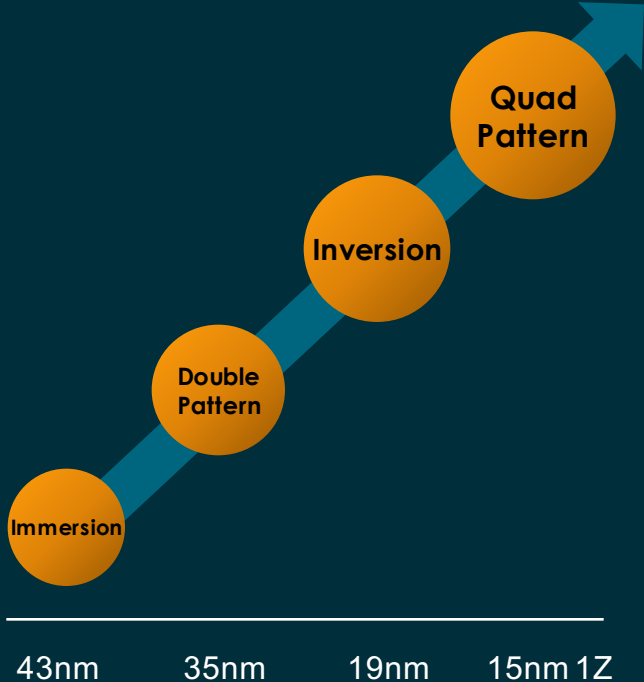
We don't have enough electrons



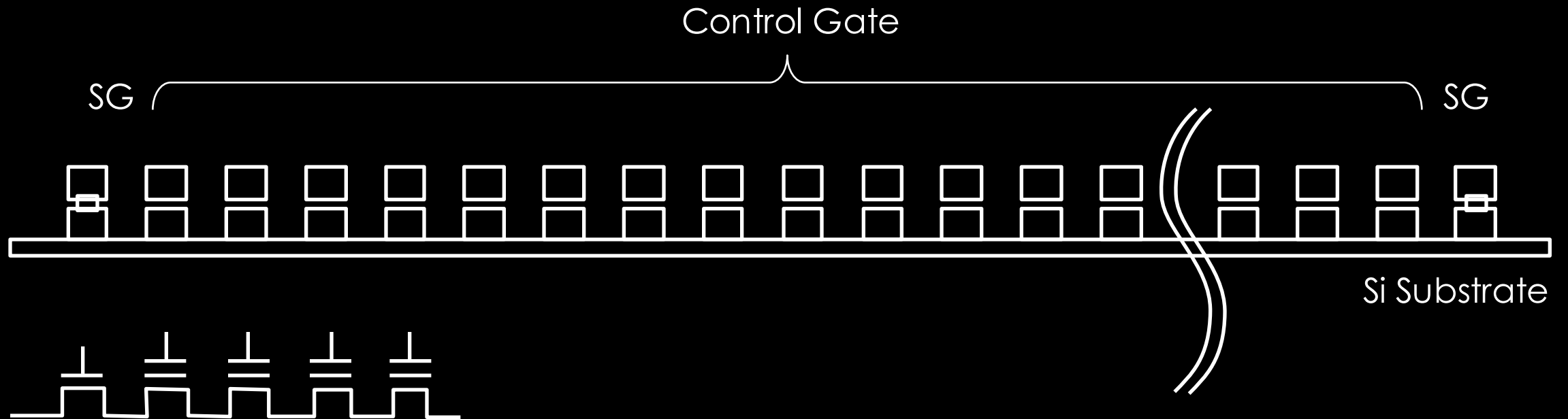
As cells get closer, proximity effect worsens



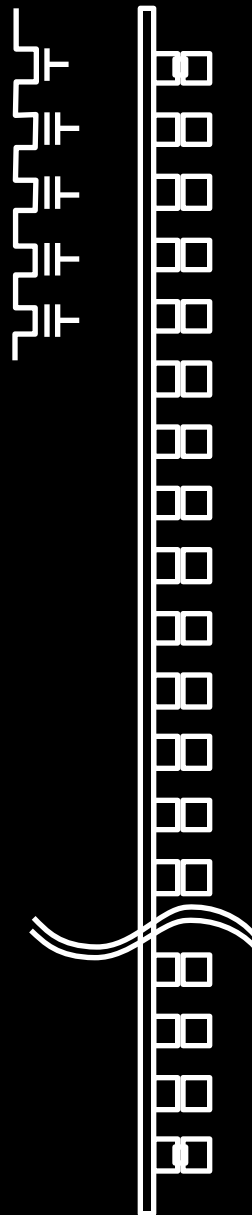
Lithography Process Complexity



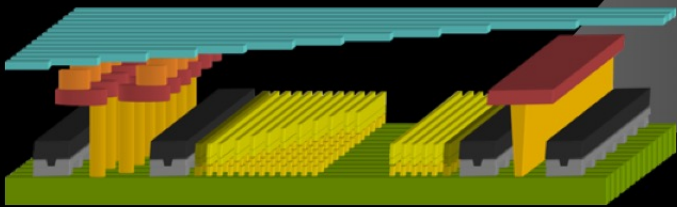
NAND Strings Go Vertical



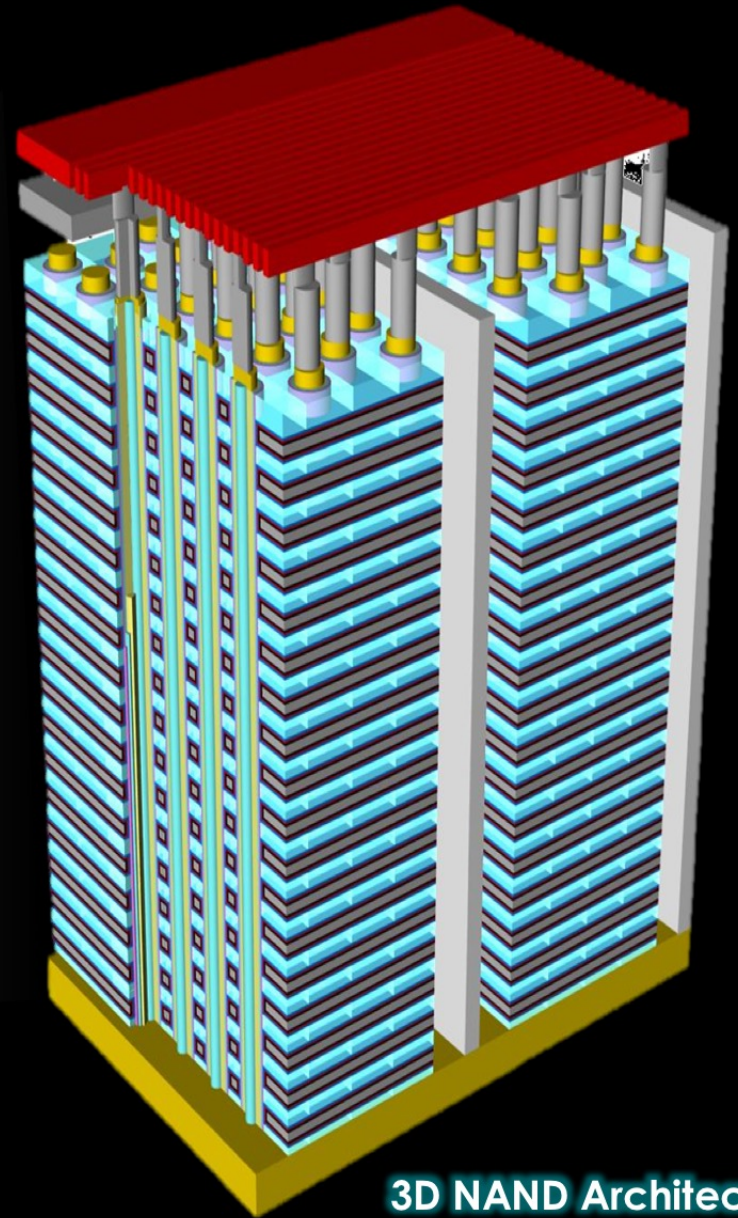
NAND Strings Go Vertical



From the Suburbs to Downtown

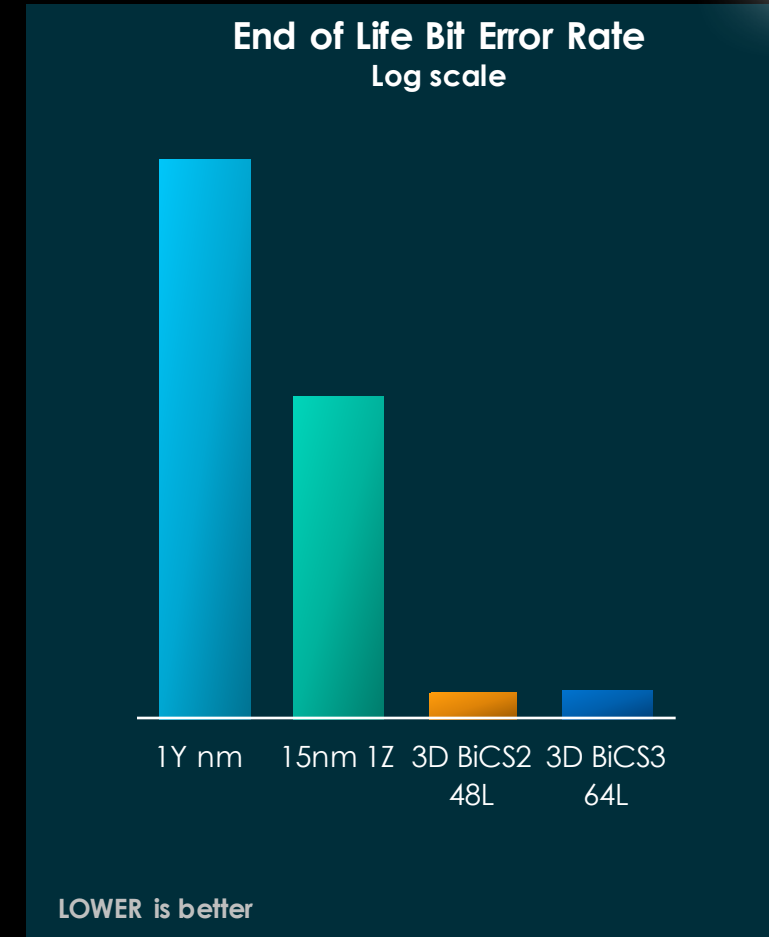
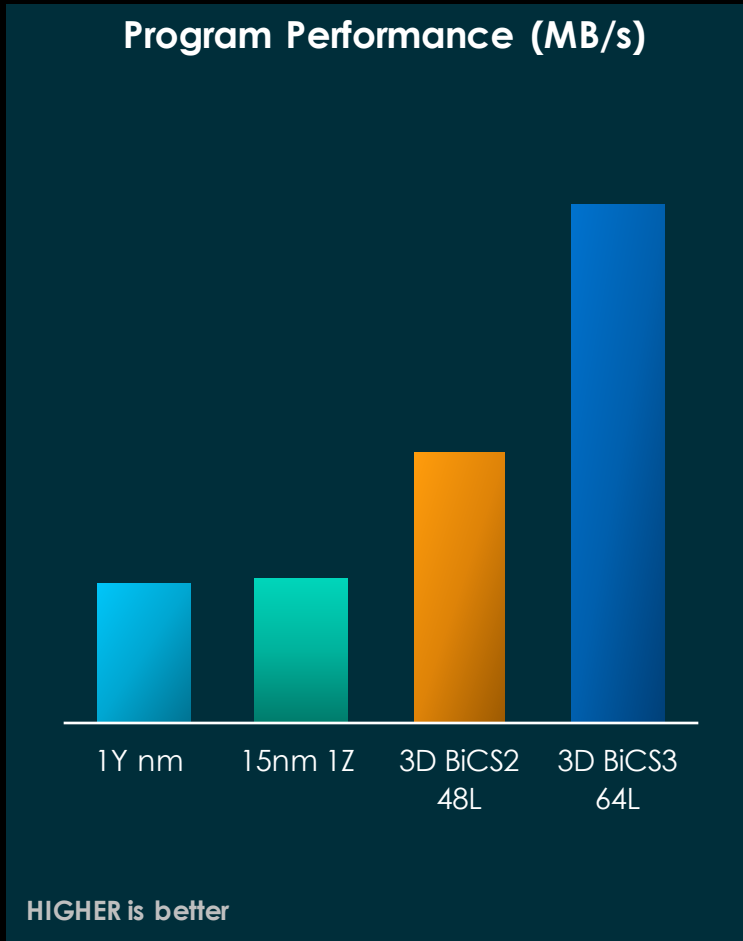
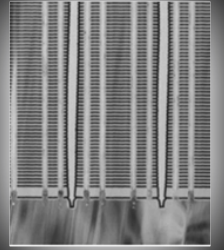


2D NAND Architecture



3D NAND Architecture

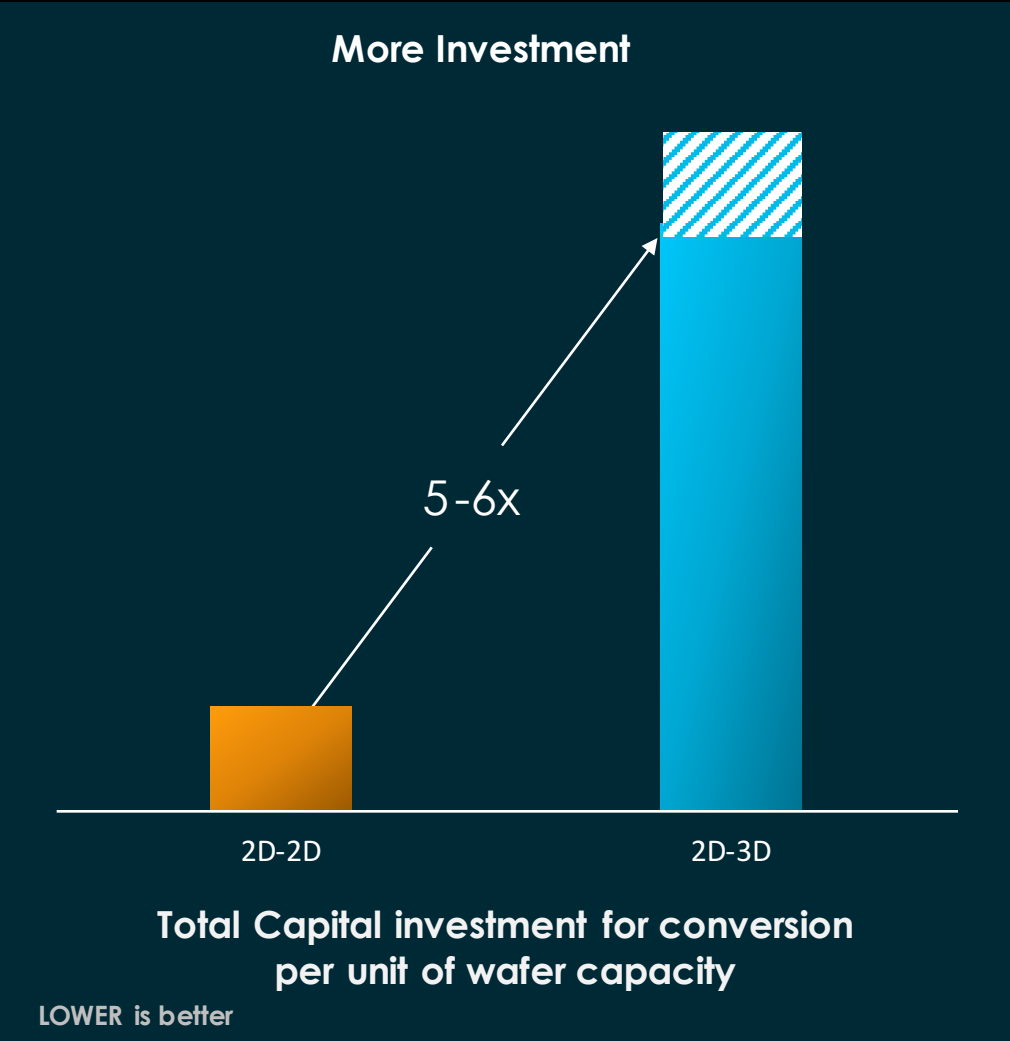
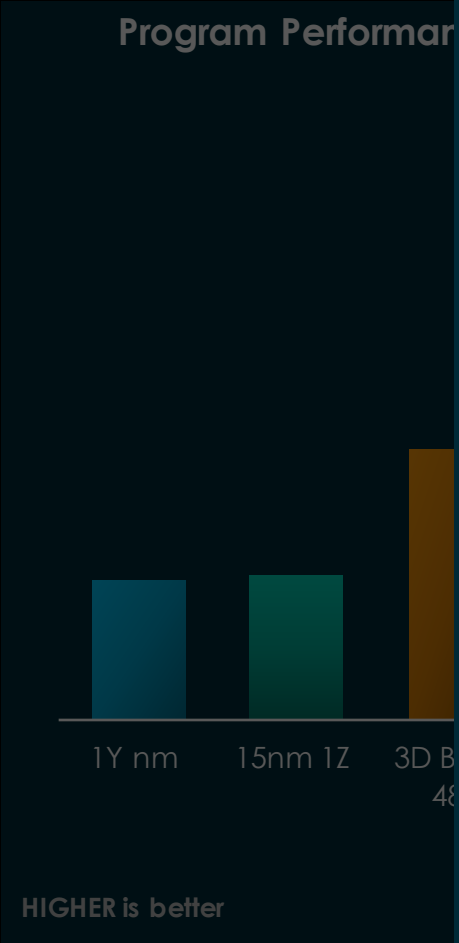
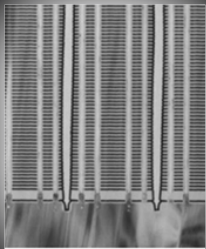
3D NAND Faster, Stronger,



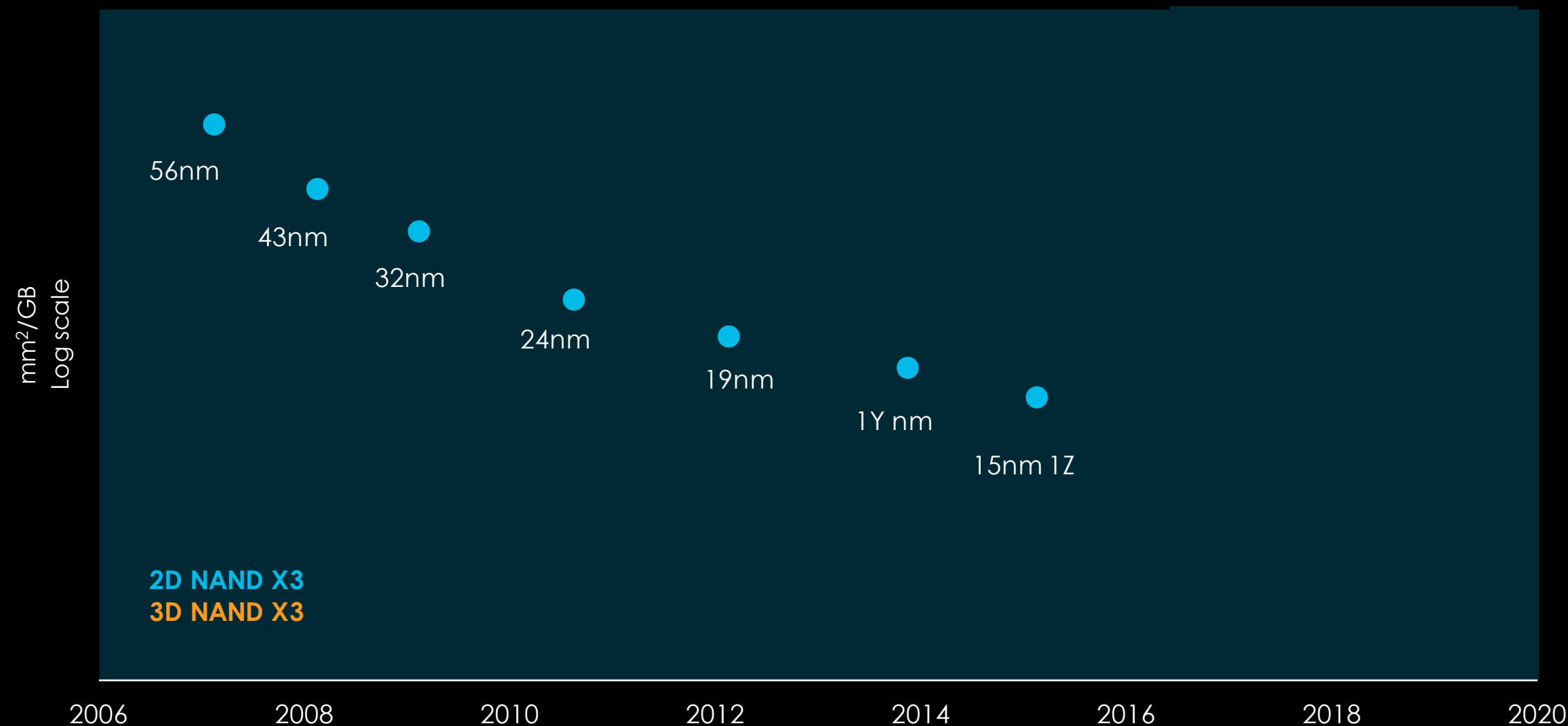
Source: WDC estimates

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3D NAND Faster, Stronger, but...

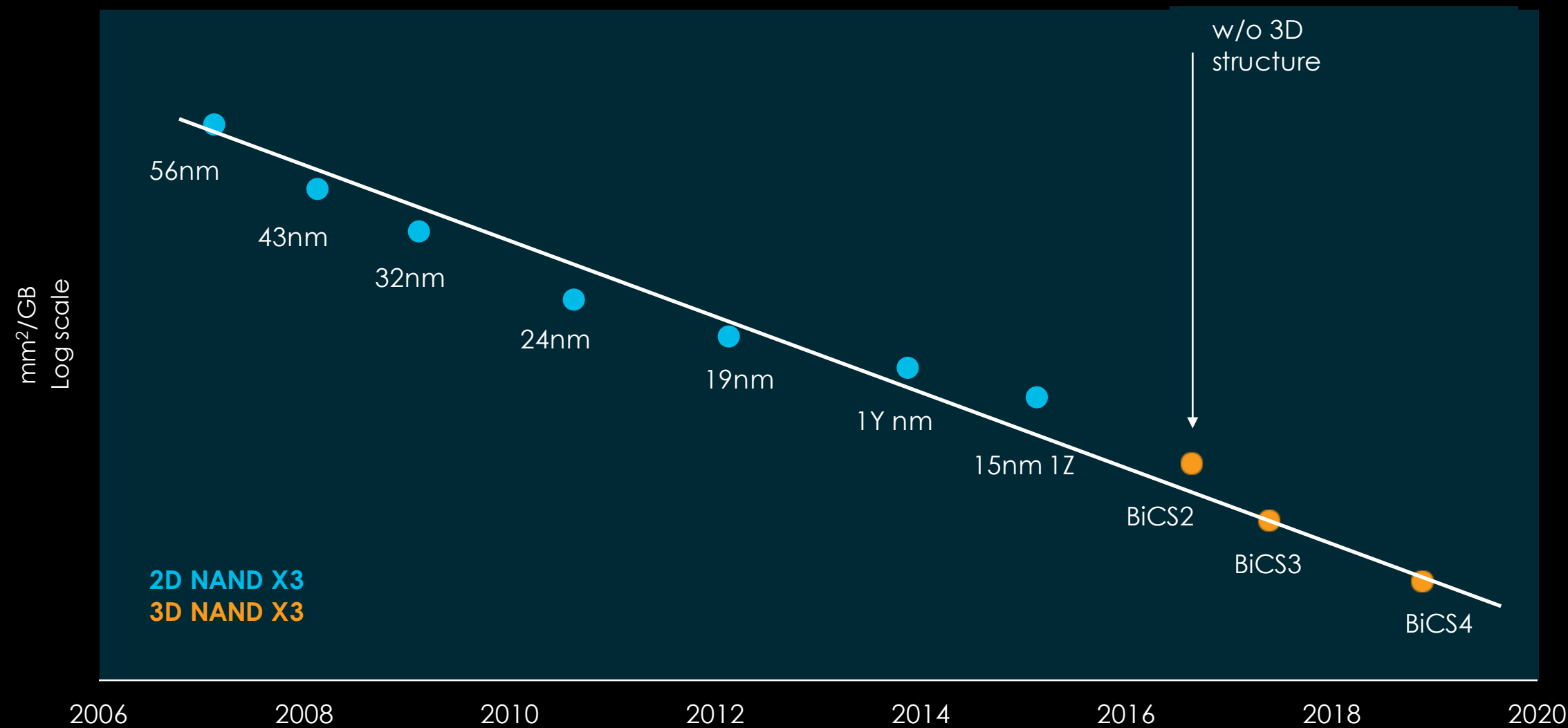


Bit by Bit, NAND Scaling Falls in Line



Source: WDC estimates

Bit by Bit, NAND Scaling Falls in Line



World's **first 64-layer 3D NAND** architecture

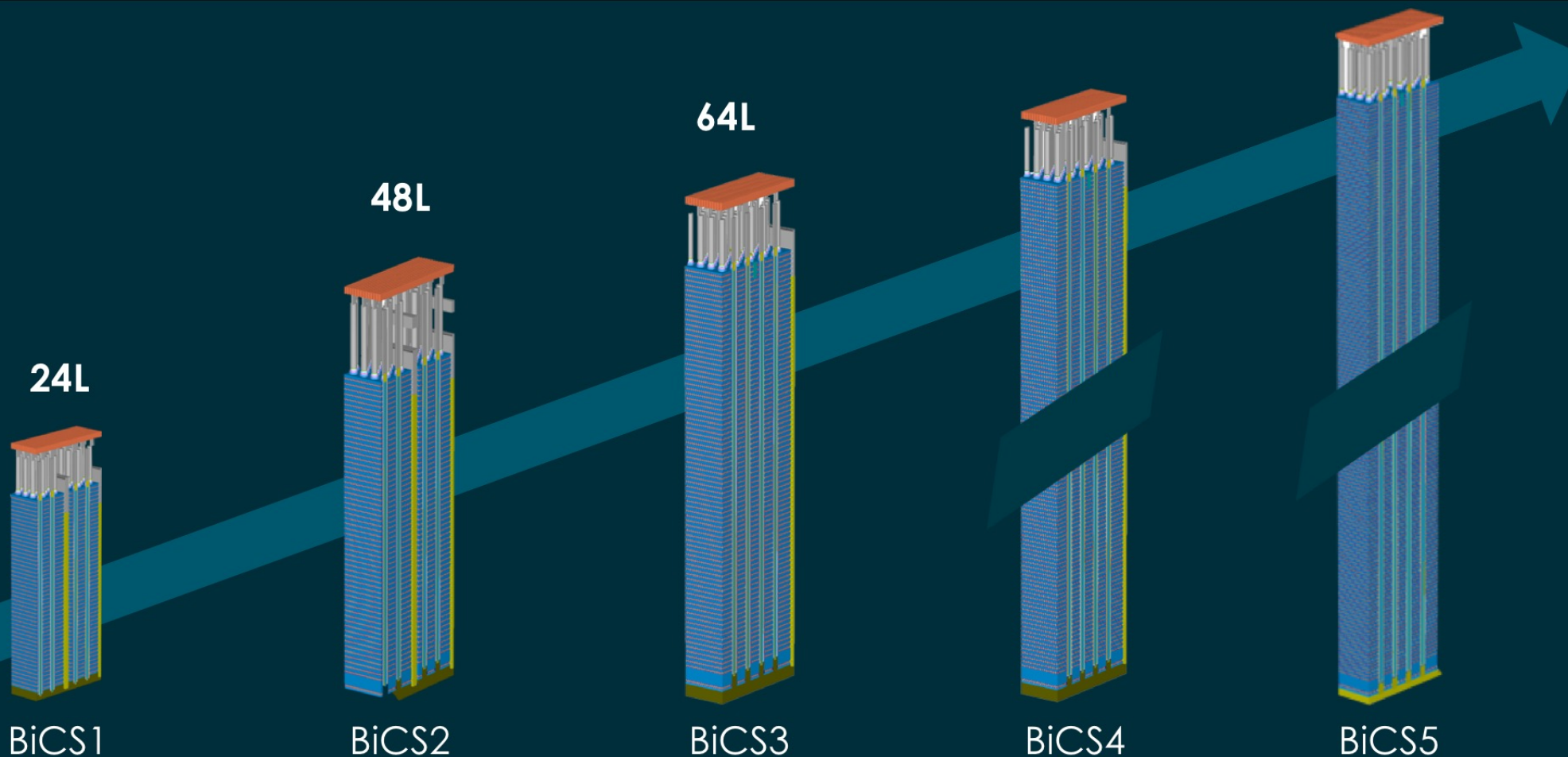
Smallest 256Gb chip
in the industry

Capacities including
512Gb on a single chip

Retail products
shipping now; **OEM**
sampling has begun

Continuing the Technology Leadership Tradition

BiCS3: First Commercially Viable 3D NAND



Predictable Scaling Path: x, y, z and Logical Scaling

Pictures: not to scale
Source: WDC estimates

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BiCS3 64 Layer: Products for All Focus Segments

BiCS3
64L

Full Mass Production: 16 GB to 32 TB
50+ product lines

BiCS2
48L

Limited Production: 32 GB to 1 TB
10+ product lines

15nm
1Z

Full Mass Production: 8 GB to 8 TB
40+ product lines

USB / μ SD / SD



Embedded



Client



Enterprise

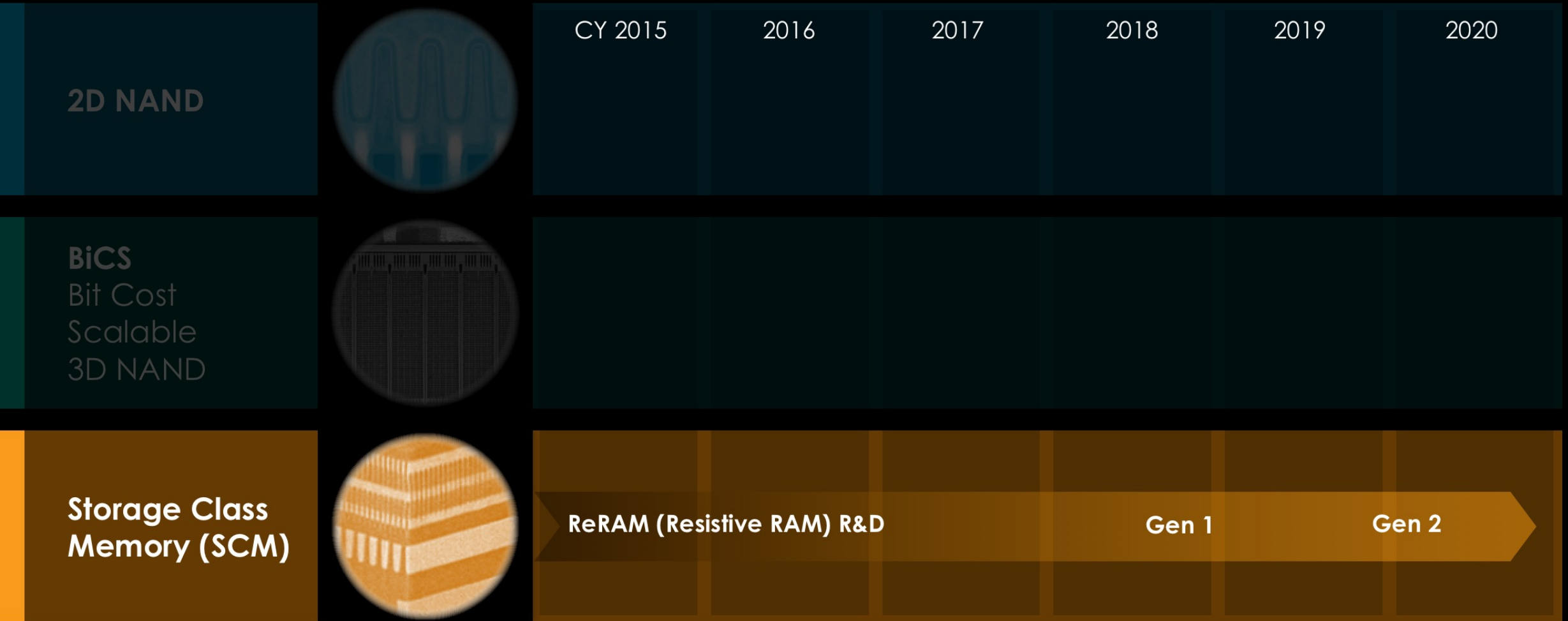


Pictures not to scale
Source: WDC estimates

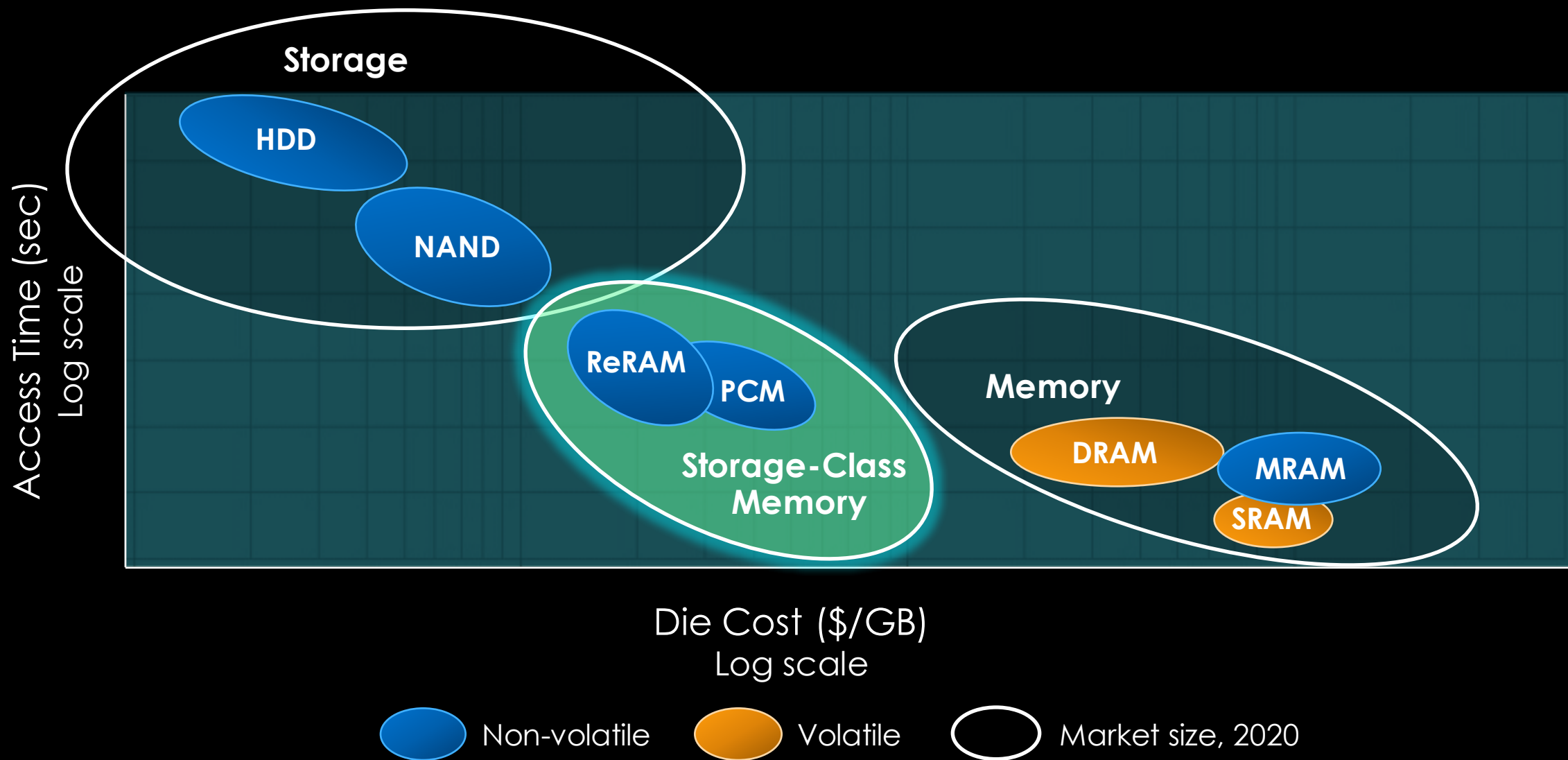
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SCM: A New Computing Paradigm



SCM: Faster, Cheaper, and Non-Volatile



Source: WDC estimates

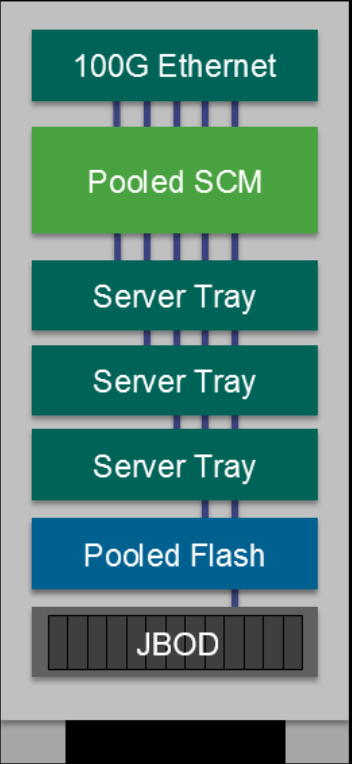
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Bringing the Computer to the Data

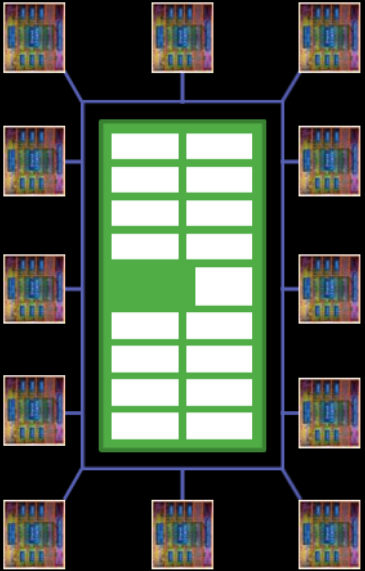
Data Center

Rack Scale
Architecture



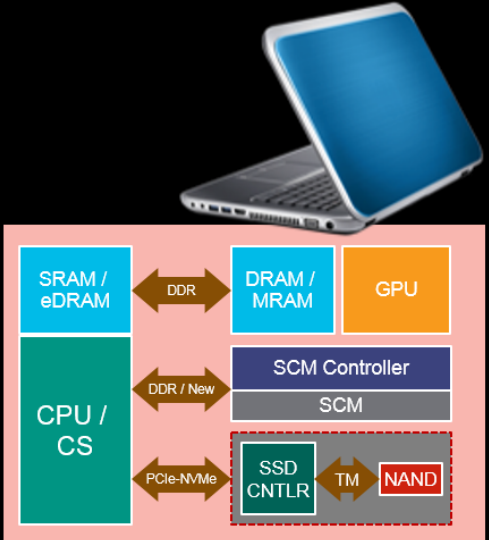
Data Center

Cheap CPUs Around
Petabytes of SCM



Client Compute

SCM Complements DRAM for
Compute Intensive Clients



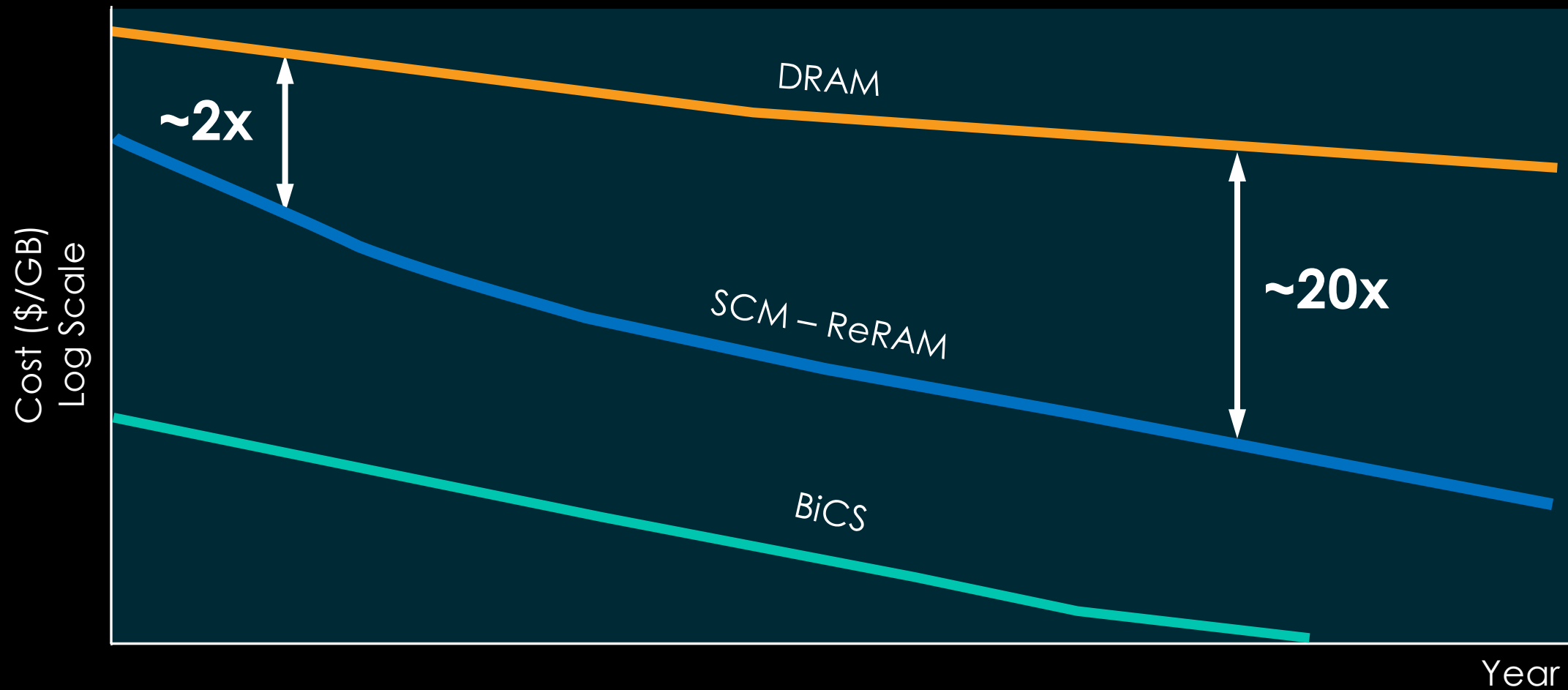
Mobile

Large Memory Requirements
for Virtual Reality



Time

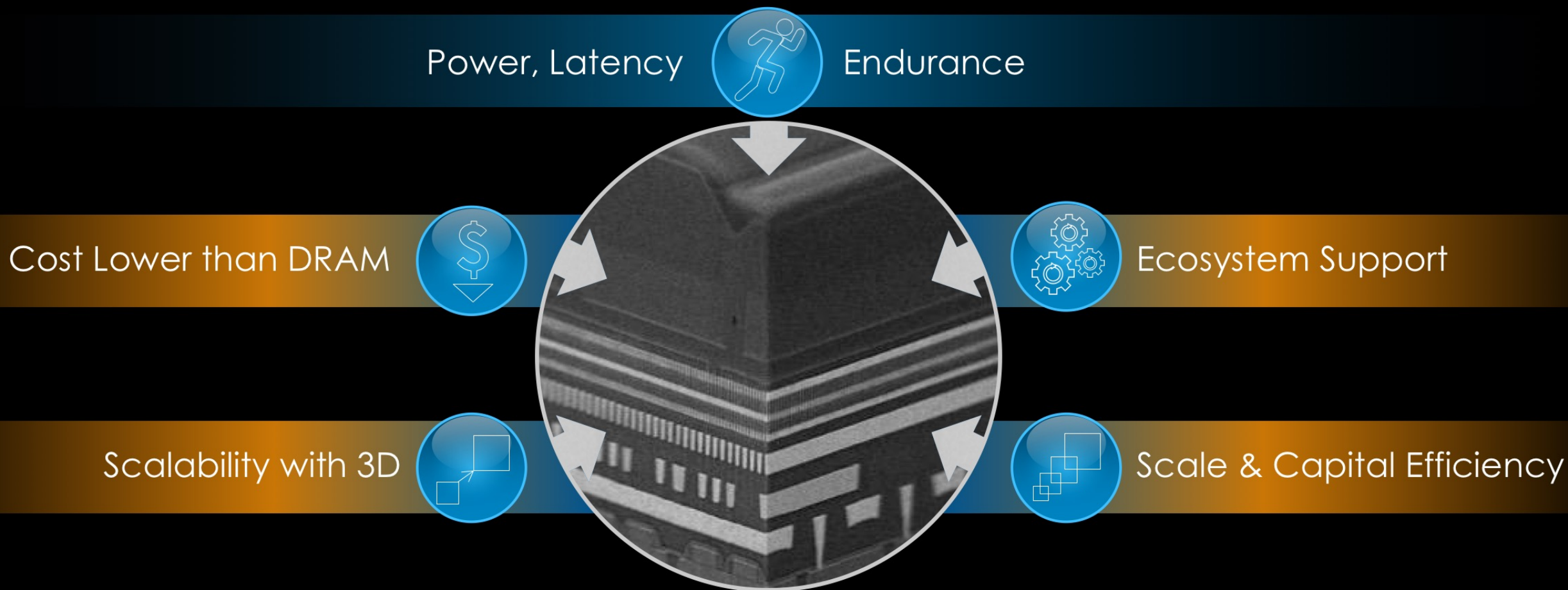
Scalability and Scale: ReRAM Follows BiCS



Note: Technology transition cadence assumed 18 months for all technologies

Source: WDC estimates; DRAM data source: IDC ASP forecast with 45% GM assumed

3D Resistive RAM as Storage Class Memory



ReRAM Is Western Digital's Choice for SCM

Thank You

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An abstract graphic on the right side of the slide, featuring a dense collection of thin, overlapping lines in shades of orange, red, and teal. These lines radiate from the right edge towards the center, creating a sense of motion and energy against the black background.

From Silicon to SSD, Manufacturing in the 3D Era

Manish Bhatia
Executive Vice President,
Silicon Operations

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Agenda

NAND Flash Industry Outlook



WDC Fab Strategy



WDC Silicon Supply Chain



Key Industry Observations



NAND industry evolution characterized by three technology regimes

2D NAND era

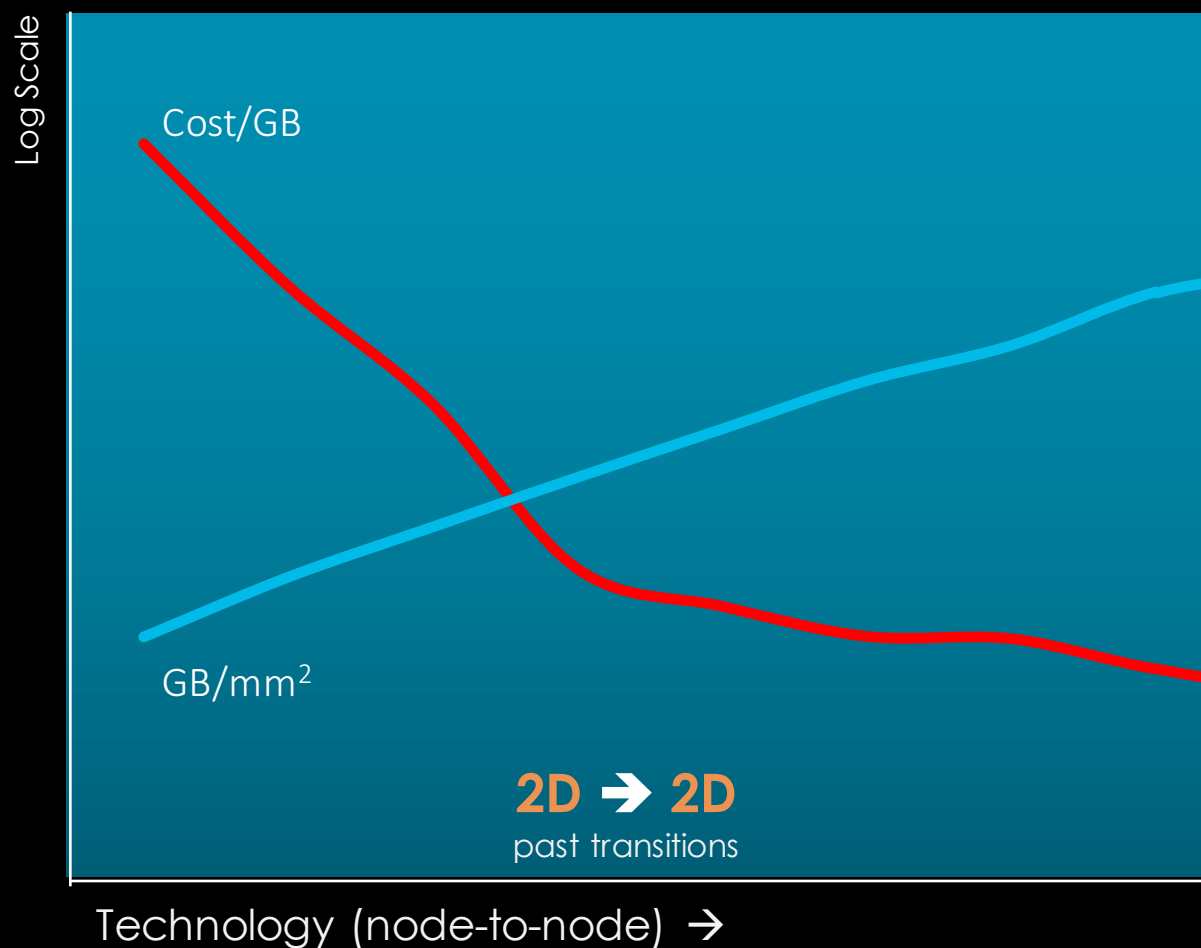
2D → 3D conversion era (current)

3D NAND era

Expect annual cost reduction to be lower in the 3D eras (relative to 2D era)

Expect moderate annual bit supply growth in the future

2D NAND Era



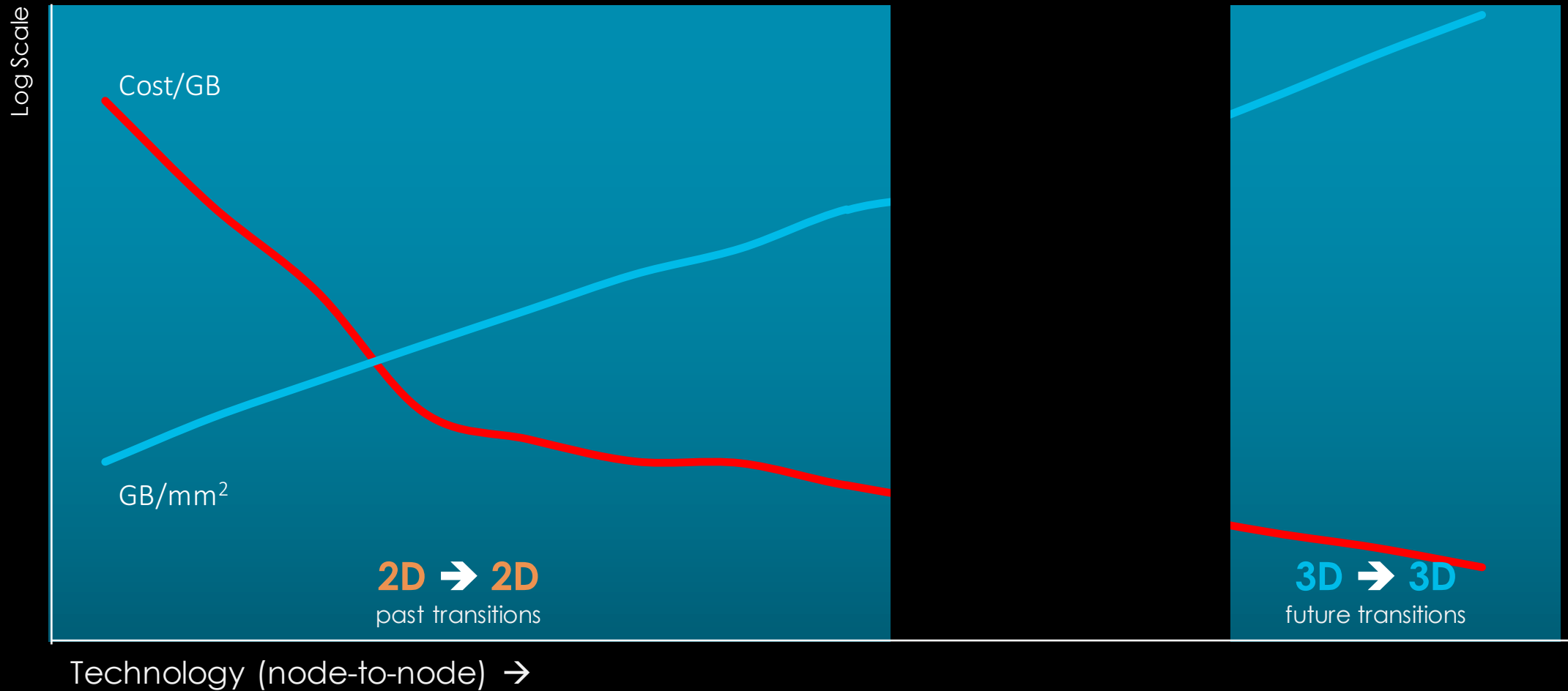
Wafer Size: 200mm (8 in) → 300mm (12 in)
Lithography: KrF → ArF → ArF Immersion
Memory cell: SLC → MLC → TLC

Source: WDC estimates

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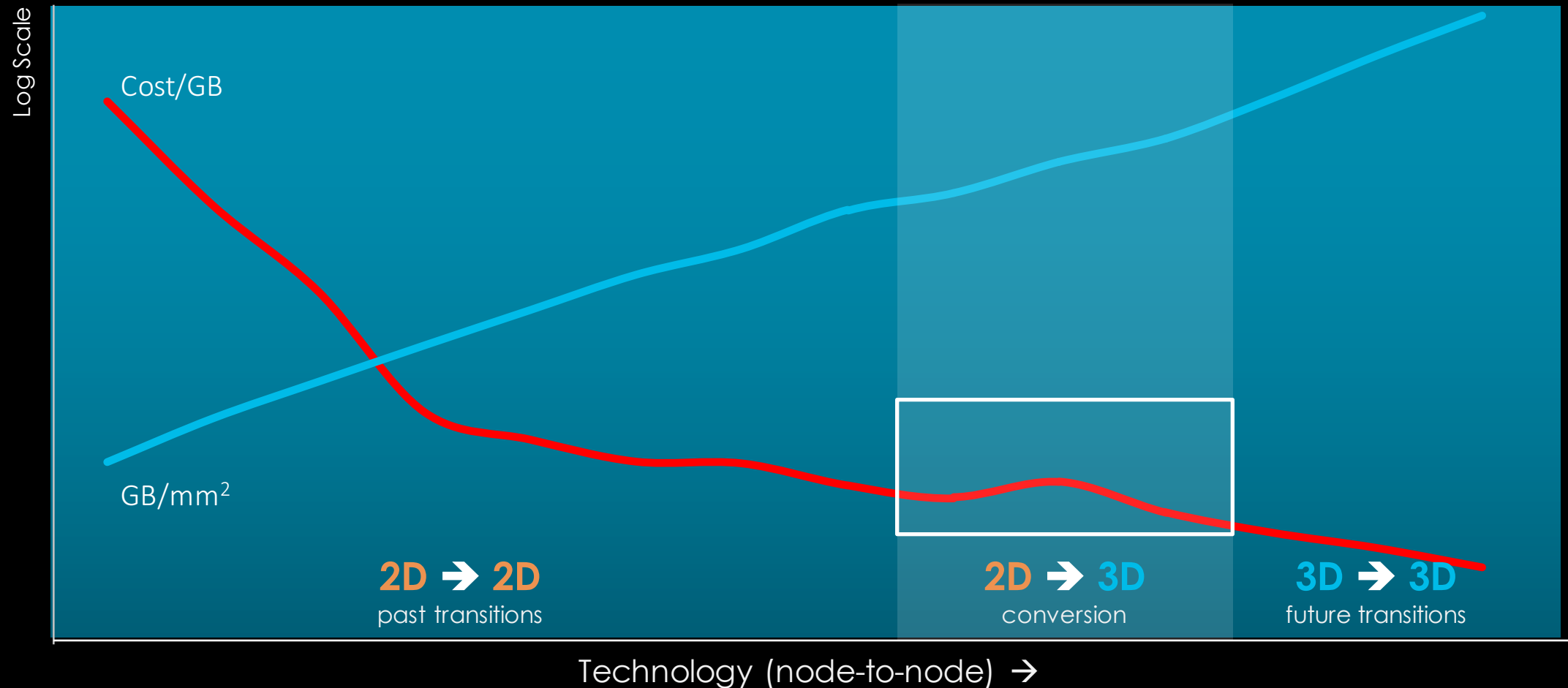
3D NAND Innovation Extends NAND Industry Cost Scaling



Source: WDC estimates

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2D → 3D Conversion Expected to Be a Period of Limited Cost Declines for the Industry

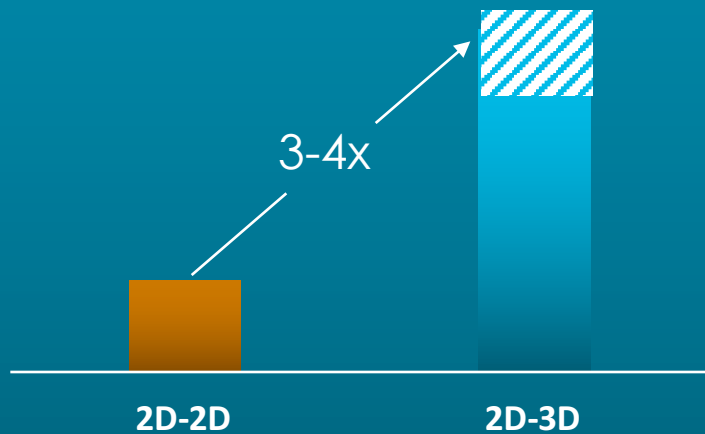


Source: WDC estimates

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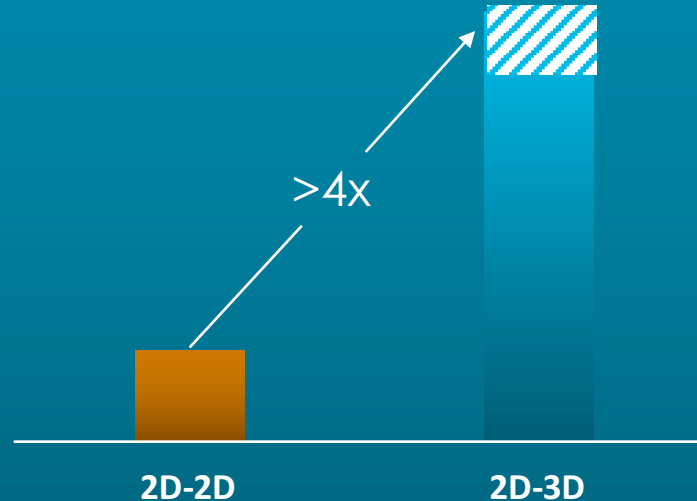
2D → 3D NAND Conversion Is More Complex than Past 2D → 2D Transitions

More Tools



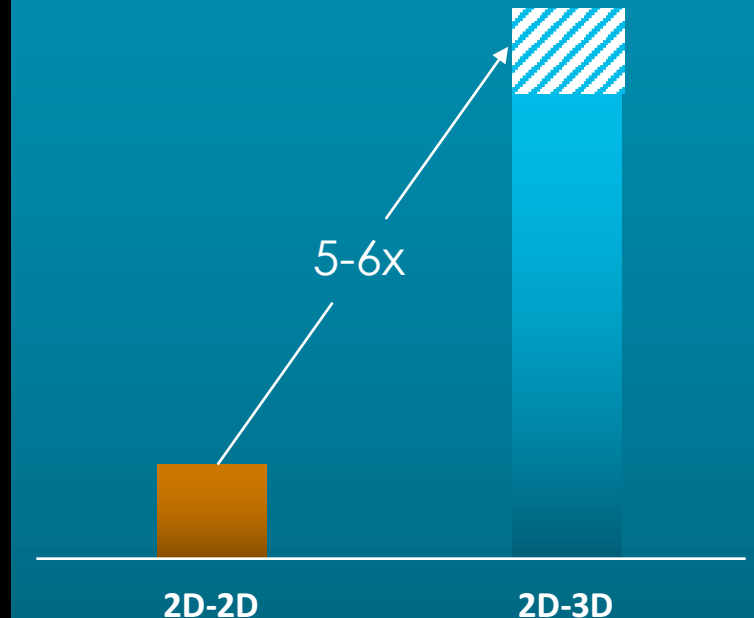
Additional tools needed for conversion per unit of wafer capacity

More Space



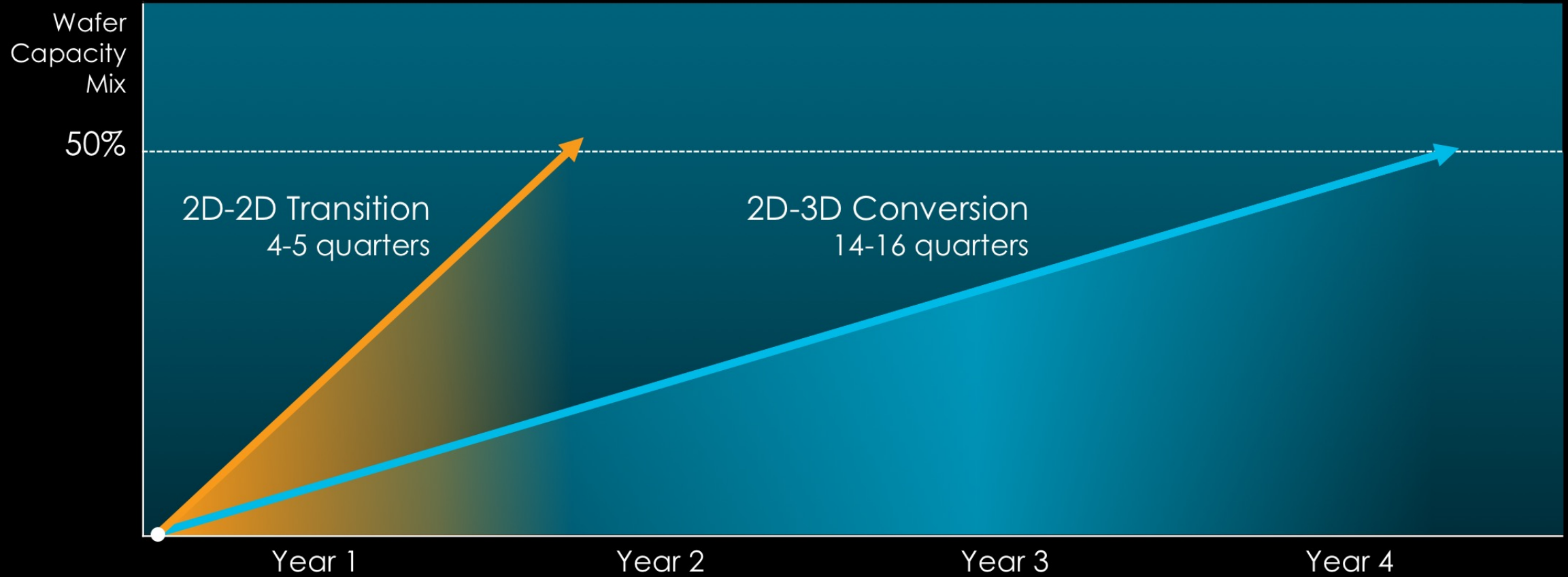
Additional cleanroom space needed for conversion per unit of wafer capacity

More Investment



Total capital investment for conversion per unit of wafer capacity

Converting to 3D NAND Takes Longer than Past 2D Transitions



Source: WDC estimates

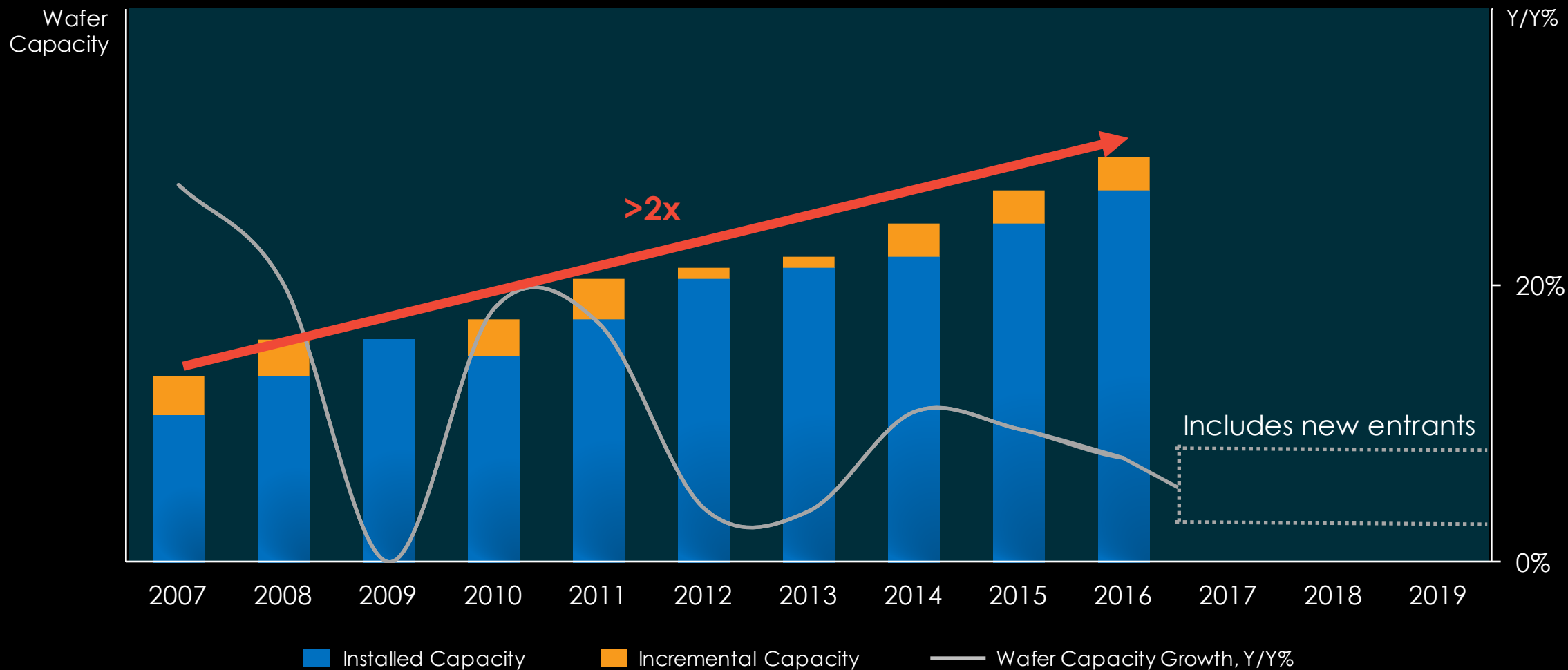
Manufacturing Complexity of 3D NAND Reduces the Rate of Cost Decline for the Industry

Factors impacting annual cost reduction	2D → 2D Transition	2D → 3D Conversion	3D → 3D Transition
Net GB/ Wafer growth	Baseline	Highest	Higher
\$/Wafer increase	Baseline	Highest	Higher
Cadence to develop new node	Baseline	Longest	Longer
Tool installation rate	Baseline	Slowest	Slower
Annual Flash Cost Reduction	25% - 35%	15% - 20%	15% - 25%

■ Cost/GB reduction ■ New technology conversion rate

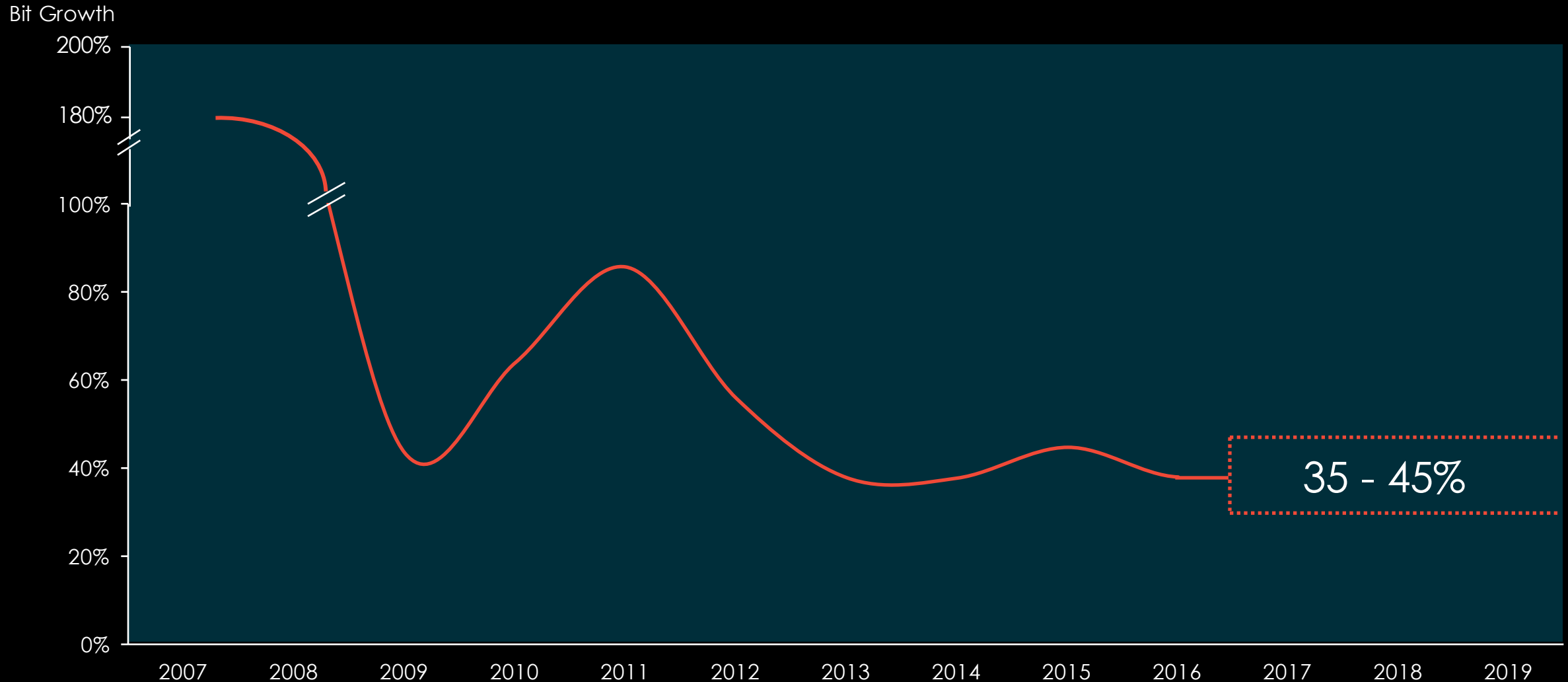
Source: WDC estimates

Large Installed Base Moderates the Impact of Future Capacity Additions



Source: Forward Insights, 2016, WDC

NAND Industry Bit Growth Expected to be 35 - 45% Y/Y through this Decade



Source: WDC estimates

Expectations for the NAND Industry

1 3D NAND manufacturing complexity slows rate of annual cost decline

2 New fab space will be required for continued 3D conversions

3 Size of installed capacity reduces impact of future capacity additions

4 2017-2019 outlook for industry bit growth similar to recent range including new entrants

Agenda

NAND Flash Industry Outlook



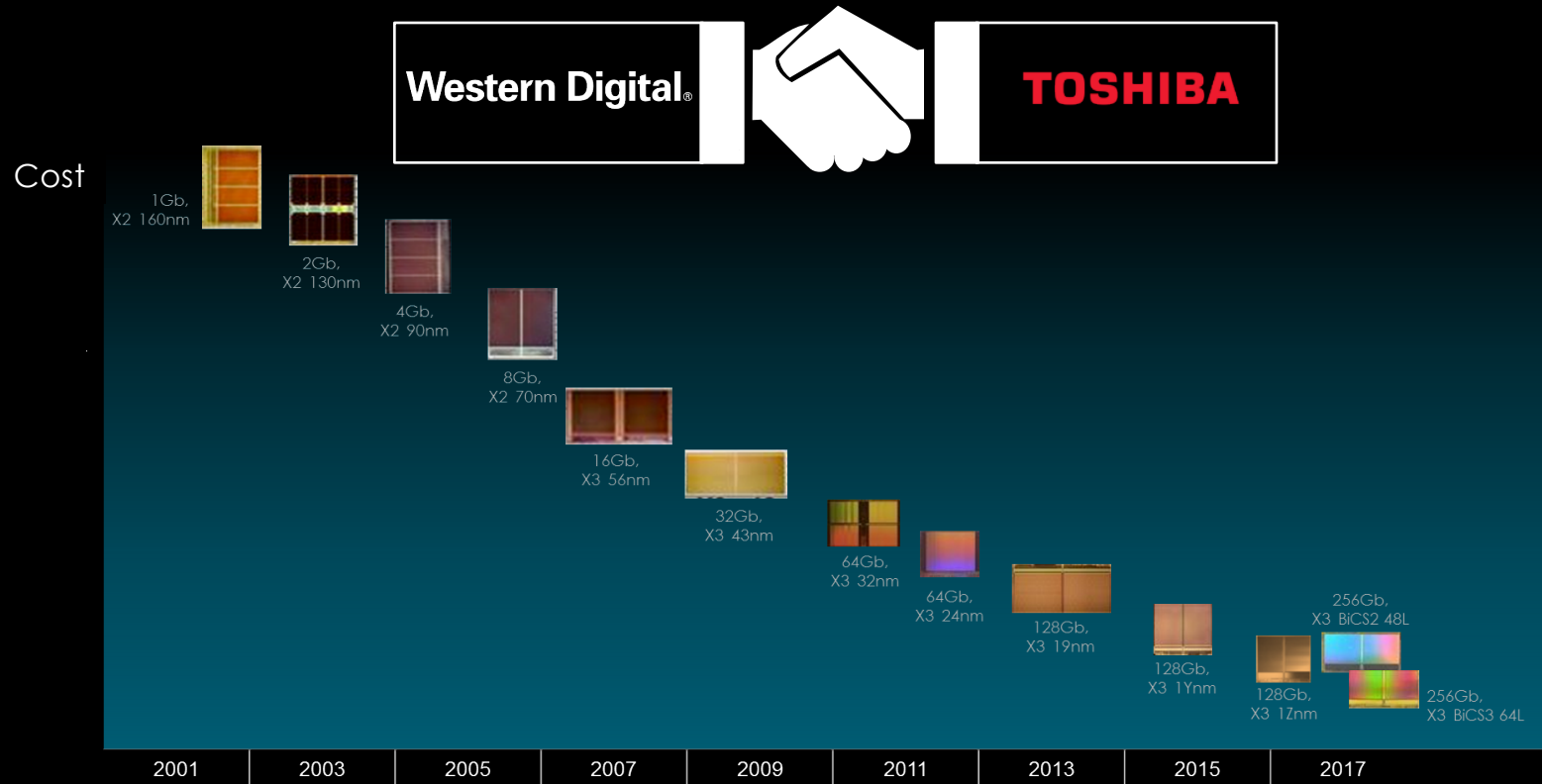
WDC Fab Strategy



WDC Silicon Supply Chain



Western Digital-Toshiba Partnership: 17 Years and Going Strong



Key Strengths of the JV

Technology Leadership
Combined Scale of Operations
Efficient Engineering Collaboration

Note: Images are not to scale

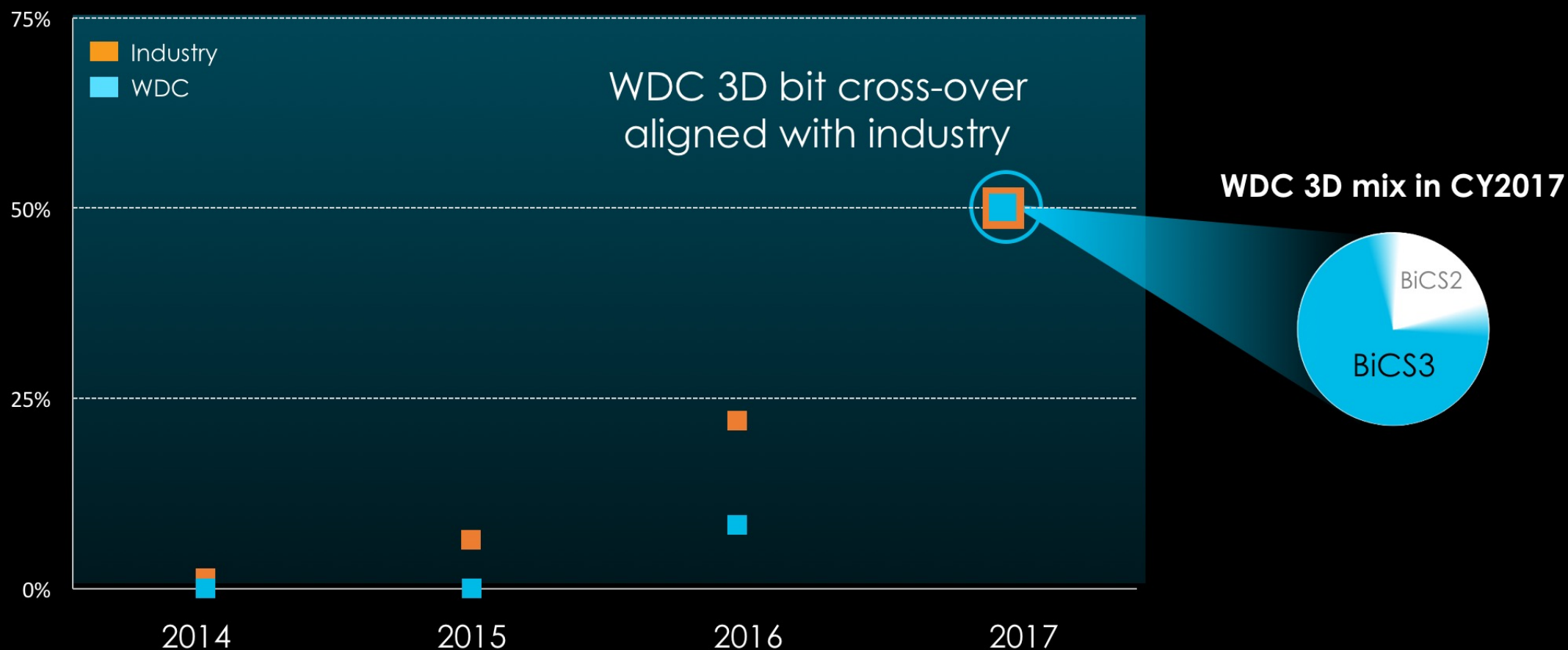
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Yokkaichi: One Interconnected Mega Fab



Rapid Ramp of BiCS3 64L in CY2017

3D NAND
% of total bits

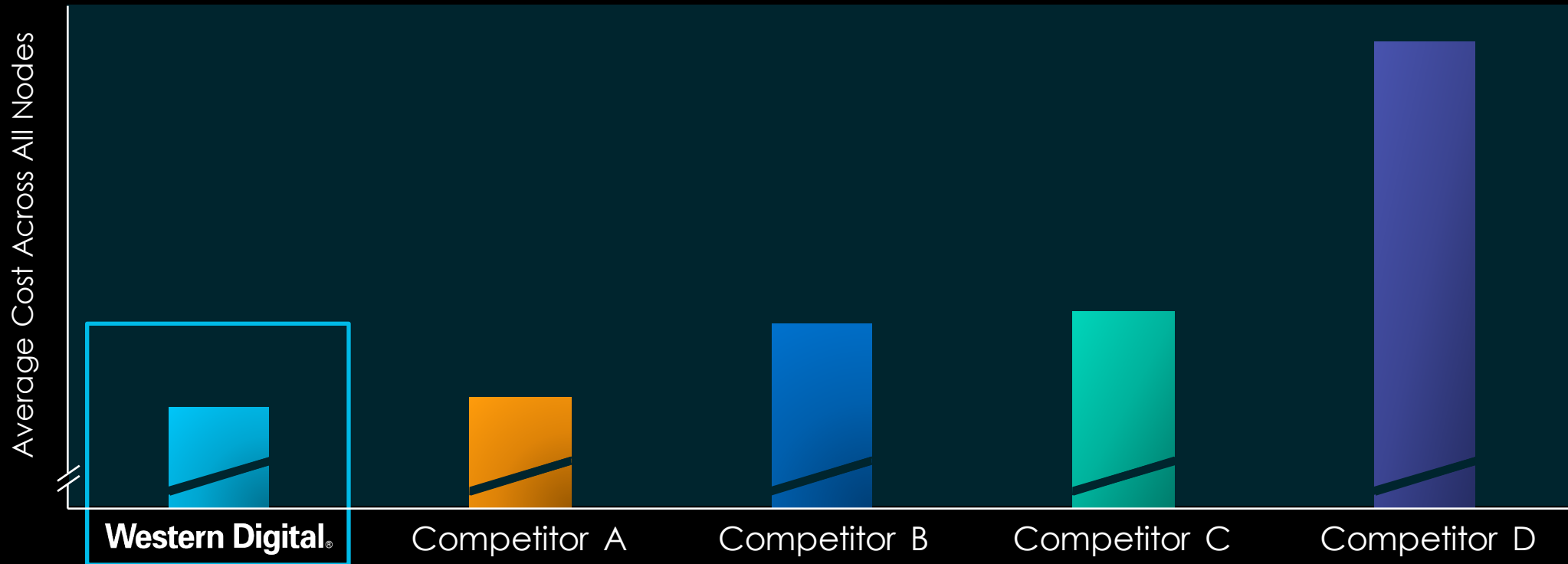


Source: WDC estimates

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Industry Cost Leadership in CY2016

- WDC has the lowest cost structure in the NAND industry in CY16
- With BiCS3 64L ramping, expect cost leadership to continue in CY17



Source: WDC estimates

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Western Digital Fab Strategy

- 1 Bit growth will come primarily from 2D → 3D conversion through 2019
- 2 Fab6 planned in 2018 in Yokkaichi to continue 2D → 3D conversion
- 3 Target to maintain industry bit share while optimizing revenue and margin share

Agenda

NAND Flash Industry Outlook



WDC Fab Strategy



WDC Silicon Supply Chain



NAND Flash Vertical Integration: Key Competitive Advantage

Low Cost

High Service Level

Low Cycle Time

High Quality

Low Inventory

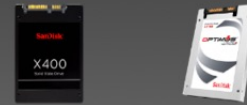
High Agility

Malaysia

Integrated SSD Manufacturing



Integrated SSD manufacturing
from wafer to finished drive



China

IC Packaging
and Test



World-class assembly house
with industry-leading scale



Japan

Semiconductor
Fabs



Largest NAND production
site in the world



SSD
Assembly

IC
Packaging

Wafer
Manufacturing

Scale, Cost, Quality, Cycle Time Enable Operational Excellence



Source: WDC estimates

Conclusions

1

3D NAND manufacturing complexity leads to lower annual cost declines and moderate annual bit growth

2

17-year WDC-Toshiba partnership going strong – Fab6 in Yokkaichi expected in 2018 to support further 3D NAND conversion

3

Executing well on our BiCS3 64L strategy – expect industry leadership in cost

4

WDC vertical integration and world-class back-end supply chain operations are differentiators providing quality and responsiveness to our customers

Thank You

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An abstract graphic on the right side of the slide, featuring a dense collection of thin, overlapping lines in shades of orange, red, and teal, radiating from the right edge towards the center, creating a sense of motion and energy against the black background.

Creating Shareholder Value

Mark Long
Chief Financial Officer

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We Are Fundamental to an Increasingly Data-centric World



Storage
Solutions Leader



Portfolio Drivers
and Growth Opportunity



Financial Model



Capital Structure
and Liquidity



Storage
Solutions Leader



Portfolio Drivers
and Growth Opportunity



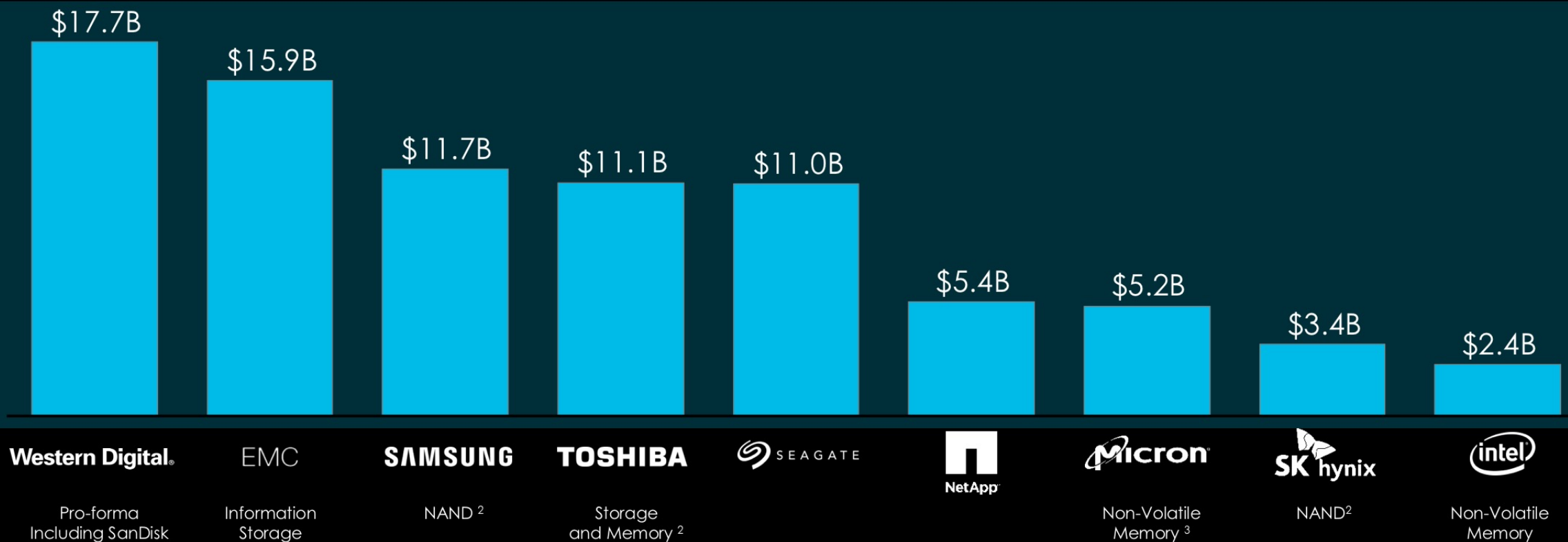
Financial Model



Capital Structure
and Liquidity

A Global Leader in Storage Solutions

LTM Revenue¹



Source: Company website; Public filings; analyst reports; S&P Capital IQ

¹ Last 4 quarters ending Sep 30, 2016 for WDC, Seagate, Toshiba, Samsung, Micron and SK Hynix; ending Oct 1, 2016 for Intel; ending Oct 28, 2016 for NetApp; and ending Jun 30, 2016 for EMC

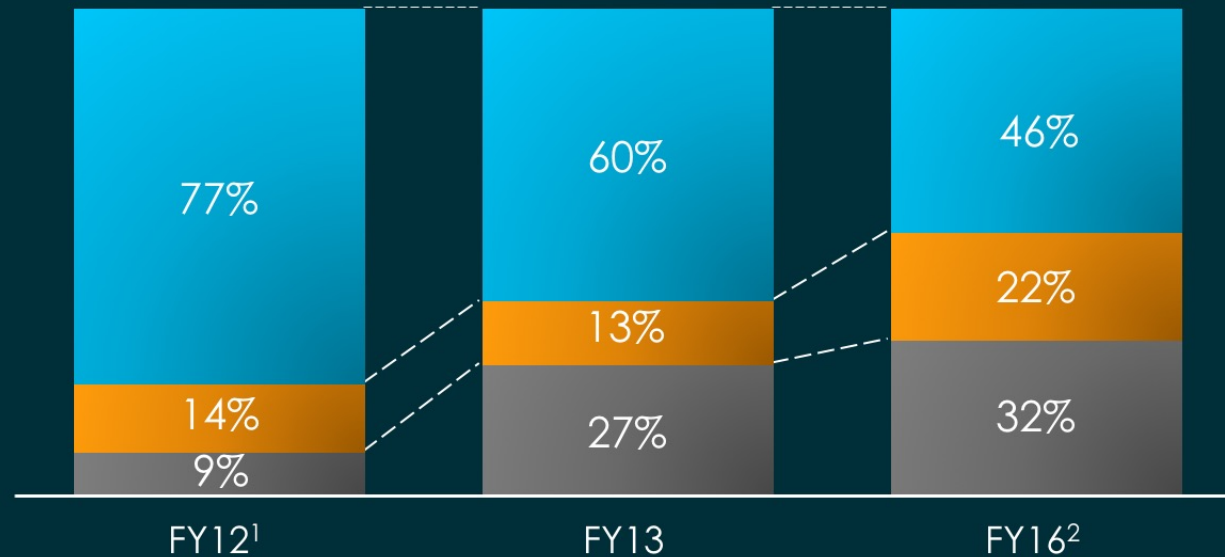
² For the LTM, Toshiba revenue converted to USD at an average exchange rate of 111.78 JPY/USD; Samsung and SK Hynix revenue converted to USD at an average exchange rate of 1160.00 KRW/USD

³ Includes Non-Volatile Memory (Trade and Non-Trade) and Other

Evolution as a Storage Solutions Leader

Portfolio Diversification (Revenue Mix)

Client Devices Client Solutions DC Devices & Solutions



Our leadership position driven by:

- Highly diversified technology portfolio
- Broad end-market exposure
- Product and application expertise
- Proven leadership team with global technology expertise

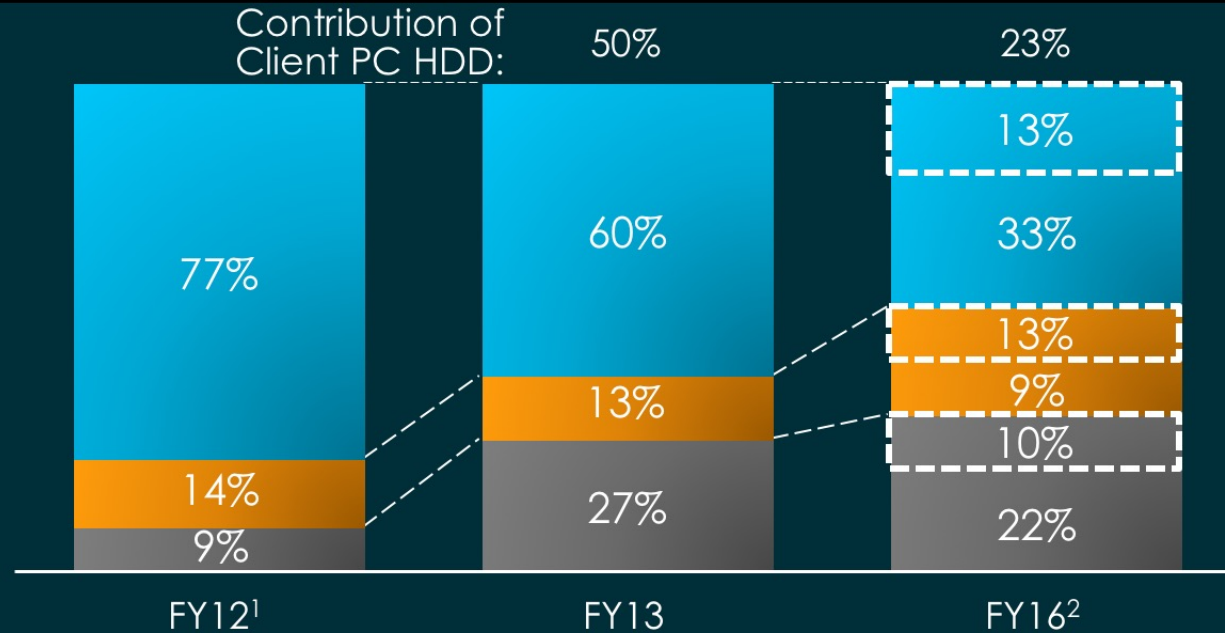


Evolution as a Storage Solutions Leader

Portfolio Diversification (Revenue Mix)

Flash Revenue Contribution

Client Devices Client Solutions DC Devices & Solutions



Our leadership position driven by:

- Highly diversified technology portfolio
- Broad end-market exposure
- Product and application expertise
- Proven leadership team with global technology expertise

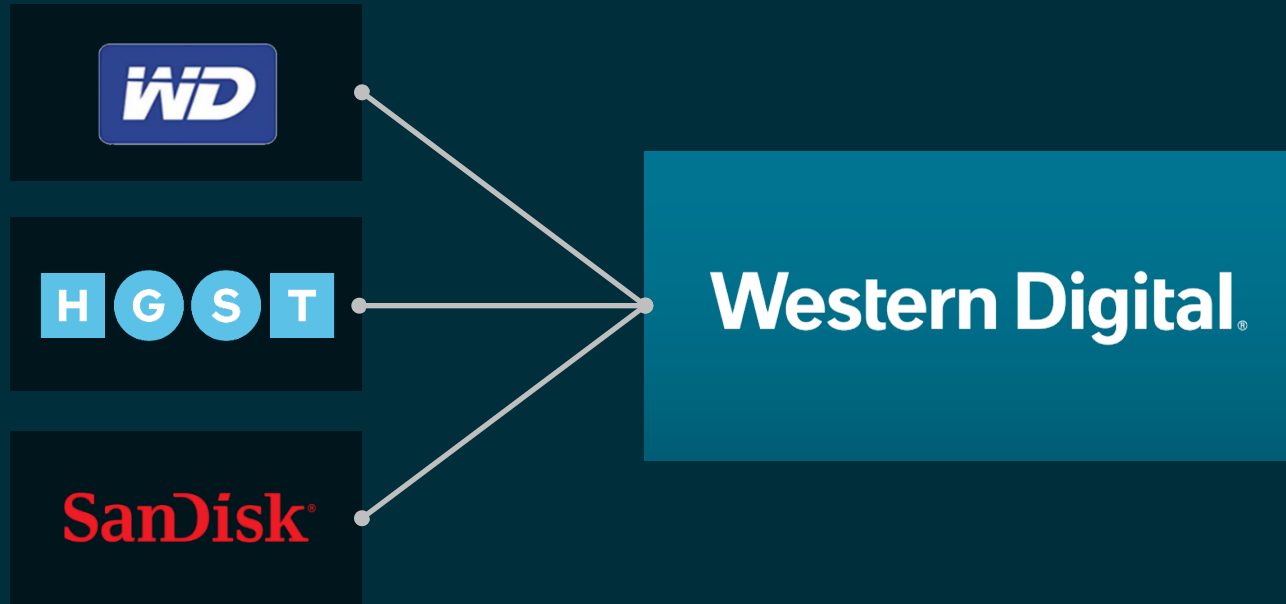


Contribution of Flash revenues
~35% across reported categories

¹ Excludes revenue from the HGST acquisition

² FY 2016 includes pro forma for LTM SNDK revenue

Successful Transformation



Driving Value Capture:

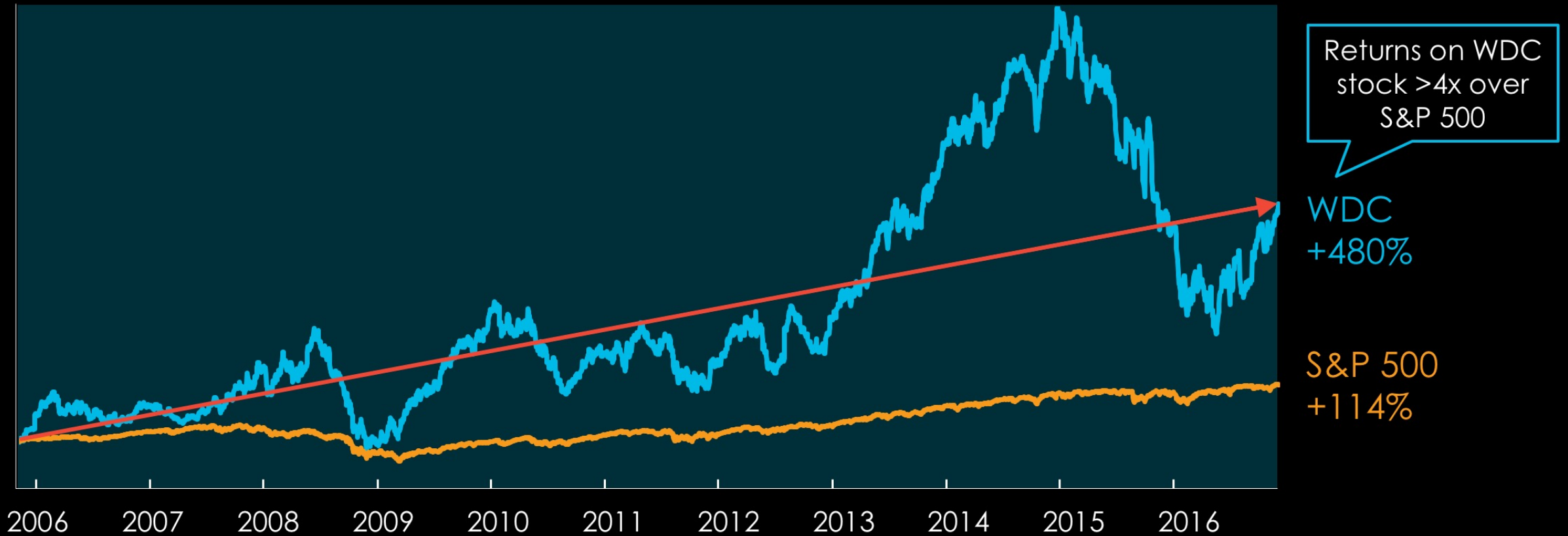
- Successful operational integration
- World class leadership team
- Strong customer and partner engagement
- Synergy realization on-target

Global Storage Solutions Leader with Broad Diversification,
Significant Scale and Growth Potential

Generating Significant Shareholder Value

Strategy Enabled a ~17.1% CAGR in WDC Stock

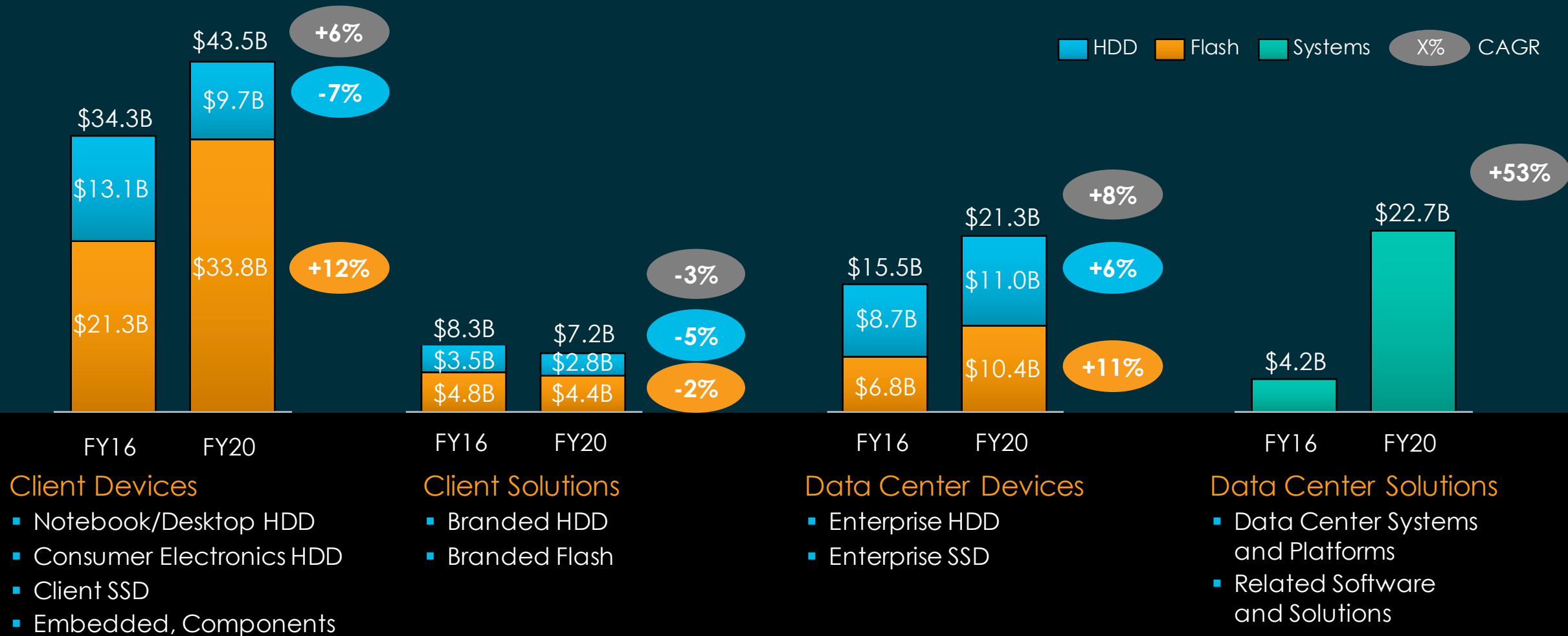
Total Shareholder Returns (Dividend-Adjusted)



Source: S&P Capital IQ as of 12/2/2016

~\$72B TAM in Core Business; Incremental ~\$23B TAM in Data Center Solutions Estimated by FY20

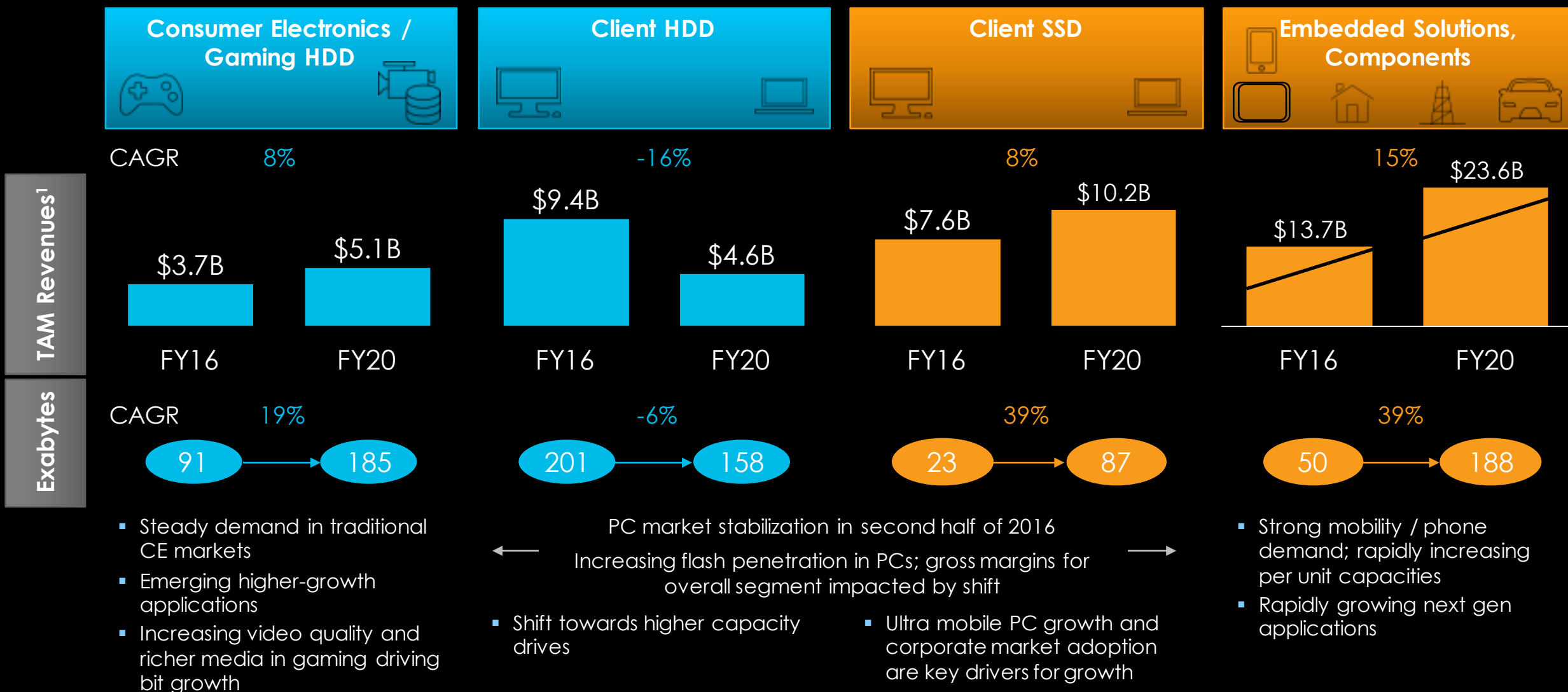
TAM Revenues¹



¹ Numbers may not add up due to rounding
Source: WDC estimates

Client Devices Market Opportunity

■ HDD
■ Flash
■ Systems



¹ Numbers may not add up due to rounding
 Source: WDC estimates

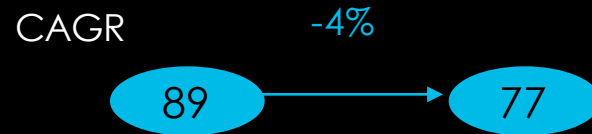
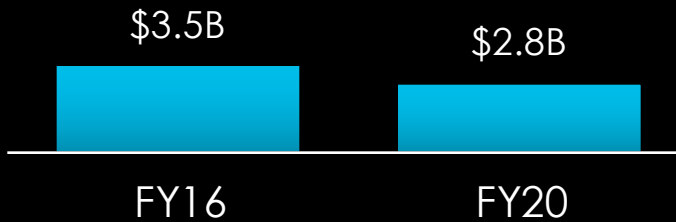
Client Solutions Market Opportunity

TAM Revenues¹

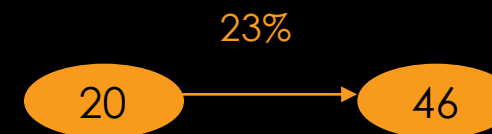
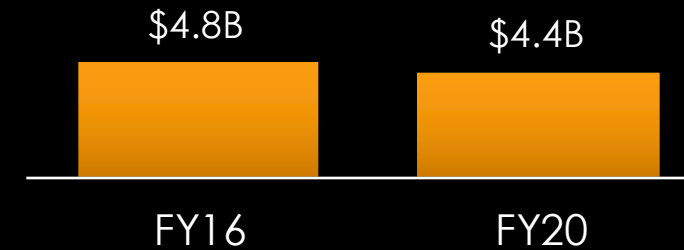
Exabytes



CAGR -5%



CAGR -2%



Worldwide market leadership with two leading retail brands (WD and SanDisk)

← Continued, rapid proliferation of connected devices & personal content creation →

Strength of retail channel a strategic asset

- Mix shift to higher capacities and hybrid Cloud solutions designed for Prosumer to SMBs
- WD brand leadership driving performance gains as retailers consolidate suppliers
- SanDisk's premium brand drives segment-leading profitability
- Mobile products and connected storage are key growth drivers

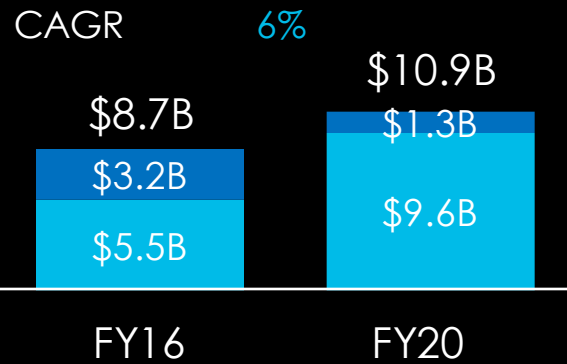
¹ Numbers may not add up due to rounding
Source: WDC estimates

Data Center Devices and Solutions Market Opportunity

HDD
Flash
Systems

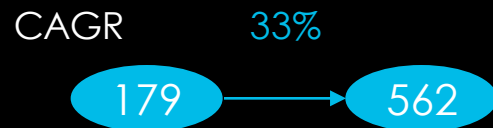
Data Center Devices – Enterprise HDD

Performance HDD Capacity HDD

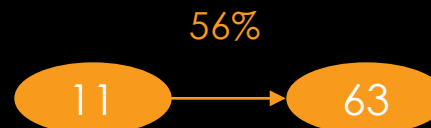
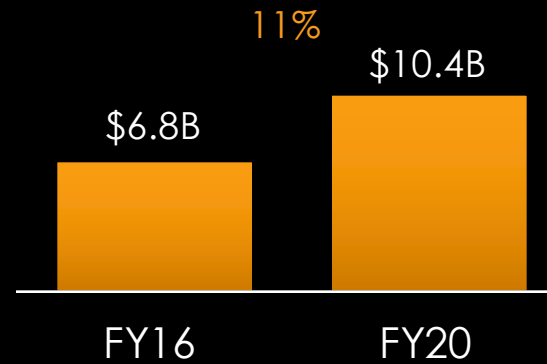


TAM Revenues¹

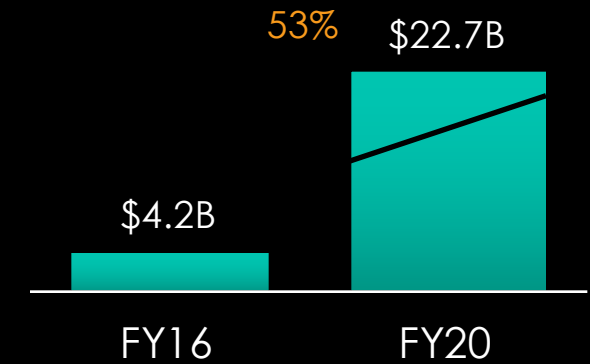
Exabytes



Data Center Devices – Enterprise SSD



Data Center Solutions



Continued rapid growth in worldwide Cloud infrastructure buildout

← Capacity, performance and TCO are all factors in IT purchasing decisions →

- Increasing demand for Capacity Enterprise from hyperscale
- Helium products driving leadership in Capacity HDD

- Increasing Performance Enterprise workloads driving flash adoption in hyperscale, enterprise data centers
- Strong portfolio across interfaces helps address evolving customer needs

- Market opportunity to move up the stack
- Vertical innovation creating unique, end-to-end solutions for customers
- Distinctive vertical integration advantage in HDD and flash systems
- JV with Unisplendour, a go-to-market vehicle for China market

¹ Numbers may not add up due to rounding
Source: WDC estimates



Storage
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Portfolio Drivers
and Growth Opportunity



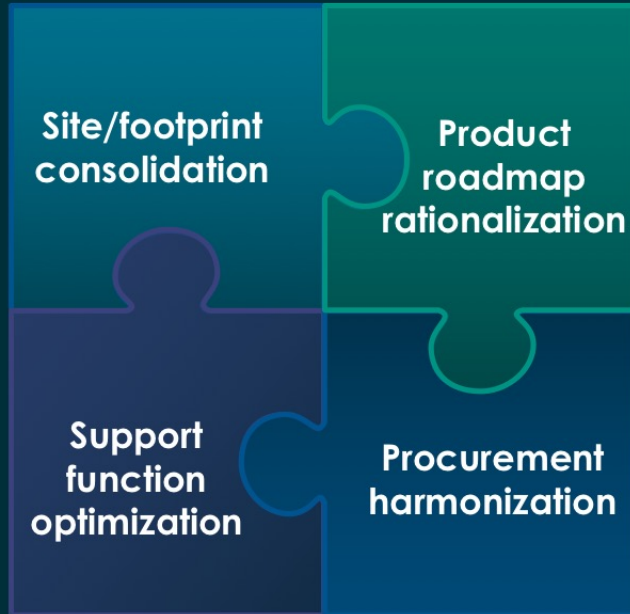
Financial Model



Capital Structure
and Liquidity

Executing Our Integration Plans and Committed to Achieving Our Value Creation Goals

WD-HGST Integration



On-track to annual run-rate savings:

OPEX¹:

- \$300M by FQ2'17E
- \$450M by FQ2'18E

COGS:

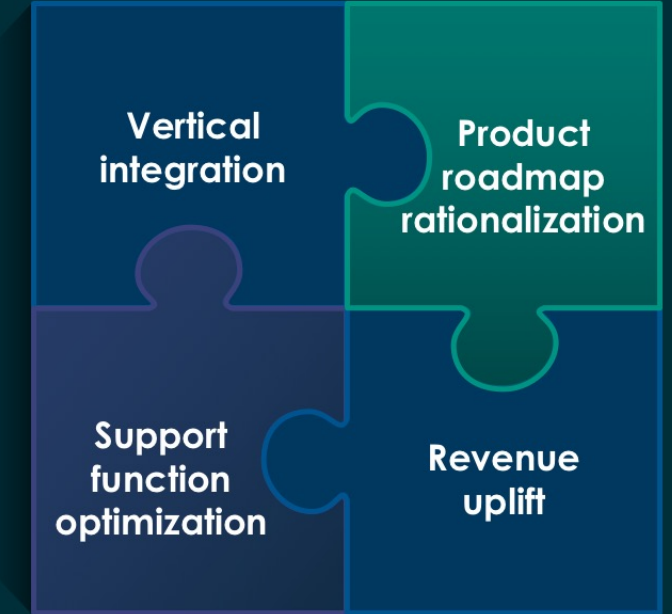
- \$175M by FQ2'17E
- \$350M by FQ2'18E

~\$800M



Remaining cash cost of integration over next 3 years: ~\$425M
- (Includes IT Transformation: \$140M)

WDC-SanDisk Integration



On-track to annual synergies 18 months post-closing:

Expenses (annual run-rate):

- \$180M by FQ2'18E

Revenue/vertical integration/margin:

- ~\$350M by FQ2'18E

~\$500M

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SanDisk®

Remaining cash cost of integration over next 3 years: ~\$115M
- (Includes IT Transformation: \$60M)

¹ Includes run-rate Stock Based Compensation savings of ~\$20M

Executing Our Integration Plans and Committed to Achieving Our Value Creation Goals

WD-HGST Integration



On-track to annual run-rate savings:

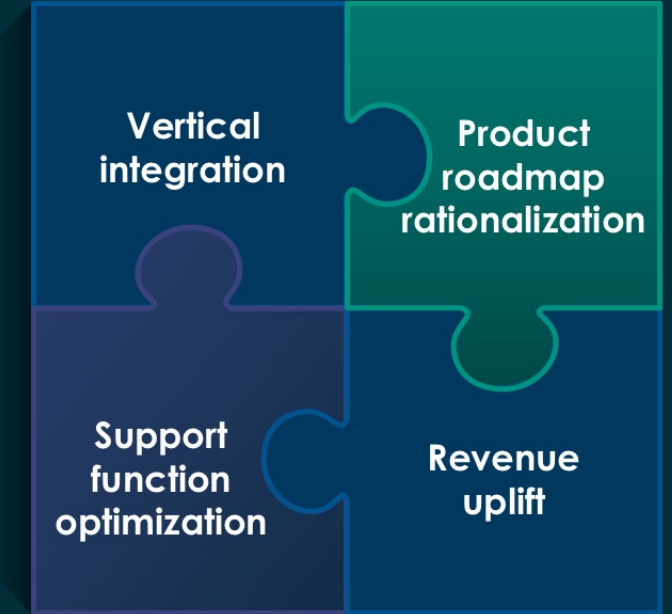
- OPEX¹:
- \$300M by FQ2'17E
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 - \$350M by FQ2'18E

~\$800M



Remaining cash cost of integration over next 3 years: ~\$425M
- (Includes IT Transformation: \$140M)

WDC-SanDisk Integration



On-track to annual run-rate synergies by CY 2020:

~\$1.1B

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SanDisk®

Remaining cash cost of integration over next 3 years: ~\$115M
- (Includes IT Transformation: \$60M)

¹ Includes run-rate Stock Based Compensation savings of ~\$20M

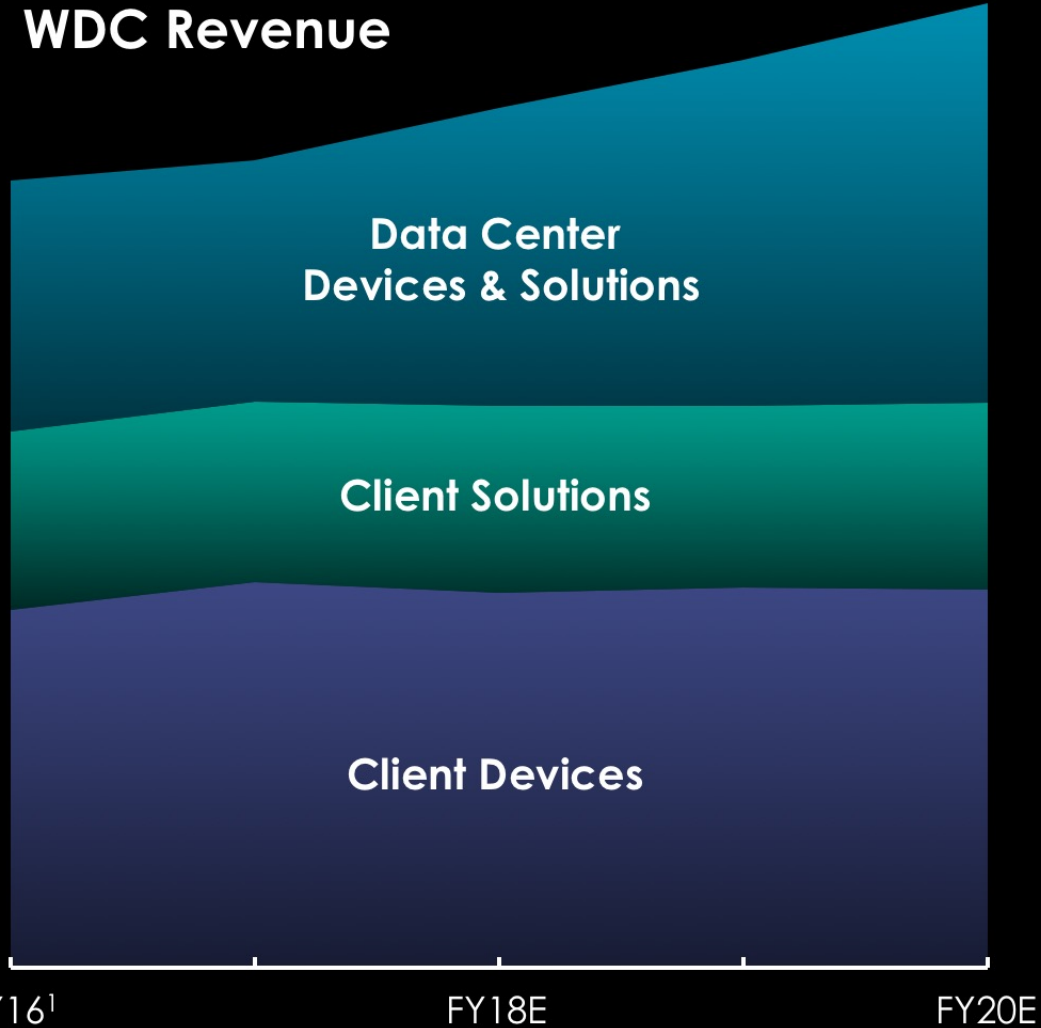
Compelling Long-Term Financial Model

	Long-Term Financial Model	Commentary
Revenue Growth CAGR (%)	4% - 8%	<ul style="list-style-type: none"> Broad exposure to end-markets provides unique position to manage our participation
Non-GAAP Gross Margin (% of Revenue)	33% - 38%	<ul style="list-style-type: none"> Balancing mix and volume changes while maximizing margins
Non-GAAP Operating Expenses (% of Revenue)	14% - 16%	<ul style="list-style-type: none"> Focused on efficient cost structure while continuing to invest in R&D
Non-GAAP Operating Margin (% of Revenue)	18% - 23%	<ul style="list-style-type: none"> Mix shift and operating leverage
Tax Rate (% of Pre-Tax Income)	7% - 12%	<ul style="list-style-type: none"> In line with our long-term target
Cash CapEx (% of Revenue)	6% - 8%	<ul style="list-style-type: none"> Investment in technology transitions

Our long-term financial targets are as of December 6, 2016 and are based upon a variety of estimates and assumptions which may not be realized. The assumptions our management used as a basis for the long-term financial targets are not facts and should not be relied upon as being necessarily indicative of future results. The company does not intend, and undertakes no duty, to update these long-term financial targets to reflect subsequent events or circumstances; however, the company may update these long-term financial targets or any portion thereof at any time at its discretion.

End Market Revenue and Non-GAAP Gross Margin

WDC Revenue



Reported Revenue Category	Long-term CAGR ²	Non-GAAP Gross Margin vs. Corporate Average
Data Center Devices & Solutions	Up low double digit to mid-teens	Above
Enterprise HDD & Systems	Up high single to low double digits	
Enterprise SSD	Up low double digit to mid-teens	
Client Solutions	Flat to Up low single digits	In-line
Branded HDD	Flat to Down low single digits	
Branded Flash	Flat to Up low single digits	
Client Devices	Flat to Up low single digits	Below
Notebook/Desktop & CE HDD	Down mid to high single digits	
Client SSD, Embedded & Components	Up mid to high-teens	
Total	4% - 8%	33% - 38%

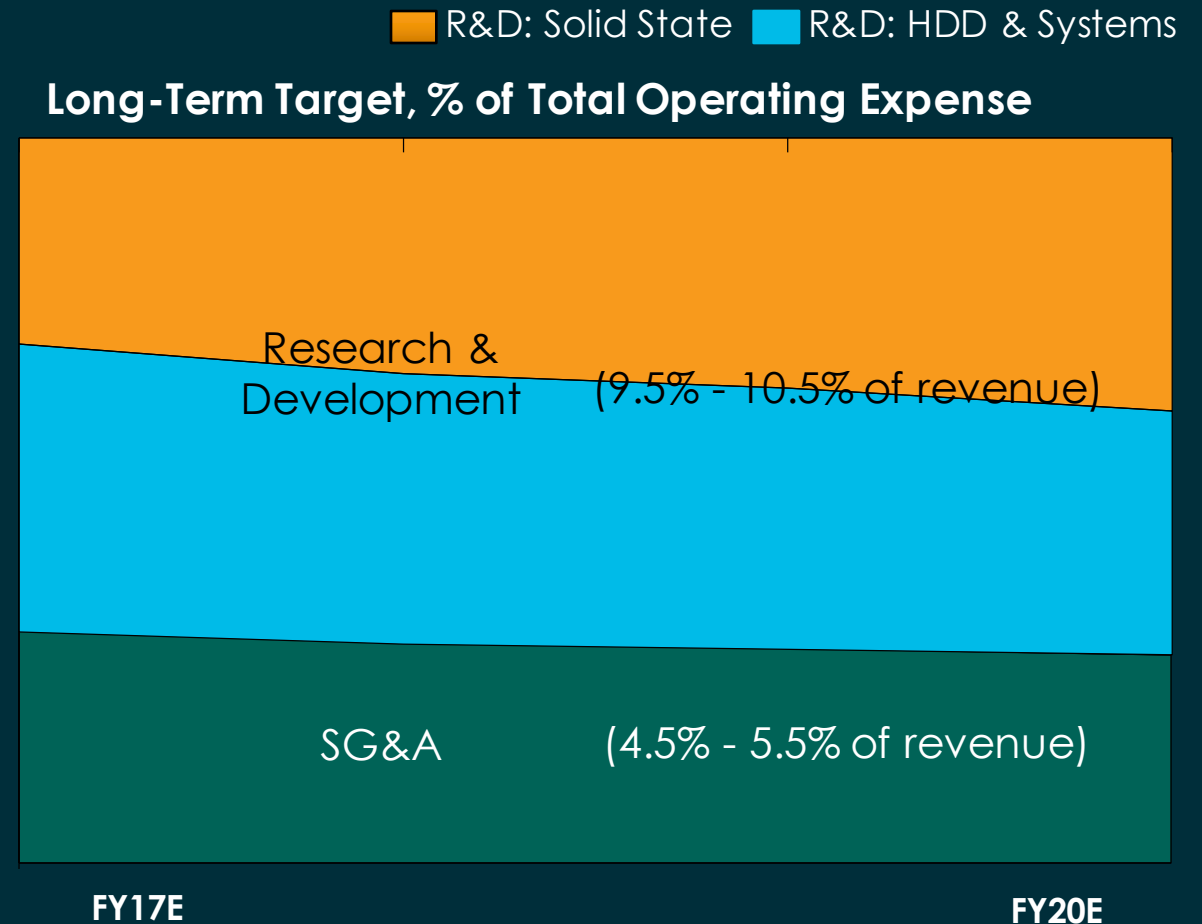
¹ FY16 includes pro forma SanDisk

² Includes revenue synergies from SanDisk acquisition

Non-GAAP Operating Expenses








Long-Term Operating Expense¹ Target of 14% - 16% of Revenue

- OpEx synergies from both integrations supporting long-term target range
- Continued investment in R&D to support our growth markets
- Efficient SG&A functions to enable the business model
- Initial incremental investment in product development, go-to-market and IT



¹ Excludes stock-based compensation and amortization of intangibles expenses

Key Potential Headwinds / Tailwinds

-  Additional interest cost savings opportunities
-  IoT applications, big data, machine learning and regulation
-  Flash supply / demand balance
-  Rise of hyperscale service providers
-  Competitive and technology landscapes
-  Global macroeconomic environment
-  Faster decline in PC market



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Portfolio Drivers
and Growth Opportunity



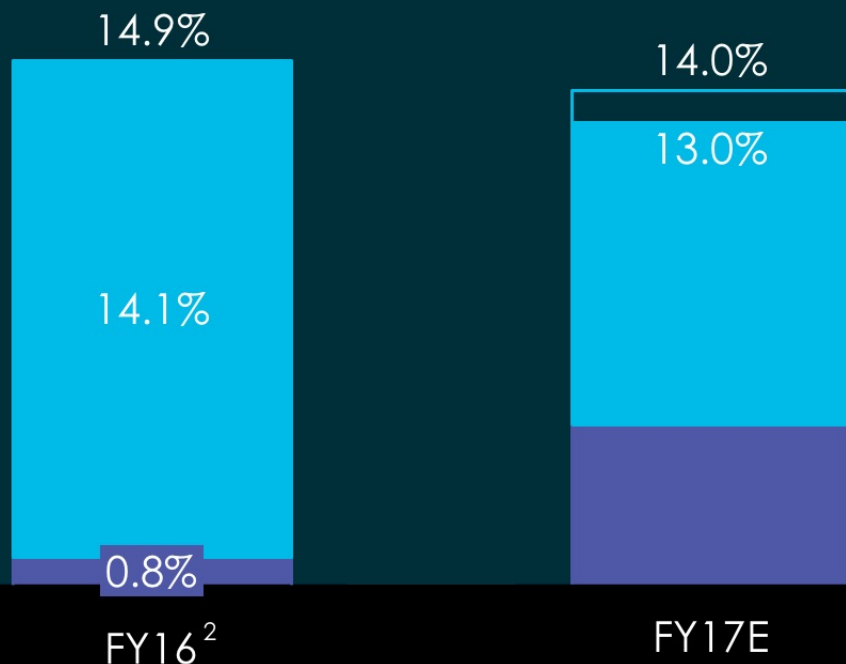
Financial Model



Capital Structure
and Liquidity

Adjusted Free Cash Flow

FY17E Adjusted Free Cash Flow¹ 13.0% - 14.0% of Revenue



- Est. annual cash interest expense (without discretionary debt payment) of ~\$785M - \$795M
- FY17E Cash CapEx of \$1.0B - \$1.4B
- Cash conversion cycle of 37 - 42 days

■ Cash Flow from Operations – CapEx + Restructuring ■ Cash Int. Expense

FY16 Adjusted Free Cash Flow: ~\$2.7B

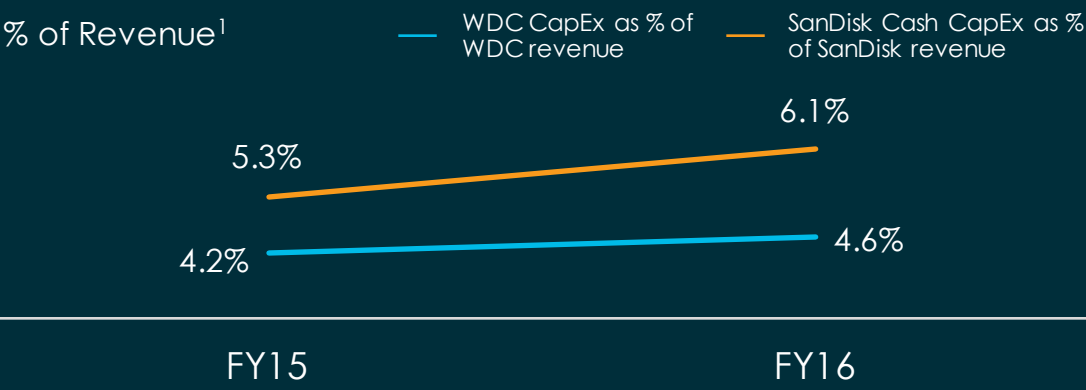
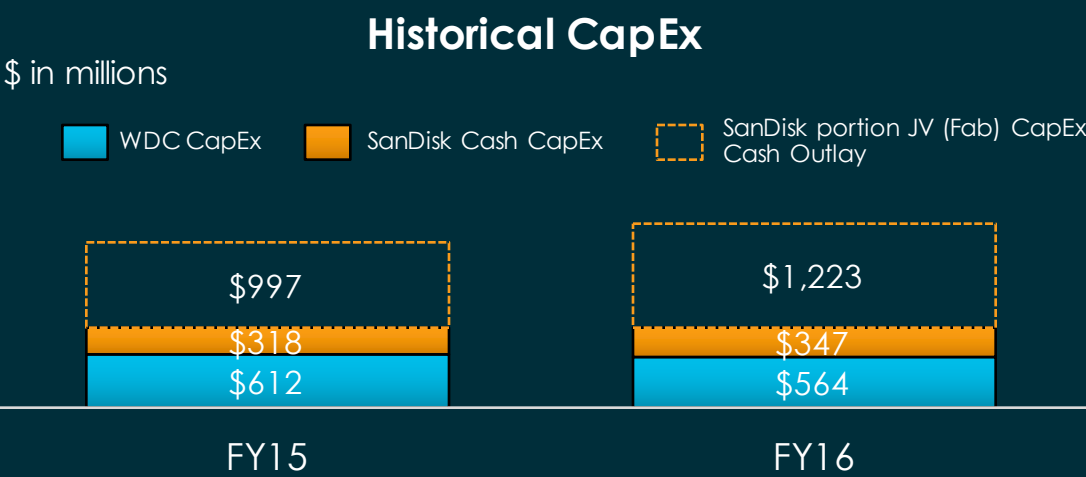
Continued focus on effective cash flow performance

¹ Pro forma Adjusted Free Cash Flow is a non-GAAP measure equal to cash provided by operating activities minus notes receivable issuances to Flash Venture, plus notes receivable proceeds from Flash Ventures, minus cash interest expense plus cash restructuring charges. Please see appendix for a reconciliation to the comparable GAAP metric

² Includes SanDisk financials for Western Digital FY 2016

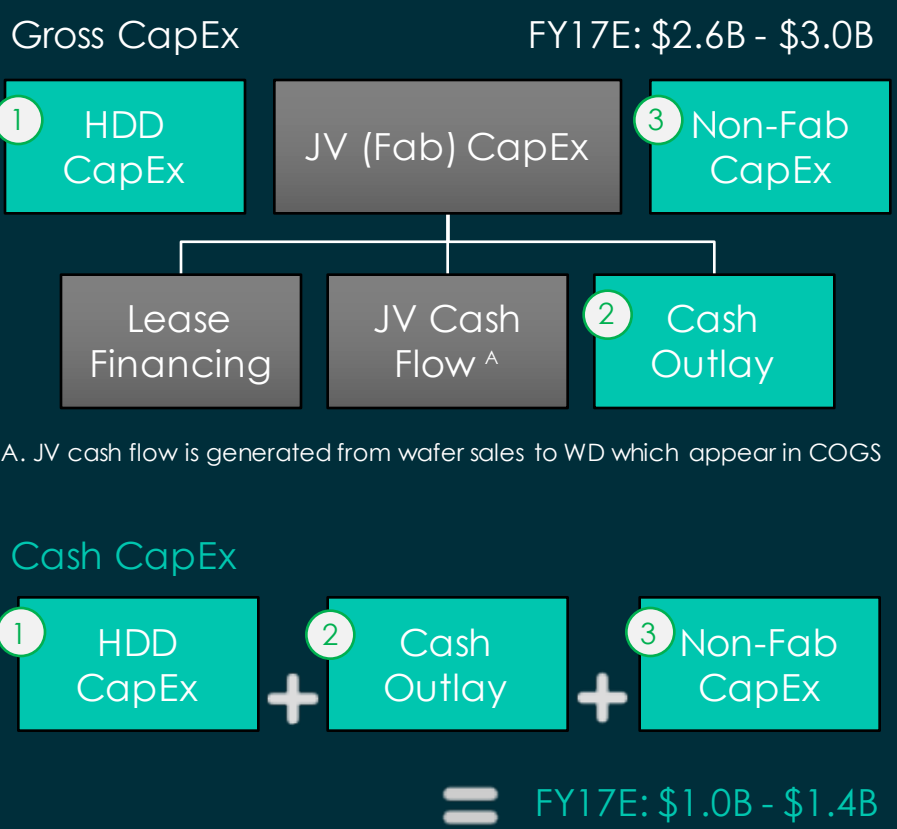
Efficient Capital Investment Framework

Cash CapEx Estimate of 6% - 8% of Revenue



¹ Represents stand-alone value of WDC and SanDisk prior to SanDisk acquisition

Pro Forma CapEx Framework



Capital Structure

Debt and Liquidity

- ~\$5.4B in Liquidity
 - \$4.4B in Cash and Cash Equivalents including available-for-sale securities as of Sep 30, 2016
 - \$1.0B in Revolver Capacity
- \$13.3B Total Debt; \$8.9B Net Debt
- Repaid ~\$3.8B of debt issued for SanDisk acquisition
- Continuing our de-leveraging efforts while also investing in the business

Debt Summary (\$M)

Debt	Base Rate	Maturity	Balance Outstanding (Nov 30, 2016)
Term Loan A (floor of 0 bps) ¹	L+200	Apr 29, 2021	\$4,125
Term Loan B-1 Dollar (floor of 75 bps) ¹	L+375	Apr 29, 2023	\$2,993
Term Loan B-1 Euro (floor of 75 bps) ^{1,2}	E+325	Apr 29, 2023	\$935
Sr. Secured Notes ³	7.375%	Apr 1, 2023	\$1,875
Total Secured Debt	4.179%⁴		\$9,928
Sr. Unsecured Notes ³	10.500%	Apr 1, 2024	\$3,350
SanDisk Convertible Notes	0.500%	Oct 15, 2020	\$35
Total Debt	5.760%⁴		\$13,313

¹ L = 1 Month LIBOR, E = 1 Month EURIBOR

² Original Issued Principal in EURO denominated debt of Euro 885M and current balance of Euro 883M as of 11/30/16, converted at EUR/USD exchange rate of 1.0590

³ Notes are callable in 3 years (starting April 1, 2019)

⁴ Weighted average interest rate as of Nov 30, 2016

Key Capital Allocation Priorities



Organic Investment

Next generation
Technologies, Future
Products and Solutions

Dividend

Committed to
the Dividend

Debt Deleverage

Reduce Gross
Debt-to-EBITDA¹
Leverage to <1.5x
within 2.5 - 4.5 Years

Focused M&A

Strategic Acquisitions
and Investments to
Improve Growth
Opportunities

¹ EBITDA as defined in credit agreements

Focused on Creating Shareholder Value

- Leverage growth opportunities through storage industry's broadest product portfolio
- Deliver on synergy targets
- Drive profitable growth
- Disciplined capital allocation strategy
- Continue to attract and retain world class talent

Global Storage Solutions Leader with Diversification,
Scale and Growth Potential

Strong FQ1 '17 Results

- Broad portfolio performing well across end markets
- Good execution in a favorable market environment
- Synergy targets on track – achieving cost reductions and revenue synergies
- Reduced interest expense through US and EUR TLBs repricing

\$ Millions Except EPS	FQ1'17 A ¹	FQ2'17 E ¹ (Original Guidance)
Revenue	\$4,714	~Flat from Q1
Non-GAAP Gross Profit (Non-GAAP GM %)	\$1,599 34%	~35%
Non-GAAP Operating Expenses	\$863	~\$805
Non-GAAP Operating Income (Non-GAAP OM %)	\$736 16%	
Non-GAAP Interest and Other Expenses, Net	\$227	~\$205
Non-GAAP Tax Rate	12%	14% - 16%
Non-GAAP EPS	\$1.54	\$1.85 - \$1.95

¹ Non-GAAP results, estimates, please see appendix for definitions and reconciliations for comparable GAAP metrics

FQ2'17 Update

- Broad portfolio performing well across end markets
- Good execution in a favorable market environment, enhancing margins
- Samsung agreement finalized, resulting in a full quarter of royalty revenue

\$ Millions Except EPS	FQ1'17 A ¹	FQ2'17 E ¹ (Original Guidance)	FQ2'17 E ¹ (Updated Guidance)
Revenue	\$4,714	~Flat from Q1	~\$4,750
Non-GAAP Gross Profit (Non-GAAP GM %)	\$1,599 34%	~35%	~36%
Non-GAAP Operating Expenses	\$863	~\$805	~\$805
Non-GAAP Operating Income (Non-GAAP OM %)	\$736 16%		
Non-GAAP Interest and Other Expenses, Net	\$227	~\$205	~\$205
Non-GAAP Tax Rate	12%	14% - 16%	~13%
Non-GAAP EPS	\$1.54	\$1.85 - \$1.95	\$2.10 - \$2.15

¹ Non-GAAP results, estimates, please see appendix for definitions and reconciliations for comparable GAAP metrics

Thank You

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Appendix

Mitigating Foreign Exchange Risks through Hybrid Hedging

Foreign Exchange Contracts¹ (\$M)

Currency	Contract Amount (FQ1'17)	Contract Amount (FQ4'16)
Cash flow hedges:		
Japanese Yen	697	922
Malaysian Ringgit	151	118
Thailand Baht	554	487
Fair value hedges:		
Euro	9	969
Japanese Yen	299	317
Thailand Baht	191	118

- Managing a basket of currencies relatively cost effectively
- Focused on Yen due to exposure on wafer purchase from JV – lesser impact from movement in Yen to overall gross margin relative to legacy SanDisk
- Hybrid hedging program that is systematic, with discretionary approach to long-term trend

¹ Currencies with >\$50M exposure in either cash flow or fair value hedges in last two quarters
Source: WDC 10K for FY ending July 1, 2016

Non-GAAP Financial Measures

This document contains non-GAAP financial measures. These non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies.

Adjusted Free Cash Flow: Adjusted free cash flow is a non-GAAP financial measure defined as cash provided by operating activities less purchases of property, plant and equipment and notes receivable issuances to Flash Ventures net of notes receivable proceeds from Flash Ventures plus cash interest paid and cash payments of restructuring costs. We consider adjusted free cash flow to be useful as an indicator of our overall liquidity, as the amount of adjusted free cash flow generated in any period is representative of cash that is available for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet, servicing debt, paying dividends and repurchasing stock.

Non-GAAP Gross Margin and Non-GAAP Gross Profit: Non-GAAP gross margin is a non-GAAP measure defined as non-GAAP gross profit divided by revenue. Non-GAAP gross profit is a non-GAAP measure defined as gross profit before any charges to cost of goods sold that may not be indicative of ongoing operations. We believe that non-GAAP gross profit is a useful measure to investors as an alternative method for measuring our operating performance and comparing it against prior periods' performance.

Non-GAAP Operating Expenses and Non-GAAP Operating Expenses as a percentage of revenue: Non-GAAP operating expenses as a percentage of revenues is a non-GAAP measure defined as non-GAAP operating expenses divided by revenue. Non-GAAP operating expenses is a non-GAAP measure defined as operating expenses before any charges that may not be indicative of ongoing operations. We believe that non-GAAP operating expenses is a useful measure to investors as an alternative method for measuring our expense management and comparing it against prior periods' performance.

Non-GAAP Operating Income and Non-GAAP Operating Income as a percentage of revenue: Non-GAAP operating income as a percentage of revenues is a non-GAAP measure defined as non-GAAP operating expenses divided by revenue. Non-GAAP operating income is a non-GAAP measure defined as operating income before any charges that may not be indicative of ongoing operations. We believe that non-GAAP operating income is a useful measure to investors as an alternative method for measuring our income from operations and comparing it against prior periods' performance.

Non-GAAP Interest and other expense, net: Non-GAAP interest and other expense, net is a non-GAAP measure defined as interest and other expense, net before any charges that may not be indicative of ongoing operations. We believe that non-GAAP interest and other expense, net is a useful measure to investors as an alternative method for measuring our expense management and comparing it against prior periods' performance.

Non-GAAP Net Income and Non-GAAP EPS: Non-GAAP EPS are non-GAAP measures defined as net income and EPS, respectively, before any charges that may not be indicative of ongoing operations, or any tax impact related to those charges. We believe that non-GAAP net income and non-GAAP EPS are useful measures to investors as an alternative method for measuring our earnings performance and comparing it against prior periods' performance.

Non-GAAP income tax provision as a percentage of non-GAAP pre-tax income: Non-GAAP income tax provision is a non-GAAP measure defined as income tax provision plus any income tax adjustments that may not be indicative of ongoing operations. We believe that non-GAAP income tax provision as a percentage of non-GAAP pre-tax income is a useful measure to investors as an alternative method for measuring our effective tax rate and comparing it against prior periods' performance.

As described above, we exclude the following items from our non-GAAP measures:

Amortization of acquired intangible assets: We incur expenses from the amortization of acquired intangible assets over their economic lives. Such charges are significantly impacted by the timing and magnitude of our acquisitions and any related impairment charges.

Stock-based compensation expense: Because of the variety of equity awards used by companies, the varying methodologies for determining stock-based compensation expense, the subjective assumptions involved in those determinations, and the volatility in valuations that can be driven by market conditions outside our control, we believe excluding stock-based compensation expense enhances the ability of management and investors to understand and assess the underlying performance of our business over time and compare it against our peers, a majority of whom also exclude stock-based compensation expense from their non-GAAP results.

Acquisition-related charges: In connection with our business combinations, we incur expenses which we would not have otherwise incurred as part of our business operations. These expenses include third-party professional service and legal fees, third-party integration services, severance costs, non-cash adjustments to the fair value of acquired inventory, contract termination costs, and retention bonuses. We may also experience other accounting impacts in connection with these transactions. These charges and impacts are related to acquisitions, are inconsistent in amount and frequency, and are not indicative of the underlying performance of our business.

Charges related to cost saving initiatives: In connection with the transformation of our business, we have incurred charges related to cost saving initiatives which do not qualify for special accounting treatment as exit or disposal activities. These charges, which are not indicative of the underlying performance of our business, primarily relate to costs associated with rationalizing our channel partners or vendors, transforming our information systems infrastructure, integrating our product roadmap, and accelerated depreciation on assets.

Employee termination, asset impairment and other charges: From time-to-time, in order to realign our operations with anticipated market demand or to achieve cost synergies from the integration of acquisitions, we may terminate employees and/or restructure our operations. From time-to-time, we may also incur charges from the impairment of intangible assets and other long-lived assets. These charges (including any reversals of charges recorded in prior periods) are inconsistent in amount and frequency and are not indicative of the underlying performance of our business.

Convertible debt activity, net: We exclude non-cash economic interest expense associated with the convertible senior notes, the gains and losses on the conversion of the convertible senior notes and call option, and unrealized gains and losses related to the change in fair value of the exercise option and call option. These charges and gains and losses do not reflect our cash operating results and are not indicative of the underlying performance of our business.

Debt extinguishment costs: From time-to-time, we replace our existing debt with new financing at more favorable interest rates or utilize available capital to settle debt early, both of which generate interest savings in future periods. We incur debt extinguishment charges consisting of the costs to call the existing debt and/or the write-off of any related unamortized debt issuance costs. These gains and losses related to our debt activity occur infrequently and are not indicative of the underlying performance of our business.

Other charges: From time-to-time, we sell investments or other assets which are not considered strategic or necessary to our business; are a party to legal or arbitration proceedings, which could result in an expense or benefit due to settlements, final judgments, or accruals for loss contingencies; or incur other charges or gains which are not a part of the ongoing operation of our business. The resulting expense or benefit is inconsistent in amount and frequency. In addition, we have a liability for stock appreciation rights ("SARs") related to our acquisition of HGST. These SARs are fully vested, and their fair values are now solely subject to market price fluctuations. As such, we have excluded the mark-to-market impact of this liability from our non-GAAP operating results as it is not indicative of ongoing operations.

Income tax adjustments: Income tax adjustments reflect the difference between income taxes based on a forecasted annual non-GAAP tax rate and a forecasted annual GAAP tax rate as a result of the timing of certain non-GAAP pre-tax adjustments.

GAAP / Non-GAAP Reconciliation (1/5)

Reconciliation of Gross Margin to Non-GAAP Gross Margin & Gross Profit to Non-GAAP Gross Profit (\$ in millions, %)

	FQ1'17
Gross Profit	1,335
Amortization of acquired intangible assets	202
Stock-based compensation	13
Acquisition-related charges	17
Charges related to cost saving initiatives	30
Other charges	2
Non-GAAP Gross Profit	1,599
Revenue	4,714
Gross Margin	28%
Non-GAAP Gross Margin	34%

Reconciliation of Operating Expenses to Non-GAAP Operating Expenses (\$ in millions)

	FQ1'17
Total Operating Expenses	1,103
Amortization of acquired intangible assets	(40)
Stock-based compensation	(86)
Acquisition-related charges	(10)
Charges related to cost saving initiatives	(33)
Employee termination, asset impairment and other charges	(68)
Other charges	(3)
Non-GAAP Operating Expenses	863

GAAP / Non-GAAP Reconciliation (2/5)

Reconciliation of Operating Income to Non-GAAP Operating Income & Reconciliation of Operating Margin to Non-GAAP Operating Margin (\$ in millions)

	FQ1'17
Operating Income (Loss)	232
Amortization of acquired intangible assets	242
Stock-based compensation	99
Acquisition-related charges	27
Charges related to cost saving initiatives	63
Employee termination, asset impairment and other charges	68
Other charges	5
Non-GAAP Operating Income	736
Revenue	4,714
Operating Margin	5%
Non-GAAP Operating Margin	16%

Reconciliation of Interest and other expense, net to Non-GAAP Interest and other expense, net (\$ in millions)

	FQ1'17
Interest and Other Expense, net	503
Convertible debt activity, net	(5)
Debt extinguishment costs	(267)
Other charges	(4)
Non-GAAP Interest and other expense, net	227

GAAP / Non-GAAP Reconciliation (3/5)

Reconciliation of Net Loss to Non-GAAP Net Income (\$ in millions)

	FQ1'17
Net Loss	(366)
Amortization of acquired intangible assets	242
Stock-based compensation	99
Acquisition-related charges	27
Charges related to cost saving initiatives	63
Employee termination, asset impairment and other charges	68
Convertible debt activity, net	5
Debt extinguishment costs	267
Other charges	9
Income tax adjustments	34
Non-GAAP Net Income	448
EPS	(1.28)
Non-GAAP EPS	1.54
Diluted Shares Outstanding	285
Non-GAAP Diluted Shares Outstanding	290

Reconciliation of Income Tax Provision as a percentage of Pre-tax income to Non-GAAP income tax provision as a percentage of Non-GAAP Pre-tax income (\$ in millions, %)

	FQ1'17
Net Loss	(366)
Income tax expense (benefit)	95
Pre-tax Loss	(271)
Income tax provision as a percentage of pre-tax Loss	-35%
Non-GAAP Net Income	448
Income tax expense (benefit)	95
Income tax adjustments	(34)
Non-GAAP income tax expense (benefit)	61
Non-GAAP pre-tax income	509
Non-GAAP income tax provision as a percentage of Non-GAAP pre-tax income	12%

GAAP / Non-GAAP Reconciliation (4/5)

FQ2'17 Guidance Reconciliation

Our non-GAAP FQ2 '17 estimates exclude the amortization of acquired intangible assets and stock-based compensation expense consisting of \$214 million in gross profit, or 4.5% of gross margin, and \$130 million in operating expenses, totaling \$344 million in net income, or \$1.17 diluted earnings per share. The timing and amount of additional charges we exclude from our non-GAAP financial measures are dependent on the timing of certain actions and cannot be reasonably predicted. In addition, our estimate for the amortization of acquired intangible assets is based on preliminary allocations of the SanDisk purchase price and may be adjusted as the company finalizes the valuation of these acquired assets. Accordingly, reconciliations of non-GAAP gross margin, non-GAAP operating expenses, non-GAAP interest and other expense, non-GAAP tax rate and non-GAAP diluted earnings per share to the most directly comparable GAAP financial measures (gross margin, operating expenses, interest and other expense, tax rate and diluted earnings per share, respectively) are not available without unreasonable effort.

GAAP / Non-GAAP Reconciliation (5/5)

Long-Term Financial Model GAAP to Non-GAAP Reconciliation (%)

	GAAP Measure	Adjustments ⁽¹⁾	Non-GAAP Measure
Revenues	100%	-	100%
Gross Margin	29% - 38%	0% - 4%	33% - 38%
Operating Expenses	16% - 19%	2% - 3%	14% - 16%
Operating Margin	11% - 21%	2% - 7%	18% - 23%
Tax Rate	7% - 12%	-	7% - 12%
Cash CapEx ⁽²⁾	6% - 8%	-	6% - 8%

¹ Adjustments consist of amortization of acquired intangible assets and stock-based compensation.

Cash CapEx consists of purchases of property, plant and equipment and notes receivable issuances to Flash Ventures net of notes receivable proceeds from Flash Ventures.

Pro Forma Combined Adjusted Free Cash Flow

Pro Forma Combined Adjusted Free Cash Flow Year Ended July 1, 2016 (\$ in million)

	Consolidated Western Digital (including post-acquisition SanDisk) As reported	SanDisk (pre-acquisition)	Pro Forma Combined
Cash provided by operating activities	1,983	1,192	3,175
Purchases of property, plant and equipment	(584)	(300)	(884)
Notes receivable issuances to Flash Ventures	(106)	(280)	(386)
Notes receivable proceeds from Flash Ventures	16	343	359
Cash Restructuring	255	9	264
Cash Interest Expense	113	22	135
Adjusted Free Cash Flow	1,677	986	2,663

Cash Capital Expenditures Year Ended July 1, 2016, (\$ in million)

	Western Digital	SanDisk	Total
Consolidated Western Digital (including post-acquisition SanDisk) As reported	564	110	674
SanDisk (pre-acquisition)	0	237	237
Total	564	347	911

Pro Forma Combined LTM Revenue

Last Twelve Months Ended September 30, 2016 (\$ in million)

Fiscal Period	Consolidated Western Digital (included post-acquisition SanDisk) As reported		Pro Forma Combined
	Western Digital	SanDisk (pre-acquisition)	
FQ1'17	4,714	0	4,714
FQ4'16	3,495	491	3,986
FQ3'16	2,822	1,366	4,188
FQ2'16	3,317	1,543	4,860
Total			17,748

Pro Forma Combined FY16 Revenue

Pro Forma Combined Revenue¹ Year Ended July 1, 2016 (\$ in million)

Fiscal Period	Consolidated Western Digital (included post-acquisition SanDisk) As reported			SanDisk (pre-acquisition)	Pro Forma Combined
	Western Digital	SanDisk	Total		
FQ4'16	2,702	793	3,495	491	3,986
FQ3'16	2,822	0	2,822	1,366	4,188
FQ2'16	3,317	0	3,317	1,543	4,860
FQ1'16	3,360	0	3,360	1,452	4,812
Total					17,846

Pro Forma Combined Revenue by end market categories¹ Year Ended July 1, 2016, (\$ in million)

	Pro Forma Combined Revenue
Client Devices	8,228
Client Solutions	3,962
Data center Devices & Solutions	5,656
Total	17,846

¹ Numbers may not add up due to rounding

SanDisk® Capex

SanDisk Capex Fiscal Years (\$ in million)

	FY15	FY16
Gross Capex	1,315	1,570
JV Lease Financing	350	623
JV Cash Flow	647	600
Cash Capex	318	347
Gross Capex less Cash Capex	997	1,223

Glossary

TERM	DEFINITION
ASIC	Application Specific Integrated Circuit
X2 / X3 / X4	2 Bit per Cell / 3 Bit per Cell / 4 Bit per Cell - Refers to number of bits that can be stored in a single memory cell
BiCS2	48-Layer 3D NAND
BiCS3	64-Layer 3D NAND
BiCS	Bit Cost Scalable 3D NAND Technology
CapEx	Capital Expenditure
cHDD	Client Hard Disk Drive - HDDs used for client devices such as a desktop PC, notebook PC, gaming consoles, set-top-boxes, etc.
cSSD	Client Solid State Drive - SSDs used for client devices such as a desktop PC, notebook PC, gaming consoles, set-top-boxes, etc.
CAGR	Compound Annual Growth Rate
CE	Consumer Electronics
DC	Data Center
DRAM	Dynamic Random Access Memory
EBITDA	Earning Before Interest, Tax, Depreciation and Amortization
EPS	Earnings per Share
Flash	Electronic Non-volatile Memory
eHDD	Enterprise Hard Disk Drive - HDDs used for data center systems
eSSD	Enterprise Solid State Drive - SSDs used for data center systems
ECC	Error Correcting Code - an algorithm for expressing a sequence of numbers such that any errors which are introduced can be detected and corrected (within certain limitations) based on the remaining numbers
EB	Exabytes = 1,000 petabytes = 1,000,000,000 gigabytes
G&A	General & Administration

TERM	DEFINITION
GAAP	Generally Accepted Accounting Practices
GB	Gigabytes = 1,000 megabytes = 1,000,000,000 bytes
GTM	Go To Market
GM%	Gross Margin % (Gross Profit/Revenue)
HDD	Hard Disk Drive - A mechanical storage device that uses rotating magnetic disks and heads to store data persistently
HBMR	Heat Assisted Bit Patterned Magnetic Recording - Recording technology for HDDs
HAMR	Heat Assisted Magnetic Recording - Recording technology for HDDs
He	Helium
HGST	Hitachi Global Storage Technologies - Now a Western Digital Corporation brand
IaaS	Infrastructure as a Service
IOPS	Inputs/Outputs Per Second - A measure of speed/performance of a device
IC	Integrated Circuits
IoT	Internet of Things
JV	Joint Venture
JBOD	Just a Bunch of Disks
JBOF	Just a Bunch of Flash
LTM	Last Twelve Months
LMR	Longitudinal Magnetic Recording - Recording technology for HDDs
LDPC	Low Density Parity Check - Method of transmitting a coded message over a noisy transmission channel

Glossary

TERM	DEFINITION
MTBF	Mean Time Between Failure - Predicted elapsed time between inherent failures of a system during operation
M&A	Merger & Acquisitions
NVM	Non Volatile Memory
NVMe	Non Volatile Memory Express - Logical device interface specification for accessing non-volatile storage media attached via PCI Express (PCIe) bus
OM%	Operating Margin % (Operating Profit/Revenue)
OEM	Original Equipment Manufacturer
PMR	Perpendicular Magnetic Recording - Recording technology for HDDs
PB	Petabytes = 1 Million Gigabytes
PCM	Phase Change Memory
QoS	Quality of Service
KrF, ArF, ArF Immersion	Refers to lithography advances that enabled 2D scaling (lasers of different wavelengths, finer resolution from refraction)
R&D	Research & Development
S&M	Sales & Marketing
SG&A	Selling, General & Administrative
SNDK	SanDisk - Now a Western Digital Corporation brand
SMR	Shingled Magnetic Recording - Recording technology for HDDs
SLC / MLC / TLC / QLC	Single Level Cell / Multi Level Cell / Triple Level Cell / Quad Level Cell

TERM	DEFINITION
SMB	Small and Medium Businesses
SW	Software
SaaS	Software as a Service
SDS	Software Defined Storage - Data storage software that manages policy-based provisioning and management of data storage independent of the underlying hardware
SSD	Solid State Drive - A solid-state storage device that uses integrated circuit assemblies as memory to store data persistently
SD / HD / UHD	Standard Definition / High Definition / Ultra-High Definition - Usually refers to resolution
SCM	Storage Class Memory
TB	Terabytes = 1000 Gigabytes (please see definition for gigabytes above)
TAM	Total Addressable Market
TCA	Total Cost of Acquisition
TCO	Total Cost of Ownership
TMR	Tunnel MagnetoResistance - Quantum mechanical phenomenon impacting recording technology for HDDs
TDMR	Two Dimensional Magnetic Recording - Recording technology for HDDs
Y/Y	Year-on-Year Change

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