SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

/X/ Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended December 30, 1995.

OR

/ / Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission file number 1-8703

WESTERN DIGITAL CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE	95-2647125
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8105 Irvine Center Drive Irvine, California	92718
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE (714) 932-5000

N/A

Former name, former address and former fiscal year if changed since last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Number of shares outstanding of Common Stock, as of February 1, 1996 is 45,122,582.

WESTERN DIGITAL CORPORATION
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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE-MONTH PERIOD ENDED	
	DEC. 30, 1995	DEC. 31, 1994
Revenues, net	$757,992	$551,944
Costs and expenses:		
Cost of revenues	654,613	442,904
Research and development	38,665	30,889
Selling, general and administrative	43,539	30,821
Total costs and expenses	736,817	504,614
Operating income	21,175	47,330
Net interest and other income	3,155	2,733
Gain on sale of Multimedia business (Note 5)	17,275	--
Income before income taxes	41,605	50,063
Provision for income taxes	5,212	7,509

Net income	$ 36,393	$ 42,554
Earnings per common and common equivalent share (Note 2):		
Primary	$ .75	$ .89
Fully diluted	$ .75	$ .85
Common and common equivalent shares used in computing per share amounts:		
Primary	48,438	47,683
Fully diluted	48,688	51,562

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SIX-MONTH PERIOD ENDED	
	DEC. 30, 1995	DEC. 31, 1994
Revenues, net	$1,316,141	$1,016,534
Costs and expenses:		
Cost of revenues	1,131,970	809,727
Research and development	79,388	59,587
Selling, general and administrative	77,443	61,988
Total costs and expenses	1,288,801	931,302
Operating income	27,340	85,232
Net interest and other income	6,787	5,676
Gain on sale of Multimedia business (Note 5)	17,275	--
Income before income taxes	51,402	90,908
Provision for income taxes	6,682	13,636
Net income	$ 44,720	$ 77,272
Earnings per common and common equivalent share (Note 2):		
Primary	$ .89	$ 1.63
Fully diluted	$ .89	$ 1.55
Common and common equivalent shares used in computing per share amounts:		
Primary	50,039	47,473
Fully diluted	50,166	51,353

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	DEC. 30, 1995	JULY 1, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$206,798	$217,531
Short-term investments	62,831	90,177
Accounts receivable, less allowance for doubtful accounts of $13,689 and $9,309	356,937	303,841
Inventories (Note 3)	122,617	98,925
Prepaid expenses	14,932	19,663
Total current assets	764,115	730,137
Property and equipment, at cost, less accumulated depreciation and amortization	100,195	88,576
Intangible and other assets, net	41,376	40,127
Total assets	$905,686	$858,840
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$310,574	$250,325
Accrued compensation	15,625	30,064
Accrued expenses	110,998	89,213
Total current liabilities	437,197	369,602
Deferred income taxes	16,732	15,812
Shareholders' equity:		
Preferred stock, $.10 par value; Authorized: 5,000 shares Outstanding: None	--	--
Common stock, $.10 par value; Authorized: 95,000 shares Outstanding: 50,666 shares at December 30 and 50,482 shares at July 1	5,066	5,048
Additional paid-in capital	356,637	355,624
Retained earnings	168,296	123,576
Treasury stock-common stock at cost; 4,969 shares at December 30 and 805 shares at July 1 (Note 4)	(78,242)	(10,822)
Total shareholders' equity	451,757	473,426
Total liabilities and shareholders' equity	$905,686	$858,840

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	SIX-MONTH PERIOD ENDED	
	DEC. 30, 1995	DEC. 31, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 44,720	$ 77,272
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,854	19,615
Gain on sale of Multimedia business	(17,275)	--
Changes in current assets and liabilities, net of the effect of the sale of the Multimedia business:		
Accounts receivable	(57,096)	(38,210)
Inventories	(30,721)	(31,908)
Prepaid expenses	3,552	(12,891)
Accounts payable and accrued expenses	47,495	44,946
Other assets	(1,275)	(4,765)
Deferred income taxes	920	5,686
Net cash provided by operating activities	16,174	59,745
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short-term investments	27,346	(71,571)
Capital expenditures, net	(35,404)	(28,913)
Decrease (increase) in other assets	(4,375)	2,000
Proceeds from sale of Multimedia business (Note 5)	51,915	--
Net cash provided by (used for) investing activities	39,482	(98,484)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options	2,472	1,527
Proceeds from ESPP shares issued	3,795	2,656
Repurchase of common stock (Note 4)	(72,656)	--
Net cash provided by (used for) financing activities	(66,389)	4,183
Net decrease in cash and cash equivalents	(10,733)	(34,556)
Cash and cash equivalents, beginning of period	217,531	243,484
Cash and cash equivalents, end of period	$206,798	$208,928
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for:		
Interest	$ --	$ 2,718
Income taxes	1,682	4,115

The accompanying notes are an integral part of these financial statements.

WESTERN DIGITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accounting policies followed by the Company are set forth in Note 1 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended July 1, 1995.

2. Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents for each period presented. For the three- and six-month periods ended December 31, 1994, fully diluted earnings per share additionally reflect dilutive shares assumed to be issued upon conversion of the Company's convertible

subordinated debentures.

3. Inventories consist of the following:

(in thousands)	DEC. 30, 1995	JULY 1, 1995
Finished goods	$ 28,104	$31,811
Work in process	48,984	35,763
Raw materials and component parts	45,529	31,351
	$122,617	$98,925

4. During the six-month period ended December 30, 1995, the Company repurchased 4,553,700 shares of its common stock in the open market at a cost of $72.7 million. This amount was offset by 339,176 and 50,623 shares distributed in connection with the Employee Stock Purchase Plan ("ESPP") and common stock option exercises, respectively.

5. In October 1995, the Company sold its Multimedia business to Philips Semiconductors, Inc. ("Philips") for approximately $51.9 million under an asset purchase agreement. Through this transaction, Philips acquired specific assets and intellectual properties and assumed certain liabilities directly related to the Multimedia business.

6. In the opinion of management, all adjustments necessary to fairly state the results of operations for the three- and six-month periods ended December 30, 1995 and December 31, 1994 have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended July 1, 1995.

7. Certain prior quarter amounts have been reclassified to conform to the current quarter presentation.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales of hard drive products were $742.1 million in the second quarter of 1996, compared with $522.9 million in the immediately preceding quarter and $499.8 million in the second quarter of 1995. The growth in hard drive product revenues was the result of an increase in hard drive unit shipments of 43% and 54% in the current quarter as compared to the quarters ended September 30, 1995 and December 31, 1994, respectively. These increases were partially offset by a decline in average selling prices, although pricing pressures eased moderately in the current quarter. Sales of hard drive products were $1.3 billion in the six months ended December 30, 1995, an increase of $351.4 million or 38% from the same period of the prior year. The increase in hard drive product revenues was due to a 43% increase in hard drive units shipped, partially offset by lower average selling prices.

Sales of input/output products for the current quarter were $15.9 million, down

$36.2 million or 69% from the second quarter of 1995 and $19.3 million or 55% from the immediately preceding quarter. Sales for the six-month period ended December 30, 1995 decreased $51.8 million or 50% from the corresponding period of the prior year. The decreases in revenues were primarily related to the sale of the Multimedia business during the second quarter of 1996.

Gross profit margins were as follows:

	Three-Month Period Ended			Six-Month Period Ended	
	12/30/95	9/30/95	12/31/94	12/30/95	12/31/94
Hard drive products	13.1%	13.0%	17.4%	13.0%	18.1%
Input/output products	40.7%	36.9%	42.0%	38.1%	40.7%
Overall	13.6%	14.5%	19.8%	14.0%	20.3%

The decrease in hard drive product gross profit margin from the second quarter of 1995 and the six-month period ended December 31, 1994 was primarily due to two factors. First, higher-capacity products were introduced at lower average selling prices as a result of competitive pricing pressures. Second, the Company shipped a broader mix of hard drives during fiscal year 1996. This resulted in higher shipments of lower-capacity products at lower price points, which generally have smaller gross margins.

The gross profit margin percentage for input/output products declined from the second quarter of 1995 and the six-month period ended December 31, 1994 because of the relationship between fixed costs and the lower revenue base. The increase in gross profit margin from the first quarter of 1996 was primarily due to the change in mix of products sold as a result of the sale of the Multimedia business.

Research and development expense ("R&D") for the current quarter decreased $2.1 million or 5% as compared to the first quarter of 1996. The decline was primarily due to lower expenditures for input/output products as a result of the sale of the Multimedia business. R&D expense for the three- and six-month periods ended December 30, 1995 increased $7.8 million or 25% and $19.8 million or 33%, respectively, over the same periods of the prior year. Higher expenditures to support the development of higher-capacity products was the primary factor contributing to the increase.

Selling, general and administrative ("SG&A") expense for the current quarter increased $12.7 million, or 41% over the same period a year ago and $9.6 million or 28% as compared to the first quarter of 1996. SG&A expense for the six-month period ended December 30, 1995 increased $15.5 million or 25% over the first six months of fiscal year 1995. The increases were primarily the result of incremental expenses in support of the higher revenue levels and higher royalty expense.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net interest and other income for the three- and six-month periods ended December 30, 1995 increased $.4 million and $1.1 million, respectively, over the corresponding periods of fiscal year 1995. The elimination of the Company's outstanding debt was responsible for the improvements in net interest and other income over the prior year.

FINANCIAL CONDITION

Cash and short-term investments totaled $269.6 million at December 30, 1995 as compared with $307.7 million at July 1, 1995. Net cash provided by operating activities was $16.2 million for the six-month period ended December 30, 1995. Cash flow from earnings (net of the gain on sale of the Multimedia business), depreciation and an increase in current liabilities were partially offset by cash used to fund increases in accounts receivable and inventories. Other significant uses of cash during the first six months of 1996 were capital expenditures, which totaled $35.4 million and were incurred primarily to support increased production of hard drives and related components, and the acquisition of 4.6 million shares of the Company's common stock in the open market for $72.7 million. Offsetting these uses of cash was approximately $51.9 million received in connection with the sale of the Multimedia business (see Note 5).

The ability of the Company to continue to effectively manage its working capital and operate profitably is dependent upon a number of factors including competitive conditions in the marketplace, general economic conditions, the efficiency of the Company's manufacturing operations and the timely development and introduction of new products which address market needs.

PART II. OTHER INFORMATION

ITEM 4. Submission of Matters to Vote of Security Holders

The annual meeting of shareholders was held on November 1, 1995. The shareholders approved the following proposals:

	Number of Votes	
	For	Against*
1. To approve the amendment and restatement of the Company's Stock Option Plan for Non-Employee Directors.	41,146,228	2,246,067
2. To ratify the selection of KPMG Peat Marwick LLP as independent accountants for the Company for the fiscal year ended June 29, 1996.	43,197,323	194,923

* includes abstentions

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

11 Computation of Per Share Earnings.
27 Financial Data Schedule

(b) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTERN DIGITAL CORPORATION

Registrant

/s/Scott Mercer

D. Scott Mercer
Executive Vice President,
Chief Financial and Administrative Officer

Date: February 12, 1996

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
11	Computation of Per Share Earnings......................	
27	Financial Data Schedule................................	

EXHIBIT 11

WESTERN DIGITAL CORPORATION
COMPUTATION OF PER SHARE EARNINGS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE-MONTH PERIOD ENDED		SIX-MONTH PERIOD ENDED	
	DEC. 30, 1995	DEC. 31, 1994	DEC. 30, 1995	DEC. 31 1994
PRIMARY				
Net income	$ 36,393	$ 42,554	$ 44,720	$77,272
Weighted average number of common shares outstanding during the period	46,941	45,437	48,257	45,289
Incremental common shares attributable to exercise of outstanding options and warrants	1,497	2,246	1,782	2,184
Total shares	48,438	47,683	50,039	47,473
Net income per share	$ .75	$ .89	$ .89	$ 1.63
FULLY DILUTED				
Net income	$ 36,393	$ 42,554	$ 44,720	$77,272
Add back: interest expense, net of income tax effect, applicable to convertible subordinated debentures	--	1,111	--	2,223
	$ 36,393	$ 43,665	$ 44,720	$79,495
Weighted average number of common shares outstanding during the period	46,941	45,437	48,257	45,289
Incremental common shares attributable to exercise of outstanding options and warrants	1,747	2,247	1,909	2,186
Incremental common shares attributable to conversion of convertible subordinated debentures	--	3,878	--	3,878
Total shares	48,688	51,562	50,166	51,353
Net income per share	$ .75	$ .85	$ .89	$ 1.55

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF INCOME AND BALANCE SHEETS OF WESTERN DIGITAL CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED DECEMBER 30, 1995.
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