UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 1, 2005

OR

o **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 (State or other jurisdiction of incorporation or organization)	**33-0956711** (I.R.S. Employer Identification No.)
20511 Lake Forest Drive **Lake Forest, California** (Address of principal executive offices)	**92630** (Zip code)

(949) 672-7000
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No o

As of the close of business on April 29, 2005, 212.9 million shares of common stock, par value $.01 per share, were issued and outstanding.

WESTERN DIGITAL CORPORATION
INDEX

Western Digital Corporation (the “Company”, “Western Digital” or “WD”) has a 52 or 53-week fiscal year, which typically ends on the Friday nearest to June 30. However, approximately every six years, the Company reports a 53-week fiscal year to align its fiscal quarters with calendar quarters by adding a week to its fourth fiscal quarter. Unless otherwise indicated, references herein to specific years and quarters are to the Company’s fiscal years and fiscal quarters, and references to financial information are on a consolidated basis.

The information on the Company’s web site, http://www.westerndigital.com, is not incorporated by reference in this Quarterly Report on Form 10-Q.

PART I. FINANCIAL INFORMATION

Item 1. *FINANCIAL STATEMENTS*

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts; unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	APR. 1, 2005	MAR. 26, 2004	APR. 1, 2005	MAR. 26, 2004
Revenue, net	$ 919.9	$ 748.9	$ 2,698.4	$ 2,297.9
Cost of revenue	752.9	626.3	2,268.1	1,937.2
Gross margin	167.0	122.6	430.3	360.7
Operating expenses:				
Research and development	60.7	46.5	174.4	154.2
Selling, general and administrative	35.6	27.2	97.4	81.4
Total operating expenses	96.3	73.7	271.8	235.6
Operating income	70.7	48.9	158.5	125.1
Net interest and other income	1.9	0.1	2.7	0.3
Income before income taxes	72.6	49.0	161.2	125.4
Income tax provision	1.8	1.1	4.0	3.7
Net income	$ 70.8	$ 47.9	$ 157.2	$ 121.7
Income per common share:				
Basic	$ .34	$ .23	$ .76	$ .59
Diluted	$ .32	$ .22	$ .73	$ .56
Weighted average shares outstanding:				
Basic	208.8	206.7	206.4	205.4
Diluted	218.7	217.5	215.0	217.1

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

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except par values; unaudited)

	APR. 1, 2005	JUL. 2, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 461.1	$ 345.5
Short-term investments	113.2	32.3
Accounts receivable, net	398.6	313.1
Inventories	135.5	148.6
Other	18.3	17.8
Total current assets	1,126.7	857.3
Property and equipment, net	347.2	274.7
Intangible and other assets	16.2	27.2
Total assets	$ 1,490.1	$ 1,159.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 551.0	$ 434.9
Accrued expenses	118.5	90.4
Accrued warranty	69.6	46.4
Current portion of long-term debt	19.9	15.2
Total current liabilities	759.0	586.9
Long-term debt	37.7	52.7
Other liabilities	30.6	32.0
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized — 5.0 shares; issued — none	—	—
Common stock, $.01 par value; authorized — 450.0 shares; issued — 212.4 shares	2.1	2.1
Additional paid-in capital	700.1	698.9
Deferred compensation	(13.5)	(1.3)
Accumulated deficit	(25.7)	(182.9)
Treasury stock — common shares at cost 0.0 and 2.7 shares, respectively	(0.2)	(29.2)
Total shareholders' equity	662.8	487.6
Total liabilities and shareholders' equity	$ 1,490.1	$ 1,159.2

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

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	NINE MONTHS ENDED	
	APR. 1, 2005	MAR. 26, 2004
Cash flows from operating activities:		
Net income	$ 157.2	$ 121.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	97.2	74.0
In-process research and development expense	—	25.6
Changes in:		
Accounts receivable	(85.8)	(62.0)
Inventories	13.1	(42.3)
Accounts payable	116.1	40.0
Accrued expenses	56.5	(25.8)
Other	(6.7)	(14.2)
Net cash provided by operating activities	347.6	117.0
Cash flows from investing activities:		
Capital expenditures, net	(153.0)	(90.5)
Short-term investments	(80.9)	—
Asset acquisition, net of cash acquired	—	(94.8)
Net cash used for investing activities	(233.9)	(185.3)
Cash flows from financing activities:		
Proceeds from shares issued under employee plans	39.8	21.2
Repurchase of common stock	(23.3)	—
Repayment of long-term debt	(14.6)	—
Net proceeds from long-term debt	—	13.8
Net cash provided by financing activities	1.9	35.0
Net increase (decrease) in cash and cash equivalents	115.6	(33.3)
Cash and cash equivalents, beginning of period	345.5	393.2
Cash and cash equivalents, end of period	$ 461.1	$ 359.9
Supplemental disclosures of cash flow information:		
Cash paid during the period for income taxes	$ 2.6	$ 2.5
Cash paid during the period for interest	$ 1.6	$ 0.9
Supplemental disclosures of non-cash investing and financing activities:		
Equipment additions funded by capital lease obligations	$ 4.3	$ —
Liabilities assumed in asset acquisition	$ —	$ 77.2

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

WESTERN DIGITAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

The accounting policies followed by the Company are set forth in Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K as of and for the year ended July 2, 2004. In the opinion of management, all adjustments necessary to fairly state the unaudited condensed consolidated financial statements have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These unaudited condensed 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 as of and for the year ended July 2, 2004. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year. Certain prior periods' amounts have been reclassified to conform to current period presentation.

Company management has made estimates and assumptions relating to the reporting of certain assets and liabilities in conformity with generally accepted accounting principles. These estimates and assumptions have been applied using methodologies that are consistent throughout the periods presented. However, actual results could differ from these estimates.

2. Supplemental Financial Statement Data (in millions)

	APR. 1, 2005	JUL. 2, 2004
Inventories:		
Finished goods	$ 68.0	$ 70.6
Work in process	52.7	51.6
Raw materials and component parts	14.8	26.4
	$ 135.5	$ 148.6

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	APR. 1, 2005	MAR. 26, 2004	APR. 1, 2005	MAR. 26, 2004
Net Interest and Other Income:				
Interest income	$ 2.7	$ 0.6	$ 5.2	$ 1.8
Interest and other expense	(0.8)	(0.5)	(2.5)	(1.5)
	$ 1.9	$ 0.1	$ 2.7	$ 0.3

The Company records a provision for estimated warranty costs as products are sold to cover the cost of repair or replacement of the hard disk drive during the warranty period. This provision is based on estimated future returns within the warranty period and costs to repair, using historical field return rates by product type and current average repair costs. Changes in the warranty provision for the three months and nine months ended April 1, 2005 and March 26, 2004 were as follows (in millions):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	APR. 1, 2005	MAR. 26, 2004	APR. 1, 2005	MAR. 26, 2004
Liability at beginning of period	$ 81.5	$ 53.2	$ 56.8	$ 52.9
Charges to operations	18.3	13.8	62.0	40.7
Utilization	(11.8)	(14.7)	(35.9)	(39.2)
Changes in estimate related to pre-existing warranties	(2.8)	0.8	2.3	(1.3)
Liability at end of period	$ 85.2	$ 53.1	$ 85.2	$ 53.1

Accrued warranty includes amounts classified in non-current liabilities of $15.6 million at April 1, 2005, $10.4 million at July 2, 2004 and $9.1 million at March 26, 2004.

3. Short-Term Investments

The Company's short-term investments consist primarily of auction rate securities, which are short-term investments in bonds with remaining maturities greater than 90 days. The Company has classified these investments as trading securities. These investments are stated at cost, which approximates fair value. Realized gains and losses are not material for any period presented and are included in net interest income (expense).

4. Income per Share

The following table illustrates the computation of basic and diluted income per common share (in millions, except per share data):

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	APR. 1, 2005	MAR. 26, 2004	APR. 1, 2005	MAR. 26, 2004
Net income	$ 70.8	$ 47.9	$ 157.2	$ 121.7
Weighted average shares outstanding:				
Basic	208.8	206.7	206.4	205.4
Employee stock options and other.	9.9	10.8	8.6	11.7
Diluted	218.7	217.5	215.0	217.1
Income per share:				
Basic	$ .34	$ .23	$ .76	$ .59
Diluted	$ .32	$ .22	$ .73	$ .56

For purposes of computing diluted income per share, common share equivalents with an exercise price that exceeded the average fair market value of common stock for the period are considered anti-dilutive and have been excluded from the calculation for employee stock options. These antidilutive common share equivalents totaled 14.1 million and 19.1 million for the three months ended April 1, 2005 and March 26, 2004, respectively, and 15.8 million and 14.1 million for the nine months ended April 1, 2005 and March 26, 2004, respectively.

5. Stock Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), establishes the financial accounting and reporting standards for stock-based compensation plans. As permitted by SFAS 123, the Company elected to continue accounting for stock-based employee compensation plans (including shares issued under the Company's stock option plans and Employee Stock Purchase Plan ("ESPP"), collectively called "Options") in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and its related interpretations ("APB Opinion No. 25"), and to follow the pro forma net income, pro forma income per share, and stock-based compensation plan disclosure requirements set forth in SFAS 123. The following table sets forth the computation of basic and diluted income per share for the three months and nine months ended April 1, 2005 and March 26, 2004 and illustrates the effect on net income and income per share as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	APR. 1, 2005	MAR. 26, 2004	APR. 1, 2005	MAR. 26, 2004
Net income, as reported	$ 70.8	$ 47.9	$ 157.2	$ 121.7
Add: Stock-based employee compensation included in reported net income, net of related taxes	1.4	0.1	1.9	1.1
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(7.2)	(7.0)	(20.4)	(20.8)
Pro forma net income	$ 65.0	$ 41.0	$ 138.7	$ 102.0
Basic income per share:				
As reported	$ .34	$ .23	$ .76	$ .59
Pro forma	$ .31	$ .20	$ .67	$ .50
Diluted income per share:				
As reported	$ .32	$ .22	$ .73	$ .56
Pro forma	$ .30	$ .19	$ .65	$ .47

The pro forma income per share information for all stock options granted on or prior to December 31, 2004 as well as ESPP shares granted in the third quarter of 2005 is estimated using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. This model also requires the input of highly subjective assumptions including the expected stock price volatility and expected period until options are exercised.

The fair value of stock options granted during the six months ended December 31, 2004, the nine months ended March 26, 2004, and the fair value of ESPP shares granted during the nine months ended April 1, 2005 has been estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions:

	STOCK OPTION PLANS		ESPP	
	DEC. 31, 2004	MAR. 26, 2004	APR. 1, 2005	MAR. 26, 2004
Option life (in years)	4.51	4.27	1.25	1.25
Risk-free interest rate	3.23%	1.70%	2.25%	1.09%
Stock price volatility	0.74	0.77	0.55	0.77
Dividend yield	—	—	—	—
Fair value	$ 5.33	$ 7.20	$ 3.00	$ 4.73

Effective for stock options granted in the third quarter of 2005, the pro forma income per share information is estimated using a binomial model. The binomial model requires the input of highly subjective assumptions including the expected stock price volatility, the expected price multiple at which employees are likely to exercise stock options and the expected employee termination rate.

The fair value of stock options granted during the three months ended April 1, 2005 has been estimated using the following assumptions.

	APR. 1, 2005
Suboptimal exercise factor	2.01
Range of risk-free interest rates	3.34% to 4.46%
Range of expected stock price volatility	0.43 to 0.84
Post-vesting termination rate	15.2%
Dividend yield	—
Fair value	$5.25

During the three months ended April 1, 2005, the Company granted approximately 1.2 million shares of restricted stock. The restricted stock granted during the quarter vests annually over periods from two to three years. The aggregate market value of the restricted stock at the date of issuance was $12.4 million. This amount has been recorded as deferred compensation, a separate component of shareholders' equity, and is being amortized to operating expense over the corresponding vesting periods.

6. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt consisted of the following as of April 1, 2005 (in millions):

Term loan	$ 40.6
Capital lease obligations	17.0
Total	57.6
Less amounts due in one year	(19.9)
	$ 37.7

Line of Credit

The Company has a $125 million credit facility ("Senior Credit Facility") that provides up to $75 million in revolving credit (subject to outstanding letters of credit and a borrowing base calculation) and a term loan of $50 million. Both the revolving credit facility and the term loan mature on September 19, 2008 and are secured by the Company's accounts receivable, inventory, 65% of its stock in its foreign subsidiaries and other assets. For the three months ended April 1, 2005, the Company had no borrowings on the revolving credit line and the average variable rate on the Company's term loan was 4.82%.

The Senior Credit Facility prohibits the payment of cash dividends on common stock and contains specific financial covenants. The Company is required to maintain an available liquidity level of $300 million at the end of each quarter. Available liquidity is defined as cash plus eligible trade receivables. As of April 1, 2005, the Company was in compliance with this covenant. Should the Company's available liquidity be less than $300 million, the Company would then be subject to minimum EBITDA (earnings before interest, taxes, depreciation and amortization) requirements and capital expenditure limitations.

The $50 million term loan requires quarterly principal payments of $3 million beginning in October 2004. Principal payments made on the term loan increase the amount of revolving credit available. At April 1, 2005, $82 million was available for borrowing and the Company had $3 million in outstanding letters of credit.

7. Read-Rite Asset Acquisition

In June 2003, Read-Rite Corporation ("Read-Rite"), then one of the Company's suppliers of magnetic recording heads, commenced voluntary Chapter 7 bankruptcy proceedings. On July 31, 2003, Western Digital purchased substantially all of the assets of Read-Rite, including its wafer fabrication equipment in Fremont, California and manufacturing facility in Bang Pa-In, Thailand. The cost of the acquisition was $172.0 million and consisted of cash consideration of $94.8 million, assumed debt obligations of the Thailand operations of approximately $60.2 million, direct costs of the acquisition and other miscellaneous assumed obligations totaling $17.0 million. The Company accounted for this transaction as an asset acquisition. The estimated fair value of the assets acquired and liabilities assumed were as follows:

Current assets	$ 17.4
Property and equipment	90.2
Purchased technology	38.8
In-process research and development	25.6
	$ 172.0

As of the date of the acquisition, Read-Rite had two in-process research and development ("IPR&D") projects: 120 gigabyte per platter and 160 gigabyte per platter products. The fair value allocated to these projects as part of the acquisition was $17.8 million and $7.8 million, respectively. The multi-period excess earnings method, a discounted cash flow income approach, was used to determine the value allocated to the IPR&D. The rate utilized to discount the cash flows to their present values was based on the weighted average cost of capital and an additional risk premium based on an analysis of the technology and the IPR&D stages of completion. Based on these factors, 27% was used as the annual discount rate. These acquired IPR&D projects had not reached technological feasibility and had no alternative future use. Accordingly, the Company recorded the $25.6 million as a charge to research and development expense at the time of the acquisition.

Approximately $38.8 million of the purchase price related to purchased technology, which is being amortized over a weighted average period of three years. During the three months and nine months ended April 1, 2005, the Company recorded $3.7 million and $11.1 million, respectively, of amortization expense related to these intangible assets. Amortization expense is estimated to be $14.4 million, $4.4 million, $3.4 million and $3.4 million for fiscal years 2005, 2006, 2007 and 2008, respectively.

8. Legal Proceedings

In June 1994, Papst Licensing ("Papst") brought suit against the Company in the United States District Court for the Central District of California, alleging infringement by the Company of five hard disk drive motor patents owned by Papst. In December 1994, Papst dismissed its case without prejudice. In July 2002, Papst filed a new complaint against the Company and several other defendants. The suit alleges infringement by the Company of seventeen of Papst's patents related to hard disk drive motors that the Company purchased from motor vendors. Papst is seeking an injunction and damages. The Company filed an answer on September 4, 2002, denying Papst's complaint. On December 11, 2002, the lawsuit was transferred to the United States District Court for the Eastern District of Louisiana and included in the consolidated pre-trial proceedings occurring there. The lawsuit was stayed pending the outcome of certain other related litigation. The Company believes that the outcome of this matter will not have a material adverse impact on the Company's financial statements. The Company intends to vigorously defend the suit.

In the normal course of business, the Company is subject to legal proceedings, lawsuits and other claims. Although the ultimate aggregate amount of monetary liability or financial impact with respect to these matters, including the matter described in the preceding paragraph, is subject to many uncertainties and is therefore not predictable with assurance, management believes that any monetary liability or financial impact to the Company from these matters, individually and in the aggregate, beyond that reserved for at April 1, 2005, would not be material to the Company's financial condition. However, there can be no assurance with respect to such result, and monetary liability or financial impact to the Company from these legal proceedings, lawsuits and other claims could differ materially from those projected.

9. New Accounting Standards

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.151, "Inventory Costs, an Amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"), which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect the adoption of SFAS No. 151 to impact its financial statements.

In December 2004, the FASB issued revised statement SFAS No. 123, "Share-Based Payment" (SFAS No. 123R), which supersedes APB Opinion No. 25 and replaces the current SFAS No. 123. SFAS No. 123R requires companies to expense the estimated fair value of employee stock options and similar awards and provides guidance on the valuation methods used in determining the estimated fair value. The provisions of SFAS No. 123R will be effective for annual periods beginning after June 15, 2005. Under SFAS No. 123R, compensation expense for existing awards where the requisite service period has not been completed by the effective date will be charged to expense over the remaining service period using the same cost currently calculated for pro forma disclosure purposes under SFAS No. 123. The Company is in the process of determining the impact of SFAS 123R on its financial statements relating to stock-based awards granted after adoption.

Item 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

This information should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K as of and for the year ended July 2, 2004.

Unless otherwise indicated, references herein to specific years and quarters are to the Company's fiscal years and fiscal quarters.

Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. The statements that are not purely historical should be considered forward-looking statements. Often they can be identified by the use of forward-looking words, such as "may," "will," "could," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecasts," and the like. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. Examples of forward-looking statements include, but are not limited to, statements concerning growth in the demand for hard disk drives in the personal computer ("PC") market; growth of the mobile computing market; the Company's expansion into the consumer electronics ("CE") market; the Company's expected ship dates of 1.0-inch hard disk drives; the enterprise and desktop PC industries' transition from the Parallel Advanced Technology Attachment ("PATA") interface to the Serial Advanced Technology Attachment ("SATA") interface; the Company's transition to new enterprise resource planning software; the Company's current expectations regarding June quarter seasonal trends in the desktop market; impact of new accounting standards on the Company's financial statements; growth of the consumer market for multi-media applications, including audio-video products incorporating hard disk drives and drives for the CE sector; the Company's current expectations regarding capital expenditures including expected investments in mobile hard disk drive manufacturing capacity and expansion of head manufacturing operations and information technology ("IT") infrastructure upgrades, revenue for the June quarter and gross margin expectations in the current year,, gross margin percentage for the June quarter, cash conversion cycle, cash and cash equivalents, and utilization of liquidity and cash flows.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Readers are urged to carefully review the disclosures made by the Company concerning risks and other factors that may affect the Company's business and operating results, including those made in this report under the caption "Risk Factors That May Affect Future Results" as well as the Company's other reports filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The Company

Western Digital designs, develops, manufactures and markets hard disk drives for digital information storage. A hard disk drive is a device that stores data on one or more rotating magnetic disks to allow fast access to non-volatile data. The Company's hard disk drives are used in desktop PCs, notebook PCs, enterprise servers, network attached storage devices, an expanding list of CE products such as video game consoles, personal/digital video recorders and satellite and cable set-top boxes, and as external storage devices. WD markets its hard disk drives directly to PC manufacturers, including large, brand name PC manufacturers such as Dell and Hewlett Packard; to CE manufacturers; and to distributors, resellers and retailers that serve a wide range of end users.

Western Digital builds hard disk drives in assembly facilities in Malaysia and Thailand. The Company also builds hard disk drive components such as printed circuit board assemblies, head stack assemblies, and head gimbal assemblies in its Malaysia and Thailand facilities. In July 2003, Western Digital acquired head manufacturing assets from Read-Rite Corporation ("Read-Rite"), a former supplier, enabling it to build a substantial portion of its recording head requirements. WD procures its other component requirements from industry-leading technology companies, many of which work with the Company from design and development through manufacturing. WD believes that its operating model allows it to access leading-edge component technologies and cost-saving innovations while minimizing investment expenditures.

Western Digital provides quality products, superior customer service and flexibility by managing its technology deployment, manufacturing, cost, delivery, quality and reliability. WD builds to market demand using a highly flexible manufacturing model that emphasizes financial and asset efficiency, enabling it to supply high-quality products at price points that allow mass-market adoption. The Company is a leader in the desktop hard disk drive market and leverages many of its existing resources and capabilities to satisfy the increasing demand for hard disk drives in new market areas. Concurrently, WD makes incremental investments in technologies unique to some of the newer markets.

Business and Market Overview

For calendar year 2004, the Company believes that the total market for hard disk drives was more than 300 million units, or almost $24 billion. Over half of these unit shipments were to the desktop PC market. Thus, total hard disk drive unit growth depends greatly on developments in the PC market. WD believes that the demand for hard disk drives in the PC market will continue to grow in part due to:

- The overall growth of PC sales;
- The increasing needs of individuals to store larger amounts of data on their PCs;
- The continuing development of software applications to manage multimedia content; and
- The increasing availability of broadband connections to the Internet, allowing for the downloading of content from the Internet onto PC hard disk drives.

The Company believes the rate of hard disk drive unit growth in the desktop PC market is affected by several factors, including maturing PC markets in North America and Western Europe, an increase in first-time buyers of PCs in Eastern Europe and Asia, the lengthening of PC replacement cycles and an increasing preference for notebook systems.

The mobile computing market, which includes notebook computers, is expected to grow faster than the desktop PC market as performance and price continue to improve. Western Digital entered the mobile hard disk drive market in September 2004, commencing volume production of its WD Scorpio™ family of 2.5-inch hard disk drives for notebook PCs.

Many consumer applications currently employ similar hard disk drive technology as is found in PCs. Western Digital currently ships 3.5-inch form factor hard disk drives to manufacturers of personal/digital video recorders and electronic game devices. WD presently believes it can continue to expand shipments into these markets using much of its existing hard disk drive technology.

As the market for consumer applications expands, additional investments by the Company will be required. For example, CE devices such as handheld digital audio players currently utilize sub-2.5-inch form factor hard disk drives. In January 2005, Western Digital announced its entry into the miniature hard disk drive market with a new 1.0-inch 6-gigabyte product. Volume shipments are expected in the second half of calendar 2005.

The enterprise market for hard disk drives focuses on customers that make workstations, servers, network attached storage devices, storage area networks, and other computing systems or subsystems. Western Digital serves this market through its application of the SATA interface. The SATA interface contains many of the same benefits of the small-computer-systems-interface, or SCSI — the predominant interface currently used in most enterprise hard disk drive applications.

Third Quarter Overview

WD's net revenue for the quarter ended April 1, 2005 totaled $920 million, an increase of 23% over the prior year and a decrease of 3.7% from the December quarter. WD shipped 15.3 million units during the quarter ended April 1, 2005, including approximately 1.7 million units to the CE market. Historically, industry desktop unit volumes decline on average by 5% in the first calendar quarter due to seasonal demand patterns. During the quarter ended April 1, 2005, the Company experienced a well-balanced supply-demand environment, which resulted in a better than expected pricing environment. Also, strong demand for higher capacity hard disk drives resulted in a richer mix of products. These factors partially offset the normal seasonal decline in demand. Gross margin percentage for the March quarter was 18.2% as compared to 15.7% for the December quarter and 16.4% for the quarter ended March 26, 2004. In addition to the factors described above, WD's continuing improvements in manufacturing cost efficiencies and quality, including lower warranty costs due to improved projected product return rates, contributed to higher gross margins in the March quarter as compared to the December quarter. Operating income was $70.7 million in the March quarter compared to $56.6 million in the December quarter and $48.9 million in the quarter ended March 26, 2004. WD generated $348 million in cash flow from operations during the nine months ended April 1, 2005, finishing the quarter with a total of $574 million in cash and short-term investments, an increase of $196 million from the July 2, 2004 balance.

Historically, industry desktop unit volumes have declined by 5-10% from the March quarter to the June quarter. In the desktop PC space, the Company currently anticipates traditional June quarter seasonal demand trends. The impact of these trends will be somewhat tempered by WD's growing participation in the CE market and the on-going volume ramp of the Scorpio™ family of 2.5-inch hard disk drives. Given these factors, the Company currently estimates revenue for the June quarter to be between $875 and $900 million. Seasonal trends typically result in lower gross margins in the June quarter as compared to the March quarter. For example, in 2004, WD's gross margin percentage declined from 16.4% to 13.5% from the March to the June quarter. Given better supply-demand dynamics, a richer product mix and a more balanced revenue portfolio, WD anticipates a more moderate decline in the current year. WD currently estimates that its gross margin percentage will range from 16.5% to 17.0% for the June quarter.

Results of Operations

The following table sets forth, for the periods indicated, summary information from the Company's statements of income (dollars in millions):

	THREE MONTHS ENDED				NINE MONTHS ENDED			
	APR. 1, 2005		MAR. 26, 2004		APR. 1, 2005		MAR. 26, 2004	
Revenue, net	$919.9	100.0%	$748.9	100.0%	$2,698.4	100.0%	$2,297.9	100.0%
Gross margin	167.0	18.2	122.6	16.4	430.3	15.9	360.7	15.7
Total operating expenses	96.3	10.5	73.7	9.8	271.8	10.1	235.6	10.3
Operating income	70.7	7.7	48.9	6.5	158.5	5.9	125.1	5.4
Net income	70.8	7.7	47.9	6.4	157.2	5.8	121.7	5.3

Net Revenue

Net revenue was $920 million for the three months ended April 1, 2005, an increase of 23%, or $171 million, from the three months ended March 26, 2004. Total unit shipments increased to 15.3 million for the third quarter of 2005 as compared to 11.8 million for the third quarter of 2004. This unit increase resulted from the Company's higher desktop market share, stronger overall demand for hard disk drives in the desktop PC market and WD's increasing focus on the non-desktop PC market. For the three month period ended April 1, 2005, 23% of WD's revenue was derived from non-desktop PC sources including CE products, enterprise applications, notebook PCs and retail sales as compared to 14% for the third quarter of 2004. The growth in units was partially offset by a $4 per unit decline in average selling prices ("ASPs") to $60 per unit for the third quarter of 2005 compared to $64 per unit for the third quarter of 2004. Historically, ASPs in the desktop hard disk drive industry have generally declined annually in the 10-20% range.

Western Digital increased sales to original equipment manufacturer ("OEM") customers during the three months ended April 1, 2005 by 40% to $518 million, as compared to $371 million for the three months ended March 26, 2004. Revenue by sales channel for the third quarter of 2005 was 56% from OEMs, 37% from distributors and 7% from the retail channel, compared to 49%, 43% and 8%, respectively, for the third quarter of 2004. WD also continues to focus resources on emerging geographic markets such as Eastern Europe and Asia. Revenue by geographic region for the third quarter of 2005 was 36% from the Americas, 30% from Europe and 34% from Asia, compared to 42%, 30% and 28%, respectively, for the third quarter of 2004.

For the nine months ended April 1, 2005, net revenue was $2.7 billion, an increase of 17%, or $401 million, from the nine months ended March 26, 2004. During this period, total unit shipments increased to 45.7 million from 35.8 million during the same period last year, while ASPs decreased to $59 per unit from $64 per unit.

Gross Margin

Gross margin percentage increased to 18.2% for the three months ended April 1, 2005 from 16.4% for the three months ended March 26, 2004. The increase in gross margin percentage was primarily due to continuing improvements in quality, manufacturing cost efficiencies and a richer product mix, partially offset by modest price declines. For the nine months ended April 1, 2005, gross margin percentage was 15.9% as compared to 15.7% for the nine months ended March 26, 2004. Gross margin for the nine months ended March 26, 2004 included non-recurring charges of $18.1 million incurred in July 2003 relating to the head manufacturing asset acquisition.

Operating Expenses

Research and development ("R&D") expense was $60.7 million for the three months ended April 1, 2005, an increase of $14.2 million, or 31%, from the three months ended March 26, 2004. This increase was due to new product development efforts, employee incentive compensation programs and head design activities. R&D expense for the nine months ended April 1, 2005 was $174.4 million, an increase of $20.2 million or 13%, from the same period last year. The increase in R&D was primarily due to the factors described above. R&D expense for the nine-months ended March 26, 2004 included $25.6 million of in process research and development charges incurred in the first quarter of 2004 related to the Read-Rite asset acquisition.

Selling, general, and administrative ("SG&A") expense was $35.6 million for the three months ended April 1, 2005, an increase of $8.4 million, or 31%, from the three months ended March 26, 2004. The increase of $8.4 million in SG&A expense was primarily due to an expansion of sales resources to support geographic regions where PC demand is rapidly increasing, such as Eastern Europe and Asia, and the growing mobile and CE markets and an increase in employee incentive compensation programs. For the nine months ended April 1, 2005, SG&A expense was $97.4 million, an increase of $16.0 million, or 20%, from the comparable period of the prior year. The increase was a result of the factors described above. SG&A expense for the nine months ended March 26, 2004 included $1.4 million of non-recurring acquisition-related charges that occurred in the first quarter of 2004.

Income Tax Provision

The income tax provision was $1.8 million and $4.0 million for the three and nine months ended April 1, 2005, respectively. The effective tax rate was 2.5% for the three and nine months ended April 1, 2005. This differs from the U.S. federal statutory rate of 35% primarily because of tax holidays in Malaysia and Thailand. These tax holidays are in effect in Thailand through 2011 and in Malaysia through 2014.

Liquidity and Capital Resources

Western Digital had total cash and short-term investments of $574 million at April 1, 2005 as compared to $378 million at July 2, 2004. Short-term investments consist primarily of auction rate securities, which are short-term investments in bonds with remaining maturities greater than 90 days. Net cash provided by operating activities during the nine-month period ended April 1, 2005 was $348 million as compared to $117 million for the same period last year. Net cash flows from operating activities resulted from net income, excluding depreciation and amortization and cash generated by working capital improvements. This represents the Company's principal source of cash. Operating cash flows included net cash provided by working capital of $93.2 million for the nine months ended April 1, 2005 as compared to net cash used to fund working capital of $104 million for the same period last year. The improvement in working capital utilization was primarily due to improved accounts receivable, inventory and accounts payable management.

Western Digital's working capital requirements depend upon the effective control of its cash conversion cycle. The cash conversion cycle for the nine month period ended April 1, 2005, which consisted of 40 days sales outstanding plus 16 days inventory outstanding less 64 days payable outstanding, was negative eight days as compared to negative one day for the nine months ended March 26, 2004. The improvement in the cash conversion cycle was due to more efficient working capital management. WD expects its financial business model will continue to generate a negative cash conversion cycle for the foreseeable future.

Net cash used in investing activities for the nine months ended April 1, 2005 was $234 million as compared to $185 million for the same period in the prior year. During the nine months ended April 1, 2005, cash used in investing activities consisted of $153 million of net capital expenditures and $81 million of short-term investments. The net cash used in investing activities for the first nine months of 2004 consisted of $94.8 million for the Read-Rite asset acquisition and $90.5 million of net capital expenditures. The increase in net capital expenditures in the nine month period ended April 1, 2005 was primarily a result of assets purchased to upgrade the Company's head manufacturing capabilities, increased desktop and mobile hard disk drive production capabilities and for the normal replacement of existing assets. For 2005, capital expenditures are expected to increase to approximately $240 million from $150 million for 2004. The increase in capital expenditures is expected to consist primarily of investments in mobile hard disk drive manufacturing capacity, continued expansion of head manufacturing operations and IT infrastructure upgrades.

Net cash provided by financing activities for the nine months ended April 1, 2005 was $1.9 million as compared to $35.0 million for the same period in the prior year. The net cash provided by financing activities in the nine month period ended April 1, 2005 consisted of $39.8 million received upon issuance of stock under employee plans, partially offset by $23.3 million used in the Company's stock repurchase program and $14.6 million in payments on outstanding debt. The net cash provided by financing activities for the nine months ended March 26, 2004 consisted primarily of $21.2 million received upon issuance of common stock under employee plans and $13.8 million in net proceeds from long-term debt.

Capital Commitments

Line of Credit — The Company has a $125 million credit facility ("Senior Credit Facility") that provides up to $75 million in revolving credit (subject to outstanding letters of credit and a borrowing base calculation) and a term loan of $50 million. Both the revolving credit facility and the term loan mature on September 19, 2008 and are secured by the Company's accounts receivable, inventory, 65% of its stock in its foreign subsidiaries and other assets. For the three months ended April 1, 2005, the Company had no borrowings on the revolving credit line and the average variable rate on the Company's term loan was 4.82%.

The Senior Credit Facility prohibits the payment of cash dividends on common stock and contains specific financial covenants. The Company is required to maintain an available liquidity level of $300 million at the end of each quarter. Available liquidity is defined as cash plus eligible trade receivables. As of April 1, 2004, the Company was in compliance with this covenant. Should the Company's available liquidity be less than $300 million, the

Company would then be subject to minimum EBITDA (earnings before interest, taxes, depreciation and amortization) requirements and capital expenditure limitations.

The $50 million term loan requires quarterly principal payments of $3 million beginning in October 2004. Principal payments made on the term loan increase the amount of revolving credit available. At April 1, 2004, $81 million was available for borrowing and the Company had $3 million in outstanding letters of credit.

Purchase Orders — In the normal course of business to reduce the risk of component shortages, Western Digital enters into purchase orders with suppliers for the purchase of hard disk drive components used to manufacture its products. These purchase orders generally cover forecasted component supplies needed for production during the next quarter, become payable upon receipt of the components and generally may be changed or canceled at any time prior to shipment of the components. In some cases, WD may be obligated to pay for certain costs related to changes to, or cancellation of, a purchase order, such as costs incurred for raw materials or work in process. The Company has entered into long-term purchase agreements for components with certain vendors. Future purchases under these agreements are not fixed and determinable as they depend on WD's overall unit volume requirements and are contingent upon the prices, technology and quality of the supplier's products remaining competitive. See below under the heading "Risk Factors That May Affect Future Results" for a discussion of related risks.

Forward Exchange Contracts — WD purchases short-term, forward exchange contracts to hedge the impact of foreign currency fluctuations on certain underlying assets, liabilities and commitments for operating expenses and product costs denominated in foreign currencies. See Part I, Item 3, under the heading "Disclosure About Foreign Currency Risk," for the Company's current forward exchange contract commitments.

Stock Repurchase Program — WD announced a stock repurchase program on May 5, 2004. Under the program, the Company may purchase on the open market up to $100 million of its common stock depending on market conditions and other corporate considerations. Stock repurchases are expected to be funded by operating cash flow. Repurchased shares will partially offset the dilutive impact of common stock issued under employee stock option and share purchase programs. During the nine month period ended April 1, 2005, WD repurchased 3.1 million shares of common stock at a total cost of $23.3 million. In addition, between April 2, 2005 and May 5, 2005, the Company repurchased 0.8 million shares of common stock at a cost of $10.7 million. Since the inception of the program, through May 5, 2005, the Company has repurchased 5.9 million shares for a total cost of $49.9 million (including commissions). WD may continue to opportunistically repurchase its stock as it deems appropriate and market conditions allow.

Western Digital believes its current cash and cash equivalents will be sufficient to meet its working capital needs through the foreseeable future. There can be no assurance that the Senior Credit Facility will continue to be available to the Company. Also, WD's ability to sustain its working capital position is dependent upon a number of factors that are discussed below under the heading "Risk Factors That May Affect Future Results." The Company currently anticipates that it will continue to utilize its liquidity and cash flows to improve the efficiency and capability of its existing hard disk drive and head manufacturing operations.

Critical Accounting Policies

Western Digital has prepared the accompanying unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States for interim financial information. The preparation of the financial statements requires the use of judgment and estimates that affect the reported amounts of revenues, expenses, assets and liabilities. Western Digital has adopted accounting policies and practices that are generally accepted in the industry in which it operates. The Company believes the following are its most critical accounting policies that affect significant areas and involve management's judgment and estimates. If these estimates differ significantly from actual results, the impact to the condensed consolidated financial statements may be material.

Revenue and Accounts Receivable

In accordance with standard industry practice, Western Digital has agreements with resellers that provide limited price protection for inventories held by resellers at the time of published list price reductions. In addition, WD may have agreements with resellers that provide for stock rotation on slow-moving items and other incentive programs. In accordance with current accounting standards, the Company recognizes revenue upon shipment or delivery to resellers and records a reduction to revenue for estimated price protection and other programs in effect until the resellers sell such inventory to their customers. Adjustments are based on anticipated price decreases during the reseller holding period, estimated amounts to be reimbursed to qualifying customers, as well as historical pricing information. If end-market demand for hard disk drives declines significantly, the Company may have to increase sell-through incentive payments to resellers, resulting in an increase in price protection allowances, which could adversely impact operating results.

Western Digital establishes an allowance for doubtful accounts by analyzing specific customer accounts and assessing the risk of loss based on insolvency, disputes or other collection issues. In addition, the Company routinely analyzes the different receivable aging categories and its bad debt loss history and establishes reserves based on a combination of past due receivables and expected future losses. If the financial condition of a significant customer deteriorates resulting in its inability to pay its accounts when due, an increase in the Company's allowance for doubtful accounts would be required, which could negatively affect operating results.

Western Digital records provisions against revenue and cost of revenue for estimated sales returns in the same period that the related revenue is recognized. The Company bases these provisions on existing product return notifications as well as historical returns by product type (see "Warranty"). If actual sales returns exceed expectations, an increase in the sales return provision would be required, which could negatively affect operating results.

Warranty

Western Digital records an accrual for estimated warranty costs when revenue is recognized. Warranty covers costs of repair or replacement of the hard disk drive over the warranty period, which generally ranges from one to five years. The Company has comprehensive processes with which to estimate accruals for warranty, which include specific detail on hard disk drives in the field by product type, historical field return rates and costs to repair. If actual product return rates or costs to repair returned products differ significantly from current expectations, a change in the warranty provision would be required. For a summary of historical changes in estimates related to pre-existing warranty provisions, refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 2 "Supplemental Financial Statement Data" included in this Quarterly Report on Form 10-Q.

Inventory

Inventories are valued at the lower of cost (first-in, first-out basis) or net realizable value. Inventory write-downs are recorded for the valuation of inventory at the lower of cost or net realizable value by analyzing market conditions and estimates of future sales prices as compared to inventory costs and inventory balances.

Western Digital evaluates inventory balances for excess quantities and obsolescence on a regular basis by analyzing backlog, estimated demand, inventory on hand, sales levels and other information, and writes down inventory balances for excess and obsolete inventory based on the analysis. Unanticipated changes in technology or customer demand could result in a decrease in demand for one or more of the Company's products, which may require an increase in inventory write-downs that could negatively affect operating results.

Litigation and Other Contingencies

Western Digital applies Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies," to determine when and how much to accrue for and disclose related to legal and other contingencies. Accordingly, the

Company accrues loss contingencies when management, in consultation with its legal advisors, concludes that a loss is probable and reasonably estimable. (Refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 7 “Legal Proceedings” included in this Quarterly Report on Form 10-Q). The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. The actual outcome of such matters could differ materially from management’s estimates.

Deferred Tax Assets

Western Digital’s deferred tax assets, which consist primarily of net operating loss and tax credit carryforwards, are fully reserved due to management’s determination that it is more likely than not that these assets will not be realized. This determination is based on the weight of available evidence, the most significant of which is the Company’s loss history in the related tax jurisdictions. Should this determination change in the future, some amount of deferred tax assets could be recognized, resulting in a tax benefit or a reduction of future tax expense.

New Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No.151, “Inventory Costs, an Amendment of ARB No. 43, Chapter 4” (SFAS No. 151), which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not expect the adoption of SFAS No. 151 to impact its financial statements.

In December 2004, the FASB issued revised statement SFAS No. 123, “Share-Based Payment” (SFAS No. 123R), which supersedes APB Opinion No. 25 and replaces the current SFAS No. 123. SFAS No. 123R requires companies to expense the estimated fair value of employee stock options and similar awards and provides guidance on the valuation methods used in determining the estimated fair value. The provisions of SFAS No. 123R will be effective for annual periods beginning after June 15, 2005. Under SFAS No. 123R, compensation expense for existing awards where the requisite service period has not been completed by the effective date will be charged to expense over the remaining service period using the same cost currently calculated for pro forma disclosure purposes under SFAS No. 123. The Company is in the process of determining the impact of SFAS 123R on its financial statements relating to stock-based awards granted after adoption.

Risk Factors That May Affect Future Results

Declines in average selling prices (“ASPs”) in the hard disk drive industry adversely affect our operating results.

The hard disk drive industry historically has experienced declining ASPs. Although the rate of decline has moderated in recent years, there can be no assurance that this trend will continue. Our ASPs tend to decline when competitors lower prices as a result of decreased costs or to absorb excess capacity, liquidate excess inventories, restructure or attempt to gain market share.

Our operating results depend on optimizing time-to-market and time-to-volume, overall quality, and costs of new and established products.

To achieve consistent success with our customers who manufacturer computers, systems and consumer electronic devices, we must balance several key attributes such as time-to-market, time-to-volume, quality, cost, service, price and a broad product portfolio. If we fail to:

- maintain overall quality of products on new and established programs,
- maintain competitive cost structures on new and established products,

- produce sufficient quantities of products at the capacities our customers demand while managing the integration of new and established technologies,
- develop and qualify new products that have changes in overall specifications or features that our customers may require for their business needs,
- obtain commitments from our customers to qualify new products, redesigns of current products, or new components in our existing products,
- qualify these products with key customers on a timely basis by meeting all of our customers' needs for performance, quality and features,
- maintain an adequate supply of components required to manufacture our products,
- maintain the manufacturing capability to quickly change our product mix between different capacities, form factors and spin speeds in response to changes in customers' product demands, or
- consistently meet stated quality requirements on delivered products,

our operating results could be adversely affected.

Product life cycles influence our financial results.

Product life cycles have been extending since the middle of calendar year 2002 due in large part to a decrease in the rate of hard disk drive areal density growth. However, there can be no assurance that this trend will continue. If longer product life cycles continue, we may need to develop new technologies or programs to reduce our costs on any particular product in order to maintain competitive pricing for such product. This may result in an increase in our overall expenses and a decrease in our gross margins, both of which could adversely affect our operating results. If product life cycles shorten, it may be more difficult to recover the cost of product development before the product becomes obsolete. Our failure to recover the cost of product development in the future could adversely affect our operating results.

Product life cycles in the desktop hard disk drive market require continuous technical innovation associated with higher areal densities.

New products in the desktop hard disk drive market may require higher areal densities than previous product generations, posing formidable technical and manufacturing challenges. Higher areal densities require existing head technology to be improved or new technology developed to accommodate more data on a single disk. In addition, our introduction of new products during a technology transition increases the likelihood of unexpected quality concerns. Our failure to bring high quality new products to market on time and at acceptable costs may put us at a competitive disadvantage to companies that achieve these results. In addition, technology improvements may require us to reduce the price on existing products to remain competitive.

The difficulty of introducing hard disk drives with higher levels of areal density and the challenges of reducing other costs may impact our ability to achieve historical levels of cost reduction.

Storage capacity of the hard disk drive, as manufactured by us, is determined by the number of disks and each disk's areal density. Areal density is a measure of the amount of magnetic bits that can be stored on the recording surface of the disk. Generally, the higher the areal density, the more information can be stored on a single platter. Historically, we have been able to achieve a large percentage of cost reduction through increases in areal density. Increases in areal density mean that the average drive we sell has fewer heads and disks for the same capacity and, therefore, may result in a lower component cost. However, because increases in areal density have become more difficult in the hard disk drive industry, such increases may require increases in component costs. In addition, other opportunities to reduce costs may not continue at historical rates. Our inability to achieve cost reductions could adversely affect our operating results.

Increases in areal density may outpace customers’ demand for storage capacity.

Historically, the industry has experienced periods of increased areal density growth rates. Although in recent years there has been a decrease in the rate of areal density growth, if industry conditions return to periods of increased growth rates, the rate of increase in areal density may exceed the increase in our customers’ demand for aggregate storage capacity. This could lead to our customers’ storage capacity needs being satisfied with more lower-cost single-surface drives, thereby decreasing our revenue. As a result, even with increasing aggregate demand for storage capacity, our ASPs could decline, which could adversely affect our results of operations.

Changes in the markets for hard disk drives require us to develop new products and new technology.

Over the past few years the consumer market for desktop computers has shifted significantly towards lower priced systems. If we are not able to offer a competitively priced hard disk drive for the low-cost PC market, our share of that market will likely fall, which could harm our operating results.

The market for hard disk drives is also fragmenting into a variety of devices and products. Many industry analysts expect, as do we, that as communications are increasingly converted to digital technology from the older, analog technology, the technology of computers and consumer electronics will continue to converge, and hard disk drives will be found in many CE products other than computers. For example, although general market acceptance remains in its early stages, the use of hard disk drives has expanded into the game console market. However, there can be no assurance that hard disk drives will continue to be incorporated into game consoles, or that the market for these products will grow.

In addition, we expect that the consumer market for multi-media applications, including audio-video products, incorporating a hard disk drive will continue to grow. However, because this market remains relatively new, accurate forecasts for future growth remain challenging. Moreover, some of the devices, such as personal video recorders and digital video recorders, may require attributes not currently offered in our products, which may result in a need to expend capital to develop new interfaces, form factors, technical specifications or hard disk drive features, increasing our overall operational expense. If we are not successful in using our hard disk drive technology and expertise to develop new products for the emerging CE market, or if we are required to incur significant costs in developing such products, it may harm our operating results.

If we do not successfully expand into new hard disk drive market segments, our business may suffer.

To remain a significant supplier of hard disk drives, we will need to offer a broad range of hard disk drive products to our customers. We currently offer a variety of 3.5-inch hard disk drives for the desktop computer and CE markets, and we are also shipping 2.5-inch form factor hard disk drives for the mobile market. However, demand for hard disk drives may shift to products in smaller form factors, which our competitors may already offer. We recently announced our entry into the sub-2.5-inch hard disk drive market with a family of 1.0-inch drives, which we expect to ship in the second half of calendar year 2005. We face various challenges in manufacturing a 1.0-inch hard disk drive because it requires the development of new manufacturing technologies and processes. If we are not able to adequately address these challenges, our expected shipment of this product may be delayed, resulting in a delay in our ability to realize revenue from this product.

In addition, the enterprise and desktop PC industries are transitioning from the PATA interface to higher speed interfaces such as SATA to handle higher data transfer rates. We currently offer SATA products; however, the transition of technology and the introduction of new products are challenging and create risks. For example, acceptance of the SATA interface may not continue to grow, or customers may choose to purchase alternative interfaces that may not be compatible with future generations of SATA hard disk drives. Moreover, our customers may require new SATA features that we may not be able to deliver in a timely and cost effective manner.

While we continue to develop new products and look to expand into other applications, the success of our new product introductions is dependent on a number of factors, including difficulties faced in manufacturing ramp, market acceptance, effective management of inventory levels in line with anticipated product demand, and the risk that our new products may have quality problems or other defects in the early stages of introduction that were not anticipated in the design of those products. If we fail to successfully develop and manufacture new products, customers may decrease the amount of our products that they purchase, and we may lose business to our competitors who offer these products or who use their dominance in the enterprise or mobile market to encourage sales of hard disk drives.

If we do not successfully expand into the 2.5-inch and sub-2.5-inch markets, our business may suffer.

We began shipping 2.5-inch form factor hard disk drives for the mobile market during calendar year 2004 and expect to ship 1.0-inch hard disk drives in the second half of calendar year 2005. Although many of our customers who purchase 3.5-inch form factor hard disk drives also purchase the 2.5-inch form factor drives, the markets are characterized by different competitors, different sales channels and different overall requirements. If we are unable to adapt to these differences, we would have a competitive disadvantage to companies that are successful in this regard, and our business and financial results could suffer. In addition, if we incur significant costs in manufacturing and selling the 2.5-inch and sub-2.5-inch form factor hard disk drives, and if we are unable to recover those costs from sales of the products, then we may not be able to compete successfully in this market and our operating results may suffer.

Selling to the retail market is an important part of our business, and if we fail to maintain and grow our market share or gain market acceptance of our retail products, our operating results could suffer.

We sell our retail-packaged products directly to a select group of major retailers such as computer superstores and CE stores, and authorize sales through distributors to other retailers. Our current retail customer base is primarily in the United States, Canada and Europe. We are facing increased competition from other companies for shelf space at major retailers, which could result in lower gross margins. If we fail to successfully maintain our market share in North America, our operating results may be adversely affected. In certain markets, we are trying to grow market share, and in the process may face strong competition, which could result in lower gross margins. We will continue to introduce new products in the retail market that incorporate our disk drives. There can be no assurance that these products gain market acceptance, and if they do not, our operating results could suffer.

To develop new products, we must maintain effective partner relationships with our major component suppliers.

Under our business model, we do not manufacture any of the component parts used in our hard disk drives, other than heads. As a result, the success of our products depends on our ability to gain access to and integrate parts that are “best in class” from reliable component suppliers. To do so, we must effectively manage our relationships with our major component suppliers. We must also effectively integrate different products from a variety of suppliers, each of which employs variations on technology, which can impact, for example, feasible combinations of heads and media components. In August 2003, we settled litigation we were engaged in with a supplier who previously was the sole source of read channel devices for our hard disk drives. As a result of the disputes that gave rise to the litigation, our profitability was at risk until another supplier’s read channel devices could be designed into our products. Similar disputes with other strategic component suppliers could adversely affect our operating results.

Dependence on a limited number of qualified suppliers of components and manufacturing equipment could lead to delays, lost revenue or increased costs.

Because we depend on a limited number of suppliers for certain hard disk drive components and manufacturing equipment, an increase in the cost of such components or equipment, an extended shortage of required components or equipment, failure of a key supplier’s business process, or the failure of key suppliers to remain in business, adjust to market conditions, or to meet our quality, yield or production requirements could significantly harm our operating results. Our future operating results may also depend substantially on our suppliers’ ability to timely qualify their components in our programs, and their ability to supply us with these components in sufficient volumes to meet our production requirements. A number of the components that we use are available from only a single or limited number of qualified outside suppliers, and may be used across multiple product lines. In addition, some of the components (or component types) used in our products are used in other devices, such as mobile telephones and digital cameras. If there is a significant simultaneous upswing in demand for such a component (or component type) from several high volume industries, resulting in a supply reduction, or a component is otherwise in short supply, or if a supplier fails to qualify or has a quality issue with a component, we may experience delays or increased costs in obtaining that component. For example, the hard disk drive industry is currently facing a tightness in the availability of media (rotating magnetic disks) components. We may experience production delays if we are unable to obtain the necessary components or sufficient quantities of components. If a component becomes unavailable, we could suffer significant loss of revenue.

To reduce the risk of component shortages, we attempt to provide significant lead times when buying these components. As a result, we may be subject to cancellation charges if we cancel orders, which may occur when we make technology transitions. In addition, we may enter into contractual commitments with certain component suppliers in an effort to increase and stabilize the supply of those components, and enable us to purchase such components at favorable prices. These commitments may require us to buy a substantial number of components from the supplier or make significant cash advances to the supplier.

In addition, certain equipment we use in our manufacturing or testing processes is available only from a limited number of suppliers. Some of this equipment uses materials that at times could be in short supply. If these materials are not available, or are not available in the quantities we require for our manufacturing and testing processes, our ability to manufacture our products could be impacted, and we could suffer significant loss of revenue.

A fundamental change in recording technology could result in significant increases in our operating expenses and could put us at a competitive disadvantage.

Currently the hard disk drive industry uses giant magnetoresistive head technology, which allows significantly higher storage capacities than the previously utilized thin-film head technology. However, the industry is developing new recording technologies that may enable greater recording densities than currently available using magnetoresistive head technology, including perpendicular, current perpendicular-to-plane, and tunneling junction technology. If the industry experiences a fundamental shift in recording technology, hard disk drive manufacturers would need to timely adjust their designs and processes to accommodate the new technology in order to remain competitive. As a result, we could incur substantial costs in developing new technologies, media, and tools to remain competitive. We may also become more dependent on suppliers to ensure our access to components that accommodate the new technology. These results would increase our operating costs, which may negatively impact our operating results.

We experience additional costs and risks in connection with our head manufacturing operations.

Our vertical integration of head manufacturing has resulted in a fundamental change in our operating structure, as we are now manufacturing heads for use in the hard disk drives we manufacture. Consequently, we make more capital investments than we would if we were not vertically integrated and carry a higher percentage of fixed costs than assumed in our prior financial business model. If the overall level of production decreases for any reason, and we are unable to reduce our fixed costs to match sales, our head manufacturing assets may face under-utilization that may impact our results of operations. We are therefore subject to additional risks related to overall asset utilization, including the need to operate at high levels of utilization to drive competitive costs, and the need for assured supply of components, especially hard disk drive media, that is optimized to work with our heads.

In addition, we may incur additional risks, including:

- we may not have sufficient head sources in the event that we are unable to manufacture a sufficient supply of heads to satisfy our needs;

- third party head suppliers may not work with us or may not work with us on the same terms and conditions we have previously enjoyed;
- we may be subject to claims that our manufacturing of heads may infringe certain intellectual property rights of other companies; and
- it may be difficult and time-consuming for us to locate suitable manufacturing equipment for our head manufacturing processes and replacement parts for such equipment.

If we do not adequately address the challenges related to our head manufacturing operations, our ongoing operations could be disrupted, resulting in a decrease in our revenue or profit margins and negatively impacting our operating results.

If we are unable to timely and cost-effectively develop heads with leading technology and overall quality, our ability to sell our products may be significantly diminished, which could materially and adversely affect our business and financial results.

As a result of our head manufacturing operations, we are developing and manufacturing a substantial portion of the heads used in the hard disk drives we manufacture. Consequently, we are more dependent upon our own development and execution efforts and less able to take advantage of head technologies developed by other head manufacturers. There can be no assurance, however, that we will be successful in timely and cost-effectively developing and manufacturing heads for products using perpendicular recording technology, or other future technologies. We also may not achieve acceptable manufacturing yields using such technologies necessary to satisfy our customers' product needs, or we may encounter quality problems with the heads we manufacture. In addition, we may not have access to external sources of supply without incurring substantial costs. If we fail to develop new technologies in a timely manner, or if we encounter quality problems with the heads we manufacture, and if we do not have access to external sources of supply that incorporate new technologies, we would have a competitive disadvantage to companies that are successful in this regard, and our business and financial results could suffer.

We have two high-volume hard-drive manufacturing facilities and two facilities supporting our head manufacturing operations, which subjects us to the risk of damage or loss of any of these facilities.

Our hard disk drives are manufactured in facilities in Malaysia and in Thailand. In addition, we operate a head wafer fabrication and research and development facility in Fremont, California and a slider fabrication, head gimbal assembly, head stack assembly, and research and development facility in Thailand. A fire, flood, earthquake or other disaster, condition or event that adversely affects any of these facilities or our ability to manufacture could result in a loss of sales and revenue and harm our operating results.

Manufacturing our products abroad subjects us to numerous risks.

We are subject to risks associated with our foreign manufacturing operations, including:

- obtaining requisite United States and foreign governmental permits and approvals;
- currency exchange rate fluctuations or restrictions;
- political instability and civil unrest;
- transportation delays or higher freight rates;
- labor problems;
- trade restrictions or higher tariffs;

- exchange, currency and tax controls and reallocations;
- increasing labor and overhead costs; and
- loss or non-renewal of favorable tax treatment under agreements or treaties with foreign tax authorities.

Because we manufacture our products abroad, our operating costs are subject to fluctuations in foreign currency exchange rates. Further fluctuations in the exchange rate of the Thai Baht, a floating currency, or a determination by the Malaysian government to repeg the Malaysian Ringgit or convert it to a floating currency, could result in an increase in our operating costs, which may negatively impact our operating results.

We have attempted to manage the impact of foreign currency exchange rate changes by, among other things, entering into short-term, forward exchange contracts. However, those contracts do not cover our full exposure and can be canceled by the issuer if currency controls are put in place. As a result of the Malaysian currency controls, we are no longer hedging the Malaysian currency risk. Currently, we hedge the Thai Baht, Euro and British Pound Sterling.

There has been a trend toward a weakening U.S. dollar relative to most foreign currencies. If this trend continues, the U.S. dollar equivalents of unhedged manufacturing costs could increase because a significant portion of our production costs are foreign-currency denominated. Conversely, there would not be an offsetting impact to revenues since revenues are substantially U.S. dollar denominated.

If we fail to qualify our products with our customers, they may not purchase any units of a particular product line, which would have a significant adverse impact on our sales.

We regularly engage in new product qualification with our customers. To be considered for qualification, we must be among the leaders in time-to-market with our new products. Once a product is accepted for qualification testing, failures or delays in the qualification process can result in our losing sales to that customer until the next generation of products is introduced. The effect of missing a product qualification opportunity is magnified by the limited number of high volume computer manufacturers, most of which continue to consolidate their share of the PC market. If product life cycles continue to be extended due to a decrease in the rate of areal density growth, we may have a significantly longer period to wait before we have an opportunity to qualify a new product with a customer, which could harm our competitive position. These risks are increased because we expect cost improvements and competitive pressures to result in declining gross margins on our current generation products.

The hard disk drive industry is highly competitive and can be characterized by rapid shifts in market share among the major competitors.

The price of hard disk drives has fallen over time due to increases in supply, cost reductions, technological advances and price reductions by competitors seeking to liquidate excess inventories or attempting to gain market share. In addition, rapid technological changes often reduce the volume and profitability of sales of existing products and increase the risk of inventory obsolescence. These factors, taken together, may result in significant and rapid shifts in market share among the industry’s major participants. In addition, product recalls can lead to a loss of market share, which could adversely affect our operating results.

Our current competitors or a future competitor may gain a technology advantage that we cannot match.

It may be possible for our current or future competitors to gain an advantage in product technology, manufacturing technology, or process technology, which may allow them to offer products or services that have a significant advantage over the products and services that we offer. Advantages could be in capacity, performance, reliability, serviceability, or other attributes. If we are unable to match these technology advantages due to the proprietary nature of the technology, limitations on process capability or other factors, we could be at a competitive disadvantage to those competitors.

Advances in magnetic, optical, semiconductor or other data storage technologies also could result in competitive products that have better performance or lower cost per unit of capacity than our products. If these products prove to be superior in performance or cost per unit of capacity, we could be at a competitive disadvantage to the companies offering those products.

The nature of our business and our reliance on intellectual property and other proprietary information subjects us to the risk of significant litigation.

The hard disk drive industry has been characterized by significant litigation. This includes litigation relating to patent and other intellectual property rights, product liability claims and other types of litigation. Litigation can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of litigation are inherently uncertain and may result in adverse rulings or decisions. We may enter into settlements or be subject to judgments that may, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

We are currently evaluating notices of alleged patent infringement or notices of patents from patent holders. We also are a party to several judicial and other proceedings relating to patent and other intellectual property rights. If claims or actions are asserted against us, we may be required to obtain a license or cross-license, modify our existing technology or design a new non-infringing technology. Such licenses or design modifications can be extremely costly. In addition, we may decide to settle a claim or action against us, which settlement could be costly. We may also be liable for any past infringement. If there is an adverse ruling against us in an infringement lawsuit, an injunction could be issued barring production or sale of any infringing product. It could also result in a damage award equal to a reasonable royalty or lost profits or, if there is a finding of willful infringement, treble damages. Any of these results would likely increase our costs and harm our operating results.

Our reliance on intellectual property and other proprietary information subjects us to the risk that these key ingredients of our business could be copied by competitors.

Our success depends, in significant part, on the proprietary nature of our technology, including non-patentable intellectual property such as our process technology. Despite safeguards, to the extent that a competitor is able to reproduce or otherwise capitalize on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Also, the laws of some foreign countries may not protect our intellectual property to the same extent as do the laws of the United States. In addition to patent protection of intellectual property rights, we consider elements of our product designs and processes to be proprietary and confidential. We rely upon employee, consultant and vendor non-disclosure agreements and contractual provisions and a system of internal safeguards to protect our proprietary information. However, any of our registered or unregistered intellectual property rights may be challenged or exploited by others in the industry, which might harm our operating results.

We depend on our key personnel and skilled employees.

Our success depends upon the continued contributions of our key personnel and skilled employees, many of whom would be extremely difficult to replace. Worldwide competition for skilled employees in the hard disk drive industry is intense. Volatility or lack of positive performance in our stock price may adversely affect our ability to retain key personnel or skilled employees who have been granted stock options. If we are unable to retain our existing key personnel or skilled employees, or hire and integrate new key personnel or skilled employees, our operating results would likely be harmed.

Our prices and margins are subject to declines due to unpredictable end-user demand and oversupply of hard disk drives.

Demand for our hard disk drives depends on the demand for systems manufactured by our customers and on storage upgrades to existing systems. The demand for systems has been volatile in the past and often has had an exaggerated effect on the demand for hard disk drives in any given period. As a result, the hard disk drive market has experienced periods of excess capacity, which has led to intense price competition. If intense price competition occurs, we may be forced to lower prices sooner and more than expected, which could result in lower revenue and gross margins.

Our failure to accurately forecast market and customer demand for our products could adversely affect our business and financial results.

The hard disk drive industry faces difficulties in accurately forecasting market and customer demand for its products. The variety and volume of products we manufacture is based in part on these forecasts. If our forecasts exceed actual market demand, or if market demand decreases significantly from our forecasts, then we could experience periods of product oversupply and price decreases, which could impact our financial performance. If our forecasts do not meet actual market demand, of if market demand increases significantly beyond our forecasts, then we may not be able to satisfy customer product needs, which could result in a loss of market share if our competitors are able to meet customer demands.

We also use forecasts in making decisions regarding investment of our resources. For example, as the hard disk drive industry transitions from the PATA interface to the SATA interface, we may invest more resources in the development of products using the SATA interface. If our forecasts regarding the replacement of the PATA interface with the SATA interface are inaccurate, we may not have products available to meet our customers' needs.

In addition, although we receive forecasts from our customers, they are not obligated to purchase the forecasted amounts. We consider these forecasts in determining our component needs and our inventory requirements. If we fail to accurately forecast our customers' product demands, we may have inadequate or excess inventory of our products or components, which could adversely affect our operating results

Loss of market share with a key customer could harm our operating results.

A majority of our revenue comes from a few customers. For example, during the third quarter of 2005, one customer, Dell, accounted for more than 10% of our revenue, and sales to our top 10 customers, including Dell, accounted for 45% of revenue. These customers have a variety of suppliers to choose from and therefore can make substantial demands on us, including demands on product pricing and on contractual terms, which often results in the allocation of risk to us as the supplier. Even if we successfully qualify a product with a customer, the customer generally is not obligated to purchase any minimum volume of products from us and is able to terminate its relationship with us at any time. Our ability to maintain strong relationships with our principal customers is essential to our future performance. If we lose a key customer, or if any of our key customers reduce their orders of our products or require us to reduce our prices before we are able to reduce costs, our operating results would likely be harmed. In addition, if customer pressures require us to reduce our pricing such that our gross margins are diminished, we could decide not to sell our products to a particular customer, which could result in a decrease in our revenue.

Environmental costs could harm our operating results.

We may be subject to various state, federal and international laws and regulations governing the environment, including those restricting the presence of certain substances in electronic products and making producers of those products financially responsible for the collection, treatment, recycling and disposal of certain products. Such laws and regulations have been passed in several jurisdictions in which we operate, including various European Union member countries. For example, the European Union has enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive ("RoHS"). RoHS prohibits the use of certain substances, including lead, in certain products, including hard disk drives, put on the market after July 1, 2006. Similar legislation may be enacted in other locations where we manufacture or sell our products. We will need to ensure that we comply with such laws and regulations as they are enacted, and that our component suppliers also timely comply with such laws and regulations. If we fail to timely comply with such legislation, our customers may refuse to purchase our products, which would have a materially adverse effect on our business, financial condition and results of operations.

We could incur substantial costs in connection with our compliance with such environmental laws and regulations, and we could also be subject to governmental fines and liability to our customers if we were found to be in violation of these laws. If we have to make significant capital expenditures to comply with environmental laws, or if we are subject to significant capital expenses in connection with a violation of these laws, our financial condition or operating results could suffer.

We are subject to risks related to product defects, which could result in product recalls and could subject us to warranty claims in excess of our warranty provisions or which are greater than anticipated due to the unenforceability of liability limitations.

We warrant our products for up to five years. We test our hard disk drives in our manufacturing facilities through a variety of means. However, there can be no assurance that our testing will reveal latent defects in our products, which may not become apparent until after the products have been sold into the market. Accordingly, there is a risk that product defects will occur, which could require a product recall. Product recalls can be expensive to implement and, if a product recall occurs during the product's warranty period, we may be required to replace the defective product. In addition, a product recall may damage our relationship with our customers, and we may lose market share with our customers, including our OEM customers.

Our standard warranties contain limits on damages and exclusions of liability for consequential damages and for negligent or improper use of the products. We record an accrual for estimated warranty costs at the time revenue is recognized. We may incur additional operating expenses if our warranty provision does not reflect the actual cost of resolving issues related to defects in our products. If these additional expenses are significant, it could adversely affect our business, financial condition and results of operations.

In addition, some of our competitors are offering more favorable warranty terms on certain products that compete with our products. If we change our warranty policy in response to competitive pressures, it could result in increased warranty expenditures, which could negatively affect our operating results.

Some of our customers have adopted a subcontractor model that increases our credit risk and could result in an increase in our operating costs.

Some of our OEM customers have adopted a subcontractor model that requires us to contract directly with companies that provide manufacturing services to our OEM customers. Because these subcontractors are generally not as well capitalized as our direct OEM customers, this subcontractor model exposes us to increased credit risks. Our agreements with our OEM customers may not permit us to increase our product prices to alleviate this increased credit risk. Any credit losses we may suffer as a result of this increased risk would increase our operating costs, which may negatively impact our operating results.

Terrorist attacks may adversely affect our business and operating results.

The continued threat of terrorist activity and other acts of war or hostility, including the war in Iraq, have created uncertainty in the financial and insurance markets and have significantly increased the political, economic and social instability in some of the geographic areas in which we operate. Acts of terrorism, either domestically or abroad, could create further uncertainties and instability. To the extent this results in disruption or delays of our manufacturing capabilities or shipments of our products, our business, operating results and financial condition could be adversely affected.

Our failure to timely and efficiently transition our enterprise resource planning software from the version we currently use to a new version could adversely affect our business and financial results.

We use enterprise resource planning software in the operation of our business and maintenance of business and financial data related to our daily operations. We are in the process of upgrading this software and we anticipate transitioning to new enterprise resource planning software during the next year. We may experience unexpected difficulties in transitioning to the new software, including difficulties related to the failure or inefficient operation of the new software. Such difficulties or failures could result in our inability to access business and financial information stored on the system or the loss of such information. Any inability to access, or loss of, such information could affect our daily operations, including our ability to ship products and invoice our customers, which could have a significant adverse impact on our business, financial condition and results of operations.

Inaccurate projections of demand for our product can cause large fluctuations in our quarterly results.

We often ship a high percentage (at times in excess of 50%) of our total quarterly sales in the third month of the quarter, which makes it difficult for us to forecast our financial results prior to the end of the quarter. In addition, our quarterly projections and results may be subject to significant fluctuations as a result of a number of other factors including:

- the timing of orders from and shipment of products to major customers;
- our product mix;
- changes in the prices of our products;
- manufacturing delays or interruptions;
- acceptance by customers of competing products in lieu of our products;
- variations in the cost of components for our products;
- limited availability of components that we obtain from a single or a limited number of suppliers;
- competition and consolidation in the data storage industry;
- seasonal and other fluctuations in demand for PCs often due to technological advances; and
- availability and rates of transportation.

Rapidly changing market conditions in the hard disk drive industry make it difficult to estimate actual results.

We have made and continue to make a number of estimates and assumptions relating to our consolidated financial reporting. The rapidly changing market conditions with which we deal means that actual results may differ significantly from our estimates and assumptions. Key estimates and assumptions for us include:

- accruals for warranty costs related to product defects;
- price protection adjustments and other sales promotions and allowances on products sold to retailers, resellers and distributors;
- inventory adjustments for write-down of inventories to lower of cost or market value (net realizable value);
- reserves for doubtful accounts;
- accruals for product returns;
- accruals for litigation and other contingencies; and
- reserves for deferred tax assets.

The market price of our common stock is volatile.

The market price of our common stock has been, and may continue to be, extremely volatile. Factors such as the following may significantly affect the market price of our common stock:

- actual or anticipated fluctuations in our operating results;
- announcements of technological innovations by us or our competitors which may decrease the volume and profitability of sales of our existing products and increase the risk of inventory obsolescence;
- new products introduced by us or our competitors;
- periods of severe pricing pressures due to oversupply or price erosion resulting from competitive pressures;
- developments with respect to patents or proprietary rights;
- conditions and trends in the hard disk drive, data and content management, storage and communication industries; and
- changes in financial estimates by securities analysts relating specifically to us or the hard disk drive industry in general.

In addition, general economic conditions may cause the stock market to experience extreme price and volume fluctuations from time to time that particularly affect the stock prices of many high technology companies. These fluctuations often appear to be unrelated to the operating performance of the companies.

Securities class action lawsuits are often brought against companies after periods of volatility in the market price of their securities. A number of such suits have been filed against us in the past, and should any new lawsuits be filed, such matters could result in substantial costs and a diversion of resources and management's attention.

We may be unable to raise future capital through debt or equity financing.

Due to the risks described herein, in the future we may be unable to maintain adequate financial resources for capital expenditures, expansion or acquisition activity, working capital and research and development. We have a credit facility, which matures on September 19, 2008. If we decide to increase or accelerate our capital expenditures or research and development efforts, or if results of operations do not meet our expectations, we could require additional debt or equity financing. However, we cannot ensure that additional financing will be available to us or available on acceptable terms. An equity financing could also be dilutive to our existing stockholders.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Disclosure About Foreign Currency Risk

Although the majority of the Company's transactions are in U.S. dollars, some transactions are based in various foreign currencies. The Company purchases short-term, forward exchange contracts to hedge the impact of foreign currency fluctuations on certain underlying assets, liabilities and commitments for operating expenses and product costs denominated in foreign currencies. The purpose of entering into these hedge transactions is to minimize the impact of foreign currency fluctuations on the results of operations. The resulting impact from these hedge contracts is to offset a majority of the currency gains and losses in the Company's local currency operating expenses. The contract maturity dates do not exceed six months. The Company does not purchase short-term forward exchange contracts for trading purposes. Currently, the Company focuses on hedging its foreign currency risk related to the Thai Baht, Euro, and British Pound Sterling.

As of April 1, 2005, the Company had the following purchased foreign currency forward exchange contracts outstanding (in millions, except weighted average contract rate):

	April 1, 2005		
	Contract Amount	Weighted Average Contract Rate*	Unrealized Gain (Loss)
Foreign currency forward contracts:			
Thai Baht	$ 148.9	38.98	$ 0.1
Euro	$ 3.9	0.77	—
British Pound Sterling	$ 1.2	0.53	—

* Expressed in units of foreign currency per dollar.

During the three and nine month periods ended April 1, 2005 and March 26, 2004, total realized transaction and forward exchange contract currency gains and losses were not material to the condensed consolidated financial statements.

Disclosure About Other Market Risks

Variable Interest Rate Risk

At the option of the Company, borrowings under the Senior Credit Facility would bear interest at either LIBOR (with option periods of one to three months) or a base rate, plus a margin. If LIBOR or the base rate increases, the Company's interest payments could also increase. At April 1, 2005 the Company had a $50 million term loan outstanding under the Senior Credit Facility. A one percent increase in the variable rate of interest on the Senior Credit Facility would increase interest expense by approximately $0.5 million annually.

Item 4. *CONTROLS AND PROCEDURES*

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that the Company would meet its disclosure obligations.

There has been no change in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

Refer to Part I, Item 1, Notes to Condensed Consolidated Financial Statements, Note 8 “Legal Proceedings” included in this Quarterly Report on Form 10-Q which is hereby incorporated by reference.

Item 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*

(c) The following table provides information about repurchases by the Company of its common stock during the quarter ended April 1, 2005:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Value of Shares that May Yet be Purchased Under the Program(1)
January 1, 2005 — January 28, 2005	16,681(2)	$ 10.84	—	$ 60,918,212
January 29, 2005 — February 25, 2005	—	$ —	—	$ 60,918,212
February 26, 2005 — April 1, 2005	—	$ —	—	$ 60,918,212
Total	16,681	$ 10.84	—	$ 60,918,212

(1) On May 5, 2004, the Company announced that its Board of Directors had authorized the Company to repurchase up to $100 million of the Company’s common stock in open market transactions. The program does not have an expiration date.

(2) Represents shares delivered by an employee to the Company to satisfy tax-withholding obligations upon the vesting of restricted stock.

The Company’s $125 million credit facility prohibits the Company from paying cash dividends on its common stock.

Table of Contents

Item 6. *EXHIBITS*

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Western Digital Corporation, filed with the office of the Secretary of State of the State of Delaware on April 6, 2001 (Incorporated by reference to the Company's Current Report on Form 8-K (File No. 1-08703), as filed with the Securities and Exchange Commission on April 6, 2001)
3.2	Certificate of Amendment of Certificate of Incorporation of Western Digital Corporation, filed with the office of the Secretary of State of the State of Delaware on January 8, 2002 (Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-107227), as filed with the Securities and Exchange Commission on July 22, 2003)
3.3	Amended and Restated By-laws of Western Digital Corporation, adopted as of May 19, 2004 (Incorporated by reference to the Company's Annual Report on Form 10-K (File No. 1-08703), as filed with the Securities and Exchange Commission on September 14, 2004)
10.23.1	Second Amendment to Lease, dated as of April 6, 2004, between Trinet Essential Facilities XXVI, Inc. and Western Digital Technologies, Inc.†
10.23.2	Third Amendment to Lease, dated as of March 1, 2005, between Trinet Essential Facilities XXVI, Inc. and Western Digital Technologies, Inc.†
10.30	Western Digital Corporation Amended and Restated 2004 Performance Incentive Plan (Incorporated by reference to the Company's Registration Statement on Form S-8 (File No. 333-122475), as filed with the Securities and Exchange Commission on February 2, 2005)*
10.30.6	Form of Notice of Grant of Performance Share Awards and Performance Share Award Agreement under the Western Digital Corporation 2004 Performance Incentive Plan†*
10.32	Summary of Compensation Arrangements for Named Executive Officers and Directors†*
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†

† New exhibit filed with this Report.

* Compensation plan, contract or arrangement required to be filed as an exhibit pursuant to applicable rules of the Securities and Exchange Commission.

Table of Contents

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/ Stephen D. Milligan

Stephen D. Milligan
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Joseph R. Carrillo

Joseph R. Carrillo
Vice President and Corporate Controller
(Principal Accounting Officer)

Date: May 5, 2005

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† New exhibit filed with this Report.

* Compensation plan, contract or arrangement required to be filed as an exhibit pursuant to applicable rules of the Securities and Exchange Commission.

EXHIBIT 10.23.1

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (this "AMENDMENT"), dated as of April 6th, 2004, by and between TRINET ESSENTIAL FACILITIES XXVI, INC., a Delaware corporation ("LANDLORD"), successor-in-interest to South Bay/Edenvale Associates, a California general partnership, and WESTERN DIGITAL TECHNOLOGIES, INC., formerly known as Western Digital Corporation, a Delaware corporation ("TENANT"), amends and forms a part of the Lease, dated as of June 14, 1996, by and between Landlord and Tenant, as amended by the First Amendment to Lease dated as of August 7, 1996 (collectively, the "LEASE").

RECITALS

A. Capitalized terms used herein and not defined herein have the meanings specified in the Lease.

B. As generally described in the February 24, 2004 letter from Tenant to Landlord, a copy of which is attached hereto as Exhibit A, Tenant desires to install, operate, repair and maintain certain underground communications cabling and related improvements to connect the Premises and certain premises located adjacent to the Parcel (the "CONNECTION PROJECT"), which adjacent premises are owned by The Realty Associates Fund IV, LP, a Delaware limited partnership ("TA ASSOCIATES"), and are leased to LSI Logic Corporation, a Delaware corporation ("LSI"), pursuant to that certain Lease, dated as of October 25, 2000, as the same may have been amended from time to time, and a portion of which adjacent premises are subleased by LSI to Tenant pursuant to that certain Sublease, dated as of December 19, 2003, as the same may have been amended from time to time.

C. Landlord and Tenant desire to amend the Lease to provide for Landlord's consent to the Connection Project subject to the conditions set forth herein, and in certain other respects, all as provided below.

AGREEMENTS

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Landlord's Consent to the Connection Project. Landlord hereby consents to Tenant's undertaking of the Connection Project, subject to the following terms and conditions:

(a) Tenant shall have executed a License Agreement in the form of Exhibit B attached hereto (the "LICENSE").

(b) As provided in the License Agreement, Tenant shall have submitted, and Landlord shall have approved in its reasonable discretion, detailed plans, specifications and precise locations for each and every component of the installation of the Connection Project.

(c) Tenant shall install, operate, maintain and repair the Connection Project as its sole cost and expense, in a good workmanlike manner and in accordance with the terms and conditions of the Lease, the License, any other reasonable requirements of Landlord and all applicable laws, codes, rules, permits and regulations.

(d) All equipment, improvements, facilities and other components of the Connection Project located on or within the Parcel and belonging to Tenant shall become Landlord's property upon the expiration or sooner termination of this Lease; provided, however, that, if requested in writing by Landlord, Tenant shall remove, or cause to be removed, any or all components of the Connection Project located on or within the Parcel upon the expiration or sooner termination of this Lease, and shall restore the Parcel to the condition it was in immediately prior to the commencement of the Connection Project.

(e) Except to the extent of Landlord's gross negligence or willful misconduct, Tenant shall hold harmless, indemnify, protect and defend Landlord and its affiliates, employees, agents and representatives against any claim, demand, action, cause of action, damage, loss, liability, cost and expense (including reasonable attorneys' fees) that arises out of or results from the License, the use or misuse of the rights granted thereunder or the installation, operation, maintenance, repair and/or removal of the Connection Project, including, without limitation, any claims made by TA Associates and/or LSI. This indemnification obligations shall survive the expiration or sooner termination of the Lease.

(g) Promptly upon receipt of an invoice from Landlord, Tenant shall pay all of Landlord's reasonable and actual costs and expenses (including, without limitation, any consulting and legal fees) incurred in connection with reviewing and discussing the Connection Project and negotiating and documenting the License and this Amendment.

2. No First Opportunity to Lease. Paragraph 40 of the Lease is hereby deleted in its entirety and is of no further force or effect.

3. Conflicts; No Other Amendment. In the event of a conflict between the provisions of this Amendment and the provisions of the Lease, the provisions of this Amendment shall control. Except as set forth in this Amendment, the provisions of the Lease remain in full force and effect.

4. Entire Agreement. The Lease, as modified by this Amendment, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and may be further modified only by a writing signed by the parties hereto.

5. Facsimile; Counterparts. This Amendment may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement. Landlord and Tenant agree that the delivery of any executed copy of this Amendment by facsimile shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Amendment had been delivered.

In Witness Whereof, the parties have caused this Amendment to be duly executed as of the date first above set forth.

TRINET ESSENTIAL FACILITIES XXVI, INC.,
a Delaware corporation, Landlord

By: /s/ [illegible]

Its: Vice President

WESTERN DIGITAL TECHNOLOGIES, INC.,
formerly known as Western Digital Corporation,
a Delaware corporation, Tenant

By: /s/ Cindy M. Campos

Cindy M. Campos 4/1/04

Its: Real Estate Specialist

Exhibit 10.23.2

THIRD AMENDMENT TO LEASE
(Lease Extension and Expansion)

THIS THIRD AMENDMENT TO LEASE ("AMENDMENT") is made and entered into as of the 1st day of March, 2005 (the "REFERENCE DATE") by and between TRINET ESSENTIAL FACILITIES XXVI, INC., a Maryland corporation ("LANDLORD"), and WESTERN DIGITAL TECHNOLOGIES, INC., a Delaware corporation ("TENANT").

R E C I T A L S

A. SOUTH BAY/EDENVALE ASSOCIATES, a California general partnership ("SOUTH BAY"), predecessor-in-interest to Landlord, and WESTERN DIGITAL CORPORATION, a Delaware corporation ("WDC"), now known as Western Digital Technologies, Inc., entered into that certain Lease Agreement dated as of June 3, 1996 (the "ORIGINAL LEASE") with respect to certain premises commonly known as 5863 Rue Ferrari Drive, City of San Jose, County of Santa Clara, State of California (the "ORIGINAL PREMISES"), which Original Premises are agreed for all purposes of the Lease as amended hereby to contain 130,925 square feet of space. The Original Premises are sometimes referred to as "BUILDING A".

B. South Bay and WDC entered into a First Amendment dated as of August 7, 1996 (the "FIRST AMENDMENT"). Landlord and Tenant entered into a Second Amendment to Lease dated as of April 6, 2004 (the "SECOND AMENDMENT"). The Original Lease, as amended by the First Amendment and the Second Amendment, is referred to herein collectively as the "LEASE". The Lease is currently scheduled to expire on July 31, 2006.

C. Tenant desires to extend the Term of the Lease and to expand the Original Premises to include a portion of the adjacent building commonly known as 5853 Rue Ferrari Drive, City of San Jose, County of Santa Clara, State of California (and referred to in the Lease as "BUILDING B"), and Landlord has approved such extension and expansion, all as more fully set forth below.

A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows.

1. DEFINED TERMS; RECITALS. All capitalized terms used but not defined herein shall have the same meanings as are given such terms in the Lease. The Recitals set forth above are incorporated herein by this reference.

2. TERM EXTENSION. The Lease Term for the Premises is hereby extended for a period of ten (10) years and one (1) month (the "FIRST EXTENSION PERIOD") commencing on the Reference Date (the "FIRST EXTENSION PERIOD COMMENCEMENT DATE") and terminating on the

last day of the 121st full calendar month thereafter. Tenant shall have one (1) extension option as set forth in Section 15 below.

3. EXPANSION. In addition to the Original Premises and fifty percent (50%) of Building C (as defined in the Lease), Landlord leases to Tenant and Tenant leases from Landlord (i) that portion of Building B shown cross-hatched on the Building B diagram attached hereto as Exhibit A (the "EXPANSION PREMISES"), and (ii) the remaining fifty percent (50%) of Building C, which is estimated to contain in the aggregate approximately 82,470 square feet of space, effective as of the First Extension Period Commencement Date. From and after the First Extension Period Commencement Date, the term "Premises" as used in the Lease and in this Amendment shall be and include the Original Premises, the Expansion Premises and the entirety of Building C. The total square footage of the Premises is 213,395. Accordingly, Tenant's Pro Rata Share shall be 74.53% as of the First Extension Period Commencement Date. Tenant's allotment of non-exclusive parking spaces shall be increased from 445 to 723 as of the First Extension Period Commencement Date.

The exact configuration of the Expansion Premises remains subject to Landlord's further reasonable review and approval. Once the Expansion Premises diagram is finalized, the final version (the "FINAL PLAN") will be substituted for Exhibit A attached hereto for all purposes of this Amendment.

4. MONTHLY INSTALLMENTS OF RENT. Notwithstanding any provision of the Lease to the contrary, including without limitation Paragraph 4.B thereof, the Lease is hereby amended to state that Tenant shall pay to Landlord, effective as of the First Extension Period Commencement Date, and continuing throughout the First Extension Period, at such place as Landlord may designate, without deduction, offset, prior notice or demand, Monthly Installments of rent for the Premises in lawful money of the United States in the following amounts:

Months	Monthly Installment Amount
March 1, 2005 - September 30, 2005	$78,555.00
October 1, 2005 - February 28, 2006	$128,037.00
March 1, 2006 - February 28, 2007	$131,878.11
March 1, 2007 - February 29, 2008	$135,834.45
March 1, 2008 - February 28, 2009	$139,909.49
March 1, 2009 - February 28, 2010	$144,106.77
March 1, 2010 - February 28, 2011	$148,429.97
March 1, 2011 - February 29, 2012	$152,882.87
March 1, 2012 - February 28, 2013	$157,469.36
March 1, 2013 - February 28, 2014	$162,193.44
March 1, 2014 - March 31, 2015	$167,059.24

Tenant's leasing of the Premises is on a fully triple-net basis. Accordingly, effective as of the First Extension Period Commencement Date, Tenant shall pay all other charges coming due during the remainder of the Term for the Premises (including without limitation the Expansion Premises) in accordance with the terms of the Lease, including without limitation Tenant's Pro Rata Share of Common Area Charges, Property Taxes and insurance premiums.

Notwithstanding anything in Paragraph 4.E of the Lease to the contrary, rent shall be payable at the following address:

TriNet Essential Facilities XXVI, Inc.
c/o iStar Real Estate Services
File 57462
Los Angeles, CA 90074-7462

The parties acknowledge that Tenant has paid rent for the month of March 2005 at a rate higher than that set forth above in this Section 4. Accordingly, Landlord shall provide Tenant a credit against the Monthly Installment of rent for the Premises for the month of April 2005 equal to the differential between the pre-existing Monthly Installment rent for March 2005 under the Lease and the new Monthly Installment rent for the month of March 2005 set forth hereinabove. Landlord shall confirm this amount to Tenant upon request.

5. SECURITY DEPOSIT. Contemporaneously with the execution of this Amendment, Tenant shall pay to Landlord a Security Deposit in the amount of $167,059.24, which shall be held by Landlord to secure Tenant's performance of its obligations under the Lease as amended hereby. The Security Deposit is not an advance payment of rent or a measure or limit of Landlord's damages upon an Event of Default. Landlord may at Landlord's discretion, from time to time following an Event of Default and without prejudice to any other remedy, use all or a part of the Security Deposit to perform any obligation Tenant fails to perform hereunder or in connection with Landlord's remedies under the Lease as amended hereby. Following any such application of the Security Deposit, Tenant shall pay to Landlord on demand the amount so applied in order to restore the Security Deposit to its original amount. Subject to the requirements of, and conditions imposed by, laws applicable to security deposits under commercial leases, Landlord shall, within the time required by applicable law, but no later than thirty (30) days after Tenant vacates and surrenders the Premises in accordance with the Lease as amended hereby, return to Tenant the portion of the Security Deposit remaining after deducting all damages, charges and other amounts permitted by law. Landlord and Tenant agree that such deductions shall include, without limitation, all damages and losses that Landlord has suffered as a result of any breach of this Lease by Tenant. Tenant hereby waives the protections of Section 1950.7(c) of the California Civil Code, as it may hereafter be amended, or similar laws of like import. Unless required otherwise by applicable law, the Security Deposit may be commingled with other funds, and no interest shall be paid thereon. If Landlord transfers its interest in the Premises, Landlord may assign the Security Deposit to the transferee and, upon such transfer, Landlord thereafter shall have no further liability for the return of the Security Deposit

6. MEASUREMENT OF EXPANSION PREMISES. The provisions of this Amendment are predicated on a square footage for the Expansion Premises of 82,470 square feet (which

incorporates 1,325 square feet representing one-half (1/2) of Building C). As soon as possible following approval by Landlord of the Final Plan for the Expansion Premises, Tenant shall cause the square footage of the Expansion Premises (exclusive of the 1,325 square feet of Building C) to be measured and verified by an architect selected by Tenant and reasonably approved by Landlord. If such measurement results in a change in the total square footage of the Expansion Premises, the Monthly Installments of rent, the amount of the Security Deposit, Tenant's Pro Rata Share, and any other matters affected by the square footage of the Expansion Premises shall be adjusted accordingly. If there is a change in the square footage, Tenant shall, within ten (10) days after Landlord's request, execute and return two (2) copies of a lease amendment prepared by Landlord, effective as of the First Extension Period Commencement Date confirming the necessary adjustments, such copies to be executed by Landlord upon receipt. Once memorialized in the lease amendment, the square footage calculation for the Expansion Premises shall be deemed final and binding on the parties for the duration of the Lease Term.

7. CONDITION OF EXPANSION PREMISES.

(a) Tenant shall accept the Expansion Premises in their "AS IS" condition effective as of the First Extension Period Commencement Date, subject to the terms of this Section 7. Promptly following the Reference Date and approval of the Final Plan, Landlord, at its sole cost, shall (i) erect a demising wall to separate the Expansion Premises as set forth on such Final Plan from the remainder of the space in Building B and (ii) install a separate submeter and controls for HVAC service and electricity for the Expansion Premises. Subject to the foregoing and Landlord's obligation to fund a tenant improvement allowance as more particularly set forth in Section 8 below, Tenant acknowledges that Landlord shall have no obligation to make any improvements to the Expansion Premises or to otherwise prepare the Premises for Tenant's occupancy during the First Extension Period. Tenant acknowledges that neither Landlord nor Landlord's agents has made any representation or warranty as to the suitability of the Expansion Premises for the conduct of Tenant's business.

(b) Notwithstanding Section 7(a) to the contrary, the Expansion Premises shall be delivered with the roof in water tight condition and with all electrical, mechanical and plumbing systems and the roll-up doors in good, working and operable condition. Landlord shall repair at its sole cost any defective or malfunctioning aspect of the roof or such building systems of which Landlord has received written notice from Tenant describing such failure or malfunction within thirty (30) days of the First Extension Period Commencement Date. Further, and notwithstanding anything in this Section 4 to the contrary, Landlord, at its sole cost, shall install a new roof membrane on both Building A and Building B by no later than December 31, 2007. When Landlord replaces the roof membrane of each of the two (2) Buildings, Tenant, at its sole expense and without liability to Landlord of any kind, shall remove and/or temporarily relocate any equipment, piping and other mechanical systems located on the roof, and shall coordinate the timing of same with Landlord's roofing contractor so as to minimize interference with completion of the roof replacement work. Paragraph 14 of the Lease shall expressly not apply to the Expansion Premises.

(c) Landlord reserves the right to reasonably access the Building systems located within the Expansion Premises in order to complete necessary utility connections to the remainder of Building B in anticipation of the leasing of all or any portion of such space to third parties.

8. TENANT IMPROVEMENT ALLOWANCE. Landlord acknowledges that Tenant plans to alter and improve the Expansion Premises once the demising wall is installed. All such alterations and improvements shall be performed in strict compliance with the terms of Paragraph 13 of the Lease. In conjunction with such initial alterations and improvements, Landlord shall provide a tenant improvement allowance in the maximum amount of $2,500,000.00 (the "TI ALLOWANCE"). The TI Allowance may also be utilized to correct any deferred maintenance problems in the Original Premises. The TI Allowance shall be funded in accordance with the terms and conditions set forth in Paragraphs 7(c) and 8 through 15 of the Improvement Agreement attached to the Original Lease as Exhibit "C". Without limiting the generality of the foregoing, all requests for funding of the TI Allowance must be received prior to the date which is one (1) year following the First Extension Period Commencement Date. Tenant shall not commence any such alterations or improvements in the Expansion Premises until Tenant shall first have provided Landlord with an updated insurance certificate covering the Expansion Premises.

9. EXPANSION PREMISES MAINTENANCE. Maintenance and repair obligations for the Expansion Premises shall be in accordance with the terms of Paragraphs 10.A. and 10.B. of the Lease. Tenant shall have the express right to utilize the loading docks of Building B which are associated with the Expansion Premises, and Tenant shall be responsible for the maintenance and repair thereof.

10. BUILDING B UTILITIES. Notwithstanding anything to the contrary in the Lease, Building B utilities, including without limitation the Building B HVAC system, will be maintained and serviced by Landlord as a Common Area Charge for Building B. Tenant shall reimburse Landlord for its actual HVAC and electrical usage as measured by the submeter installed by Landlord, to be paid within ten (10) days following billing therefor by Landlord. Tenant shall reimburse Landlord for its estimated water usage based on Landlord's reasonable estimation thereof, taking into consideration the presence of the cafeteria in the Expansion Premises and Tenant's other uses thereof, such amount to be paid within ten (10) days following billing therefor by Landlord.

Utility services to the Building B restrooms within the Expansion Premises will be paid for by Tenant unless and until such restrooms are shared with another tenant(s) in Building B, at which time a proportionate cost sharing arrangement shall be instituted.

11. BUILDING C UTILITIES. Notwithstanding anything to the contrary in the Lease, including without limitation the second through fourth paragraphs of Paragraph 9, Tenant shall be fully responsible for (i) the maintenance and repair of Building C subject to Landlord's limited repair obligations set forth in the first paragraph of Paragraph 10.A of the Lease; and (ii) payment of all utility charges applicable to Building C, whether such utilities are ultimately provided via the Original Premises or the Expansion Premises. Building C shall no longer be

deemed part of the "Common Area" of the Parcel but shall be considered a portion of the Premises for all purposes of the Lease, as amended hereby, including without limitation Paragraph 8 of the Lease. Without limiting the generality of the foregoing, the penultimate sentence of the first paragraph of Paragraph 11.A. of the Lease (which reads "Common Areas shall also include all of Building C") shall be deleted and of no further force or effect, and the reference to Building C in Paragraph 11.F shall be deleted and of no further force or effect.

12. MODIFICATIONS TO LEASE.

(a) As of the Reference Date, and notwithstanding Paragraph 23 of the Lease to the contrary, Landlord's addresses for notice under the Lease shall be as follows:

Trinet Essential Facilities XXVI, Inc.
c/o iStar Financial
One Embarcadero Center, 33rd Floor
San Francisco, California 94111
Attention: Asset Management - Rue Ferrari Drive, San Jose, CA
Facsimile No.: 415-391-6259

<u>with a copy to:</u>

iStar Financial, Inc.
1114 Avenue of the Americas, 27th Floor
New York, New York 10036
Attention: COO and Legal Department - Rue Ferrari Drive, San Jose, CA
Facsimile No.: 212-930-9494

<u>with a copy to:</u>

iStar Financial, Inc.
3480 Preston Ridge Road, Suite 575
Alpharetta, Georgia 30005
Attention: Director of Lease Administration -
Rue Ferrari Drive, San Jose, CA
Facsimile No.: 678-297-0101

(b) As of the Reference Date, and notwithstanding Paragraph 23 of the Lease to the contrary, Tenant's address for notice under the Lease shall be as follows:

Western Digital Technologies, Inc.
20511 Lake Forest Drive
Lake Forest, California 92630-7741
Attention: Cindy Campos, MCR
Real Estate Specialist M/S C120
Facsimile No.: 949-672-5498

Notices delivered to either Landlord or Tenant may be via Federal Express or other nationally recognized overnight courier service.

(c) As of July 1, 2005, the liability insurance amounts required under Paragraph 8.B of the Lease shall be as follows: $5,000,000.00 for bodily injury or death per occurrence; and $1,000,000.00 for damage to property per occurrence.

(d) The phrase "insuring Landlord" in the first sentence of Paragraph 8.B of the Lease shall be modified to read: "insuring Landlord, Landlord's property manager and Landlord's asset management company".

(e) The phrase "Twenty Thousand Dollars ($20,000)" in the last paragraph of Paragraph 8.C of the Lease shall be modified to read: "Thirty-Five Thousand Dollars ($35,000.00)".

(f) The phrase "and external Building B lights and electricity and other exterior Building B utilities" shall be added to the end of the first sentence of the first paragraph of Paragraph 11.A. of the Lease.

(g) The last sentence of the first paragraph of Paragraph 11.C of the Lease shall be deleted and of no further force or effect.

(h) The phrase "five (5) days prior written notice" in the first paragraph of Paragraph 12 of the Lease shall be modified to read: "five (5) business days' prior written notice".

(i) Paragraph 12(k) of the Lease shall be deleted in its entirety and replaced with the following provision: "(k) Insurance premiums allocable to tenant improvements in Building B and costs incurred by Landlord, if any, to repair, maintain, insure, manage and operate those Building B Exclusive Areas that are not generally made available to Tenant for its use."

(j) Notwithstanding anything to the contrary in Paragraphs 13 or 34 of the Lease, Tenant shall not be obligated to remove and restore the existing clean room in the Original Premises upon surrender of the Premises to Landlord.

(k) The following sentence is added at the end of Paragraph 15.B.1 of the Lease: "Without limiting the generality of the foregoing, Landlord shall expressly have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations)."

(l) The phrase "within thirty (30) days" in the first sentence of the second paragraph and the first sentence of the fourth paragraph of Paragraph 16 of the Lease shall be modified to read: "within sixty (60) days".

(m) Paragraph 22 of the Lease is hereby deleted in its entirety and replaced with the following provision:

> "22. Holding Over. If Tenant fails to vacate the Premises at the end of the Lease Term, then Tenant shall be a tenant at sufferance and, in addition to all other damages and remedies to which Landlord may be entitled for such holding over: (a) Tenant shall pay Monthly Installments of rent equal to (i) one hundred twenty-five percent (125%) of the Monthly Installments payable during the last month of the Lease Term for the first thirty (30) days of any such holdover, and (ii) one hundred fifty percent (150%) of the Monthly Installments payable during the last month of the Lease Term for any period of holdover thereafter; and (b) Tenant shall otherwise continue to be subject to all of Tenant's obligations under this Lease. The provisions of this Section 22 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom. Notwithstanding the foregoing, if Tenant holds over with Landlord's express written consent, then Tenant shall be a month-to-month tenant and Tenant shall pay Monthly Installments of rent equal to one hundred twenty-five percent (125%) of the Monthly Installments of rent payable during the last month of the Lease Term."

(n) Both references to "ten (10) days" in Paragraph 25.B of the Lease shall be modified to read: "fifteen (15) days".

(o) The following sentence is added to the end of Paragraph 28 of the Lease: "For the purposes of this Paragraph 28, "promptly" shall mean, in all events, within ten (10) business days following request."

(p) Paragraph 31.H of the Lease is hereby deleted in its entirety and replaced with the following provision:

> "31.H. WAIVER OF JURY TRIAL. LANDLORD AND TENANT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LEASE OR ANY DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HEREWITH OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER ORAL OR WRITTEN) OR

ACTIONS OF EITHER PARTY ARISING OUT OF OR RELATED IN ANY MANNER WITH THE PREMISES. THIS WAIVER IS A MATERIAL INDUCEMENT FOR LANDLORD TO ENTER INTO AND ACCEPT THIS LEASE. Landlord and Tenant agree and intend that this paragraph constitutes a written consent to waiver of trial by jury within the meaning of California Code of Civil Procedure Section 631(d)(2). Each party hereby authorizes and empowers the other to file this Paragraph 31.H and this Lease with the clerk or judge of any court of competent jurisdiction as a written consent to waiver of jury trial."

(q) As of the Reference Date, the following new Paragraph 42 is added to the Lease:

"42. Office of Foreign Asset Control. Tenant warrants and represents to Landlord that Tenant is not, and shall not become, a person or entity with whom Landlord is restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) or other governmental actions, and is not and shall not engage in any dealings or transaction or be otherwise associated with such persons or entities."

13. HAZARDOUS MATERIALS MANAGEMENT PLAN. On or before July 1, 2005, Tenant shall provide Landlord with an updated Hazardous Materials Management Plan for the Premises consistent with the terms of Paragraph 39.D of the Lease.

14. RIGHT OF FIRST OFFER. In the event that any portion of Building B other than the Expansion Premises shall become available for leasing during the Lease Term or any extension thereof after Landlord shall have first leased it to a third party, Landlord shall promptly notify Tenant of such availability, including the expected timeframe for such availability. Tenant shall have the first right, within ten (10) business days after receipt of Landlord's notice, to initiate an offer for the leasing of such space, which Landlord shall be free to accept, reject or negotiate in its sole and absolute discretion.

15. OPTION TO EXTEND.

(a) If (i) Tenant is not then in default beyond any applicable notice and cure period at the time of the election and (ii) Tenant is occupying at least eighty percent (80%) of the Premises as it is then configured at the time of such election, Tenant may renew this Lease for the entirety of the Premises for one (1) additional period of five (5) years (the "SECOND EXTENSION PERIOD") by delivering written notice of the exercise thereof to Landlord not earlier than 360 days nor later than 180 days before the expiration of the First Extension Period. The

Monthly Installment of rent payable for each month during the First Extension Period (including periodic increases) shall be set at ninety-five percent (95%) of the then-prevailing rental rate (the "PREVAILING RENTAL RATE") for renewals of space in comparable buildings of comparable quality in comparable locations within the City of San Jose, California; provided, however, in no event shall the Monthly Installment of rent for such Second Extension Period be less than the Monthly Installment of rent payable by Tenant immediately prior to the expiration of the First Extension Period. As used herein, "then-prevailing" shall mean the time period which is 180 days prior to the commencement of the Second Extension Period not the commencement date of the Second Extension Period. Within thirty (30) days after receipt of Tenant's notice exercising its option to extend, Landlord shall deliver to Tenant written notice of the Prevailing Rental Rate and shall advise Tenant of the required adjustment to the Monthly Installment of rent for the Second Extension Period. Tenant shall, within ten (10) business days after receipt of Landlord's notice, time being of the essence with respect thereto, notify Landlord in writing whether Tenant accepts or rejects Landlord's determination of the Prevailing Rental Rate. If Tenant rejects Landlord's determination of the Prevailing Rental Rate, Tenant's written notice shall include Tenant's own determination of the Prevailing Rental Rate. If Tenant does not deliver any written notice to Landlord within ten (10) business days after receipt of Landlord's notice of the Prevailing Rental Rate, or if Tenant's notice fails to include Tenant's determination of the Prevailing Rental Rate, Tenant shall be deemed to have withdrawn its exercise of its rights under this Section 15, whereupon Tenant's rights under this Section 15 shall be null and void and of no further force or effect. If Tenant and Landlord disagree on the Prevailing Rental Rate, then Landlord and Tenant shall attempt in good faith to agree upon the Prevailing Rental Rate. If by that date which is 120 days prior to the commencement of the Second Extension Period (the "OPTION TRIGGER DATE"), Landlord and Tenant have not agreed in writing as to the Prevailing Rental Rate, the parties shall determine the Prevailing Rental Rate in accordance with the procedure set forth in Section 15(b) below.

(b) If Landlord and Tenant are unable to reach agreement on the Prevailing Rental Rate by the Option Trigger Date, then within ten (10) business days after the Option Trigger Date, Landlord and Tenant shall each simultaneously submit to the other in a sealed envelope its good faith estimate of the Prevailing Rental Rate. If either Landlord or Tenant fails to timely propose a Prevailing Rental Rate, then the Prevailing Rental Rate proposed by the other party shall prevail. If the higher of such estimates is not more than one hundred five percent (105%) of the lower, then the Prevailing Rental Rate shall be the average of the two. Otherwise, the dispute shall be resolved by arbitration in accordance with the remainder of this paragraph . Within seven (7) days after the exchange of estimates, the parties shall select as an arbitrator a licensed real estate broker with at least ten (10) years of experience leasing industrial buildings in the City of San Jose (a "QUALIFIED ARBITRATOR"). If the parties cannot agree on a Qualified Arbitrator, then within a second period of seven (7) days, each shall select a Qualified Arbitrator and within ten (10) days thereafter the two appointed Qualified Arbitrators shall select a third Qualified Arbitrator and the third Qualified Arbitrator shall be the sole arbitrator (the "ARBITRATOR"). If one party shall fail to select a Qualified Arbitrator within the second seven (7)-day period, then the Qualified Arbitrator chosen by the other party shall be the Arbitrator. Within thirty (30) days after submission of the matter to the Arbitrator, the Arbitrator shall determine the Prevailing Rental Rate by choosing whichever of the estimates submitted by

Landlord and Tenant the Arbitrator judges to be more accurate. The Arbitrator shall notify Landlord and Tenant of his or her decision, which shall be final and binding. If the Arbitrator believes that expert advice would materially assist him or her, the Arbitrator may retain one or more qualified persons to provide expert advice. The fees of the Qualified Arbitrator selected by each party shall be borne by that party. The fees of the third Qualified Arbitrator or the sole Arbitrator, as the case may be, and the expenses of the arbitration proceeding, including the fees of any expert witnesses retained by such Arbitrator, shall be shared equally by Landlord and Tenant.

(c) If Tenant timely notifies Landlord that Tenant accepts Landlord's determination of the Prevailing Rental Rate, or the parties subsequently agree on the Prevailing Rental Rate, or following resolution of the Prevailing Rental Rate via arbitration, whichever shall be applicable, then, on or before the commencement date of the Second Extension Period, Landlord and Tenant shall execute an amendment to the Lease extending the Lease Term on the same terms provided in the Lease, as amended hereby, except as follows:

(i) The Monthly Installments of rent for the Second Extension Period shall be adjusted to 95% of the Prevailing Rental Rate (which shall be the rental rate set forth in Landlord's determination of the Prevailing Rental Rate, the Prevailing Rental Rate mutually agreed upon by the parties, or the Prevailing Rental Rate determined by arbitration, as the case may be), including any periodic adjustments thereto;

(ii) Tenant shall have no further extension option hereunder; and

(iii) Landlord shall lease the Premises to Tenant in their then-current "AS IS" condition, and Landlord shall not be obligated to provide to Tenant any allowances or other tenant inducements.

(d) Tenant's rights under this Section 15 shall terminate if (i) this Lease or Tenant's right to possession of the Premises is terminated; (ii) Tenant assigns its interest in this Lease or sublets more than twenty percent (20%) of the Premises as it is then configured; or (iii) Tenant fails to timely exercise its option under this Section 15, time being of the essence with respect to Tenant's exercise thereof. Further, if Tenant commits an Event of Default at any time between the date of Tenant's notice of exercise hereunder and the commencement date of the Second Extension Period which remains uncured after any applicable grace period, then, at Landlord's option, Tenant's right to lease the Premises for the Second Extension Period shall be terminated and Tenant's rights under this Section 15 shall be null and void and of no further force or effect.

16. TAX APPEALS. Landlord shall have the right, in its sole discretion, to seek a reduction in Property Taxes for the Buildings from the applicable Santa Clara County taxing authority. In addition, if Landlord is not then pursuing a Property Tax reduction, after written request (the "TAX NOTICE") received from Tenant, at Landlord's option, either (i) Landlord shall use commercially reasonable efforts to pursue claims for reductions in the Property Taxes in which event Landlord shall provide Tenant with reasonably detailed information as to how Landlord will pursue such claims, (ii) Tenant may pursue such claims with Landlord's concurrence, in the name of Landlord, or (iii) Tenant may pursue such claims in the name of Landlord without Landlord's

concurrence. In the event that Landlord does not elect either item (i) or (ii) above, within thirty (30) days after receipt of the Tax Notice, Tenant shall thereafter have the right to pursue such claims under item (iii) above. If Landlord either agrees to pursue such claims or concurs in the decision to pursue such claims but elects to have them pursued by Tenant, the cost of such proceedings shall be paid by Landlord and included in Property Taxes in the year such expenses are paid. If Tenant pursues such claims without obtaining Landlord's concurrence and such contest is successful, then the cost of such proceedings, but in no event more than the cumulative tax savings achieved, shall be included as part of Property Taxes in the year such expenses are paid, and Landlord shall pay or reimburse to Tenant such cost.

17. REAL ESTATE BROKERS. Tenant and Landlord warrant that they have had no dealings with any brokers or agents in connection with this Amendment other than CB Richard Ellis and Cornish & Carey Commercial, whose commissions shall be paid by Landlord pursuant to a separate agreement. Landlord covenants to pay, hold harmless and indemnify Tenant from and against any and all cost, expense or liability for any compensation, commissions or charges claimed by any other broker or agent utilized by Landlord with respect to this Amendment or the negotiation hereof. Tenant covenants to pay, hold harmless and indemnify Landlord from and against any and all cost, expense or liability for any compensation, commissions or charges claimed by any other broker or agent utilized by Tenant with respect to this Amendment or the negotiation hereof.

18. GUARANTY OF LEASE. As a condition to this Amendment, Tenant's parent company, Western Digital Corporation, a Delaware corporation, formerly known as Western Digital Holdings, Inc., shall execute and deliver to Landlord a Guaranty of Lease in the form attached hereto as Exhibit B.

19. TENANT'S AUTHORITY. Tenant hereby covenants and warrants that (a) Tenant is in good standing under the laws of the States of California and Delaware; (b) Tenant has full power and authority to enter into this Amendment and to perform all Tenant's obligations under the Lease, as amended by this Amendment; and (c) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Tenant is duly and validly authorized to do so.

20. LANDLORD'S AUTHORITY. Landlord hereby covenants and warrants that (a) Landlord is in good standing under the laws of the States of California and Delaware; (b) Landlord has full power and authority to enter into this Amendment and to perform all Landlord's obligations under the Lease, as amended by this Amendment; and (c) each person (and all of the persons if more than one signs) signing this Amendment on behalf of Landlord is duly and validly authorized to do so.

21. NO OFFER. Submission of this instrument for examination and signature by Tenant does not constitute an offer to lease or a reservation of or option for lease, and this instrument is not effective as a lease amendment or otherwise until executed and delivered by both Landlord and Tenant.

22. ENTIRE AGREEMENT. This Amendment contains the entire understanding between the parties with respect to the matters contained herein. No representations, warranties, covenants or agreements have been made concerning or affecting the subject matter of this Amendment, except as are contained herein and in the Lease. This Amendment may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification is sought.

23. LEASE IN FULL FORCE AND EFFECT. Tenant hereby affirms that, as of the Reference Date hereof, Landlord has fulfilled all its duties in compliance with the Lease, no breach or default by either party has occurred, and the Lease, and all of its terms, conditions, covenants, agreements and provisions, except as hereby modified, (i) is hereby ratified and (ii) is in full force and effect with no defenses or offsets thereto.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first set forth above.

LANDLORD:	TENANT:
TRINET ESSENTIAL FACILITIES XXVI, INC., a Maryland corporation	WESTERN DIGITAL TECHNOLOGIES, INC., a Delaware corporation
By: /s/ Erich Stiger	By: /s/ Raymond M. Bukaty
Name: Erich Stiger	Name: RAYMOND M. BUKATY
Its: Senior Vice President	Its: SR. VP., ADMINISTRATOR GENERAL COUNSEL AND SECRETARY

Exhibit 10.30.6

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WESTERN(R)
DIGITAL

WESTERN DIGITAL
CORPORATION
ID: 95-2657125
P.O. Box 19665
Lake Forest, CA 92630-7741
(949) 672-7000 x 27985/27986

NOTICE OF GRANT OF PERFORMANCE SHARE AWARDS
AND PERFORMANCE SHARE AWARD AGREEMENT

AWARD NUMBER:
PLAN: 2004 Performance Incentive Plan
ID:

- ---

Congratulations! Effective _________, 20___, you have been granted performance share awards ("PSAs") of Western Digital Corporation. These PSAs were granted under the 2004 Performance Incentive Plan (the "PLAN").(1)

NUMBER OF PSAs GRANTED: ___________.

FISCAL YEARS COVERED BY GRANT: 2006, 2007 AND 2008 (each, an "Award Fiscal Year" and together, "Award Fiscal Years").

- ---

Your PSAs are subject to the terms and conditions of this Notice, the attached Standard Terms and Conditions for Performance Share Awards (the "STANDARD TERMS") and the Plan. By accepting the award, you are agreeing to the terms and provisions set forth in those documents. You should read the Plan, the Prospectus for the Plan, and the Standard Terms. The Standard Terms and the Plan are each incorporated into (made a part of) this Notice by this reference. You do not have to accept your award. If you do not agree to the terms of your award, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator.

A copy of the Plan, the Prospectus for the Plan, and the Standard Terms have been provided to you. If you need another copy of these documents, or if you would like to confirm that you have the most recent version, please contact the Law Department.

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(1) The number of PSAs is subject to adjustment as set forth in the Standard Terms and in Section 7.1 of the Plan (for example, and without limitation, in connection with stock splits).

WESTERN(R)
DIGITAL
Western Digital Corporation 20511 Lake Forest Drive
Lake Forest, California 92630 Telephone 949 672-7000

STANDARD TERMS AND CONDITIONS FOR PERFORMANCE SHARE AWARDS
2004 Performance Incentive Plan

1. PERFORMANCE SHARE AWARDS SUBJECT TO 2004 PERFORMANCE INCENTIVE PLAN

The Performance Share Awards (the "PSAs") referred to in the attached Notice of Grant of Performance Share Awards and Performance Share Award Agreement (the "NOTICE") are awarded under Western Digital Corporation's (the "CORPORATION'S") 2004 Performance Incentive Plan (the "PLAN"). The PSAs are subject to the terms and provisions of the Notice, these Standard Terms and Conditions for Performance Share Awards (these "STANDARD TERMS"), and the Plan. To the extent any information in the Notice, the Prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, then the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control. The Notice and these Standard Terms, together, constitute the "Agreement" with respect to the PSAs pursuant to Section 5.3 of the Plan. The holder of the PSAs is referred to herein as the "PARTICIPANT". Capitalized terms not defined herein have the meanings set forth in the Plan.

2. TARGET PSAs; ANNUAL DETERMINATION OF CREDITED PSAs

(a) Target PSAs. The number of PSAs set forth on the Notice of Grant of Performance Share Awards ("TOTAL TARGET PSAS") is used solely to determine the number of PSAs which may be credited to the Participant's account as described in Section 2(b) below ("CREDITED PSAs").

(b) Annual Determination of Credited PSAs. Following the end of each Award Fiscal Year, the Compensation Committee of the Board of Directors of the Corporation (the "COMMITTEE") will determine the number of Credited PSAs to be credited to the Participant's account with respect to the applicable Award Fiscal Year by multiplying one-third of the number of Total Target PSAs by a percentage (the "PSA PERFORMANCE PERCENTAGE"), the number of PSAs and the PSA Performance Percentage in each case being subject to adjustment as set forth in this Agreement. The PSA Performance Percentage for each Award Fiscal Year shall be a percentage between 0% and 300% as determined by the Committee in accordance with the performance measures determined by the Committee. The PSA Performance Percentage shall be so determined during the time periods set forth in Section 5.2.2 of the Plan. Notwithstanding the foregoing, if the PSA Performance Percentage shall exceed 100% for a given Award Fiscal Year, and the total expense to the Corporation (determined under Generally Accepted Accounting Principles) of all PSAs that would otherwise be credited by the Corporation to participants under the Plan with respect to such Award Fiscal Year (without pro-rating such expense over multiple fiscal years) would exceed, in the aggregate, a percentage of the Corporation's net operating income for such Award Fiscal Year (which percentage shall be determined by the Committee), then the Committee may in its discretion reduce the number of Credited PSAs that would have otherwise been credited to the Participant's account with respect to such Award Fiscal Year. The Participant's award of Credited PSAs does not create a right to receive shares of Common Stock until such Credited PSAs become vested, as described in Section 3(a) below. CREDITED PSAs AND PSA PERFORMANCE PERCENTAGES ARE SUBJECT TO ADJUSTMENT AS PROVIDED IN THIS AGREEMENT.

3. VESTING AND CONVERSION OF CREDITED PSAs

(a) Vesting and Conversion of Credited PSAs. Subject to Sections 4 and 5 below, and provided Participant has satisfied the requirements of Section 7(b) below, on or about August 31, as determined by the Committee, of the final Award Fiscal Year, Credited PSAs, if any, from all of the Award Fiscal Years shall become vested ("VESTED PSAs") and be converted into an equivalent number of shares of Common Stock that will be distributed to Participant or, in the event of Participant's death, to Participant's legal representative, as soon as practicable. Such shares of Common Stock shall be evidenced by a stock certificate, appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation, or other appropriate means as determined by the Corporation. In the event ownership or issuance of Common Stock is not feasible due to applicable exchange controls, securities regulations, tax laws or other provisions of applicable law, as determined by the Corporation in its sole discretion, Participant, or in the event of Participant's death, the Participant's legal representative, shall receive cash proceeds in an amount equal to the value of the Common Stock otherwise distributable to Participant, as determined by the Corporation in its sole discretion, net of amounts withheld in satisfaction of the requirements of Section 7(b) below.

(b) Termination at Conversion of PSAs. Unless terminated earlier under Section 4 below, a Participant's rights under this Agreement with respect to the PSAs awarded under this Agreement shall terminate at the time any Credited PSAs are converted into shares of Common Stock or at such time that no PSAs are eligible to become Credited PSAs or Vested PSAs, as determined by the Committee.

(c) Compliance with Corporation Policies. By accepting the award of PSAs evidenced by this Agreement, Participant agrees not to sell any of the Common Stock received upon conversion of Vested PSAs at a time when applicable laws or Corporation policies prohibit a sale. This restriction shall apply so long as Participant is an Employee, Consultant or outside director of the Corporation or a Subsidiary of the Corporation (and during any applicable post-service period as required under applicable laws or Corporation policies).

4. TERMINATION OF EMPLOYMENT

(a) Termination of Employment. Subject to earlier vesting as provided in Section 7.2 or 7.3 of the Plan and subject to adjustment as provided in Section 5 hereof, if the Participant ceases to be employed by or to provide services to the Corporation and its Subsidiaries (regardless of the reason for such termination, whether with or without cause, voluntarily or involuntarily, or due to disability), the Participant's PSAs (including Credited PSAs) shall terminate to the extent such PSAs have not become Vested PSAs upon the date the Participant's employment or services terminate; provided, however, that in the event of the Participant's death at a time when the Participant is employed by or providing services to the Corporation or any of its Subsidiaries, the Credited PSAs and a pro-rata portion (based on the portion of the then-current Award Fiscal Year served by the Participant) of the one-third of the Total Target PSAs that are subject to be evaluated as of the end of the then-current Award Fiscal Year shall be subject to evaluation to become Credited PSAs (in accordance with Sections 2 and 5), and any remaining PSAs shall terminate as of such date of death. Such Credited PSAs with respect to a Participant who ceases to be employed or to provide services due to death shall become Vested Shares in accordance with Sections 3(a) and 5, notwithstanding Participant's death. In consideration of the award of the PSAs, Participant agrees that terminated PSAs under this Agreement shall be deemed to have a value of zero dollars ($0.00). The Administrator shall be the sole judge, for purposes of the PSA, as to whether the Participant continues to render services the Corporation or its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

(b) Change in Control Events. Notwithstanding Section 4(a), upon the occurrence of a Change in Control Event (as defined in Section 7.3 of the Plan), then subject to Section 5 below and Participant then being an Eligible Person, and provided Participant has satisfied the requirements of Section 7(b) below, then upon such Change in Control Event, (i) all PSAs eligible to become Credited PSAs with respect to all then incomplete Award Fiscal Years shall become Vested PSAs, based on a PSA Performance Percentage of 100%, and (ii) the then-Credited PSAs, if any, from any completed Award Fiscal Years shall become Vested PSAs. All such Vested PSAs (after giving effect to the foregoing clauses (i) and (ii)) shall be converted into an equivalent number of shares of Common Stock that will be distributed to Participant or, in the event of Participant's death, to Participant's legal representative, as soon as practicable. Such shares of Common Stock shall be evidenced by a stock certificate, appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation, or other appropriate means as determined by the Corporation. Notwithstanding the foregoing provisions, PSAs shall be distributed pursuant to this Section 4(b) only if the applicable Change in Control Event is a "change in control event" as such term is defined under Section 409A of the Code ("SECTION 409A") and regulations or other guidance promulgated thereunder.

5. ADJUSTMENTS; PERFORMANCE-BASED COMPENSATION

(a) Adjustments When Determining Credited PSAs. In annually determining the PSA Performance Percentage and the number of Credited PSAs with respect to an Award Fiscal Year, the Committee shall adjust the performance measures and performance goals previously determined by the Committee to the extent (if any) it determines that the adjustment is necessary or advisable to preserve the intended incentives and benefits to reflect (1) any material change in corporate capitalization, any material corporate transaction (such as a reorganization, combination, separation, merger, acquisition, or any combination of the foregoing), or any complete or partial liquidation of the Corporation or any of its competitors (as specifically identified by the Committee prior to the time that 25% of such Award Fiscal Year has elapsed, "Competitors"), (2) any change in accounting policies or practices of the Corporation or any or its Competitors, (3) the effects of any special charges to the earnings of the Corporation or any of its Competitors, or (4) any other similar special circumstances.

(b) Reduction of Credited PSAs. Notwithstanding Section 3(a), prior to the date upon which Credited PSAs become Vested PSAs, the Committee may in its sole discretion reduce the number of Credited PSAs, and therefore the number of shares of Common Stock to be issued with respect to the Vested PSAs if the Committee determines that such reduction is necessary or advisable due to current business conditions.

(c) Adjustments Due to Extraordinary Events. Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Committee will make adjustments if appropriate in the number of Credited PSAs and the number and kind of securities that may be paid with respect to such Credited PSAs.

(d) Performance-Based Compensation. PSAs are intended to be Performance-Based Awards based on Business Criteria, as described in Section 5.2 of the Plan. Compensation attributable to the Agreement is intended to constitute qualified performance-based compensation under Section 162(m) of the Code and the regulations thereunder. This Agreement shall be construed and administered by the Committee in a manner consistent with this intent.

6. ACKNOWLEDGMENT OF NATURE OF PLAN AND PSAs

In accepting the PSAs, Participant acknowledges that:

(a) the Plan is established voluntarily by the Corporation, it is discretionary in nature and may be modified, amended, suspended or terminated by the Corporation at any time, as provided in the Plan;

(b) the Award of PSAs is voluntary and occasional and does not create any contractual or other right to receive future awards of PSAs, or benefits in lieu of PSAs even if PSAs have been awarded repeatedly in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Corporation;

(d) Participant's participation in the Plan is voluntary;

(e) the future value of underlying Common Stock is unknown and cannot be predicted with certainty; and

(f) if Participant receives Common Stock, the value of such Common Stock acquired on vesting of PSAs may increase or decrease in value.

7. TAXES

(a) Responsibility for Tax-Related Items. Regardless of any action the Corporation or Participant's actual employer takes with respect to any or all income tax (including federal, state and local taxes), social insurance, payroll tax or other tax-related withholding ("TAX RELATED ITEMS"), Participant acknowledges that the ultimate liability for all Tax Related Items legally due by Participant is and remains Participant's responsibility and that the Corporation and/or the Participant's actual employer (i) make no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the PSAs, including the grant of the PSAs, the determination of Credited PSAs, the vesting of PSAs, the conversion of the Vested PSAs into Common Stock or the receipt of an equivalent cash payment, the subsequent sale of any Common Stock acquired and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the PSAs to reduce or eliminate the Participant's liability for Tax Related Items.

(b) Withholding Taxes. The Corporation (or any of its Subsidiaries last employing the Participant) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to the vesting of any PSAs and/or the issuance of Common Stock upon conversion of Vested PSAs. Alternatively, the Participant or other person in whom the PSAs vest may irrevocably elect, in such manner and at such time or times prior to any applicable tax date as may be permitted or required under Section 8.5 of the Plan and rules established by the Administrator, to have the Corporation (or the entity last employing the Participant) withhold and reacquire Vested PSAs or underlying Common Stock at their fair market value at the time of vesting to satisfy any withholding obligations of the Corporation or any Subsidiary with respect to such vesting. Any election to have shares so held back and reacquired shall be subject to such rules and procedures, which may include prior approval of the Administrator, as the Administrator may impose from time to time. The Corporation may refuse to deliver Common Stock to Participant if Participant fails to comply with Participant's obligations described in this Section.

8. NONTRANSFERABILITY

Prior to the time that they have become Vested PSAs, neither the PSAs, Credited PSAs nor any interest therein, nor any amount payable in respect thereof, may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

9. NO RIGHT TO EMPLOYMENT

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or service, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation.

10. RIGHTS AS A STOCKHOLDER

Neither the Participant nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest or privilege in or to any shares of Common Stock subject to the PSAs (including, without limitation, any right to vote or receive dividends or any other rights as a stockholder with respect to such Common Stock) except as to such shares, if any, as shall have been actually issued to such person and recorded in such person's name following the vesting of the Credited PSAs.

11. NOTICES

Any notice to be given under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

12. ARBITRATION

Any controversy arising out of or relating to this Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the PSAs, including, but not limited to, any state or federal statutory claims, shall be submitted to arbitration in Orange County, California, before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("JAMS"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of California Code of Civil Procedure ss.ss. 1280 et seq. as the exclusive forum for the resolution of such dispute; provided, however, that provisional injunctive relief may, but need not, be sought by either party to this Agreement in a court of law while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Final resolution of any dispute through arbitration may include any remedy or relief which the arbitrator deems just and equitable, including any and all remedies provided by applicable state or federal statutes. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any of the matters referenced in the first sentence above. The parties agree that Corporation shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. The parties further agree that in any proceeding with respect to such matters, each party shall bear its own attorney's fees and costs (other than forum costs associated with the arbitration) incurred by it or him or her in connection with the resolution of the dispute. By accepting the PSAs, the Participant consents to all of the terms and conditions of this Agreement (including, without limitation, this Section 12).

13. GOVERNING LAW

This Agreement, including these Standard Terms, shall be interpreted and construed in accordance with the laws of the State of Delaware (without regard to conflict of law principles thereunder) and applicable federal law.

14. CONSTRUCTION

This Agreement shall be construed and interpreted to comply with Section 409A. The Corporation reserves the right to amend this Agreement to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of the PSAs in light of Section 409A and any regulations or other guidance promulgated thereunder.

15. SEVERABILITY

If the arbitrator selected in accordance with Section 12 or a court of competent jurisdiction determines that any portion of this Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, it is the parties' intent that any order striking any portion of this Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

16. ENTIRE AGREEMENT

This Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

17. SECTION HEADINGS

The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

Exhibit 10.32

Western Digital Corporation
Summary of Compensation Arrangements
for
Named Executive Officers and Directors

Named Executive Officers

This summary sheet reports current base salaries and certain other compensation of the current executive officers of Western Digital Corporation (the “Company”) who were named in the Summary Compensation Table in the Proxy Statement filed by the Company in connection with the Company’s 2004 Annual Meeting of Shareholders (the “Named Executive Officers”).

Named Executive Officer	Current Base Salary
Matthew E. Massengill Chairman and Chief Executive Officer	$800,000
Arif Shakeel President and Chief Operating Officer	$580,000
Stephen D. Milligan Senior Vice President and Chief Financial Officer	$350,000
Raymond M. Bukaty Senior Vice President, Administration, General Counsel and Secretary	$350,000

The Named Executive Officers were awarded cash performance bonuses and performance shares on January 20, 2005, as disclosed in Item 1.01 of the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 26, 2005, which is incorporated herein by reference.

The Named Executive Officers are entitled to participate in various Company plans as set forth in the exhibits to the Company’s filings with the Securities and Exchange Commission.

In addition, the Named Executive Officers may be eligible to receive perquisites and other personal benefits as disclosed in the Company’s Proxy Statement.

Directors

The Company’s non-employee directors receive an annual retainer of $40,000 in January, or if they join the Company’s Board of Directors (the “Board”) at a later date, they receive a proportion of the annual fee corresponding to the period for which they serve. The non-employee directors also receive compensation of $2,500 for each session during which they attend a Board meeting, $1,500 for any and all committee meetings attended, $1,250 for each Board meeting and $750 for each committee meeting held by telephone conference, and reimbursement of reasonable out-of-pocket expenses incurred in attending each meeting. In addition, the chairman of each committee of the Board receives an annual retainer of $5,000. Mr. Massengill and Mr. Shakeel, who are employees of the Company, do not receive any compensation for their service on the Board or any Board committee.

The Company’s non-employee directors are entitled to participate in various Company plans as set forth in the exhibits to the Company’s filings with the Securities and Exchange Commission.

Exhibit 31.1

Certification of Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-oxley Act of 2002

I, Matthew E. Massengill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Western Digital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2005

/s/ Matthew E. Massengill

Matthew E. Massengill
Chief Executive Officer

Exhibit 31.2

Certification of Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-oxley Act of 2002

I, Stephen D. Milligan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Western Digital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2005

/s/ Stephen D. Milligan
Stephen D. Milligan
Chief Financial Officer

Exhibit 32.1

The following certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Western Digital Corporation specifically incorporates it by reference.

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Western Digital Corporation, a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended April 1, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2005

/s/ Matthew E. Massengill
Matthew E. Massengill
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

The following certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Western Digital Corporation specifically incorporates it by reference.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Western Digital Corporation, a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended April 1, 2005 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2005

/s/ Stephen D. Milligan
Stephen D. Milligan
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.