UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 28, 2016

Western Digital Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-08703**	**33-0956711**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

3355 Michelson Drive, Suite 100 **Irvine, California**	**92612**
(Address of principal executive offices)	**(Zip Code)**

(949) 672-7000
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On January 28, 2016, Western Digital Corporation ("Western Digital") announced financial results for the second fiscal quarter ended January 1, 2016. A copy of the press release making this announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of Western Digital's Quarterly Fact Sheet for the second fiscal quarter ended January 1, 2016 is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 2.02, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press Release issued by Western Digital Corporation on January 28, 2016 announcing financial results for the second fiscal quarter ended January 1, 2016.

99.2 Second Quarter Fiscal Year 2016 Western Digital Corporation Quarterly Fact Sheet.

SIGNATURE

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)

Date: January 28, 2016

By: /s/ Michael C. Ray
Michael C. Ray
Executive Vice President, Chief Legal Officer
and Secretary

Exhibit 99.1

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FOR IMMEDIATE RELEASE:

WESTERN DIGITAL ANNOUNCES FINANCIAL RESULTS FOR SECOND QUARTER FISCAL 2016

IRVINE, Calif. — Jan. 28, 2016 — Western Digital® Corp. (NASDAQ: WDC) today reported revenue of $3.3 billion and net income of $251 million, or $1.07 per share, for its second fiscal quarter ended Jan. 1, 2016. On a non-GAAP basis, net income was $374 million, or $1.60 per share. In the year-ago quarter, the company reported revenue of $3.9 billion and net income of $438 million, or $1.84 per share. Non-GAAP net income in the year-ago quarter was $539 million, or $2.26 per share.

The company generated $598 million in cash from operations during the second fiscal quarter, ending with total cash and cash equivalents of $5.4 billion. On Nov. 3, 2015 the company declared a cash dividend of $0.50 per share of its common stock, which was paid on Jan. 15, 2016.

"We continue to execute well as we manage our business within an increasingly challenging global economic environment," said Steve Milligan, chief executive officer. "Despite a lower-than-expected hard drive total available market, we reported revenue and EPS within our guidance range, with non-GAAP gross margin of 28.5 percent.[1] We also had strong free cash flow performance of $449 million. Our storage shipments for the December quarter grew to 69.1 exabytes."

1 GAAP gross margin for the second quarter fiscal 2016 was 27.3%.

The investment community conference call to discuss these results and our current outlook will be broadcast live over the Internet today at 2 p.m. Pacific/5 p.m. Eastern. The live and archived conference call webcast can be accessed online at investor.wdc.com. A quarterly fact sheet including our guidance for the third quarter fiscal 2016 will also be posted on our website at investor.wdc.com. The telephone replay number is 1-888-562-7214 in the U.S. or +1-203-369-3936 for international callers.

About Western Digital

Founded in 1970, Western Digital Corp. (NASDAQ: WDC), Irvine, Calif., is an industry-leading developer and manufacturer of storage solutions that enable people to create, manage, experience and preserve digital content. It is a long-time innovator in the storage industry. Western Digital Corporation ("Western Digital") is responding to changing market needs by providing a full portfolio of compelling, high-quality storage products with effective technology deployment, high efficiency, flexibility and speed. Its products are marketed under the HGST and WD brands to OEMs, distributors, resellers, cloud infrastructure providers and consumers. Financial and investor information is available on the company's Investor Relations website at investor.wdc.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements regarding Western Digital's product and technology positioning, the anticipated benefits and timing of the integration of HGST and WD, the investment in the company by Unisplendour Corporation and the acquisition by Western Digital of SanDisk Corporation ("SanDisk") pursuant to a merger of Schrader Acquisition Corporation with and into SanDisk (including financing of the proposed transaction and the benefits, results, effects and timing of a transaction), all statements regarding Western Digital's (and Western Digital's and SanDisk's combined) expected future financial position, results of operations, cash flows, dividends, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management, and statements containing the use of forward-looking words, such as “may,” “will,” “could,” “would,” “should,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “potential,” “plan,” “forecast,” “approximate,” “intend,” “upside,” and the like, or the use of future tense. Statements contained herein concerning the business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends or other financial items, and product or services line growth of Western Digital (and the combined businesses of Western Digital and SanDisk), together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting the best judgment of Western Digital based upon currently available information. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from Western Digital’s expectations as a result of a variety of factors, including, without limitation, those discussed below. These forward-looking statements are based upon management’s current expectations and include known and unknown risks, uncertainties and other factors, many of which Western Digital is unable to predict or control, that may cause actual results, performance or plans to differ materially from those expressed or implied by such forward-looking statements, including: volatility in global economic conditions; business conditions and growth in the storage ecosystem; pricing trends and fluctuations in average selling prices; the availability and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; and other risks and uncertainties listed in the company’s filings with the Securities and Exchange Commission (the “SEC”), including Western Digital’s most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and Western Digital undertakes no obligation to update these forward-looking statements to reflect new information or events.

Risks and uncertainties related to the proposed merger include, but are not limited to, the risk that SanDisk's stockholders do not approve the merger or that Western Digital's stockholders do not approve the issuance of stock in the merger (to the extent such approval is required), potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the merger, uncertainties as to the timing of the merger, the possibility that the closing conditions to the proposed merger may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary approval, adverse effects on Western Digital's stock price resulting from the announcement or completion of the merger, competitive responses to the announcement or completion of the merger, costs and difficulties related to the integration of SanDisk's businesses and operations with Western Digital's businesses and operations, the inability to obtain, or delays in obtaining, cost savings and synergies from the merger, uncertainties as to whether the completion of the merger or any transaction will have the accretive effect on Western Digital's earnings or cash flows that it expects, unexpected costs, liabilities, charges or expenses resulting from the merger, litigation relating to the merger, the inability to retain key personnel, and any changes in general economic and/or industry-specific conditions. In addition to the factors set forth above, other factors that may affect Western Digital's or SanDisk's plans, results or stock price are set forth in Western Digital's and SanDisk's respective filings with the SEC, including Western Digital's and SanDisk's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and Western Digital's most recent registration statement on Form S-4. Many of these factors are beyond Western Digital's and SanDisk's control. Western Digital and SanDisk caution investors that any forward-looking statements made by Western Digital or SanDisk are not guarantees of future performance. Neither Western Digital nor SanDisk intend, or undertake any obligation, to publish revised forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Important Additional Information and Where to find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication may be deemed to be solicitation material in respect of the proposed merger between Western Digital and SanDisk. In connection with the proposed merger, Western Digital filed a registration statement on Form S-4 with the SEC that contains a preliminary joint proxy statement of SanDisk and Western Digital that also constitutes a preliminary prospectus of Western Digital. After the registration statement is declared effective, Western Digital and SanDisk will mail the definitive joint proxy statement/prospectus to their respective stockholders. This material is not a substitute for the joint proxy statement/prospectus or registration statement or for any other document that Western Digital or SanDisk may file with the SEC and send to Western Digital's and/or SanDisk's stockholders in connection with the proposed merger. INVESTORS AND SECURITY HOLDERS OF WESTERN DIGITAL AND SANDISK ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE JOINT PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. Investors and security holders will be able to obtain copies of the joint proxy statement/prospectus as well as other filings containing information about Western Digital and SanDisk, without charge, at the SEC's website, http://www.sec.gov. Copies of the documents filed with the SEC by Western Digital will be available free of charge on Western Digital's website at http://www.wdc.com. Copies of the documents filed with the SEC by SanDisk will be available free of charge on SanDisk's website at http://www.sandisk.com.

Participants in Solicitation

Western Digital, SanDisk and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from their respective stockholders in favor of the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of stockholders in connection with the proposed transaction is set forth in the preliminary joint proxy statement/prospectus filed with the SEC on Dec. 11, 2015, as amended by Amendment No. 1, dated Jan. 27, 2016. You can find information about Western Digital's executive officers and directors in Western Digital's definitive proxy statement filed with the SEC on Sept. 23, 2015. You can find information about SanDisk's executive officers and directors in its definitive proxy statement filed with the SEC on April 27, 2015. You can obtain free copies of these documents from Western Digital and SanDisk, respectively, using the contact information above. Investors may obtain additional information regarding the interest of such participants by reading the joint proxy statement/prospectus filed on Western Digital's most recent Form S-4.

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WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	Jan. 1, 2016	July 3, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,363	$ 5,024
Short-term investments	497	262
Accounts receivable, net	1,650	1,532
Inventories	1,238	1,368
Other current assets	200	331
Total current assets	8,948	8,517
Property, plant and equipment, net	2,801	2,965
Goodwill	2,766	2,766
Other intangible assets, net	292	332
Other non-current assets	659	601
Total assets	$15,466	$15,181
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,806	$ 1,881
Accrued arbitration award	32	—
Accrued expenses	505	470
Accrued compensation	315	330
Accrued warranty	144	150
Revolving credit facility	255	255
Current portion of long-term debt	188	156
Total current liabilities	3,245	3,242
Long-term debt	2,062	2,156
Other liabilities	602	564
Total liabilities	5,909	5,962
Total shareholders' equity	9,557	9,219
Total liabilities and shareholders' equity	$15,466	$15,181

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts; unaudited)

	Three Months Ended		Six Months Ended	
	Jan. 1, 2016	Jan. 2, 2015	Jan. 1, 2016	Jan. 2, 2015
Revenue, net	$ 3,317	$ 3,888	$6,677	$7,831
Cost of revenue	2,411	2,778	4,816	5,572
Gross profit	906	1,110	1,861	2,259
Operating expenses:				
Research and development	389	426	774	863
Selling, general and administrative	207	164	399	384
Charges related to arbitration award	32	1	32	15
Employee termination, asset impairment and other charges	27	53	83	62
Total operating expenses	655	644	1,288	1,324
Operating income	251	466	573	935
Net interest and other	(7)	(8)	(15)	(17)
Income before income taxes	244	458	558	918
Income tax expense (benefit)	(7)	20	24	57
Net income	$ 251	$ 438	$ 534	$ 861
Income per common share:				
Basic	$ 1.08	$ 1.88	$ 2.31	$ 3.70
Diluted	$ 1.07	$ 1.84	$ 2.28	$ 3.60
Weighted average shares outstanding:				
Basic	232	233	231	233
Diluted	234	238	234	239

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended		Six Months Ended	
	Jan. 1, 2016	Jan. 2, 2015	Jan. 1, 2016	Jan. 2, 2015
Operating Activities				
Net income	$ 251	$ 438	$ 534	$ 861
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortization	252	290	488	579
Stock-based compensation	37	41	79	80
Deferred income taxes	22	21	15	31
Gain from insurance recovery	—	(37)	—	(37)
Loss on disposal of assets	6	8	6	12
Non-cash portion of employee termination, asset impairment and other charges	—	18	18	19
Changes in operating assets and liabilities, net	30	(536)	3	(475)
Net cash provided by operating activities	598	243	1,143	1,070
Investing Activities				
Purchases of property, plant and equipment	(149)	(146)	(300)	(306)
Acquisitions, net of cash acquired	—	(6)	—	(6)
Purchases of investments	(172)	(475)	(408)	(595)
Proceeds from sales and maturities of investments	142	464	266	630
Proceeds from sale of property, plant and equipment	—	7	—	7
Other investing activities, net	(2)	28	(12)	16
Net cash used in investing activities	(181)	(128)	(454)	(254)
Financing Activities				
Employee stock plans, net	12	62	4	64
Repurchases of common stock	—	(309)	(60)	(532)
Dividends paid to shareholders	(116)	(94)	(231)	(187)
Repayment of debt	(31)	(31)	(63)	(63)
Net cash used in financing activities	(135)	(372)	(350)	(718)
Net increase (decrease) in cash and cash equivalents	282	(257)	339	98
Cash and cash equivalents, beginning of period	5,081	5,159	5,024	4,804
Cash and cash equivalents, end of period	$ 5,363	$ 4,902	$5,363	$4,902

WESTERN DIGITAL CORPORATION

GAAP TO NON-GAAP RECONCILIATION

(in millions, except per share amounts; unaudited)

	Three Months Ended		Six Months Ended	
	Jan. 1, 2016	Jan. 2, 2015	Jan. 1, 2016	Jan. 2, 2015
GAAP gross profit	$ 906	$ 1,110	$1,861	$2,259
Charges related to cost saving initiatives	22	—	22	—
Other charges	—	39	—	39
Amortization of acquired intangible assets	16	38	33	77
Non-GAAP gross profit	$ 944	$ 1,187	$1,916	$2,375
GAAP gross margin	27.3%	28.5%	27.9%	28.8%
Non-GAAP gross margin	28.5%	30.5%	28.7%	30.3%
Revenue, net	$3,317	$ 3,888	$6,677	$7,831
GAAP net income	$ 251	$ 438	$ 534	$ 861
Non-GAAP adjustments:				
Amortization of acquired intangible assets	24	45	49	91
Employee termination, asset impairment and other charges	27	53	83	62
Charges related to cost saving initiatives	37	—	37	—
Charges related to arbitration award	32	1	32	15
Acquisition-related charges	27	—	27	—
Insurance recoveries	—	(37)	—	(37)
Other charges	4	39	6	51
Income tax adjustments	(28)	—	(28)	—
Non-GAAP net income	$ 374	$ 539	$ 740	$1,043
Diluted net income per common share:				
GAAP	$ 1.07	$ 1.84	$ 2.28	$ 3.60
Non-GAAP	$ 1.60	$ 2.26	$ 3.16	$ 4.36
Weighted average shares outstanding:				
Diluted	234	238	234	239

To supplement the condensed consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (“GAAP”), the table above sets forth Non-GAAP gross margin, Non-GAAP net income and Non-GAAP diluted net income per common share (“Non-GAAP measures”). These Non-GAAP measures are not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from Non-GAAP measures used by other companies. Western Digital Corporation believes the presentation of Non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors for measuring the Company’s earnings performance and comparing it against prior periods.

These Non-GAAP measures exclude amortization of acquired intangible assets; employee termination, asset impairment and other charges; charges related to cost saving initiatives; charges related to arbitration award; acquisition-related charges; insurance recoveries; other charges; and income tax adjustments. We exclude these items for purposes of calculating these Non-GAAP measures to facilitate a more meaningful evaluation of our current operating performance and comparisons to our operating performance in prior periods.

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

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

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

Charges related to cost saving initiatives. In connection with the transformation of our business, starting in the 2nd quarter of fiscal 2016, we incur charges related to cost saving initiatives which do not qualify for special accounting treatment as exit or disposal activities. These charges, which are not part of the ongoing operation of our business, primarily relate to costs associated with rationalizing our channel partners or vendors, transforming our information systems infrastructure, integrating our product roadmap, and accelerated depreciation on assets.

Charges related to arbitration award. In relation to an arbitration award for claims brought against the Company by Seagate Technology LLC, which was satisfied in October 2014, and the related dispute over the calculation of post-award interest, we have recorded loss contingencies. The resulting expense is inconsistent in amount and frequency.

Acquisition-related charges. In connection with our business combinations, we incur expenses which we would not have otherwise incurred as part of our business operations. These expenses include third-party professional service and legal fees, third-party integration services, severance costs, non-cash adjustments to the fair value of acquired inventory, contract termination costs, retention bonuses, and changes to the fair value of contingent consideration. We may also experience other one-time accounting impacts in connection with these transactions. These charges and impacts are related to acquisitions, are inconsistent in amount and frequency, and have no direct correlation to the operation of our business.

Insurance recoveries. From time-to-time, we receive insurance recoveries related to losses or other events which occurred in a prior period. Such recoveries are inconsistent in amount and frequency.

Other charges. From time-to-time, we sell investments or other assets which are not considered strategic or necessary to our business; are a party to legal or arbitration proceedings, which could result in an expense or benefit due to settlements, final judgments, or accruals for loss contingencies; or incur other charges or gains which are not a part of the ongoing operation of our business. The resulting expense or benefit is inconsistent in amount and frequency.

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

CASH FROM OPERATING ACTIVITIES TO FREE CASH FLOW RECONCILIATION

(in millions; unaudited)

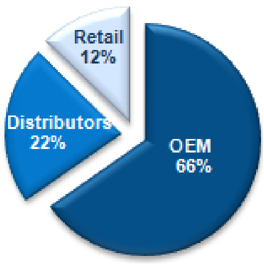
	Three Months Ended		Six Months Ended	
	Jan. 1, 2016	Jan. 2, 2015	Jan. 1, 2016	Jan. 2, 2015
Net cash provided by operating activities	$ 598	$ 243	$1,143	$1,070
Purchases of property, plant and equipment	(149)	(146)	(300)	(306)
Free cash flow	$ 449	$ 97	$ 843	$ 764

To supplement the condensed consolidated financial statements presented in accordance with GAAP, the table above sets forth free cash flow, a Non-GAAP measure. We define free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. This Non-GAAP measure is not in accordance with, or an alternative for, measures prepared in accordance with GAAP and may be different from Non-GAAP measures used by other companies.

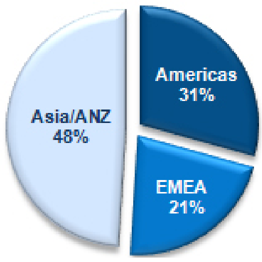
We consider free cash flow to be a liquidity measure that, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors about the amount of cash generated by the business that, after the acquisition of property, plant and equipment can be used for strategic opportunities including, among others, investing in the Company’s business, making strategic acquisitions, strengthening the balance sheet, repaying debt, paying dividends and repurchasing stock. Free cash flow should not be construed as an alternative to cash flows from operations or other cash flow measurements determined in accordance with GAAP.

Amounts in millions, except per share amounts, ASP, percentages	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16[9]
TAM	146.4	156.7	139.1	135.8	135.9	133.3	140.2	142.2	138.1	138.0	147.3	140.8	125.0	111.0	118.7	115.1
HDD Share	30.2%	45.3%	44.9%	43.6%	44.3%	44.9%	44.7%	44.4%	43.8%	45.7%	44.0%	43.4%	43.6%	43.7%	43.6%	43.2%
Units (HDD)[2]	44.2	71.0	62.5	59.2	60.2	59.9	62.6	63.1	60.4	63.1	64.7	61.0	54.5	48.5	51.7	49.7
ASP (HDD)	$ 68	$ 65	$ 62	$ 62	$ 61	$ 60	$ 58	$ 60	$ 58	$ 56	$ 58	$ 60	$ 61	$ 60	$ 60	$ 61
Revenue	$ 3,035	$ 4,754	$ 4,035	$ 3,824	$ 3,764	$ 3,728	$ 3,804	$ 3,972	$ 3,703	$ 3,651	$ 3,943	$ 3,888	$ 3,550	$ 3,191	$ 3,360	$ 3,317
Gross Profit	$ 977	$ 1,472	$ 1,193	$ 1,059	$ 1,061	$ 1,050	$ 1,099	$ 1,156	$ 1,076	$ 1,029	$ 1,149	$ 1,110	$ 1,032	$ 930	$ 955	$ 906
Gross Margin	32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%	28.5%	29.1%	29.1%	28.4%	27.3%
R&D	$ 265	$ 406	$ 396	$ 378	$ 396	$ 402	$ 401	$ 416	$ 418	$ 426	$ 437	$ 426	$ 402	$ 381	$ 385	$ 389
SG&A	122	178	179	162	185	180	132	226	201	202	220	164	199	190	192	207
Other	48	80	26	41	63	689	24	36	38	49	23	54	10	104	56	59
Total Operating Expenses	$ 435	$ 664	$ 601	$ 581	$ 644	$ 1,271	$ 557	$ 678	$ 657	$ 677	$ 680	$ 644	$ 611	$ 675	$ 633	$ 655
Operating Income (Loss)	$ 542	$ 808	$ 592	$ 478	$ 417	$ (221)	$ 542	$ 478	$ 419	$ 352	$ 469	$ 466	$ 421	$ 255	$ 322	$ 251
Net Income (Loss)	$ 483	$ 745	$ 519	$ 335	$ 391	$ (265)	$ 495	$ 430	$ 375	$ 317	$ 423	$ 438	$ 384	$ 220	$ 283	$ 251
EPS	$ 1.96	$ 2.87	$ 2.06	$ 1.36	$ 1.60	$ (1.12)	$ 2.05	$ 1.77	$ 1.55	$ 1.32	$ 1.76	$ 1.84	$ 1.63	$ 0.94	$ 1.21	$ 1.07
Diluted Shares Outstanding	246	260	252	246	245	236	242	243	242	241	240	238	236	235	234	234
Non-GAAP Results																
Gross Profit[10]	$ 1,077	$ 1,511	$ 1,231	$ 1,097	$ 1,099	$ 1,085	$ 1,135	$ 1,196	$ 1,115	$ 1,078	$ 1,188	$ 1,187	$ 1,069	$ 951	$ 972	$ 944
Gross Margin[10]	35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	30.1%	29.8%	28.9%	28.5%
Operating Expenses [10]	$ 383	$ 572	$ 564	$ 529	$ 559	$ 564	$ 574	$ 616	$ 605	$ 598	$ 638	$ 620	$ 591	$ 560	$ 567	$ 542
Net Income	$ 619	$ 872	$ 594	$ 513	$ 514	$ 477	$ 514	$ 532	$ 470	$ 445	$ 504	$ 539	$ 441	$ 356	$ 366	$ 374
EPS[6]	$ 2.52	$ 3.35	$ 2.36	$ 2.09	$ 2.10	$ 1.96	$ 2.12	$ 2.19	$ 1.94	$ 1.85	$ 2.10	$ 2.26	$ 1.87	$ 1.51	$ 1.56	$ 1.60
Revenue By Channel																
OEM	64%	69%	63%	61%	60%	66%	64%	62%	62%	65%	63%	63%	64%	67%	67%	65%
Distributors	28%	21%	24%	24%	26%	23%	24%	24%	25%	23%	24%	23%	23%	21%	21%	21%
Retail	8%	10%	13%	15%	14%	11%	12%	14%	13%	12%	13%	14%	13%	12%	12%	14%
Revenue by Geography																
Americas	21%	27%	23%	27%	27%	28%	26%	25%	25%	24%	27%	27%	29%	32%	30%	31%
EMEA	18%	18%	18%	23%	22%	19%	20%	23%	21%	20%	21%	24%	21%	21%	21%	23%
Asia/ANZ	61%	55%	59%	50%	51%	53%	54%	52%	54%	56%	52%	49%	50%	47%	49%	46%
Top 10 Customers Revenue	53%	53%	44%	45%	45%	48%	48%	42%	44%	45%	45%	44%	43%	44%	48%	44%
Enterprise SSD Revenue	$ 11	$ 54	$ 70	$ 89	$ 92	$ 104	$ 106	$ 155	$ 134	$ 113	$ 156	$ 187	$ 224	$ 244	$ 233	$ 270
Non-PC Revenue[12]	31%	45%	46%	51%	51%	52%	53%	54%	53%	54%	55%	58%	60%	65%	66%	65%
PC Units[5]																
Notebook	18.067	32.773	25.887	21.300	21.547	23.989	22.912	22.662	21.814	22.899	23.396	21.178	18.785	15.513	15.804	15.318
Desktop	15.975	21.211	16.819	17.717	18.383	16.185	17.307	16.825	16.635	16.182	16.320	15.375	13.523	11.601	11.683	12.458
Non-PC Units																
Consumer Electronics[4]	3.643	4.155	8.019	6.452	6.517	6.544	8.474	8.794	8.573	10.906	10.485	9.295	8.610	9.056	11.484	8.461
Branded	2.926	4.986	5.767	7.139	6.517	5.281	6.146	7.018	6.272	6.012	6.780	7.156	6.090	5.151	5.575	6.443
Enterprise	3.616	7.913	5.988	6.633	7.211	7.897	7.771	7.783	7.129	7.098	7.763	8.041	7.519	7.199	7.185	7.008
Total HDD	44.227	71.038	62.480	59.241	60.175	59.896	62.610	63.082	60.423	63.097	64.744	61.045	54.527	48.520	51.731	49.688
Average GB Shipped	581	668	708	804	805	797	811	874	888	875	1,001	1,088	1,123	1,159	1,228	1,390
EB Shipped	25.7	47.4	44.3	47.6	48.4	47.7	50.8	55.1	53.6	55.2	64.8	66.4	61.3	56.2	63.5	69.1
R4Q EB Shipped	111.5	126.3	133.9	165.1	187.8	188.0	194.5	202.0	207.2	214.7	228.7	240.0	247.7	248.7	247.4	250.1

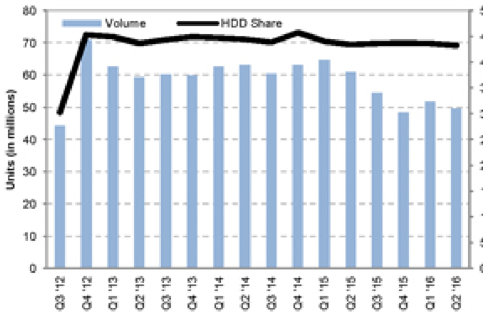
Revenue by Channel
R4Q Ending
Q2 FY16



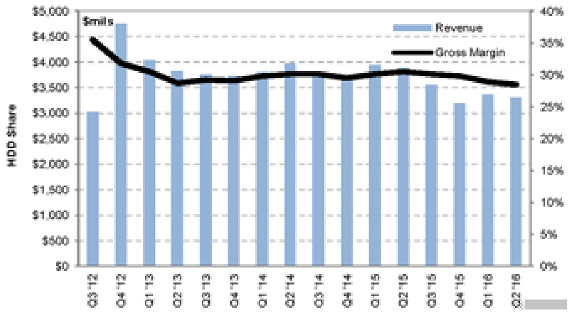
Revenue by Geography
R4Q Ending
Q2 FY16



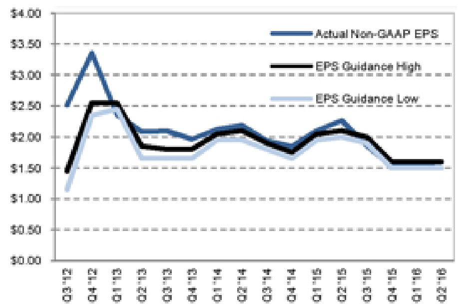
Volume and HDD Share[2]



Revenue and Non-GAAP Gross Margin[10]



Non-GAAP EPS Analysis



Note: Refer to “Non-GAAP Financial Measures” for information about non-GAAP financial measures included in this quarterly fact sheet.

Balance sheet, cash flows, earnings, dividends and share repurchase amounts in millions	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Cash and Cash Equivalents	$ 3,377	$ 3,208	$ 3,537	$ 3,816	$ 4,060	$ 4,309	$ 4,869	$ 4,655	$ 4,569	$ 4,804	$ 5,159	$ 4,902	$ 4,812	$ 5,024	$ 5,081	$ 5,363
Available-for-Sale (AFS) Securities	—	—	—	—	—	—	—	—	470	499	454	465	523	590	704	732
Debt	(2,743)	(2,185)	(2,128)	(2,128)	(2,013)	(1,955)	(2,398)	(2,340)	(2,469)	(2,438)	(2,406)	(2,375)	(2,344)	(2,567)	(2,536)	(2,505)
Net Cash, Cash Equivalents & AFS Securities	$ 634	$ 1,023	$ 1,409	$ 1,688	$ 2,047	$ 2,354	$ 2,471	$ 2,315	$ 2,570	$ 2,865	$ 3,207	$ 2,992	$ 2,991	$ 3,047	$ 3,249	$ 3,590
Cash Flow From Operations	$ 1,208	$ 1,128	$ 936	$ 772	$ 727	$ 684	$ 680	$ 727	$ 697	$ 713	$ 827	$ 243	$ 684	$ 488	$ 545	$ 598
Free Cash Flow	$ 1,069	$ 804	$ 554	$ 526	$ 539	$ 548	$ 544	$ 557	$ 536	$ 552	$ 667	$ 97	$ 534	$ 332	$ 394	$ 449
Capital Expenditures	$ 139	$ 324	$ 382	$ 246	$ 188	$ 136	$ 136	$ 170	$ 161	$ 161	$ 160	$ 146	$ 150	$ 156	$ 151	$ 149
Depreciation and Amortization	$ 188	$ 339	$ 313	$ 309	$ 309	$ 302	$ 312	$ 317	$ 307	$ 308	$ 289	$ 290	$ 285	$ 250	$ 236	$ 252
EBITDA	$ 730	$ 1,147	$ 905	$ 787	$ 726	$ 81	$ 854	$ 795	$ 726	$ 660	$ 758	$ 756	$ 706	$ 505	$ 558	$ 503
Accounts Receivable, Net	$ 2,377	$ 2,364	$ 1,951	$ 1,732	$ 1,700	$ 1,793	$ 1,791	$ 1,959	$ 1,802	$ 1,989	$ 1,915	$ 1,880	$ 1,696	$ 1,532	$ 1,616	$ 1,650
Inventory																
Raw Materials	$ 329	$ 245	$ 237	$ 193	$ 191	$ 167	$ 208	$ 201	$ 204	$ 168	$ 178	$ 154	$ 173	$ 168	$ 135	$ 130
Work in Process	667	552	559	581	583	575	579	581	519	493	509	510	498	500	507	474
Finished Goods	286	413	508	430	423	446	457	511	554	565	585	618	651	700	618	634
Total Inventory	$ 1,282	$ 1,210	$ 1,304	$ 1,204	$ 1,197	$ 1,188	$ 1,244	$ 1,293	$ 1,277	$ 1,226	$ 1,272	$ 1,282	$ 1,322	$ 1,368	$ 1,260	$ 1,238
Property, Plant and Equipment, Net	$ 4,171	$ 4,067	$ 4,027	$ 3,938	$ 3,803	$ 3,700	$ 3,638	$ 3,509	$ 3,406	$ 3,293	$ 3,202	$ 3,099	$ 3,051	$ 2,965	$ 2,890	$ 2,801
Accounts Payable	$ 2,774	$ 2,773	$ 2,545	$ 2,185	$ 2,037	$ 1,990	$ 2,061	$ 2,106	$ 1,902	$ 1,971	$ 2,016	$ 2,071	$ 2,020	$ 1,881	$ 1,799	$ 1,806
Days Sales Outstanding[11]	71	45	44	41	41	44	43	45	44	50	48	44	44	44	44	45
Days Inventory Outstanding[11]	57	34	42	40	40	40	42	42	44	42	45	42	48	55	48	47
Days Payables Outstanding[11]	123	77	82	72	69	67	69	68	65	68	71	68	73	76	68	68
Cash Conversion Cycle[11]	5	2	4	9	12	17	16	19	23	24	22	18	19	23	24	24
Inventory Turns[11]	6	11	9	9	9	9	9	9	8	9	8	9	8	7	8	8
Dividends Paid	$ —	$ —	$ —	$ 121	$ —	$ 60	$ 59	$ 59	$ 71	$ 70	$ 94	$ 94	$ 93	$ 116	$ 115	$ 116
Shares Repurchased	—	16.4	5.2	4.2	5.2	4.4	2.3	2.0	2.8	3.2	2.2	3.2	2.2	2.0	0.7	—
Shares Repurchased	$ —	$ 604	$ 218	$ 146	$ 243	$ 235	$ 150	$ 150	$ 244	$ 272	$ 223	$ 309	$ 240	$ 198	$ 60	$ —
Remaining Amount Authorized	$ 416	$ 1,312	$ 2,594	$ 2,448	$ 2,205	$ 1,970	$ 1,820	$ 1,670	$ 1,426	$ 1,154	$ 931	$ 622	$ 2,382	$ 2,184	$ 2,124	$ 2,124
R4Q Economic Profit[8]	$ (83)	$ 542	$ 801	$ 976	$ 884	$ (59)	$ (176)	$ (109)	$ (158)	$ 415	$ 332	$ 328	$ 320	$ 203	$ 52	$ (157)
R4Q ROIC[8]	14.8%	20.4%	21.3%	21.0%	20.0%	10.1%	9.7%	10.5%	10.2%	15.1%	14.2%	14.1%	14.1%	13.1%	11.7%	10.0%
R4Q ROA[8]	10.5%	14.3%	14.9%	14.7%	14.2%	7.0%	6.7%	7.2%	7.0%	10.6%	10.0%	10.1%	10.2%	9.6%	8.7%	7.5%
Worldwide Headcount[3]	106,604	103,111	96,002	93,820	87,565	85,777	87,586	87,976	84,556	84,072	83,277	83,993	80,767	76,449	76,052	74,891

Business Model (Non-GAAP)

Gross Margin*
27%-32%

Operating Expense*
10%-12%

Operating Income*
15%-22%

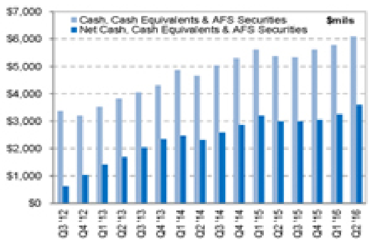
Tax
7%-10% of Income Before Tax

Capital Expenditures*
5%-7%

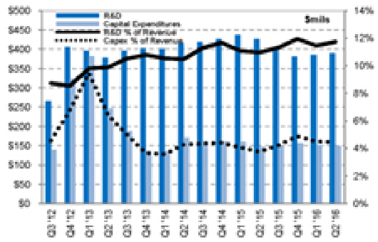
Conversion Cycle
4-8 Days

*Percent of Revenue

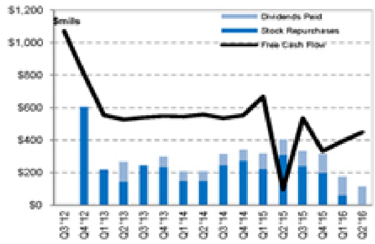
Gross vs. Net Cash, Cash Equivalents & AFS Securities



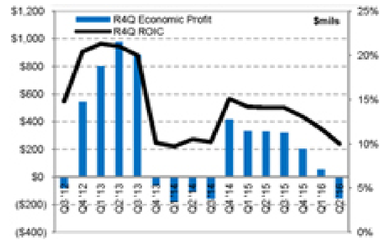
R&D[10] and Capital Expenditures



Free Cash Flow



R4Q ROIC & R4Q Economic Profit[8]



Note: Refer to “Non-GAAP Financial Measures” for information about non-GAAP financial measures included in this quarterly fact sheet.

Non-GAAP Financial Measures

Free Cash Flow: Free cash flow is a non-GAAP financial measure defined as cash flows from operations less capital expenditures. We consider free cash flow to be useful as an indicator of our overall liquidity, as the amount of free cash flow generated in any period is representative of cash that is available for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet, repaying debt, paying dividends and repurchasing stock. Free cash flow should not be construed as an alternative to cash flows from operations or other cash flow measurements determined in accordance with GAAP.

EBITDA: EBITDA is a non-GAAP financial measure defined as net income before interest, income tax expense, depreciation and amortization. We include information concerning EBITDA because we believe it is a useful measure to evaluate our operating performance. As a measure of our operating performance, we believe EBITDA provides a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. While EBITDA is a relevant and widely used measure of operating performance, it does not represent net income as defined by GAAP and it should not be considered as an alternative to that measure in evaluating operating performance.

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

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

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

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

In millions, except gross margin and per share amounts	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Reconciliation of Cash Flows from Operations to Free Cash Flow																	
Cash Flows from Operations	$ 378	$1,208	$1,128	$ 936	$ 772	$ 727	$ 684	$ 680	$ 727	$ 697	$ 713	$ 827	$ 243	$ 684	$ 488	$ 545	$ 598
Capital Expenditures	(120)	(139)	(324)	(382)	(246)	(188)	(136)	(136)	(170)	(161)	(161)	(160)	(146)	(150)	(156)	(151)	(149)
Free Cash Flow	$ 258	$1,069	$ 804	$ 554	$ 526	$ 539	$ 548	$ 544	$ 557	$ 536	$ 552	$ 667	$ 97	$ 534	$ 332	$ 394	$ 449
Reconciliation of Net Income to EBITDA																	
Net Income (Loss)	$ 145	$ 483	$ 745	$ 519	$ 335	$ 391	$ (265)	$ 495	$ 430	$ 375	$ 317	$ 423	$ 438	$ 384	$ 220	$ 283	$ 251
Interest	2	4	7	14	10	11	9	10	11	13	5	9	8	9	8	8	7
Income Tax Provision	15	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31	(7)
Depreciation and Amortization	140	188	339	313	309	309	302	312	317	307	308	289	290	285	250	236	252
EBITDA	$ 302	$ 730	$1,147	$ 905	$ 787	$ 726	$ 81	$ 854	$ 795	$ 726	$ 660	$ 758	$ 756	$ 706	$ 505	$ 558	$ 503
Reconciliation of Gross Margin to Non-GAAP Gross Margin & Gross Profit to Non-GAAP Gross Profit																	
Gross Profit[10]	$ 648	$ 977	$1,472	$1,193	$1,059	$1,061	$1,050	$1,099	$1,156	$1,076	$1,029	$1,149	$1,110	$1,032	$ 930	$ 955	$ 906
Acquisition-related charges	—	91	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Charges related to cost saving initiatives	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	22
Other charges	—	—	—	—	—	—	—	—	—	—	10	—	39	—	1	—	—
Amortization of acquired intangible assets	—	9	39	38	38	38	35	36	40	39	39	39	38	37	20	17	16
Non-GAAP Gross Profit[10]	$ 648	$1,077	$1,511	$1,231	$1,097	$1,099	$1,085	$1,135	$1,196	$1,115	$1,078	$1,188	$1,187	$1,069	$ 951	$ 972	$ 944
Revenue	$1,995	$3,035	$4,754	$4,035	$3,824	$3,764	$3,728	$3,804	$3,972	$3,703	$3,651	$3,943	$3,888	$3,550	$3,191	$3,360	$3,317
Gross Margin[10]	32.5%	32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%	28.5%	29.1%	29.1%	28.4%	27.3%
Non-GAAP Gross Margin[10]	32.5%	35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	30.1%	29.8%	28.9%	28.5%
Reconciliation of Operating Expenses to Non-GAAP Operating Expenses																	
Total Operating Expenses	$ 486	$ 435	$ 664	$ 601	$ 581	$ 644	$1,271	$ 557	$ 678	$ 657	$ 677	$ 680	$ 644	$ 611	$ 675	$ 633	$ 655
Less:																	
Amortization of acquired intangible assets	—	(3)	(12)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(8)	(7)	(7)	(7)	(8)	(8)	(8)
Employee termination, asset impairment and other charges	—	—	(80)	(26)	(41)	(63)	(8)	(11)	(23)	(25)	(26)	(9)	(36)	(10)	(104)	(56)	(27)
Charges related to cost saving initiatives	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(15)
Charges related to arbitration award	—	—	—	—	—	—	(681)	(13)	(13)	(13)	(13)	(14)	(1)	—	—	—	(32)
Acquisition-related charges	(14)	(34)	—	—	—	—	(7)	(13)	—	—	—	—	—	(3)	—	—	(27)
Charges and insurance recoveries related to flooding, net	(199)	(15)	—	—	—	—	—	65	—	—	—	—	37	—	—	—	—
Other charges	—	—	—	—	—	(11)	—	—	(15)	(3)	(32)	(12)	(17)	—	(3)	(2)	(4)
Non-GAAP Operating Expenses	$ 273	$ 383	$ 572	$ 564	$ 529	$ 559	$ 564	$ 574	$ 616	$ 605	$ 598	$ 638	$ 620	$ 591	$ 560	$ 567	$ 542
Reconciliation of Net Income (Loss) to Non-GAAP Net Income																	
Net Income (Loss)	$ 145	$ 483	$ 745	$ 519	$ 335	$ 391	$ (265)	$ 495	$ 430	$ 375	$ 317	$ 423	$ 438	$ 384	$ 220	$ 283	$ 251
Amortization of acquired intangible assets	—	12	51	49	49	49	46	47	51	50	47	46	45	44	28	25	24
Employee termination, asset impairment and other charges	—	—	80	26	41	63	8	11	23	25	36	9	53	10	104	56	27
Charges related to cost saving initiatives	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	37
Charges related to arbitration award	—	—	—	—	—	—	681	13	13	13	13	14	1	—	—	—	32
Acquisition-related charges	14	125	—	—	—	—	7	13	—	—	—	—	—	3	—	—	27
Charges and insurance recoveries related to flooding, net	199	15	—	—	—	—	—	(65)	—	—	—	—	(37)	—	—	—	—
Other charges	—	—	—	—	—	11	—	—	15	7	32	12	39	—	4	2	4
Income tax adjustments	—	(16)	(4)	—	88	—	—	—	—	—	—	—	—	—	—	—	(28)
Non-GAAP Net Income	$ 358	$ 619	$ 872	$ 594	$ 513	$ 514	$ 477	$ 514	$ 532	$ 470	$ 445	$ 504	$ 539	$ 441	$ 356	$ 366	$ 374
EPS	$ 0.61	$ 1.96	$ 2.87	$ 2.06	$ 1.36	$ 1.60	$(1.12)	$ 2.05	$ 1.77	$ 1.55	$ 1.32	$ 1.76	$ 1.84	$ 1.63	$ 0.94	$ 1.21	$ 1.07
Non-GAAP EPS	$ 1.51	$ 2.52	$ 3.35	$ 2.36	$ 2.09	$ 2.10	$ 1.96	$ 2.12	$ 2.19	$ 1.94	$ 1.85	$ 2.10	$ 2.26	$ 1.87	$ 1.51	$ 1.56	$ 1.60
Diluted Shares Outstanding	237	246	260	252	246	245	236	242	243	242	241	240	238	236	235	234	234
Non-GAAP Diluted Shares Outstanding[6]	237	246	260	252	246	245	243	242	243	242	241	240	238	236	235	234	234
Reconciliation of Income Tax Provision as a percentage of pre-tax income to Non-GAAP income tax provision as a percentage of non-GAAP pre-tax income																	
Net income (loss)	$ 145	$ 483	$ 745	$ 519	$ 335	$ 391	$ (265)	$ 495	$ 430	$ 375	$ 317	$ 423	$ 438	$ 384	$ 220	$ 283	$ 251
Income tax provision	15	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31	(7)
Pre-tax income	$ 160	$ 538	$ 801	$ 578	$ 468	$ 406	$ (230)	$ 532	$ 467	$ 406	$ 347	$ 460	$ 458	$ 412	$ 247	$ 314	$ 244
Income tax provision as a percentage of pre-tax income	9%	10%	7%	10%	28%	4%	-15%	7%	8%	8%	9%	8%	4%	7%	11%	10%	-3%
Non-GAAP Net Income	$ 358	$ 619	$ 872	$ 594	$ 513	$ 514	$ 477	$ 514	$ 532	$ 470	$ 445	$ 504	$ 539	$ 441	$ 356	$ 366	$ 374
Add:																	
Income tax provision	15	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31	(7)
Income tax adjustments	—	16	4	—	(88)	—	—	—	—	—	—	—	—	—	—	—	28
Non-GAAP income tax provision	15	71	60	59	45	15	35	37	37	31	30	37	20	28	27	31	21
Non-GAAP pre-tax income	$ 373	$ 690	$ 932	$ 653	$ 558	$ 529	$ 512	$ 551	$ 569	$ 501	$ 475	$ 541	$ 559	$ 469	$ 383	$ 397	$ 395
Non-GAAP income tax provision as a percentage of pre-tax income	4%	10%	6%	9%	8%	3%	7%	7%	7%	6%	6%	7%	4%	6%	7%	8%	5%

Non-GAAP Financial Measures

Economic Profit: Economic profit (EP) is a non-GAAP financial measure defined as net operating profit after taxes less the value of invested capital multiplied by the weighted average cost of capital, where net operating profit after taxes is defined as income from operations minus tax expense and invested capital is defined as the sum of current debt, long-term debt and equity. Management uses EP to evaluate business performance and allocate resources, and it is a component in determining management's incentive compensation. Management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit.

In millions	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Reconciliation of Operating Income (Loss) to R4Q Economic Profit																			
Operating Income (Loss)	$ 172	$ 259	$ 162	$ 542	$ 808	$ 592	$ 478	$ 417	$ (221)	$ 542	$ 478	$ 419	$ 352	$ 469	$ 466	$ 421	$ 255	$ 322	$ 251
Income Tax Provision	(12)	(19)	(15)	(55)	(56)	(59)	(133)	(15)	(35)	(37)	(37)	(31)	(30)	(37)	(20)	(28)	(27)	(31)	7
Net Operating Profit After Taxes	160	240	147	487	752	533	345	402	(256)	505	441	388	322	432	446	393	228	291	258
R4Q Net Operating Profit After Taxes	728	771	692	1,034	1,626	1,919	2,117	2,032	1,024	996	1,092	1,078	1,656	1,583	1,588	1,593	1,499	1,358	1,170
Invested Capital x WACC	(636)	(658)	(677)	(1,117)	(1,084)	(1,118)	(1,141)	(1,148)	(1,083)	(1,172)	(1,201)	(1,236)	(1,241)	(1,251)	(1,260)	(1,273)	(1,296)	(1,306)	(1,327)
R4Q Economic Profit	$ 92	$ 113	$ 15	$ (83)	$ 542	$ 801	$ 976	$ 884	$ (59)	$ (176)	$ (109)	$ (158)	$ 415	$ 332	$ 328	$ 320	$ 203	$ 52	$ (157)

Formulas

Share = Units (HDD) / TAM

ASP = Revenue / Units (HDD)

Free Cash Flow = Cash Flow from Operations – Capital Expenditures

EBITDA = Net Income (Loss) + Interest + Income Tax Expense + Depreciation and Amortization

Days Sales Outstanding (DSO) = Accounts Receivable / (Revenue / 91 days)

Days Inventory Outstanding (DIO) = Inventory / (Cost of Revenue / 91 days)

Days Payables Outstanding (DPO) = Accounts Payable / (Cost of Revenue / 91 days)

Cash Conversion Cycle = DSO + DIO – DPO

Inventory Turns = 364 days / DIO

R4Q Economic Profit = R4Q Net Operating Profit After Taxes – (Invested Capital x WACC)

- Invested Capital = Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity
- WACC[7] = 11%

R4Q ROIC = R4Q (Net Income (Loss) + Interest Expense) / R4Q Average (Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity)

R4Q ROA = R4Q Net Income (Loss) / R4Q Average Total Assets

Footnotes

1. ASP, Revenue by Channel and Revenue by Geography exclude external sales of media/substrates.
2. Unit volume excludes WD TV Media Players without hard drives, WD Livewire, SSD and media.
3. Worldwide Headcount excludes temporary and contracted employees.
4. Consumer Electronics includes gaming.
5. PC includes shipments to distributors, second/third tier external HDD manufacturers, and white box manufacturers.
6. Q4 FY13 non-GAAP EPS is calculated using the same number of shares used for Q4 FY13 GAAP EPS plus 7 million dilutive shares. Dilutive shares are not included in the Q4 FY13 GAAP EPS calculation as Q4 FY13 resulted in a net loss.
7. WACC of 11% is an internal assumption.
8. Q2 FY12 includes charges related to the flooding. Q4 FY13 includes charges related to the arbitration award.
9. TAM is preliminary and based on internal information.
10. Certain FY14 prior quarter amounts have been reclassified from gross profit, R&D and SG&A to the other charges line within operating expenses to conform to the annual presentation of FY14 in Part II, Item 8, Note18 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K.
11. Q1 FY15 cash conversion cycle calculated using 98 days due to a 14 week quarter. Q1 FY15 inventory turns calculated using 371 days due to a 53 week year.
12. Non-PC revenue percentage includes consumer electronics, enterprise applications, branded products, and SSD.