SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 30, 1996.

OR

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

Commission file number 1-8703

WESTERN DIGITAL CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE	95-2647125
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8105 Irvine Center Drive Irvine, California	92718
(Address of principal executive offices)	(Zip Code)

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

N/A

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

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

Number of shares outstanding of Common Stock, as of May 1, 1996 is 43,562,025.

WESTERN DIGITAL CORPORATION

SEC FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE-MONTH PERIOD ENDED MARCH 30, 1996	THREE-MONTH PERIOD ENDED APRIL 1, 1995
Revenues, net	$728,362	$529,297
Costs and expenses:		
Cost of revenues	635,038	440,929
Research and development	36,682	33,500
Selling, general and administrative	37,628	34,204
Total costs and expenses	709,348	508,633
Operating income	19,014	20,664
Net interest and other income	3,328	2,430
Income before income taxes	22,342	23,094
Provision for income taxes	2,904	3,444
Net income	$ 19,438	$ 19,650
Earnings per common and common equivalent share (Note 2):	$ .42	$ .40
Common and common equivalent shares used in computing per share amounts	46,592	48,586

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

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	NINE-MONTH PERIOD ENDED	
	MARCH 30, 1996	APRIL 1, 1995
Revenues, net	$2,044,503	$1,545,831
Costs and expenses:		
Cost of revenues	1,767,008	1,250,656
Research and development	116,070	93,087
Selling, general and administrative	115,071	96,192
Total costs and expenses	1,998,149	1,439,935
Operating income	46,354	105,896
Net interest and other income	10,115	8,106
Gain on sale of multimedia business (Note 5)	17,275	--
Income before income taxes	73,744	114,002
Provision for income taxes	9,586	17,080
Net income	$ 64,158	$ 96,922
Earnings per common and common equivalent share (Note 2):		
Primary	$ 1.31	$ 2.03
Fully diluted	$ 1.31	$ 1.95
Common and common equivalent shares used in computing per share amounts:		
Primary	48,890	47,844
Fully diluted	49,014	51,364

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

WESTERN DIGITAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	MARCH 30, 1996	JULY 1, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$ 138,627	$ 217,531
Short-term investments	59,995	90,177
Accounts receivable, less allowance for doubtful accounts of $10,141 and $9,309	393,699	303,841
Inventories (Note 3)	145,273	98,925
Prepaid expenses	23,321	19,663
Total current assets	760,915	730,137
Property and equipment, at cost, less accumulated depreciation and amortization	120,009	88,576
Intangible and other assets, net	38,823	40,127
Total assets	$ 919,747	$ 858,840
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 332,845	$ 250,325
Accrued compensation	25,463	30,064
Accrued expenses	109,251	89,213
Total current liabilities	467,559	369,602
Deferred income taxes	16,232	15,812
Shareholders' equity:		
Preferred stock, $.10 par value; Authorized: 5,000 shares Outstanding: None	--	--
Common stock, $.10 par value; Authorized: 95,000 shares Outstanding: 50,666 shares at March 30 and 50,482 shares at July 1	5,066	5,048
Additional paid-in capital	354,230	355,624
Retained earnings	187,734	123,576
Treasury stock-common stock at cost; 6,661 shares at March 30 and 805 shares at July 1 (Note 4)	(111,074)	(10,822)
Total shareholders' equity	435,956	473,426
Total liabilities and shareholders' equity	$ 919,747	$ 858,840

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

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	NINE-MONTH PERIOD ENDED	
	MARCH 30, 1996	APRIL 1, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 64,158	$ 96,922
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,133	31,914
Gain on sale of multimedia business	(17,275)	--
Changes in current assets and liabilities, net of the effect of the sale of the businesses:		
Accounts receivable	(93,858)	(54,411)
Inventories	(53,834)	(14,167)
Prepaid expenses	(5,288)	(13,332)
Accounts payable and accrued expenses	77,365	37,326
Other assets	2,102	(10,383)
Deferred income taxes	420	5,686
Net cash provided by operating activities	12,923	79,555
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short-term investments	30,182	(91,619)
Capital expenditures, net	(67,005)	(38,843)
Increase in other assets	(6,491)	(1,411)
Proceeds from sale of businesses (Note 5)	53,115	--
Net cash provided by (used for) investing activities	9,801	(131,873)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options	4,760	3,075
Proceeds from ESPP shares issued	7,350	5,298
Repurchase of common stock (Note 4)	(113,738)	(10,822)
Net cash used for financing activities	(101,628)	(2,449)
Net decrease in cash and cash equivalents	(78,904)	(54,767)
Cash and cash equivalents, beginning of period	217,531	243,484
Cash and cash equivalents, end of period	$ 138,627	$ 188,717

SUPPLEMENTAL DISCLOSURES:

Cash paid during the period for:		
Interest	$ --	$ 2,703
Income taxes	2,728	5,021

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

WESTERN DIGITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents for each period presented. For the nine-month period ended April 1, 1995, fully diluted earnings per share additionally reflect dilutive shares assumed to be issued upon conversion of the Company's convertible subordinated debentures.

3. Inventories consist of the following:

(in thousands)	MARCH 30, 1996	JULY 1, 1995
Finished goods	$ 59,857	$31,811
Work in process	42,854	35,763
Raw materials and component parts	42,562	31,351
	$145,273	$98,925

4. During the nine-month period ended March 30, 1996, the Company repurchased 6,819,800 shares of its common stock in the open market at a cost of $113.7 million. During the same period, 646,202 and 318,015 shares were distributed in connection with the Employee Stock Purchase Plan ("ESPP") and common stock option exercises, respectively.

5. In October 1995, the Company sold its multimedia business to Philips Semiconductors, Inc. ("Philips") for $51.9 million, resulting in a one-time, pre-tax gain of $17.3 million. Separately, in March 1996, the Company sold its high speed fiber-optic communication links ("Fibre Channel") business to Vixel Corporation ("Vixel"). The sale to Vixel did not have a material impact on the Company's results of operations. Through these transactions, Philips and Vixel acquired specific assets and intellectual properties and assumed certain liabilities directly related to the multimedia and Fibre Channel businesses.

   In April 1996, the Company completed the sale of its input/output products business to Adaptec, Inc. ("Adaptec") for $33.4 million. In connection with the sale, Adaptec acquired specific assets and intellectual properties and assumed certain liabilities directly related to the input/output products business. As a result of the sale, the Company is restructuring its business in order to improve the Company's focus on its primary objectives and strengths. The net result of the sale to Adaptec and the related restructuring charges is not expected to be material to the Company's results of operations for the quarter ended June 29, 1996.

6. In the opinion of management, all adjustments necessary to fairly state the results of operations for the three- and nine-month periods ended March 30, 1996 and April 1, 1995 have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended July 1, 1995.

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

ITEM 2.

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

RESULTS OF OPERATIONS

Consolidated sales were $728.4 million in the third quarter of 1996, compared with $758.0 million in the immediately preceding quarter and $529.3 million in the third quarter of 1995. Consolidated sales were $2.0 billion in the first nine months of 1996, an increase of $498.7 million or 32% from the same period of the prior year. The growth in revenues stemmed from 51% and 46% increases in hard drive unit shipments for the three- and nine-month periods ended March 30, 1996, respectively, over the corresponding periods of the prior year. The higher volume was partially offset by a decline in the average selling prices of hard drive products and lower sales of microcomputer products due to the sale of the multimedia and Fibre Channel businesses during 1996. The decrease from the seasonally strong December quarter was due to slightly lower hard drive unit shipments and declining average selling prices.

The consolidated gross margin percentage was 12.8% in the third quarter of 1996, a decrease of .8 and 3.9 percentage points from the immediately preceding quarter and the third quarter of 1995, respectively. The consolidated gross margin percentage was 13.6% in the first nine months of 1996, down 5.5 percentage points from the same period of 1995. The decrease in gross profit margin from the third quarter of 1995 and the nine-month period ended April 1, 1995 was primarily due to three factors. First, higher-capacity products were introduced at lower average selling prices as a result of competitive pricing pressures. Second, the Company shipped a broader mix of hard drives during fiscal year 1996. This resulted in higher shipments of lower-capacity products at lower price points, which generally have smaller gross margins. Finally, fewer microcomputer products (which have higher average gross margin percentages) were sold due to the sale of the multimedia and Fibre Channel businesses during 1996. The decrease in gross margin percentage from the immediately preceding quarter was primarily the result of the decline in average selling prices in the current quarter.

Research and development expense ("R&D") for the current quarter decreased $2.0 million or 5% as compared to the second quarter of 1996. The decline was primarily due to lower expenditures as a result of the sale of the multimedia and Fibre Channel businesses. R&D expense for the three- and nine-month periods ended March 30, 1996 increased $3.2 million or 9% and $23.0 million or 25%, respectively, over the same periods of the prior year. Higher expenditures to support the development of higher-capacity products was the primary factor contributing to the increases. R&D expense declined as a percentage of revenues for the three- and nine-month periods ended March 30, 1996 as compared to the corresponding periods of 1995 as lower amounts were spent for connectivity solutions group ("CSG") products in anticipation of the sale of these businesses.

Selling, general and administrative ("SG&A") expense for the current quarter increased $3.4 million, or 10% over the same period a year ago and decreased $5.9 million or 14% as compared to the second quarter of 1996. SG&A expense for the nine-month period ended March 30, 1996 increased $18.9 million or 20% over the first nine months of fiscal year 1995. The increases were primarily the result of incremental expenses in support of the higher revenue levels and higher royalty expense, partially offset by lower expenses related to CSG. The decrease in expenses related to CSG was the primary factor contributing to the decline in SG&A expense as a percentage of revenues for the three- and nine-month periods ended March 30, 1996 compared with the corresponding periods of the prior year. The decrease from the immediately preceding quarter was primarily the result of lower spending in anticipation of the sale of the input/output products business.

ITEM 2.

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

Net interest and other income for the three- and nine-month periods ended March 30, 1996 increased $.9 million and $2.0 million, respectively, over the corresponding periods of fiscal year 1995. The elimination of the Company's outstanding debt was responsible for the improvements in net interest and other income over the prior year.

In April 1996, the Company sold its input/output products business, which represented the final component of CSG (see note 5). CSG revenue for the first nine months of 1996 totaled $69.8 million, or 3% of consolidated revenues. Beginning with the fourth quarter of 1996, the Company's operations will relate entirely to hard drive products.

FINANCIAL CONDITION

Cash and short-term investments totaled $198.6 million at March 30, 1996 as compared with $307.7 million at July 1, 1995. Net cash provided by operating activities was $12.9 million for the nine-month period ended March 30, 1996. Cash flow from earnings (net of the gain on sale of the multimedia business), depreciation and an increase in current liabilities were partially offset by cash used to fund increases in accounts receivable and inventories. Other significant uses of cash during the first nine months of 1996 were $67.0 million of capital expenditures, which were incurred primarily to support increased production of hard drives and related components, and the acquisition of 6.8 million shares of the Company's common stock in the open market for $113.7 million. Partially offsetting these uses of cash was approximately $53.1 million received in connection with the sale of the multimedia and Fibre Channel businesses (see Note 5).

The ability of the Company to continue to effectively manage its working capital and operate profitably is dependent upon a number of factors including competitive conditions in the marketplace, growth rates in the personal and enterprise computing industries, availability of third party components at reasonable prices, continued success in the design and manufacturing ramp, efficient utilization of manufacturing capacity, and continued timely collection of accounts receivable.

PART II. OTHER INFORMATION

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

(a) Exhibits:

11 Computation of Per Share Earnings.

27 Financial Data Schedule

(b) Reports on Form 8-K:

None

SIGNATURES

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

WESTERN DIGITAL CORPORATION
Registrant

/s/ SCOTT MERCER

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

Date: May 13, 1996

EXHIBIT INDEX

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

EXHIBIT 11

WESTERN DIGITAL CORPORATION

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

	THREE-MONTH PERIOD ENDED		NINE-MONTH PERIOD ENDED	
	MARCH 30, 1996	APRIL 1, 1995	MARCH 30, 1996	APRIL 1, 1995
PRIMARY				
Net income	$19,438	$19,650	$64,158	$96,922
Weighted average number of common shares outstanding during the period . . .	44,895	46,716	47,137	45,765
Incremental common shares attributable to exercise of outstanding options and warrants	1,697	1,870	1,753	2,079
Total shares	46,592	48,586	48,890	47,844
Net income per share	$ .42	$ .40	$ 1.31	$ 2.03
FULLY DILUTED				
Net income	$19,438	$19,650	$64,158	$96,922
Add back: interest expense, net of income tax effect, applicable to convertible subordinated debentures	--	813	--	3,036
	$19,438	$20,463	$64,158	$99,958
Weighted average number of common shares outstanding during the period . . .	44,895	46,716	47,137	45,765
Incremental common shares attributable to exercise of outstanding options and warrants	1,815	1,870	1,877	2,080
Incremental common shares attributable to conversion of convertible subordinated debentures	--	2,800	--	3,519
Total shares	46,710	51,386	49,014	51,364
Net income per share	$.42	$.40	$1.31	$1.95

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF INCOME AND BALANCE SHEETS OF WESTERN DIGITAL CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q FOR THE NINE-MONTH PERIOD ENDED MARCH 30, 1996.

1,000
U.S. DOLLARS

9-MOS
JUN-29-1996
JUL-02-1995
MAR-30-1996
1
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2,044,503
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64,158
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1.31