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 September 29, 2023

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	**33-0956711**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
5601 Great Oaks Parkway San Jose, California	**95119**
(Address of principal executive offices)	*(Zip Code)*

Registrant’s telephone number, including area code: (408) 717-6000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value Per Share	WDC	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
☒	☐	☐	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of the close of business on October 25, 2023, 324,243,164 shares of common stock, par value $0.01 per share, were outstanding.

WESTERN DIGITAL CORPORATION

INDEX

Unless otherwise indicated, references herein to specific years and quarters are to our fiscal years and fiscal quarters, and references to financial information are on a consolidated basis. As used herein, the terms “we,” “us,” “our,” the “Company,” “WDC” and “Western Digital” refer to Western Digital Corporation and its subsidiaries, unless we state, or the context indicates, otherwise.

WDC, a Delaware corporation, is the parent company of our data storage business. Our principal executive offices are located at 5601 Great Oaks Parkway, San Jose, California 95119. Our telephone number is (408) 717-6000.

Western Digital, the Western Digital logo, SanDisk, and WD are registered trademarks or trademarks of Western Digital or its affiliates in the U.S. and/or other countries. All other trademarks, registered trademarks and/or service marks, indicated or otherwise, are the property of their respective owners.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "would," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecast," and the like, or the use of future tense. 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: expectations regarding our plan to separate our HDD and Flash business units; the global macroeconomic environment; expectations regarding demand trends and market conditions for our products; expectations regarding long-term growth opportunities; expectations regarding our product momentum and product development and technology plans; expectations regarding capital expenditure plans and investments, including relating to our Flash Ventures joint venture with Kioxia Corporation ("Kioxia"), and sources of funding for related expenditures; expectations regarding our effective tax rate and our unrecognized tax benefits; and our beliefs regarding our capital allocation plans and the sufficiency of our available liquidity to meet our working capital, debt and capital expenditure needs.

These forward-looking statements are based on management's current expectations, represent the most current information available to the Company as of the date of this Quarterly Report on Form 10-Q and are subject to a number of risks, uncertainties and other factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements. These risks and uncertainties include, but are not limited to:

- *volatility in global or regional economic conditions;*
- *dependence on a limited number of suppliers or disruptions in our supply chain;*
- *future responses to and effects of the COVID-19 pandemic or other similar public health crises;*
- *damage or disruption to our operations or to those of our suppliers;*
- *hiring and retention of key employees;*
- *compromise, damage or interruption from cybersecurity incidents or other data or system security risks;*
- *product defects;*
- *the outcome and impact of the planned separation of our HDD and Flash business units, including with respect to customer and supplier relationships, contractual restrictions, stock price volatility and the diversion of management's attention from ongoing business operations and opportunities;*
- *our reliance on strategic relationships with key partners, including Kioxia;*
- *the competitive environment, including actions by our competitors, and the impact of competitive products and pricing;*
- *our development and introduction of products based on new technologies and expansion into new data storage markets;*
- *risks associated with cost saving initiatives, restructurings, acquisitions, divestitures, mergers, joint ventures and our strategic relationships;*
- *changes to our relationships with key customers;*
- *our ability to respond to market changes in our distribution channel and retail market;*
- *our level of debt and other financial obligations;*
- *changes in tax laws or unanticipated tax liabilities;*
- *fluctuations in currency exchange rates as a result of our international operations;*
- *risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings;*
- *risks associated with our goals relating to environmental, social and governance matters, including the company's ability to meet its GHG emissions reduction and other ESG goals;*
- *our reliance on intellectual property and other proprietary information; and*
- *the other risks and uncertainties disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2023 (the "2023 Annual Report on Form 10-K").*

You are urged to carefully review the disclosures we make concerning these risks and review the additional disclosures we make concerning material risks and other factors that may affect the outcome of our forward-looking statements and our business and operating results, including those made in Part I, Item 1A of our 2023 Annual Report on Form 10-K and any of those made in our other reports filed with the Securities and Exchange Commission, including under "Risk Factors" in Item 1A of subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that may from time to time amend, supplement or supersede the risks and uncertainties disclosed in the 2023 Annual Report on Form 10-K. You are cautioned not to place undue reliance on the forward-looking statements included in this Quarterly Report on Form 10-Q, which speak only as of the date of this document. We do not intend, and undertake no obligation, to update or revise these forward-looking statements to reflect new information or events after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements (unaudited)*

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except par value)
(Unaudited)

	September 29, 2023	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,032	$ 2,023
Accounts receivable, net	1,451	1,598
Inventories	3,497	3,698
Other current assets	597	567
Total current assets	7,577	7,886
Property, plant and equipment, net	3,371	3,620
Notes receivable and investments in Flash Ventures	1,245	1,297
Goodwill	10,035	10,037
Other intangible assets, net	80	80
Other non-current assets	1,693	1,509
Total assets	$ 24,001	$ 24,429
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,294	$ 1,293
Accounts payable to related parties	277	292
Accrued expenses	1,347	1,288
Income taxes payable	675	999
Accrued compensation	349	349
Current portion of long-term debt	1,850	1,213
Total current liabilities	5,792	5,434
Long-term debt	5,822	5,857
Other liabilities	1,398	1,415
Total liabilities	13,012	12,706
Commitments and contingencies (Notes 9, 10, 12 and 16)		
Convertible preferred stock, $0.01 par value; authorized — 5 shares; issued and outstanding — 1 shares; aggregate liquidation preference of $939 and $924, respectively	876	876
Shareholders' equity:		
Common stock, $0.01 par value; authorized — 450 shares; issued and outstanding — 324 shares and 322 shares, respectively	3	3
Additional paid-in capital	3,970	3,936
Accumulated other comprehensive loss	(599)	(516)
Retained earnings	6,739	7,424
Total shareholders' equity	10,113	10,847
Total liabilities, convertible preferred stock and shareholders' equity	$ 24,001	$ 24,429

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)
(Unaudited)

	Three Months Ended	
	September 29, 2023	September 30, 2022
Revenue, net	$ 2,750	$ 3,736
Cost of revenue	2,651	2,755
Gross profit	99	981
Operating expenses:		
Research and development	431	552
Selling, general and administrative	207	247
Employee termination, asset impairment, and other	57	24
Total operating expenses	695	823
Operating income (loss)	(596)	158
Interest and other income (expense):		
Interest income	8	2
Interest expense	(98)	(70)
Other income (expense), net	4	(6)
Total interest and other expense, net	(86)	(74)
Income (loss) before taxes	(682)	84
Income tax expense	3	57
Net income (loss)	(685)	27
Less: cumulative dividends allocated to preferred shareholders	15	—
Net income (loss) attributable to common shareholders	$ (700)	$ 27
Net income (loss) per common share:		
Basic	$ (2.17)	$ 0.09
Diluted	$ (2.17)	$ 0.08
Weighted average shares outstanding:		
Basic	323	316
Diluted	323	319

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)
(Unaudited)

	Three Months Ended	
	September 29, 2023	September 30, 2022
Net income (loss)	$ (685)	$ 27
Other comprehensive loss, before tax:		
Foreign currency translation adjustment	(38)	(80)
Net unrealized loss on derivative contracts and available-for-sale securities	(58)	(76)
Total other comprehensive loss, before tax	(96)	(156)
Income tax benefit related to items of other comprehensive loss, before tax	13	16
Other comprehensive loss, net of tax	(83)	(140)
Total comprehensive loss	$ (768)	$ (113)

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)

	Three Months Ended	
	September 29, 2023	September 30, 2022
Cash flows from operating activities		
Net income (loss)	$ (685)	$ 27
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:		
Depreciation and amortization	147	216
Stock-based compensation	77	86
Deferred income taxes	(46)	(42)
Loss (Gain) on disposal of assets	(87)	1
Non-cash portion of asset impairment	95	—
Amortization of debt issuance costs and discounts	4	3
Other non-cash operating activities, net	1	44
Changes in:		
Accounts receivable, net	147	382
Inventories	201	(224)
Accounts payable	25	(125)
Accounts payable to related parties	(15)	(25)
Accrued expenses	63	(44)
Income taxes payable	(325)	117
Accrued compensation	1	(104)
Other assets and liabilities, net	(229)	(306)
Net cash provided by (used in) operating activities	(626)	6
Cash flows from investing activities		
Purchases of property, plant and equipment	(124)	(320)
Proceeds from the sale of property, plant and equipment	193	—
Notes receivable issuances to Flash Ventures	(121)	(84)
Notes receivable proceeds from Flash Ventures	134	183
Strategic investments and other, net	2	(3)
Net cash provided by (used in) investing activities	84	(224)
Cash flows from financing activities		
Taxes paid on vested stock awards under employee stock plans	(43)	(50)
Net proceeds from convertible preferred stock	(3)	—
Repayments of debt	—	(300)
Proceeds from debt	600	300
Net cash provided by (used in) financing activities	554	(50)
Effect of exchange rate changes on cash	(3)	(10)
Net increase (decrease) in cash and cash equivalents	9	(278)
Cash and cash equivalents, beginning of year	2,023	2,327
Cash and cash equivalents, end of period	$ 2,032	$ 2,049
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 545	$ 134
Cash paid for interest	$ 127	$ 106

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY
(in millions)
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	1	$ 876	322	$ 3	$ 3,936	$ (516)	$ 7,424	$ 10,847
Net loss	—	—	—	—	—	—	(685)	(685)
Employee stock plans	—	—	2	—	(43)	—	—	(43)
Stock-based compensation	—	—	—	—	77	—	—	77
Foreign currency translation adjustment	—	—	—	—	—	(38)	—	(38)
Net unrealized loss on derivative contracts	—	—	—	—	—	(45)	—	(45)
Balance at September 29, 2023	1	$ 876	324	$ 3	$ 3,970	$ (599)	$ 6,739	$ 10,113

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY
(in millions)
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at July 1, 2022	—	$ —	315	$ 3	$ 3,733	$ (554)	$ 9,039	$ 12,221
Net income	—	—	—	—	—	—	27	27
Adoption of new accounting standards	—	—	—	—	(128)	—	91	(37)
Employee stock plans	—	—	3	—	(50)	—	—	(50)
Stock-based compensation	—	—	—	—	86	—	—	86
Foreign currency translation adjustment	—	—	—	—	—	(80)	—	(80)
Net unrealized loss on derivative contracts	—	—	—	—	—	(60)	—	(60)
Balance at September 30, 2022	—	$ —	318	$ 3	$ 3,641	$ (694)	$ 9,157	$ 12,107

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Basis of Presentation

Western Digital Corporation ("Western Digital" or the "Company") is a leading developer, manufacturer, and provider of data storage devices and solutions based on both NAND flash and hard disk drive technologies.

The Company's broad portfolio of technology and products address the following key end markets: Cloud, Client and Consumer. The Company also generates immaterial license and royalty revenue from its extensive intellectual property portfolio, which is included in each of these three end market categories.

The accounting policies followed by the Company are set forth in Part II, Item 8, Note 1, *Organization and Basis of Presentation,* of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended June 30, 2023. In the opinion of management, all adjustments necessary to fairly state the 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 ("U.S. GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These 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 for the year ended June 30, 2023. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Fiscal Year

The Company's fiscal year ends on the Friday nearest to June 30 and typically consists of 52 weeks. Approximately every five to six years, the Company reports a 53-week fiscal year to align the fiscal year with the foregoing policy. Fiscal year 2024, which will end on June 28, 2024, and fiscal year 2023, which ended June 30, 2023, are each comprised of 52 weeks, with all quarters presented consisting of 13 weeks.

Segment Reporting

The Company manufactures, markets, and sells data storage devices and solutions in the United States ("U.S.") and in foreign countries through its sales personnel, dealers, distributors, retailers, and subsidiaries. The Company manages and reports under two reportable segments: flash-based products ("Flash") and hard disk drives ("HDD").

The Chief Executive Officer, who is the Company's Chief Operating Decision Maker ("CODM"), evaluates the performance of the Company and makes decisions regarding the allocation of resources based on each operating segment's net revenue and gross margin. Because of the integrated nature of the Company's production and distribution activities, separate segment asset measures are either not available or not used as a basis for the CODM to evaluate the performance of or to allocate resources to the segments.

Use of Estimates

Company management has made estimates and assumptions relating to the reporting of certain assets and liabilities in conformity with U.S. GAAP. These estimates and assumptions have been applied using methodologies that are consistent throughout the periods presented with consideration given to the potential impacts of current macroeconomic conditions. However, actual results could differ materially from these estimates.

Note 2. Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In September 2022, the Financial Accounting Standards Board issued an accounting standards update (“ASU”) No. 2022-04, “Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”, which requires annual and interim disclosures for entities that use supplier finance programs in connection with the purchase of goods and services. The ASU requires the Company to provide disclosure of outstanding obligations to such suppliers for all balance sheet dates presented beginning with the Company’s first quarter of 2024 and to provide certain rollforward information related to those obligations beginning in the Company’s first fiscal quarter of 2025. The ASU does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. The Company adopted the guidance on the first day of fiscal year 2024, except for the rollforward information, which the Company is compiling and intends to provide beginning in fiscal year 2025. See Note 15, *Supplier Finance Program,* of the Notes to the Condensed Consolidated Financial Statements for information regarding the supplier finance program.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 3. Business Segments, Geographic Information, and Concentrations of Risk

The following table summarizes the operating performance of the Company's reportable segments:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	$ in millions	
Net revenue:		
Flash	$ 1,556	$ 1,722
HDD	1,194	2,014
Total net revenue	$ 2,750	$ 3,736
Gross profit:		
Flash	$ (161)	$ 422
HDD	273	574
Total gross profit for segments	112	996
Unallocated corporate items:		
Stock-based compensation expense	(13)	(14)
Amortization of acquired intangible assets	—	(1)
Total unallocated corporate items	(13)	(15)
Consolidated gross profit	$ 99	$ 981
Gross margin:		
Flash	(10.3)%	24.5 %
HDD	22.9 %	28.5 %
Consolidated gross margin	3.6 %	26.3 %

Disaggregated Revenue

The Company's broad portfolio of technology and products address multiple end markets. Cloud is comprised primarily of products for public or private cloud environments and end customers, which the Company believes it is uniquely positioned to address as the only provider of both Flash and HDD. Through the Client end market, the Company provides its original equipment manufacturer ("OEM") and channel customers a broad array of high-performance flash and hard drive solutions across personal computer, mobile, gaming, automotive, virtual reality headsets, at-home entertainment, and industrial spaces. The Consumer end market is highlighted by the Company's broad range of retail and other end-user products, which capitalize on the strength of the Company's product brand recognition and vast points of presence around the world.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The Company's disaggregated revenue information is as follows:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Revenue by End Market		
Cloud	$ 872	$ 1,829
Client	1,147	1,229
Consumer	731	678
Total Revenue	$ 2,750	$ 3,736
Revenue by Geography		
Asia	$ 1,551	$ 1,686
Americas	662	1,423
Europe, Middle East and Africa	537	627
Total Revenue	$ 2,750	$ 3,736

The Company's top 10 customers accounted for 44% and 52% of its net revenue for the three months ended September 29, 2023 and September 30, 2022, respectively. For the three months ended September 29, 2023 and September 30, 2022, no single customer accounted for 10% or more of the Company's net revenue.

Goodwill

Goodwill is not amortized. Instead, it is tested for impairment annually as of the beginning of the Company's fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Management performed a goodwill impairment assessment for each segment and concluded there were no impairment indicators as of either the beginning or end of the three months ended September 29, 2023. The following table provides a summary of goodwill activity for the period:

	Flash	HDD	Total
		(in millions)	
Balance at June 30, 2023	$ 5,716	$ 4,321	$ 10,037
Foreign currency translation adjustment	(1)	(1)	(2)
Balance at September 29, 2023	$ 5,715	$ 4,320	$ 10,035

Note 4. Supplemental Financial Statement Data

Accounts receivable, net

From time to time, in connection with factoring agreements, the Company sells trade accounts receivable without recourse to third-party purchasers in exchange for cash. During the three months ended September 29, 2023 and September 30, 2022, the Company sold trade accounts receivable aggregating $150 million and $291 million, respectively. The discounts on the trade accounts receivable sold were not material and were recorded within Other income (expense), net in the Condensed Consolidated Statements of Operations. As of both September 29, 2023 and June 30, 2023, the amount of factored receivables that remained outstanding was $150 million.

Inventories

	September 29, 2023	June 30, 2023
	(in millions)	
Inventories:		
Raw materials and component parts	$ 1,975	$ 2,096
Work-in-process	925	979
Finished goods	597	623
Total inventories	$ 3,497	$ 3,698

Property, plant and equipment, net

	September 29, 2023	June 30, 2023
	(in millions)	
Property, plant and equipment:		
Land	$ 235	$ 269
Buildings and improvements	1,842	1,955
Machinery and equipment	8,691	8,704
Computer equipment and software	473	470
Furniture and fixtures	55	54
Construction-in-process	729	798
Property, plant and equipment, gross	12,025	12,250
Accumulated depreciation	(8,654)	(8,630)
Property, plant and equipment, net	$ 3,371	$ 3,620

Other Intangible assets, net

As part of prior acquisitions, the Company recorded at the time of the acquisition acquired in-process research and development (“IPR&D”) for projects in progress that had not yet reached technological feasibility. IPR&D is initially accounted for as an indefinite-lived intangible asset. Once a project reaches technological feasibility, the Company reclassifies the balance to existing technology and begins to amortize the intangible asset over its estimated useful life. As of both September 29, 2023, and June 30, 2023, IPR&D included in intangible assets, net was $80 million. As of both September 29, 2023 and June 30, 2023, all other intangible assets were fully amortized.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Product warranty liability

Changes in the warranty accrual were as follows:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Warranty accrual, beginning of period	$ 244	$ 345
Charges to operations	22	32
Utilization	(43)	(34)
Changes in estimate related to pre-existing warranties	(5)	(3)
Warranty accrual, end of period	$ 218	$ 340

The current portion of the warranty accrual is classified in Accrued expenses and the long-term portion is classified in Other liabilities as noted below:

	September 29, 2023	June 30, 2023
	(in millions)	
Warranty accrual:		
Current portion (included in Accrued expenses)	$ 61	$ 97
Long-term portion (included in Other liabilities)	157	147
Total warranty accrual	$ 218	$ 244

Other liabilities

	September 29, 2023	June 30, 2023
	(in millions)	
Other liabilities:		
Non-current net tax payable	$ 199	$ 464
Non-current portion of unrecognized tax benefits	497	408
Other non-current liabilities	702	543
Total other liabilities	$ 1,398	$ 1,415

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Accumulated other comprehensive loss

Accumulated other comprehensive loss ("AOCL"), net of tax refers to expenses, gains and losses that are recorded as an element of shareholders' equity but are excluded from net income. The following table illustrates the changes in the balances of each component of AOCL:

	Actuarial Pension Losses	Foreign Currency Translation Adjustment	Unrealized Losses on Derivative Contracts	Total Accumulated Comprehensive Loss
		(in millions)		
Balance at June 30, 2023	$ (2)	$ (357)	$ (157)	$ (516)
Other comprehensive loss before reclassifications	—	(38)	(101)	(139)
Amounts reclassified from accumulated other comprehensive loss	—	—	43	43
Income tax benefit related to items of other comprehensive loss	—	1	12	13
Net current-period other comprehensive loss	—	(37)	(46)	(83)
Balance at September 29, 2023	$ (2)	$ (394)	$ (203)	$ (599)

During the three months ended September 29, 2023, the amounts reclassified out of AOCL were losses related to foreign exchange contracts that were substantially charged to Cost of revenue in the Condensed Consolidated Statements of Operations.

As of September 29, 2023, substantially all existing net losses related to cash flow hedges recorded in AOCL are expected to be reclassified to earnings within the next twelve months. In addition, as of September 29, 2023, the Company did not have any foreign exchange forward contracts with credit-risk-related contingent features.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5. Fair Value Measurements and Investments

Financial Instruments Carried at Fair Value

Financial assets and liabilities that are remeasured and reported at fair value at each reporting period are classified and disclosed in one of the following three levels:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3. Inputs that are unobservable for the asset or liability and that are significant to the fair value of the assets or liabilities.

The following tables present information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis as of September 29, 2023 and June 30, 2023, and indicate the fair value hierarchy of the valuation techniques utilized to determine such values:

	September 29, 2023			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents - Money market funds	$ 371	$ —	$ —	$ 371
Foreign exchange contracts	—	28	—	28
Total assets at fair value	$ 371	$ 28	$ —	$ 399
Liabilities:				
Foreign exchange contracts	$ —	$ 226	$ —	$ 226
Total liabilities at fair value	$ —	$ 226	$ —	$ 226

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents - Money market funds	$ 371	$ —	$ —	$ 371
Foreign exchange contracts	—	35	—	35
Total assets at fair value	$ 371	$ 35	$ —	$ 406
Liabilities:				
Foreign exchange contracts	$ —	$ 192	$ —	$ 192
Total liabilities at fair value	$ —	$ 192	$ —	$ 192

During the periods presented, the Company had no transfers of financial assets and liabilities between levels and there were no changes in valuation techniques or the inputs used in the fair value measurement.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Financial Instruments Not Carried at Fair Value

For financial instruments where the carrying value (which includes principal adjusted for any unamortized issuance costs, and discounts or premiums) differs from fair value (which is based on quoted market prices), the following table represents the related carrying value and fair value for each of the Company’s outstanding financial instruments. Each of the financial instruments presented below was categorized as Level 2 for all periods presented, based on the frequency of trading immediately prior to the end of the first quarter of 2024 and the fourth quarter of 2023, respectively.

	September 29, 2023		June 30, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
1.50% convertible notes due 2024	$ 1,099	$ 1,082	$ 1,099	$ 1,067
Variable interest rate Delayed Draw Term Loan due 2024	600	606	—	—
4.75% senior unsecured notes due 2026	2,294	2,194	2,293	2,193
Variable interest rate Term Loan A-2 maturing 2027	2,688	2,678	2,687	2,661
2.85% senior notes due 2029	496	401	496	400
3.10% senior notes due 2032	495	367	495	371
Total	$ 7,672	$ 7,328	$ 7,070	$ 6,692

Note 6. Derivative Instruments and Hedging Activities

As of September 29, 2023, the Company had outstanding foreign exchange forward contracts that were designated as either cash flow hedges or non-designated hedges. Substantially all of the contract maturity dates of these foreign exchange forward contracts do not exceed 12 months. As of September 29, 2023, the Company did not have any derivative contracts with credit-risk-related contingent features.

Changes in fair values of the non-designated foreign exchange contracts are recognized in Other income (expense), net and are largely offset by corresponding changes in the fair values of the foreign currency-denominated monetary assets and liabilities. For each of the three months ended September 29, 2023 and September 30, 2022, total net realized and unrealized transaction and foreign exchange contract currency gains and losses were not material to the Company's Condensed Consolidated Financial Statements.

Unrealized gains or losses on designated cash flow hedges are recognized in AOCL. For more information regarding cash flow hedges, see Note 4, *Supplemental Financial Statement Data - Accumulated other comprehensive loss.*

Netting Arrangements

Under certain provisions and conditions within agreements with counterparties to the Company's foreign exchange forward contracts, subject to applicable requirements, the Company has the right of offset associated with the Company's foreign exchange forward contracts and is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. As of September 29, 2023 and June 30, 2023, the effect of rights of offset was not material and the Company did not offset or net the fair value amounts of derivative instruments in its Condensed Consolidated Balance Sheets.

Note 7. Debt

Debt consisted of the following:

	September 29, 2023	June 30, 2023
	(in millions)	
1.50% convertible notes due 2024	$ 1,100	$ 1,100
Variable interest rate Delayed Draw Term Loan due 2024	600	—
4.75% senior unsecured notes due 2026	2,300	2,300
Variable interest rate Term Loan A-2 maturing 2027	2,700	2,700
2.85% senior notes due 2029	500	500
3.10% senior notes due 2032	500	500
Total debt	7,700	7,100
Issuance costs and debt discounts	(28)	(30)
Subtotal	7,672	7,070
Less current portion of long-term debt	(1,850)	(1,213)
Long-term debt	$ 5,822	$ 5,857

During the three months ended September 29, 2023, the Company drew $600 million principal amount (the “Delayed Draw Term Loan”) under a loan agreement entered into in January 2023 and amended in June 2023 (the “Delayed Draw Term Loan Agreement”), which allowed the Company to draw a single loan of up to $600 million through August 14, 2023. The Delayed Draw Term Loan will mature on June 28, 2024.

The Delayed Draw Term Loan bears interest, at the Company’s option, at a per annum rate equal to either (x) the Adjusted Term SOFR Rate (as defined in the Delayed Draw Term Loan Agreement) plus an applicable margin varying from 1.750% to 2.625% or (y) a base rate plus an applicable margin varying from 0.750% to 1.625%, in each case depending on the corporate family ratings of the Company from at least two of Standard & Poor’s Ratings Services, Moody’s Investors Service, Inc. and Fitch Ratings, Inc. (the “Credit Rating Agencies”). The all-in interest rate for the Delayed Draw Term Loan as of September 29, 2023 was 7.416%.

The Term Loan A-2 Loan bears interest, at the Company’s option, at a per annum rate equal to either (x) the Adjusted Term SOFR (as defined in the loan agreement governing the Term Loan A-2) plus an applicable margin varying from 1.125% to 2.000% or (y) a base rate plus an applicable margin varying from 0.125% to 1.000%, in each case depending on the corporate family ratings of the Company from at least two of the Credit Rating Agencies, with an initial interest rate of Adjusted Term SOFR plus 1.375%. The all-in interest rate for Term Loan A-2 as of September 29, 2023 was 6.807%.

The loan agreements governing the Company’s revolving credit facility, Term Loan A-2 due 2027, and the Delayed Draw Term Loan require the Company to comply with certain financial covenants, consisting of a leverage ratio, a minimum liquidity and a free cash flow requirement. As of September 29, 2023, the Company was in compliance with these financial covenants.

Note 8. Pension and Other Post-Retirement Benefit Plans

The Company has pension and other post-retirement benefit plans in various countries. The Company's principal pension plans are in Japan, Thailand and the Philippines. All pension and other post-retirement benefit plans outside of the Company's Japan, Thailand and the Philippines defined benefit pension plans (the "Pension Plans") are immaterial to the Condensed Consolidated Financial Statements. The expected long-term rate of return on the Pension Plans assets is 2.5%.

Obligations and Funded Status

The following table presents the unfunded status of the benefit obligations for the Pension Plans:

	September 29, 2023	June 30, 2023
	(in millions)	
Benefit obligation at end of period	$ 265	$ 273
Fair value of plan assets at end of period	180	185
Unfunded status	$ 85	$ 88

The following table presents the unfunded amounts related to the Pension Plans as recognized on the Company's Condensed Consolidated Balance Sheets:

	September 29, 2023	June 30, 2023
	(in millions)	
Current liabilities	$ 1	$ 1
Non-current liabilities	84	87
Net amount recognized	$ 85	$ 88

Net periodic benefit costs were not material for the three months ended September 29, 2023.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 9. Related Parties and Related Commitments and Contingencies

Flash Ventures

The Company's business ventures with Kioxia Corporation ("Kioxia") consist of three separate legal entities: Flash Partners Ltd. ("Flash Partners"), Flash Alliance Ltd. ("Flash Alliance"), and Flash Forward Ltd. ("Flash Forward"), collectively referred to as "Flash Ventures".

The following table presents the notes receivable from, and equity investments in, Flash Ventures:

	September 29, 2023	June 30, 2023
	(in millions)	
Notes receivable, Flash Partners	$ 21	$ 37
Notes receivable, Flash Alliance	35	48
Notes receivable, Flash Forward	699	709
Investment in Flash Partners	155	160
Investment in Flash Alliance	227	234
Investment in Flash Forward	108	109
Total notes receivable and investments in Flash Ventures	$ 1,245	$ 1,297

During the three months ended September 29, 2023 and September 30, 2022, the Company made net payments to Flash Ventures of $0.9 billion and $1.0 billion, respectively, for purchased flash-based memory wafers and net loans.

The Company makes, or will make, loans to Flash Ventures to fund equipment investments for new process technologies and additional wafer capacity. The Company aggregates its Flash Ventures' notes receivable into one class of financing receivables due to the similar ownership interest and common structure in each Flash Venture entity. For all reporting periods presented, no loans were past due and no loan impairments were recorded. The Company's notes receivable from each Flash Ventures entity, denominated in Japanese yen, are secured by equipment owned by that Flash Ventures entity.

As of September 29, 2023 and June 30, 2023, the Company had accounts payable balances due to Flash Ventures of $277 million and $292 million, respectively.

The Company's maximum reasonably estimable loss exposure (excluding lost profits) as a result of its involvement with Flash Ventures, based upon the Japanese yen to U.S. dollar exchange rate at September 29, 2023, is presented below. Investments in Flash Ventures are denominated in Japanese yen, and the maximum estimable loss exposure excludes any cumulative translation adjustment due to revaluation from the Japanese yen to the U.S. dollar.

	September 29, 2023
	(in millions)
Notes receivable	$ 755
Equity investments	490
Operating lease guarantees	1,590
Inventory and prepayments	1,047
Maximum estimable loss exposure	$ 3,882

The Company is obligated to pay for variable costs incurred in producing its share of Flash Ventures' flash-based memory wafer supply, based on its three-month forecast, which generally equals 50% of Flash Ventures' output. In addition, the Company is obligated to pay for half of Flash Ventures' fixed costs regardless of the output the Company chooses to purchase. The Company is not able to estimate its total wafer purchase commitment obligation beyond its rolling three-month purchase commitment because the price is determined by reference to the future cost of producing the semiconductor wafers. In addition, the Company is committed to fund 49.9% to 50.0% of each Flash Ventures entity's capital investments to the extent that each Flash Ventures entity's operating cash flow is insufficient to fund these investments.

Flash Ventures has historically operated near 100% of its manufacturing capacity. During 2023 and the three months ended September 29, 2023, as a result of flash market conditions, the Company temporarily reduced its utilization of its share of Flash Ventures' manufacturing capacity to an abnormally low level to more closely align the Company's flash-based wafer supply with projected demand. During the three months ended September 29, 2023, the Company incurred costs of $141 million associated with the reduction in utilization related to Flash Ventures, which was recorded as a charge to Cost of revenue. No such charges were incurred during the three months ended September 30, 2022.

The Company has facility agreements with Kioxia related to the construction and operation of Kioxia's "K1" 300-millimeter wafer fabrication facility in Kitakami, Japan and a wafer fabrication facility in Yokkaichi, Japan, referred to as "Y7". In connection with the start-up of these facilities, the Company has made prepayments toward future building depreciation. As of September 29, 2023, such prepayments aggregated $539 million and will be credited against future wafer charges.

Inventory Purchase Commitments with Flash Ventures. Purchase orders placed under Flash Ventures for up to three months are binding and cannot be canceled.

Research and Development Activities. The Company participates in common research and development ("R&D") activities with Kioxia and is contractually committed to a minimum funding level. R&D commitments are immaterial to the Condensed Consolidated Financial Statements.

Off-Balance Sheet Liabilities

Flash Ventures sells to and leases back from a consortium of financial institutions a portion of its tools and has entered into equipment lease agreements of which the Company guarantees half or all of the outstanding obligations under each lease agreement. The lease agreements are subject to customary covenants and cancellation events related to Flash Ventures and each of the guarantors. The occurrence of a cancellation event could result in an acceleration of Flash Ventures' obligations and a call on the Company's guarantees.

The following table presents the Company's portion of the remaining guarantee obligations under the Flash Ventures' lease facilities in both Japanese yen and U.S. dollar-equivalent, based upon the Japanese yen to U.S. dollar exchange rate as of September 29, 2023.

	Lease Amounts	
	(Japanese yen, in billions)	*(U.S. dollar, in millions)*
Total guarantee obligations	¥ 237	$ 1,590

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table details the breakdown of the Company's remaining guarantee obligations between the principal amortization and the purchase option exercise price at the end of the term of the Flash Ventures lease agreements, in annual installments as of September 29, 2023 in U.S. dollars, based upon the Japanese yen to U.S. dollar exchange rate as of September 29, 2023:

Annual Installments	Payment of Principal Amortization	Purchase Option Exercise Price at Final Lease Terms	Guarantee Amount
		(in millions)	
Remaining nine months of 2024	$ 340	$ 70	$ 410
2025	273	80	353
2026	324	121	445
2027	128	102	230
2028	37	99	136
2029	1	15	16
Total guarantee obligations	$ 1,103	$ 487	$ 1,590

The Company and Kioxia have agreed to mutually contribute to, and indemnify each other and Flash Ventures for, environmental remediation costs or liability resulting from Flash Ventures' manufacturing operations in certain circumstances. The Company has not made any indemnification payments, nor recorded any indemnification receivables, under any such agreements. As of September 29, 2023, no amounts had been accrued in the Condensed Consolidated Financial Statements with respect to these indemnification agreements.

Unis Venture

The Company has a joint venture with Unisplendour Corporation Limited and Unissoft (Wuxi) Group Co. Ltd. ("Unis"), referred to as the "Unis Venture", to market and sell the Company's products in China and to develop data storage systems for the Chinese market in the future. The Unis Venture is 49% owned by the Company and 51% owned by Unis. The Company accounts for its investment in the Unis Venture under the equity method of accounting. Revenue on products distributed by the Unis Venture is recognized upon sell through to third-party customers. For the three months ended September 29, 2023 and September 30, 2022, the Company recognized approximately 6% and 3% of its consolidated revenue on products distributed by the Unis Venture, respectively. The outstanding accounts receivable due from the Unis Venture were 7% and 8% of Accounts receivable, net as of September 29, 2023 and June 30, 2023, respectively.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 10. Leases and Other Commitments

Leases

The Company leases certain domestic and international facilities and data center space under long-term, non-cancelable operating leases that expire at various dates through 2039. These leases include no material variable or contingent lease payments. Operating lease assets and liabilities are recognized based on the present value of the remaining lease payments discounted using the Company's incremental borrowing rate. Operating lease assets also include prepaid lease payments minus any lease incentives. Extension or termination options present in the Company's lease agreements are included in determining the right-of-use asset and lease liability when it is reasonably certain the Company will exercise those options. Lease expense is recognized on a straight-line basis over the lease term.

The following table summarizes supplemental balance sheet information related to operating leases as of September 29, 2023:

	Lease Amounts
	($ in millions)
Minimum lease payments by year:	
Remaining nine months of 2024	$ 49
2025	63
2026	65
2027	58
2028	51
Thereafter	329
Total future minimum lease payments	615
Less: Imputed interest	175
Present value of lease liabilities	440
Less: Current portion (included in Accrued expenses)	44
Long-term operating lease liabilities (included in Other liabilities)	$ 396
Operating lease right-of-use assets (included in Other non-current assets)	$ 419
Weighted average remaining lease term in years	10.5
Weighted average discount rate	6.0 %

The following table summarizes supplemental disclosures of operating cost and cash flow information related to operating leases:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Cost of operating leases	$ 14	$ 14
Cash paid for operating leases	15	14
Operating lease assets obtained in exchange for operating lease liabilities	168	4

Sale-Leaseback

In September 2023, the Company completed a sale and leaseback of its facility in Milpitas, California. The Company received net proceeds of $191 million in cash and recorded a gain of $85 million on the sale. In connection with the sale, the Company agreed to lease back the facility at an annual lease rate of $16 million for the first year, increasing by 3% per year thereafter through January 1, 2039. The lease includes three 5-year renewal options and one 4-year renewal option for the ability to extend through December 2057. The supplemental balance sheet information and supplemental disclosures of operating cost and cash flow information related to the lease are included in the tables above.

Purchase Agreements and Other Commitments

In the normal course of business, the Company enters into purchase orders with suppliers for the purchase of components used to manufacture its products. These purchase orders generally cover forecasted component supplies needed for production during the next quarter, are recorded as a liability upon receipt of the components, and generally may be changed or canceled at any time prior to shipment of the components. The Company also enters into long-term agreements with suppliers that contain fixed future commitments, which are contingent on certain conditions such as performance, quality and technology of the vendor’s components. As of September 29, 2023, the Company had the following minimum long-term commitments:

	Long-Term Commitments
	(in millions)
Year:	
Remaining nine months of 2024	$ 215
2025	267
2026	75
2027	52
2028	20
Thereafter	130
Total	$ 759

Note 11. Shareholders' Equity and Convertible Preferred Stock

Stock-based Compensation Expense

The following tables present the Company's stock-based compensation for equity-settled awards by type (i.e. restricted stock units ("RSUs"), restricted stock unit awards with performance conditions or market conditions ("PSUs"), and rights to purchase shares of common stock under the Company's Employee Stock Purchase Plan ("ESPP")) and financial statement line as well as the related tax benefit included in the Company's Condensed Consolidated Statements of Operations:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
RSUs and PSUs	$ 65	$ 75
ESPP	12	11
Total	$ 77	$ 86

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Cost of revenue	$ 13	$ 14
Research and development	34	39
Selling, general and administrative	30	33
Subtotal	77	86
Tax benefit	(10)	(13)
Total	$ 67	$ 73

Any shortfalls or excess windfall tax benefits and tax deficiencies for shortfalls related to the vesting and exercise of stock-based awards, which are recognized as a component of the Company's Income tax expense, were not material for the periods presented.

Compensation cost related to unvested RSUs, PSUs, and rights to purchase shares of common stock under the ESPP will generally be amortized on a straight-line basis over the remaining average service period. The following table presents the unamortized compensation cost and weighted average service period of all unvested outstanding awards as of September 29, 2023:

	Unamortized Compensation Costs	Weighted Average Service Period
	(in millions)	(years)
RSUs and PSUs [1]	$ 588	2.8
ESPP	55	1.2
Total unamortized compensation cost	$ 643	

[1] Weighted average service period assumes the performance conditions are met for the PSUs.

Plan Activities

Stock Options

The following table summarizes stock option activity under the Company's incentive plans. As of September 29, 2023, there were no remaining outstanding options.

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life
	(in millions)		*(in years)*
Options outstanding at June 30, 2023	0.3	$ 44.95	0.10
Canceled or expired	(0.3)	44.95	
Options outstanding at September 29, 2023	—	$ —	

RSUs and PSUs

The following table summarizes RSU and PSU activity under the Company's incentive plans:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value at Vest Date
	(in millions)		*(in millions)*
RSUs and PSUs outstanding at June 30, 2023	13.8	$ 46.56	
Granted	5.5	37.87	
Vested	(3.3)	47.00	$ 147
Forfeited	(0.9)	46.86	
RSUs and PSUs outstanding at September 29, 2023	15.1	$ 43.85	

RSUs and PSUs are generally settled in an equal number of shares of the Company's common stock at the time of vesting of the units.

Convertible Preferred Stock

On January 31, 2023, the Board of Directors of the Company authorized the designation of 900,000 shares of Series A Convertible Perpetual Preferred Stock, par value $0.01 per share (the "Preferred Shares"), from the Company's existing five million authorized but unissued shares of preferred stock and issued the Preferred Shares through a private placement for an aggregate purchase price of $900 million, less issuance costs of $24 million. The Preferred Shares accrue a cumulative preferred dividend at an annual rate of 6.25% per annum (increasing to 7.25% per annum on January 31, 2030 and to 8.25% per annum on January 31, 2033) compounded on a quarterly basis. The Preferred Shares also participate in any dividends declared for common shareholders on an as-converted equivalent basis. No dividends have been declared or paid since the issuance of the Preferred Shares. As of September 29, 2023 and June 30, 2023, unpaid and cumulative dividends payable with respect to the Preferred Shares were $39 million and $24 million, respectively.

The Preferred Shares outstanding would have been convertible, if otherwise permitted, into approximately 20 million shares of common stock on September 29, 2023 and June 30, 2023 and as of September 29, 2023 and June 30, 2023, the total aggregate liquidation preference was $939 million and $924 million, respectively.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 12. Income Tax Expense

The Tax Cuts and Jobs Act (the “2017 Act”), enacted on December 22, 2017, includes a broad range of tax reform proposals affecting businesses. The Company completed its accounting for the tax effects of the enactment of the 2017 Act during the second quarter of 2019. However, the U.S. Treasury and the Internal Revenue Service (“IRS”) have issued tax guidance on certain provisions of the 2017 Act since the enactment date, and the Company anticipates the issuance of additional regulatory and interpretive guidance. The Company applied a reasonable interpretation of the 2017 Act along with the then-available guidance in finalizing its accounting for the tax effects of the 2017 Act. Any additional regulatory or interpretive guidance would constitute new information, which may require further refinements to the Company’s estimates in future periods.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which contained significant law changes related to tax, climate, energy, and health care. The tax measures include, among other things, a corporate alternative minimum tax (“CAMT”) of 15% on corporations with three-year average annual adjusted financial statement income (“AFSI”) exceeding $1.0 billion. The corporate alternative minimum tax is effective for the Company beginning with fiscal year 2024. The Company is not subject to the CAMT of 15% for fiscal year 2024 as its average annual AFSI did not exceed $1.0 billion for the preceding three-year period.

The following table presents the Company’s Income tax expense and the effective tax rate:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	($ in millions)	
Income (loss) before taxes	$ (682)	$ 84
Income tax expense	3	57
Effective tax rate	— %	68 %

Beginning in 2023, the 2017 Act requires the Company to capitalize and amortize R&D expenses rather than expensing them in the year incurred. The tax effects related to the capitalization of R&D expenses are included in the effective tax rate for the three months ended September 29, 2023, but did not have a material impact on the Company’s effective tax rate.

The primary drivers of the difference between the effective tax rate for the three months ended September 29, 2023 and the U.S. Federal statutory rate of 21% are the relative mix of earnings and losses by jurisdiction, the deduction for foreign-derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand that will expire at various dates during years 2024 through 2031. In addition, the effective tax rate for the three months ended September 29, 2023 includes the discrete effect of a net decrease of $30 million to the liability for unrecognized tax benefits, which includes interest and offsetting tax benefits, as a result of adjustments to align with IRS calculations.

The primary drivers of the difference between the effective tax rate for three months ended September 30, 2022 and the U.S. Federal statutory rate of 21% are the relative mix of earnings and losses by jurisdiction, the deduction for foreign-derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand.

Uncertain Tax Positions

With the exception of certain unrecognized tax benefits that are directly associated with the tax position taken, unrecognized tax benefits are presented gross in the Condensed Consolidated Balance Sheets.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits excluding accrued interest and penalties for the three months ended September 29, 2023 (in millions):

Accrual balance at June 30, 2023	$	1,021
Gross increases related to current year tax positions		2
Gross increases related to prior year tax positions		17
Gross decreases related to prior year tax positions		(3)
Settlements		(363)
Lapse of statute of limitations		(2)
Accrual balance at September 29, 2023	$	672

In addition to the amounts noted above, interest and penalties related to unrecognized tax benefits are recognized in liabilities recorded for uncertain tax positions and are recorded in the provision for income taxes. Accrued interest and penalties included in the Company's liability related to unrecognized tax benefits as of September 29, 2023 were $157 million. Of the aggregate unrecognized tax benefits, including interest and penalties, as of September 29, 2023, approximately $663 million could result in potential cash payments and the Company believes it is reasonably likely that payments of approximately $183 million may be made within the next twelve months and has classified that portion of these unrecognized tax benefits, including interest, in Income taxes payable on the Consolidated Balance Sheets as of September 29, 2023. The remaining payables related to unrecognized tax benefits are included in Other liabilities on the Condensed Consolidated Balance Sheets as of September 29, 2023.

The Company reached a final agreement with the IRS regarding notices of deficiency with respect to years 2008 through 2012 and tentatively reached a basis for resolving the notices of proposed adjustments with respect to years 2013 through 2015. As of September 29, 2023, the Company has recognized a liability for tax and interest of $183 million related to all years from 2008 through 2015. The change in this liability from the prior quarter liability of $753 million was the result of a payment of $363 million for tax and $160 million for interest with respect to years 2008 through 2012 as well as adjustments to align with IRS calculations. The Company expects to pay any remaining balance with respect to this matter within the next twelve months.

In connection with settlements for the years 2008 through 2015, the Company expects to realize reductions to its mandatory deemed repatriation tax obligations and tax savings from interest deductions in future years aggregating to approximately $168 million. Of this amount, $34 million of the interest savings from the interest paid with respect to years 2008 through 2012 is classified as a deferred tax asset due to interest expense limitation rules.

The Company believes that adequate provision has been made for any adjustments that may result from any other tax examinations. However, the outcome of such tax examinations cannot be predicted with certainty. If any issues addressed in the Company's tax examinations are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. As of September 29, 2023, with the exception of the IRS matter discussed above, it was not possible to estimate the amount of change, if any, in the unrecognized tax benefits that is reasonably possible within the next twelve months. Any significant change in the amount of the Company's liability for unrecognized tax benefits would most likely result from additional information or settlements relating to the examination of the Company's tax returns.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 13. Net Income (Loss) Per Common Share

The following table presents the computation of basic and diluted income (loss) per common share:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions, except per share data)	
Net income (loss)	$ (685)	$ 27
Less: cumulative dividends on Preferred Stock	15	—
Net income (loss) attributable to common shareholders	$ (700)	$ 27
Weighted average shares outstanding:		
Basic	323	316
Employee stock options, RSUs, PSUs, and ESPP	—	3
Diluted	323	319
Net income (loss) per common share		
Basic	$ (2.17)	$ 0.09
Diluted	$ (2.17)	$ 0.08
Anti-dilutive potential common shares excluded	15	8

Basic net income (loss) per share attributable to common shareholders is computed using (i) net income (loss) less (ii) dividends paid to holders of Preferred Shares less (iii) net income (loss) attributable to participating securities divided by (iv) weighted average basic shares outstanding. Diluted net income or loss per share attributable to common shareholders is computed as (i) basic net income (loss) attributable to common shareholders plus (ii) diluted adjustments to income allocable to participating securities divided by (iii) weighted average diluted shares outstanding. The "if-converted" method is used to determine the dilutive impact for the 1.50% convertible notes and the Preferred Shares. The treasury stock method is used to determine the dilutive impact of unvested restricted stock.

Potentially dilutive common shares include dilutive outstanding employee stock options, RSUs and PSUs, rights to purchase shares of common stock under the Company’s ESPP, shares issuable in connection with the 1.50% convertible notes due 2024, and the Preferred Shares. For the three months ended September 29, 2023, the Company recorded a net loss and all shares subject to outstanding equity awards were excluded from the calculation of diluted shares for those periods because their impact would have been anti-dilutive. For the three months ended September 30, 2022, the Company excluded common shares subject to certain outstanding equity awards from the calculation of diluted shares because their impact would have been anti-dilutive based on the Company’s average stock price during the period.

Note 14. Employee Termination, Asset Impairment, and Other

Business Realignment

The Company periodically incurs charges as part of the integration process of recent acquisitions and to realign its operations with anticipated market demand, primarily consisting of organization rationalization designed to streamline its business, reduce its cost structure and focus its resources. In this regard, in the three months ended September 29, 2023, the Company reassessed existing capacity development plans and made a decision to cancel certain projects to expand capacity in its Penang, Malaysia facility, resulting in the impairment of existing construction in progress and the recognition of a liability for certain contract termination costs. The Company has also taken actions to reduce the amount of capital invested in facilities, including the sale-leaseback of its facility in Milpitas, California in September 2023. The Company recorded the following net charges related to these actions for the periods noted below:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Employee termination benefits	$ 19	$ 24
Contract termination and other	29	—
Asset impairments	94	—
Gain on sale-leaseback of facility	(85)	—
Total employee termination, asset impairment, and other	$ 57	$ 24

The following table presents an analysis of the components of these activities against the reserve during the three months ended September 29, 2023:

	Employee Termination Benefits	Contract Termination and Other	Total
	(in millions)		
Accrual balance at June 30, 2023	$ 31	$ 5	$ 36
Charges	19	29	48
Cash payments	(45)	—	(45)
Accrual balance at September 29, 2023	$ 5	$ 34	$ 39

Note 15. Supplier Finance Program

The Company maintains a voluntary supplier finance program that provides participating suppliers with enhanced receivable options. The program allows participating suppliers of the Company, at their sole discretion and cost, to sell their receivables due from the Company to a third-party financial institution and receive early payment at terms negotiated between the supplier and the third-party financial institution. The Company's vendor payment terms and amounts are not impacted by a supplier's decision to participate in this program.

The Company's current payment terms with its suppliers under these programs generally range from 60 to 90 days and payment terms that the Company negotiates with its suppliers are not impacted by whether a supplier participates in the program. The Company does not provide any guarantees to any third parties and no assets are pledged in connection with the arrangements.

The Company's outstanding payment obligations to vendors eligible to participate under its supplier finance program were $39 million and $38 million as of September 29, 2023 and June 30, 2023, respectively, and are included within Accounts payable on the Company's Condensed Consolidated Balance Sheets.

Note 16. Legal Proceedings

Tax

For disclosures regarding the status of statutory notices of deficiency issued by the IRS with regard to tax years 2008 through 2015, see Note 12, *Income Tax Expense*.

Other Matters

In the normal course of business, the Company is subject to legal proceedings, lawsuits and other claims. Although the ultimate aggregate amount of probable monetary liability or financial impact with respect to these other matters is subject to many uncertainties, management believes that any monetary liability or financial impact to the Company from these matters, individually and in the aggregate, would not be material to the Company's financial condition, results of operations or cash flows. However, any monetary liability and financial impact to the Company from these matters could differ materially from the Company's expectations.

Note 17. Subsequent Events

Separation of Business Units

On October 30, 2023, the Company announced that its Board of Directors authorized management to pursue a plan to separate its HDD and Flash business units into two independent public companies. The completion of the separation is subject to certain conditions, including final approval by its Board of Directors. The Company is targeting to complete the separation of the business units in the second half of calendar year 2024.

Convertible Notes and Related Capped Call Transactions

On November 3, 2023, the Company issued $1.60 billion aggregate principal amount of convertible senior notes which bear interest at an annual rate of 3.00% and mature on November 15, 2028, unless earlier repurchased, redeemed or converted (the “2028 Convertible Notes”). The 2028 Convertible Notes are jointly and severally guaranteed by each of the Company’s wholly-owned subsidiaries that guarantees the 2026 Notes (currently, Western Digital Technologies, Inc.).

The 2028 Convertible Notes are convertible at an initial conversion price of approximately $52.20 per share of common stock. Prior to August 15, 2028, the 2028 Convertible Notes are convertible only upon the occurrence of certain events and during certain periods. Upon any conversion of the 2028 Convertible Notes, the Company will pay cash up to the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of the Company’s common stock or a combination thereof, at the Company’s election, in respect of the remainder, if any, of its conversion obligation in excess of the aggregate principal amount of the notes being converted.

In connection with the debt issuance, the Company used approximately $155 million of the net proceeds of the 2028 Convertible Notes offering to pay the cost of entering into capped call contracts with a cap price of approximately $70.26 per share to hedge the potential dilution impact of the notes’ conversion feature.

Contemporaneously with the issuance of the 2028 Convertible Notes, the Company entered into individually negotiated transactions with certain holders of the Company’s existing 2024 Convertible Notes to repurchase approximately $508 million aggregate principal amount of such notes at an immaterial discount.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis contains forward-looking statements within the meaning of the federal securities laws, and should be read in conjunction with the disclosures we make concerning risks and other factors that may affect our business and operating results. You should read this information 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 included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. See also "Forward-Looking Statements" immediately prior to Part I, Item 1 in this Quarterly Report on Form 10-Q.

Unless otherwise indicated, references herein to specific years and quarters are to our fiscal years and fiscal quarters. As used herein, the terms "we," "us," "our," and the "Company" refer to Western Digital Corporation and its subsidiaries.

Our Company

We are on a mission to unlock the potential of data by harnessing the possibility to use it. We are a leading developer, manufacturer, and provider of data storage devices based on both NAND flash and hard disk drive technologies. With dedicated flash-based products ("Flash") and hard disk drives ("HDD") business units driving advancements in storage technologies, our broad and ever-expanding portfolio delivers powerful Flash and HDD storage solutions for everyone from students, gamers, and home offices to the largest enterprises and public clouds to capture, preserve, access, and transform an ever-increasing diversity of data.

Our broad portfolio of technology and products address our multiple end markets: "Cloud", "Client" and "Consumer". Cloud represents a large and growing end market comprised primarily of products for public or private cloud environments and enterprise customers, which we believe we are uniquely positioned to address as the only provider of both Flash and HDD. Through the Client end market, we provide our original equipment manufacturer ("OEM") and channel customers a broad array of high-performance flash and hard drive solutions across personal computer, mobile, gaming, automotive, virtual reality headsets, at-home entertainment, and industrial spaces. The Consumer end market is highlighted by our broad range of retail and other end-user products, which capitalize on the strength of our product brand recognition and vast points of presence around the world.

Our fiscal year ends on the Friday nearest to June 30 and typically consists of 52 weeks. Approximately every five to six years, we report a 53-week fiscal year to align the fiscal year with the foregoing policy. Fiscal year 2024, which will end on June 28, 2024, and fiscal year 2023, which ended June 30, 2023, are each comprised of 52 weeks, with all quarters presented consisting of 13 weeks.

Key Developments

Separation of Business Units

On October 30, 2023, we announced that our Board of Directors had completed its strategic review of our business and, after evaluating a comprehensive range of alternatives, authorized us to pursue a plan to separate our HDD and Flash business units to create two independent, public companies. We believe the separation will better position each business unit to execute innovative technology and product development, capitalize on unique growth opportunities, extend respective leadership positions, and operate more efficiently with distinct capital structures. The completion of the planned separation is subject to certain conditions, including final approval by our Board of Directors. We are targeting to complete the separation of the businesses in the second half of calendar year 2024.

Financing Activities

In August 2023, we drew $600 million principal amount (the "Delayed Draw Term Loan") under a loan agreement we entered into in January 2023 and amended in June 2023 (the "Delayed Draw Term Loan Agreement"), which allowed us to draw a single loan of up to $600 million through August 14, 2023. Proceeds from this loan were primarily used for payments on tax liability to the IRS for the years 2008 through 2012. Borrowings on this loan will mature on June 28, 2024.

On November 3, 2023, we issued $1.60 billion aggregate principal amount of convertible senior notes which bear interest at an annual rate of 3.00% and mature on November 15, 2028, unless earlier repurchased, redeemed or converted (the "2028 Convertible Notes"). We received net proceeds of approximately $1.56 billion after issuance costs. Contemporaneously with the issuance of the 2028 Convertible Notes, we entered into individually negotiated transactions with certain holders of our existing 1.50% convertible senior notes due 2024 (the "2024 Convertible Notes"), which mature on February 1, 2024, to repurchase approximately $508 million aggregate principal amount of such notes at an immaterial discount using net proceeds from the offering of the 2028 Convertible Notes. In connection with the issuance of the 2028 Convertible Notes, we also used approximately $155 million of the net proceeds from the offering to pay the cost of entering into capped call contracts with a cap price of approximately $70.26 to hedge the potential dilution impact of the conversion feature. The remaining net proceeds from the offering of the 2028 Convertible Notes will be used primarily to settle the remaining 2024 Convertible Notes.

Additional information regarding our indebtedness, including the principal repayment terms, interest rates, covenants and other key terms of our outstanding indebtedness, and additional information on the terms of our convertible preferred shares and the 2028 Convertible Notes is included in Part II, Item 8, Note 8, *Debt*, and Note 13, *Shareholders' Equity and Convertible Preferred Stock*, of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 and Note 17, *Subsequent Events,* of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Sale-Leaseback

In September 2023, we completed a sale and leaseback of our facility in Milpitas, California. We received net proceeds of $191 million in cash and recorded a gain of $85 million on the sale. We are leasing back the facility at an annual lease rate of $16 million for the first year, increasing by 3% per year thereafter through January 1, 2039. The lease includes three 5-year renewal options and one 4-year renewal option for the ability to extend through December 2057.

Asset Impairment and Contract Termination Costs

During the three months ended September 29, 2023, we reassessed our existing capacity development plans and made a decision to cancel certain projects to expand capacity in our Penang, Malaysia facility, resulting in a $94 million impairment of existing construction in progress and recognition of a $29 million liability for certain contract termination costs.

Tax Resolution

As previously disclosed, we reached a final agreement with the IRS and received notices of deficiency with respect to years 2008 through 2012 and have tentatively reached a basis for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the three months ended September 29, 2023, we made payments aggregating $523 million for tax and interest with respect to years 2008 through 2012 and have a remaining liability of $183 million as of September 29, 2023 related to all years from 2008 through 2015. We expect to pay any remaining balance with respect to this matter within the next twelve months. Additional information regarding these settlements and our assessment of the potential tax and interest payments we expect to pay in connection with the settlements is provided in our discussion of Income tax expense in our results of operations below, as well as in Part I, Item 1, Note 12, *Income Tax Expense,* of the Notes to the Condensed Consolidated Financial Statements, and in the "Short- and Long-term Liquidity - *Unrecognized Tax Benefits*" section below.

Operational Update

Macroeconomic factors such as inflation, higher interest rates and recession concerns have softened demand for our products, with certain customers reducing purchases as they adjust their production levels and right-size their inventories. As a result, we and our industry have been experiencing a supply-demand imbalance, which has resulted in reduced shipments and negatively impacted pricing, particularly in Flash. While the supply-demand imbalance has recently started to show signs of stabilization, particularly in Client and Consumer, we continue to face a dynamic market environment. To adapt to these conditions, we have scaled back on capital expenditures, consolidated production lines and reduced production bit growth since the beginning of 2023 in order to better align with market demand and have also implemented measures to reduce operating expenses. These actions have resulted in incremental charges for employee termination, asset impairment and other, and manufacturing underutilization charges in Flash and HDD, and are expected to continue to negatively impact near-term results. Notwithstanding the current supply-demand imbalance, we believe digital transformation will continue to drive long-term growth for data storage in both Flash and HDD and believe that the actions we are taking will position us to capitalize on market conditions when they improve to address long-term growth opportunities in data storage across all our end markets.

We will continue to actively monitor developments impacting our business and may take additional responsive actions that we determine to be in the best interest of our business and stakeholders.

See Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended June 30, 2023 for more information regarding the risks we face as a result of macroeconomic conditions and supply chain disruptions.

Results of Operations

First Quarter Overview

The following table sets forth, for the periods presented, selected summary information from our Condensed Consolidated Statements of Operations by dollars and percentage of net revenue[1]:

	Three Months Ended					
	September 29, 2023		September 30, 2022		$ Change	% Change
	$ in millions					
Revenue, net	$ 2,750	100.0 %	$ 3,736	100.0 %	$ (986)	(26)%
Cost of revenue	2,651	96.4	2,755	73.7	(104)	(4)
Gross profit	99	3.6	981	26.3	(882)	(90)
Operating expenses:						
Research and development	431	15.7	552	14.8	(121)	(22)
Selling, general and administrative	207	7.5	247	6.6	(40)	(16)
Employee termination, asset impairment, and other	57	2.1	24	0.6	33	138
Total operating expenses	695	25.3	823	22.0	(128)	(16)
Operating income (loss)	(596)	(21.7)	158	4.2	(754)	(477)
Interest and other income (expense):						
Interest income	8	0.3	2	0.1	6	300
Interest expense	(98)	(3.6)	(70)	(1.9)	(28)	40
Other income (expense), net	4	0.1	(6)	(0.2)	10	(167)
Total interest and other expense, net	(86)	(3.1)	(74)	(2.0)	(12)	16
Income (loss) before taxes	(682)	(24.8)	84	2.2	(766)	(912)
Income tax expense	3	0.1	57	1.5	(54)	(95)
Net income (loss)	(685)	(24.9)	27	0.7	(712)	(26)
Less: cumulative dividends allocated to preferred shareholders	15	0.5	—	—	15	
Net income (loss) attributable to common shareholders	$ (700)	(25.5)%	$ 27	0.7 %	$ (727)	(2,693)%

(1) Percentages may not total due to rounding.

The following table sets forth, for the periods presented, a summary of our segment information:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	$ in millions	
Net revenue:		
Flash	$ 1,556	$ 1,722
HDD	1,194	2,014
Total net revenue	$ 2,750	$ 3,736
Gross profit:		
Flash	$ (161)	$ 422
HDD	273	574
Unallocated corporate items:		
Stock-based compensation expense	(13)	(14)
Amortization of acquired intangible assets	—	(1)
Total unallocated corporate items	(13)	(15)
Consolidated gross profit	$ 99	$ 981
Gross margin:		
Flash	(10.3)%	24.5 %
HDD	22.9 %	28.5 %
Consolidated gross margin	3.6 %	26.3 %

The following table sets forth for the periods presented, summary information regarding our disaggregated revenue:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Revenue by End Market		
Cloud	$ 872	$ 1,829
Client	1,147	1,229
Consumer	731	678
Total Revenue	$ 2,750	$ 3,736
Revenue by Geography		
Asia	$ 1,551	$ 1,686
Americas	662	1,423
Europe, Middle East and Africa	537	627
Total Revenue	$ 2,750	$ 3,736

Net Revenue

Comparison of Three Months Ended September 29, 2023 to Three Months Ended September 30, 2022

The decrease in consolidated net revenue for the three months ended September 29, 2023 from the comparable period in the prior year reflected the current supply-demand imbalance and macroeconomic pressures described in "*Operational Update*" above.

Flash revenue decreased 10% for the three months ended September 29, 2023 from the comparable period in the prior year primarily as a result of a 39% decline in average selling prices per gigabyte caused by the macroeconomic pressures noted previously, partially offset by an increase in exabytes shipped.

HDD revenue decreased 41% for the three months ended September 29, 2023, from the comparable period in the prior year primarily as a result of a 42% decline in exabytes shipped, which was substantially all driven by lower shipments to customers in our Cloud end market.

The 52% decrease in Cloud revenue for the three months ended September 29, 2023 from the comparable period in the prior year was substantially all driven by lower volume in HDD and Flash. In Client, the 7% decrease in revenue for the three months ended September 29, 2023 from the comparable period in the prior year primarily reflected approximately 57 percentage points of decline from lower pricing, driven by Flash, which was largely offset by an increase in volume, also in Flash. In Consumer, the 8% increase in revenue for the three months ended September 29, 2023 from the comparable period in the prior year primarily reflected approximately 44 percentage points of increase from higher volume, driven by Flash,which was largely offset by a decline in pricing, also in Flash.

The changes in net revenue by geography for the three months ended September 29, 2023 from the comparable period in the prior year reflected a larger decline in Americas from lower Cloud revenue in this region as our Cloud customers reduced purchases to align with current market demand, as well as routine variations in the mix of business.

Our top 10 customers accounted for 44% of our net revenue for the three months ended September 29, 2023, compared to 52% of our net revenue for the three months ended September 30, 2022. For each of the three months ended September 29, 2023 and September 30, 2022, no single customer accounted for 10% or more of our net revenue.

Consistent with standard industry practice, we have sales incentive and marketing programs that provide customers with price protection and other incentives or reimbursements that are recorded as a reduction to gross revenue. These programs represented 20% of gross revenue for the three months ended September 29, 2023, and 19% of gross revenue for the three months ended September 30, 2022. The amounts attributed to our sales incentive and marketing programs generally vary according to several factors including industry conditions, list pricing strategies, seasonal demand, competitor actions, channel mix and overall availability of products. Changes in future customer demand and market conditions may require us to adjust our incentive programs as a percentage of gross revenue.

Gross Profit and Gross Margin

Consolidated gross profit decreased by $882 million for the three months ended September 29, 2023 from the comparable period in the prior year, which primarily reflected the decrease in revenue described above as well as charges of approximately $225 million for manufacturing underutilization and related charges ($142 million in Flash and $83 million in HDD) and a write down of certain Flash inventory to the lower of cost or market value during the three months ended September 29, 2023. Consolidated gross margin decreased 23 percentage points for the three months ended September 29, 2023 from the comparable period in the prior year, with approximately 8 percentage points of the decline due to the net charges noted above and the remainder primarily driven by the lower average selling prices per gigabyte in Flash. Flash gross margin decreased by approximately 35 percentage points year over year, with approximately 9 percentage points of the decline due to the net charges noted above and the remainder driven by the lower average selling prices per gigabyte. HDD gross margin decreased by 6 percentage points year over year, with approximately 6 percentage points of the decline due to the net charges noted above.

Operating Expenses

Research and development (“R&D”) expense decreased $121 million for the three months ended September 29, 2023 from the comparable period in the prior year. The decline was primarily driven by reductions in variable compensation expenses, headcount, and material use as we took actions to reduce expenses in the current environment.

Selling, general and administrative (“SG&A”) expense decreased $40 million for the three months ended September 29, 2023 from the comparable period in the prior year. The decline was primarily driven by reductions in headcount, variable compensation expenses, and a decrease in intangible amortization expense.

Employee termination, asset impairment and other increased $33 million for the three months ended September 29, 2023 from the comparable period in the prior year. The increase was primarily driven by asset impairments caused by project cancellations, partially offset by a gain on the sale-leaseback of our Milpitas, California facility. For information regarding Employee termination, asset impairment and other, see Part I, Item 1, Note 14, *Employee Termination, Asset Impairment, and Other* of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Interest and Other Income (Expense)

Total interest and other expense, net increased $12 million for the three months ended September 29, 2023 from the comparable period in the prior year, reflecting higher interest expenses resulting from increases in interest rates and the drawdown of our Delayed Draw Term Loan discussed in “Key Developments-*Financing Activities*” above.

Income Tax Expense

The Tax Cuts and Jobs Act (the “2017 Act”) includes a broad range of tax reform proposals affecting businesses. We completed our accounting for the tax effects of the enactment of the 2017 Act during the second quarter of fiscal 2019. However, the U.S. Treasury and the IRS have issued tax guidance on certain provisions of the 2017 Act since the enactment date, and we anticipate the issuance of additional regulatory and interpretive guidance. We applied a reasonable interpretation of the 2017 Act along with the then-available guidance in finalizing our accounting for the tax effects of the 2017 Act. Any additional regulatory or interpretive guidance would constitute new information, which may require further refinements to our estimates in future periods.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which contained significant legal changes related to tax, climate, energy, and health care. The tax measures include, among other things, a corporate alternative minimum tax (“CAMT”) of 15% on corporations with three-year average annual adjusted financial statement income (“AFSI”) exceeding $1.0 billion. The CAMT is effective for us beginning with fiscal year 2024. We are not subject to the CAMT of 15% for fiscal year 2024 as our annual average AFSI did not exceed $1.0 billion for the preceding three-year period.

The following table sets forth Income tax information from our Condensed Consolidated Statements of Operations by dollar and effective tax rate:

	Three Months Ended	
	September 29, 2023	**September 30, 2022**
	$ in millions	
Income (loss) before taxes	$ (682)	$ 84
Income tax expense	3	57
Effective tax rate	— %	68 %

Since the beginning of fiscal year 2023, the 2017 Act has required us to capitalize and amortize R&D expenses rather than expensing them in the year incurred. The tax effects related to the capitalization of R&D expenses are included in the effective tax rate for the three months ended September 29, 2023, but did not have a material impact on our effective tax rate. The primary drivers of the difference between the effective tax rate for the three months ended September 29, 2023 and the U.S. Federal statutory rate of 21% are the relative mix of earnings and losses by jurisdiction, the deduction for foreign-derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand that will expire at various dates during fiscal years 2024 through 2031. In addition, the effective tax rate for the three months ended September 29, 2023 includes the discrete effect of a net decrease of $30 million to the liability for unrecognized tax benefits, which includes interest and offsetting tax benefits, as a result of adjustments to align with IRS calculations.

The primary drivers of the difference between the effective tax rate for the three months ended September 30, 2022 and the U.S. Federal statutory rate of 21% were the relative mix of earnings and losses by jurisdiction, the deduction for foreign derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand.

Our future effective tax rate is subject to future regulatory developments and changes in the mix of our U.S. earnings compared to foreign earnings. The 2017 Act requires us to capitalize and amortize R&D expenses rather than expensing them in the year incurred. As described above, these capitalized expenses are included in our effective tax rate for the three months ended September 29, 2023, but did not have a material impact on the effective tax rate in those periods due to our reduced profitability. Mandatory capitalization of R&D is expected to materially increase our effective tax rate and taxes paid in future periods, if not repealed or otherwise modified. In addition, our total tax expense in future years may also vary as a result of discrete items such as excess tax benefits or deficiencies.

For additional information regarding Income tax expense, see Part I, Item 1, Note 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

The following table summarizes our statements of cash flows:

	Three Months Ended	
	September 29, 2023	September 30, 2022
	(in millions)	
Net cash provided by (used in):		
Operating activities	$ (626)	$ 6
Investing activities	84	(224)
Financing activities	554	(50)
Effect of exchange rate changes on cash	(3)	(10)
Net increase (decrease) in cash and cash equivalents	$ 9	$ (278)

We reached a final agreement with the IRS and received notices of deficiency with respect to years 2008 through 2012 and have tentatively reached a basis for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the three months ended September 29, 2023, the Company made payments of $363 million for tax and $160 million for interest with respect to years 2008 through 2012 and recorded adjustments to align with IRS calculations, resulting in remaining liability of $183 million as of September 29, 2023, related to all years from 2008 through 2015. The Company expects to pay any remaining balance with respect to this matter within the next twelve months.

In connection with settlements for the years 2008 through 2015, we expect to realize reductions to our mandatory deemed repatriation tax obligations and tax savings from interest deductions in future years aggregating to $168 million. Of this amount, $34 million of interest savings from the interest paid with respect to years 2008 through 2012 is classified as a deferred tax asset due to interest expense limitation rules. See Part I, Item 1, Note 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further details.

We have an existing shelf registration statement (the “Shelf Registration Statement”) filed with the Securities and Exchange Commission that expires in August 2024, which allows us to offer and sell shares of common stock, preferred stock, warrants, and debt securities. We may use the Shelf Registration Statement or other capital sources, including other offerings of equity or debt securities or the credit markets, to satisfy future financing needs, including planned or unanticipated capital expenditures, investments, debt repayments or other expenses. Any such additional financing will be subject to market conditions and may not be available on terms acceptable to us or at all.

As noted previously, we have been scaling back on capital expenditures, consolidating production lines and reducing bit growth to align with market demand. We reduced our expenditures for property, plant and equipment for our company plus our portion of the capital expenditures by our Flash Ventures joint venture with Kioxia for its operations to approximately $1.4 billion in 2023 from approximately $1.5 billion in 2022. After consideration of the Flash Ventures’ lease financing of its capital expenditures and net operating cash flow, we reduced our net cash used for our purchases of property, plant and equipment and net activity in notes receivable relating to Flash Ventures to $793 million in 2023 from $1.2 billion in 2022. We currently expect the capital expenditures for 2024 to be less than 2023.

We believe our Cash and cash equivalents, including the proceeds from the drawdown of the Delayed Draw Term Loan, the net proceeds we received from the sale and leaseback of our Milpitas facility, and the proceeds from the issuance of the 2028 Convertible Notes, each as discussed in “Key Developments” above, and our available revolving credit facility will be sufficient to meet our working capital, debt and capital expenditure needs for at least the next twelve months and for the foreseeable future thereafter, as we navigate the current market downturn before returning to profitable operations and positive cash flows when the market normalizes. We believe we can also access the various debt capital markets to further supplement our liquidity position if necessary. Our ability to sustain our working capital position is subject to a number of risks that we discuss in Part II, Item 1A, Risk Factors, in this Quarterly Report on Form 10-Q and in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended June 30, 2023.

A total of $1.43 billion and $1.28 billion of our Cash and cash equivalents was held by our foreign subsidiaries as of September 29, 2023 and June 30, 2023, respectively. There are no material tax consequences that were not previously accrued for on the repatriation of this cash.

Our cash equivalents are primarily invested in money market funds that invest in U.S. Treasury securities and U.S. Government agency securities. In addition, from time to time, we also invest directly in certificates of deposit, asset-backed securities and corporate and municipal notes and bonds.

Operating Activities

Net cash provided by or used in operating activities primarily consists of net income or loss, adjusted for non-cash charges, plus or minus changes in operating assets and liabilities. Net cash used for changes in operating assets and liabilities was $132 million for the three months ended September 29, 2023, as compared to $329 million for the three months ended September 30, 2022, which largely reflects the reduction in operating assets resulting from the reduction in volume of our business, partially offset by payments made on the IRS matter, as discussed above. Changes in our operating assets and liabilities are largely affected by our working capital requirements, which are dependent on our volume of business and the effective management of our cash conversion cycle as well as timing of payments for taxes. Our cash conversion cycle measures how quickly we can convert our products into cash through sales. The cash conversion cycles were as follows (in days):

	Three Months Ended	
	September 29, 2023	September 30, 2022
Days sales outstanding	48	59
Days in inventory	120	128
Days payable outstanding	(54)	(65)
Cash conversion cycle	114	122

Changes in days sales outstanding (“DSO”) are generally due to the timing of shipments. Changes in days in inventory (“DIO”) are generally related to the timing of inventory builds, including staging of inventory to meet expected future demand. Changes in days payable outstanding (“DPO”) are generally related to production volume and the timing of purchases during the period. From time to time, we modify the timing of payments to our vendors. We make modifications primarily to manage our vendor relationships and to manage our cash flows, including our cash balances. Generally, we make payment term modifications through negotiations with our vendors or by granting to, or receiving from, our vendors’ payment term accommodations.

For the three months ended September 29, 2023, DSO decreased by 11 days from the comparable period in the prior year, primarily reflecting the timing of shipments and customer collections. DIO decreased by 8 days from the comparable period in the prior year, primarily reflecting lower production volumes in the current year and an increase in products shipped. DPO decreased by 11 days from the comparable period in the prior year primarily due to reductions in production volume and capital expenditures as well as routine variations in the timing of purchases and payments during the period.

Investing Activities

Net cash provided by investing activities for the three months ended September 29, 2023 primarily consisted of $69 million in proceeds from disposals of assets, which includes the proceeds from our sale-leaseback of our Milpitas, California facility, net of capital expenditures, and $13 million in proceeds from net activity related to Flash Ventures. Net cash used in investing activities for the three months ended September 30, 2022 primarily consisted of $320 million in capital expenditures, net of disposals, partially offset by $99 million in proceeds from activity related to Flash Ventures.

Financing Activities

During the three months ended September 29, 2023, net cash provided by financing activities primarily consisted of $600 million in proceeds from the drawdown of the Delayed Draw Term Loan, partially offset by $43 million used for taxes paid on vested stock awards under employee stock plans. During the three months ended September 30, 2022 cash flows from financing activities primarily consisted of $50 million used for taxes paid on vested stock awards under employee stock plans, while we drew and repaid $300 million under our revolving credit facility within the period.

Off-Balance Sheet Arrangements

Other than the commitments related to Flash Ventures incurred in the normal course of business and certain indemnification provisions (see "Short and Long-term Liquidity-Purchase Obligations and Other Commitments" below), we do not have any other material off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any other obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in the Condensed Consolidated Financial Statements. Additionally, with the exception of Flash Ventures and our joint venture with Unisplendour Corporation Limited and Unissoft (Wuxi) Group Co. Ltd., we do not have an interest in, or relationships with, any variable interest entities. For additional information regarding our off-balance sheet arrangements, see Part I, Item 1, Note 9, *Related Parties and Related Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Short- and Long-term Liquidity

Material Cash Requirements

In addition to cash requirements for unrecognized tax benefits and dividend rights with respect to the Series A Preferred Stock discussed below, the following is a summary of our known material cash requirements, including those for capital expenditures, as of September 29, 2023:

	Total	1 Year (Remaining Nine Months of 2024)	2-3 Years (2025-2026)	4-5 Years (2027-2028)	More than 5 Years (Beyond 2028)
			(in millions)		
Long-term debt, including current portion(1)	$ 7,700	$ 1,813	$ 2,600	$ 2,287	$ 1,000
Interest on debt	1,098	253	629	140	76
Flash Ventures related commitments(2)	3,857	1,301	1,893	642	21
Operating leases	615	49	128	109	329
Purchase obligations and other commitments	759	215	342	72	130
Mandatory deemed repatriation tax	663	199	464	—	—
Total	$ 14,692	$ 3,830	$ 6,056	$ 3,250	$ 1,556

(1) Principal portion of debt, excluding discounts and issuance costs.

(2) Includes reimbursement for depreciation and lease payments on owned and committed equipment, funding commitments for loans and equity investments and payments for other committed expenses, including R&D and building depreciation. Funding commitments assume no additional operating lease guarantees. Additional operating lease guarantees can reduce funding commitments.

Dividend rights

On January 31, 2023, we issued an aggregate of 900,000 shares of Series A Preferred Stock for an aggregate purchase price of $900 million. These shares are entitled to cumulative preferred dividends. See Part I, Item 1, Note 11, *Shareholders' Equity and Convertible Preferred Stock*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information regarding the dividend provisions.

Debt

In addition to our existing debt, as of September 29, 2023, we had $2.25 billion available for borrowing under our revolving credit facility until January 2027, subject to customary conditions under the loan agreement. Furthermore, we issued 2028 Convertible Notes as noted in "Key Developments-*Financing Activities*" above. The agreements governing our credit facilities each include limits on secured indebtedness and certain types of unsecured subsidiary indebtedness and require us and certain of our subsidiaries to provide guarantees and collateral to the extent the conditions providing for such guarantees and collateral are met. Additional information regarding our indebtedness, including information about availability under our revolving credit facility and the principal repayment terms, interest rates, covenants, collateral and other key terms of our outstanding indebtedness, is included in Part II, Item 8, Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended June 30, 2023 and Note 17, *Subsequent Events*, of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The loan agreements governing our revolving credit facility, our Term Loan A-2 due 2027, and our Delayed Draw Term Loan require us to comply with certain financial covenants, consisting of a leverage ratio, a minimum liquidity and a free cash flow requirement. As of September 29, 2023, we were in compliance with these financial covenants.

Flash Ventures

Flash Ventures sells to and leases back from a consortium of financial institutions a portion of its tools and has entered into equipment lease agreements of which we guarantee half or all of the outstanding obligations under each lease agreement. The leases are subject to customary covenants and cancellation events that relate to Flash Ventures and each of the guarantors. The occurrence of a cancellation event could result in an acceleration of the lease obligations and a call on our guarantees. As of September 29, 2023, we were in compliance with all covenants under these Japanese lease facilities. See Part I, Item 1, Note 9, *Related Parties and Related Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding Flash Ventures.

Purchase Obligations and Other Commitments

In the normal course of business, we enter into purchase orders with suppliers for the purchase of components used to manufacture our products. These purchase orders generally cover forecasted component supplies needed for production during the next quarter, are recorded as a liability upon receipt of the components, and generally may be changed or canceled at any time prior to shipment of the components. We also enter into long-term agreements with suppliers that contain fixed future commitments, which are contingent on certain conditions such as performance, quality and technology of the vendor's components. These arrangements are included under "Purchase obligations and other commitments" in the table above.

Mandatory Deemed Repatriation Tax

The following is a summary of our estimated mandatory deemed repatriation tax obligations that are payable in the following years:

	September 29, 2023
	(in millions)
Remainder of fiscal 2024	$ 199
2025	265
2026	199
Total	$ 663

Unrecognized Tax Benefits

As of September 29, 2023, the liability for unrecognized tax benefits (excluding accrued interest and penalties) was $672 million. Accrued interest and penalties related to unrecognized tax benefits are recognized in liabilities for uncertain tax positions and are recorded in the provision for income taxes. Accrued interest and penalties included in our liability related to unrecognized tax benefits as of September 29, 2023 was $157 million. Of these amounts, approximately $663 million could result in potential cash payments.

As noted above, we reached a final agreement with the IRS regarding notices of deficiency with respect to years 2008 through 2012 and have tentatively reached a basis for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the three months ended September 29, 2023, we made payments of $363 million for tax and $160 million for interest with respect to years 2008 through 2012 and recorded adjustments to align with IRS calculations, resulting in remaining liability of $183 million as of September 29, 2023 related to all years from 2008 through 2015. We expect to pay any remaining balance with respect to this matter within the next twelve months.

In connection with settlements for the years 2008 through 2015, we expect to realize reductions to our mandatory deemed repatriation tax obligations and tax savings from interest deductions in future years aggregating to approximately $168 million. Of this amount, $34 million of interest savings from the interest paid with respect to years 2008 through 2012 is classified as a deferred tax asset due to interest expense limitation rules.

Mandatory Research and Development Expense Capitalization

Since the beginning of 2023, the 2017 Act has required us to capitalize and amortize R&D expenses rather than expensing them in the year incurred, which is expected to result in materially higher cash tax payments in future periods, if not repealed or otherwise modified.

Foreign Exchange Contracts

We purchase foreign 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, *Quantitative and Qualitative Disclosures About Market Risk* included in this Quarterly Report on Form 10-Q for additional information.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements, products or services to be provided by us, environmental compliance or from intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain of our officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and officers in certain circumstances.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements.

Recent Accounting Pronouncements

For a description of recently issued and adopted accounting pronouncements, including the respective dates of adoption and expected effects on our results of operations and financial condition, see Part I, Item 1, Note 2, *Recent Accounting Pronouncements*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

We have prepared the accompanying unaudited Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of the financial statements requires the use of judgments and estimates that affect the reported amounts of revenues, expenses, assets, liabilities and shareholders' equity. We have adopted accounting policies and practices that are generally accepted in the industry in which we operate. If these estimates differ significantly from actual results, the impact to the Condensed Consolidated Financial Statements may be material.

There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended June 30, 2023. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2023 for a discussion of our critical accounting policies and estimates.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Except as disclosed below, there have been no material changes to our market risk during the three months ended September 29, 2023. See Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K for the year ended June 30, 2023 for further information about our exposure to market risk.

Foreign Currency Risk

We have performed sensitivity analyses as of September 29, 2023 and June 30, 2023 using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of our foreign currency derivative contracts used to offset the underlying exposures. The foreign currency exchange rates used in performing the sensitivity analyses were based on market rates in effect at September 29, 2023 and June 30, 2023. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates relative to the U.S. dollar would result in a foreign exchange fair value loss of $250 million and $285 million at September 29, 2023 and June 30, 2023, respectively.

Interest Rate Risk

We have generally held a balance of fixed and variable rate debt. As of September 29, 2023, our variable rate debt outstanding consists of our Term Loan A-2 and Delayed Draw Term Loan, which are based on various index rates as discussed further in Note 7, *Debt*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. As of September 29, 2023, the outstanding balance on our variable rate debt was $3.3 billion and a one percent increase in the variable rate of interest would increase annual interest expense by $33 million.

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during the first quarter of fiscal year 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

See Note 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for disclosures regarding the status of statutory notices of deficiency issued by the IRS with regards to tax years 2008 through 2015.

Item 1A. *Risk Factors*

We have described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2023 a number of risks and uncertainties that could cause our actual results of operations and financial condition to vary materially from past, or from anticipated future, results of operations and financial condition. Except as discussed below, there have been no material changes from these risk factors previously described in our Annual Report on Form 10-K for the year ended June 30, 2023. These risks and uncertainties are not the only risks facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business, financial condition, results of operations or the market price of our common stock.

The proposed separation of our HDD and Flash business units into two independent public companies is subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated timeline, or at all.

On October 30, 2023, we announced that our Board of Directors had completed its review of potential strategic alternatives and had unanimously approved pursuing a plan to separate the Flash business unit from our remaining hard disk drive technology business (the "Separation"). The Separation is intended to be structured in a tax-free manner and is targeted for completion in the second half of the calendar year 2024. No assurance can be given as to whether the Separation will occur, when any such transaction will be approved or when any separation may be completed. Furthermore, while we are exploring the Separation of our Flash business unit, the specific assets, liabilities and entities to be separated have not yet been determined and may change. We may determine to abandon any efforts with respect to the Separation at any time for any reason.

The form or other terms of the Separation may change over time, including with respect to the scope of the businesses to be separated or retained by us. The final determination to separate is subject to Board approval, the execution of definitive documentation, receipt of opinions or rulings as to the tax-free nature of the Separation and satisfaction of customary conditions, including the effectiveness of appropriate filings with the SEC, the completion of audited financial statements and the availability of financing. Additionally, no assurance can be given that the intended tax treatment will be achieved or that shareholders will not incur substantial tax liabilities in connection with the Separation. The failure to satisfy any of these conditions could delay the completion of the Separation for a significant period of time or prevent it from occurring at all.

Various factors, including changes in the competitive conditions of our markets, changes in financial markets and economic conditions, failure to obtain any third party consents that may be required for the Separation, delays in obtaining tax opinions or rulings, material or unanticipated tax liability for our shareholders, us, and/or the Flash business unit, and other challenges in executing the separation of the two businesses, could delay or prevent the completion of the Separation or cause it to occur on terms or conditions that are different or less favorable than expected.

Further, our Board of Directors could decide, either because of a failure of conditions or because of market or other factors, to abandon the separation of our Flash business unit.

Our review of the Separation has and will continue to involve significant time, expense and resources and could disrupt or adversely affect our business.

Executing the Separation of our Flash business unit has and will continue to require significant time and attention from our senior management and employees and may divert their attention from operating and growing our business in ways that could adversely affect our business, financial condition and results of operations. Our employees may also be distracted due to uncertainty about their future roles with the separated companies, and customers or suppliers could delay or defer decisions or may end their relationships with us.

In addition, we have incurred and will continue to incur expenses in connection with our strategic review and the consideration of the Separation and expect that the process of reviewing the Separation and executing the Separation, if any, will be time-consuming and involve significant additional costs and expenses, which may not yield a benefit if the Separation is not completed. If pursued, we will also incur ongoing costs and dis-synergies in connection with, or as a result of, the Separation and related restructuring transactions, including costs of operating as independent, publicly traded companies that the two businesses will no longer be able to share.

Any of the above factors could cause the Separation (or the failure to execute the Separation) to have a material adverse effect on our business, financial condition, results of operations and the trading price of our common stock and/or other securities.

The Separation may not achieve the anticipated benefits and could expose us to new risks, including with respect to our existing indebtedness.

We may not realize any strategic, financial, operational, or other benefits from the Separation of our Flash business unit. We cannot predict with certainty if or when anticipated benefits will occur or the extent to which they will be achieved. If the Separation is completed, our operational and financial profile will change and we will face new risks. If the Separation is completed, we will be a smaller and less-diversified company and may be more vulnerable to changing market conditions. While we believe that the Separation will position each company to better unlock its full standalone long-term potential, we cannot assure you that following the Separation we will be successful. Further, there can be no assurance that the combined value of the shares of the two resulting companies will be equal to or greater than what the value of our common stock would have been had the Separation not occurred.

In addition, following the completion of the Separation or any other disposition of our Flash business unit, we will not be able to rely on the earnings, assets or cash flow of the Flash business unit, and that business will not provide funds to finance our working capital or other cash requirements. As a result, our ability to service our debt may be adversely affected.

We cannot predict the prices at which our common stock may trade after the Separation or the effect of the Separation on the trading prices of our common stock.

The Separation will be subject to conditions including the availability of financing. We have not obtained any financing with respect to the Separation transaction, including any new financing for the remaining business and the terms of any such arrangements may be more burdensome or costly than the terms of our current indebtedness or we may not be able to obtain credit on attractive terms and price. Furthermore, any Separation may cause us to breach covenants in our existing indebtedness if such indebtedness is not repaid or refinanced or a waiver is not obtained prior to the Separation. For example, our credit facilities contain specific restrictions on any disposal of our Flash business unit. In addition, we cannot assure you that a holder of our outstanding senior notes will not argue that the Separation constitutes a change of control and try to require us to repurchase its notes as a result of the Separation.

Item 5. ***Other Information***

Insider Trading Arrangements

None.

Item 6. ***Exhibits***

The exhibits listed in the Exhibit Index below are filed with, or incorporated by reference in, this Quarterly Report on Form 10-Q, as specified in the Exhibit List, from exhibits previously filed with the Securities and Exchange Commission. Certain agreements listed in the Exhibit Index that we have filed or incorporated by reference may contain representations and warranties by us or our subsidiaries. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosures, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe the actual state of affairs at the date hereof and should not be relied upon.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Western Digital Corporation, as amended to date (Filed as Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q (File No. 1-08703) with the Securities and Exchange Commission on February 8, 2006)
3.2	Certificate of Designations, Preferences and Rights of Series A Convertible Perpetual Preferred Stock (Filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K (File No. 1-08703) with the Securities and Exchange Commission on February 1, 2023)
3.3	Amended and Restated By-Laws of Western Digital Corporation, as amended effective as of February 10, 2021 (Filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K (File No. 1-08703) with the Securities and Exchange Commission on February 12, 2021)
10.1	Form of Grant Notice for Performance Stock Unit Award under the Western Digital Corporation 2021 Long-Term Incentive Plan†*
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**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document†
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document†
101.LAB	XBRL Taxonomy Extension Label Linkbase Document†
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document†
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

† Filed with this report.
* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to applicable rules of the Securities and Exchange Commission.
** Furnished with this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

WESTERN DIGITAL CORPORATION

By: /s/ Gene Zamiska

Gene Zamiska

Senior Vice President, Global Accounting and Chief Accounting Officer

(Principal Accounting Officer and Duly Authorized Officer)

Dated: November 6, 2023

WESTERN DIGITAL CORPORATION
2021 LONG-TERM INCENTIVE PLAN
GRANT NOTICE FOR
PERFORMANCE STOCK UNIT AWARD

FOR GOOD AND VALUABLE CONSIDERATION, Western Digital Corporation (the "***Company***"), hereby grants to the Participant named below the number of Performance Stock Units (the "***PSUs***") listed below (this "***Award***") under the Western Digital Corporation 2021 Long-Term Incentive Plan (as amended from time to time, the "***Plan***"). Each PSU represents the right to receive one share of Common Stock, subject to the terms and conditions in this Grant Notice, the Plan and the Standard Terms and Conditions (the "***Standard Terms and Conditions***") of such Plan, attached as Exhibit A hereto. Capitalized terms not otherwise defined here shall have the meaning set forth in the Plan.

Name of Participant:	
Employee ID	
Grant Date:	
Grant Number	
Target Number of PSUs:	
Vesting Schedule:	The vesting date of the PSUs is [ ] (the "***Vesting Date***"). Vesting shall be subject to Participant's Continuous Service from the Grant Date through the Vesting Date, unless provided otherwise under Section 2 of the Standard Terms and Conditions.
Performance Period and Measurement Periods:	The PSUs shall be eligible to vest based on performance during the three-year Performance Period, which spans the First, Second and Third Measurement Periods (the "Annual Measurement Periods"). The Performance Period begins on the first day of the First Measurement Period and ends on the last day of the Third Measurement Period. • First Measurement Period begins [ ] and ends [ ]. • Second Measurement Period begins [ ] and ends [ ]. • Third Measurement Period begins [ ] and ends [ ]. The actual number of PSUs that may become eligible to vest on the Vesting Date is based on the achievement of financial metrics over each Annual Measurement Period and may range from [0%] to [200%] of the Target Number of PSUs, subject to forfeiture as provided in the Standard Terms and Conditions, and further subject to adjustment based upon a Relative TSR Modifier measured over the Performance Period, all as determined in accordance with Exhibit B, but not to exceed [220%].

IN CONNECTION WITH THIS GRANT, AND IN ADDITION TO THIS GRANT NOTICE, PARTICIPANT HAS RECEIVED A COPY OF THE PLAN AND THE STANDARD TERMS AND CONDITIONS. PARTICIPANT MAY REJECT THIS AWARD BY NOTIFYING THE COMPANY NO LATER THAN THE FIFTH BUSINESS DAY FOLLOWING RECEIPT OF THIS AWARD DOCUMENT. FAILURE TO REJECT THIS AWARD WITHIN SUCH 5-DAY PERIOD SHALL BE DEEMED ACCEPTANCE OF THIS AWARD AND THE TERMS AND CONDITIONS OF THE AWARD DOCUMENT.

<u>EXHIBIT A</u>

WESTERN DIGITAL CORPORATION
2021 LONG-TERM INCENTIVE PLAN

STANDARD TERMS AND CONDITIONS FOR
PERFORMANCE STOCK UNITS

These Standard Terms and Conditions apply to this Award of Performance Stock Units granted under the Western Digital Corporation 2021 Long-Term Incentive Plan (the "***Plan***"). The Performance Stock Units are also subject to the terms of the Plan and the attached Grant Notice, which are incorporated here by this reference. Capitalized terms not otherwise defined here shall have the meaning set forth in the Plan.

1. TERMS OF PERFORMANCE STOCK UNITS

Western Digital Corporation (the "***Company***") has granted to the Participant named in the attached Grant Notice an award of Performance Stock Units (this "***Award***" or the "***PSUs***") described in the Grant Notice, with each PSU representing the right to receive one share of Common Stock. For purposes of these Standard Terms and Conditions and the Grant Notice, any reference to the Company shall include a reference to any Subsidiary.

2. VESTING AND SETTLEMENT OF PERFORMANCE STOCK UNITS

(a) The Award shall be unvested as of the Grant Date and be forfeitable unless and until otherwise vested pursuant to the terms of the Grant Notice and these Standard Terms and Conditions. After the Grant Date, subject to termination or acceleration as provided in these Standard Terms and Conditions and the Plan, this Award shall become vested as described in the Grant Notice. PSUs that have vested and are no longer subject to forfeiture are referred to as "***Vested PSUs***." PSUs that are not vested and remain subject to forfeiture are referred to as "***Unvested PSUs***." No portion of this Award, nor the shares of Common Stock subject to this Award, may be deferred under the Western Digital Corporation Deferred Compensation Plan (or any applicable successor plan) or any other deferred compensation arrangement of the Company.

Following the end of each Annual Measurement Period, the Administrator shall determine the extent to which the applicable performance goals have been achieved with respect to such Measurement Period. Following the end of the Performance Period, the Administrator shall determine the number of PSUs eligible to vest based on the average achievement of performance goals for each Annual Measurement Period over the Performance Period. Any PSUs (including any related credited dividend equivalents) that do not become eligible to vest shall terminate as of the end of the Performance Period. The PSUs that become eligible to vest based on performance during the Performance Period shall vest on the Vesting Date set forth in the Grant Notice, subject to Continuous Service through such date, except as expressly provided in Section 2(b), 2(c) or 2(d) below. The Company shall deliver to the Participant on the Settlement Date a number of shares of Common Stock equal to the number of Vested PSUs. The Company may, in its sole discretion, settle any PSUs accrued as dividend equivalents by a cash payment equal to the Fair Market Value of a share of Common Stock on the date of payment (as opposed to payment in the form of shares of Common Stock). "***Settlement Date***" means: as soon as practicable following the vesting of the PSUs on the Vesting Date but in no event later than December 31 of the calendar year in which the Vesting Date occurs.

(b) *Termination without Cause under the Executive Severance Plan*. For a Participant who is subject to the terms of the Western Digital Corporation Amended and Restated Executive Severance Plan, as applicable (or any applicable successor plan) (the "***Executive Severance Plan***") at the time of termination of Continuous Service, then upon Participant's termination of employment by the Company without Cause (as defined in the Executive Severance Plan) under circumstances that would entitle the Participant to severance benefits under the Executive Severance Plan, subject to compliance with the terms of the Executive Severance Plan, then the PSUs will be payable in accordance with the Vesting Schedule set forth in the Grant Notice above, with no acceleration, and vest as follows:

(i) If the Performance Period has not ended as of the date of termination of Continuous Service, the PSUs (and any credited dividend equivalent rights) will remain outstanding and a pro-rated portion will vest, if at all, based on the actual achievement of the applicable performance goal(s) with respect to the Annual Measurement Periods over the Performance Period, including the Relative TSR Modifier, (with the number of shares vesting determined before taking the crediting of (if applicable) dividend equivalent rights into account) with such pro-rated portion equal to a fraction with a numerator equal to the total number of calendar days in the period beginning with the first day of the First Measurement Period through and including the Participant's termination of Continuous Service and a denominator equal to the total number of calendar days in the Performance Period.

(ii) If the Performance Period has ended as of the date of termination of Continuous Service, the PSUs (and any credited dividend equivalents) will remain outstanding and will vest, if at all, based on the actual achievement of the applicable performance goal(s) with respect to the Annual Measurement Periods over the Performance Period, including the Relative TSR Modifier.

Any Unvested PSUs that do not vest as described above shall be forfeited as of the date of the Participant's termination of Continuous Service.

(c) *Termination without Cause or for Good Reason under the Change in Control Severance Plan*. For a Participant who is subject to the terms of the Western Digital Corporation Amended and Restated Change in Control Severance Plan, as applicable (or any applicable successor plan) (the "***CIC Severance Plan***") at the time of termination of Continuous Service, then upon Participant's termination of employment by the Company without Cause or due to a resignation by Participant for Good Reason (both as defined in the CIC Severance Plan) under circumstances that would entitle the Participant to severance benefits under the CIC Severance Plan, subject to compliance with the terms of the CIC Severance Plan, the PSUs (and any credited dividend equivalents) will be payable upon the Participant's termination of Continuous Service and vest as follows:

(i) If the Performance Period has not ended as of the date of termination of Continuous Service, the number of shares of Common Stock that will vest shall be equal to the greater of (x) the target number of PSUs or (y) the number of shares of Common Stock subject to the PSUs that would vest based on the treatment set forth in the definitive agreement providing for the Change in Control.

(ii) If the Performance Period has ended as of the date of termination of Continuous Service, the PSUs will remain outstanding and will vest, if at all, based on the actual achievement of the applicable performance goals over the Performance Period, including the Relative TSR Modifier.

(d) *Termination due to Death; Termination due to a Qualifying Retirement.* (1) Upon Participant's termination of Continuous Service due to death, or (2) upon Participant's termination of employment due to a Qualifying Retirement (as defined below), the PSUs will be payable in accordance with the Vesting Schedule set forth in the Grant Notice above, with no acceleration, and vest as follows:

(i) If the Performance Period has not ended as of the date of termination of Continuous Service, the PSUs (and any credited dividend equivalent rights) will remain outstanding and a pro-rated portion will vest, if at all, based on the actual achievement of the applicable performance goal(s) with respect to the Annual Measurement Periods over the Performance Period, including the Relative TSR Modifier, (with the number of shares vesting determined before taking the crediting of (if applicable) dividend equivalent rights into account) with such pro-rated portion equal to a fraction with a numerator equal to the total number of calendar days in the period beginning with the first day of the First Measurement Period through and including the Participant's termination of Continuous Service and a denominator equal to the total number of calendar days in the Performance Period.

(ii) If the Performance Period has ended as of the date of termination of Continuous Service, the PSUs (and any credited dividend equivalents) will remain outstanding and will vest, if at all, based on the actual achievement of the applicable performance goal(s) with respect to the Annual Measurement Periods over the Performance Period, including the Relative TSR Modifier.

"***Qualifying Retirement***" means the termination of the Participant's employment with the Company and its Subsidiaries due to his or her retirement from employment with the Company or one of its Subsidiaries after satisfying all of the following requirements at the time of such termination: (i) the Participant is at least 55 years of age, (ii) the Participant has five or more whole years of credited service with the Company and/or any of its Subsidiaries; and (iii) the Participant's age plus years of credited service with the Company and/or any of its Subsidiaries (including only whole years in the case of both age and credited service for purposes of this requirement) totals at least 70.

Any Unvested PSUs that do not vest as described above shall be forfeited as of the date of the Participant's termination of Continuous Service, provided that the Unvested PSUs shall remain eligible to vest in accordance with the Grant Notice and these Standard Terms and Conditions in the event the Participant terminates employment due to a Qualifying Retirement yet continues to provide services to the Company and its Subsidiaries in a capacity other than as an employee. Such continued vesting is subject to the Participant's Continuous Services through the Vesting Date.

(e) *Resignation*. Upon Participant's termination of Continuous Service by the Company due to a resignation by Participant for any reason, other than a Qualifying Retirement or a resignation for Good Reason under circumstances that would entitle the Participant to severance benefits under the CIC Severance Plan, subject to compliance with the terms of the CIC Severance Plan, the PSUs held by the Participant shall be forfeited as of the date of the Participant's termination of Continuous Service.

(f) Upon Participant's termination of Continuous Service by the Company for Cause, the entire Award held by the Participant shall be forfeited as of the date of the Participant's termination of Continuous Service.

(g) *Non-U.S. Eligible Employees Participating in the Executive Severance Plan and Change in Control Severance Plan*. For avoidance of doubt, if Participant is not a U.S. Eligible Employee (as defined in the applicable severance plan), the Participant will only be eligible for the vesting treatment on a termination without Cause as described in Section 2(b) or termination without Cause or resignation for Good Reason as described in Section 2(c) in accordance with the terms of the applicable severance plan, which provides that the administrator of such severance plan will compare any Local Severance Benefits (as defined in the applicable severance plan) with the Plan Severance Benefits (as defined in the applicable severance plan) and if the value of the Local Severance Benefits equals or exceeds the value of the Plan Severance Benefits, the Participant will not be eligible to receive the vesting treatment on a termination without Cause as described in Section 2(b) or termination without Cause or resignation for Good Reason as described in Section 2(c). For the avoidance of doubt, a Participant who is retirement-eligible and receives Local Severance Benefits shall also receive the vesting treatment described in Section 2(d) as though the Participant had experienced a Qualifying Retirement.

3. RIGHTS AS STOCKHOLDER; DIVIDEND EQUIVALENTS

(a) Participant shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any PSUs unless and until shares of Common Stock settled for such PSUs shall have been issued by the Company to Participant.

(b) Notwithstanding Section 3(a), from and after the Grant Date and until the earlier of (i) the Participant's receipt of Common Stock upon settlement of the PSUs and (ii) the time when the Participant's right to receive Common Stock upon settlement of the PSUs is forfeited, the Participant shall be entitled to receive as a dividend equivalent a number of additional PSUs on the date that the Company pays a cash dividend (if any) to Common Stock holders generally. Such dividend equivalent shall be determined by dividing (i) the product of (A) the dollar amount of the cash dividend paid per share of Common Stock on such date and (B) the total number of PSUs (including dividend equivalents accrued thereon) previously credited to the Participant as of such date, by (ii) the Fair Market Value per share of Common Stock on such date. Such dividend equivalents (if any) shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the PSUs to which the dividend equivalents were credited. Dividend equivalents shall be settled in whole shares of Common Stock with any dividend equivalents accrued in the form of fractional PSUs settled in cash. However, for the avoidance of doubt, the Company may, in its sole discretion, settle any PSUs accrued as dividend equivalents by a cash payment equal to the Fair Market Value of a share of Common Stock on the date of payment (as opposed to payment in the form of shares of Common Stock). For the avoidance of doubt, in no event will any dividend equivalents credited to PSUs be delivered to the Participant unless and until such PSUs vest and settle.

4. RESTRICTIONS ON RESALES OF SHARES

The Company may impose such restrictions as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any shares of Common Stock issued pursuant to Vested PSUs, including (a) restrictions under an insider trading policy, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and other holders and (c) restrictions as to the use of a specified brokerage firm for such resales or other transfers.

5. INCOME TAXES

The Participant may satisfy tax withholding obligations relating to the PSUs by any combination of the following: (i) a cash payment; (ii) a Company deduction from any amounts payable to Participant; (iii) Company withholding of shares from the Common Stock issuable to the Participant in connection with the PSUs (only up to the amount permitted that will not cause an adverse accounting consequence); or (iv) Company withholding a payment from the proceeds from the sale of shares of Common Stock issued pursuant to the PSUs. In addition, the Administrator may, in its sole discretion but only to the extent consistent with Section 409A of the Code, reduce the number of PSUs remaining subject to this Award, with each such PSU to have a value for such purpose equal to the then Fair Market Value of a share of Common Stock, to satisfy such withholding obligation at the applicable withholding rates.

6. NONTRANSFERABILITY OF AWARD

The Participant agrees that, except as otherwise provided in the Plan or as permitted by the Administrator, this Award may not be sold, assigned, transferred, pledged or otherwise directly or indirectly encumbered or disposed of other than by will or the laws of descent and distribution or pursuant to the terms of a qualified domestic relations order, official marital settlement agreement or other divorce or separation instrument.

7. OTHER AGREEMENTS SUPERSEDED

The Grant Notice, these Standard Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding this Award. Any prior agreements, commitments or negotiations concerning this Award are superseded.

8. NO ADDITIONAL RIGHTS

The Participant's receipt of the PSUs does not confer upon the Participant any right to continue to serve the Company or an Affiliate in any capacity and will not affect the right of the Company or an Affiliate to terminate the service of the Participant.

9. GENERAL

(a) In the event that any provision of these Standard Terms and Conditions (including, for the avoidance of doubt, the Plan, which is incorporated here by this reference) is declared to be unenforceable by an arbitrator selected in accordance with Section 11 below or a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it enforceable, or otherwise deleted, and the remainder of these Standard Terms and Conditions shall not be affected except to the extent necessary to reform or delete such unenforceable provision. Furthermore, except as otherwise provided by Section 11, it is the parties' intent that any order striking any portion of this Award Document 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.

(b) The headings preceding the text of the sections in these Standard Terms and Conditions are inserted solely for convenience of reference, and shall not constitute a part of these Standard Terms and Conditions, nor shall they affect its meaning, construction or effect. References to any agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by the Plan or these Standard Terms and Conditions.

(c) These Standard Terms and Conditions shall inure to the benefit of and be binding upon the parties and their respective permitted heirs, beneficiaries, successors and assigns.

(d) These Standard Terms and Conditions shall be interpreted in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of law.

(e) In the event of any conflict between the Grant Notice, these Standard Terms and Conditions and the Plan, the Grant Notice and these Standard Terms and Conditions shall control. In the event of any conflict between the Grant Notice and these Standard Terms and Conditions, the Grant Notice shall control.

(f) The PSUs and any shares of Common Stock acquired under the Plan, and the income and value of the same, are not part of the Participant's normal or expected compensation for any purposes including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related pay, pension or retirement benefits or payments or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Participant's employer or any Subsidiary.

(g) All questions under the Plan or under these Standard Terms and Conditions shall be decided by the Administrator in its total and absolute discretion.

(h) This Award will be subject to recoupment in accordance with the Company's compensation recovery (clawback) policy or policies then in effect. No recovery of compensation under any such policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or a Subsidiary.

10. ELECTRONIC DELIVERY

By accepting the Grant Notice, the Participant hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Participant pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, and the PSUs via Company web site or other electronic delivery.

11. ARBITRATION

Any controversy arising out of or relating to the Grant Notice, these Standard Terms and Conditions, and/or the Plan ("***Covered Claims***"), shall be resolved in accordance with the terms and conditions of the Western Digital Technologies, Inc. Dispute Resolution Agreement (the "***DRA***"), except with respect to any specific performance provided for in Section 13(f) below.

If, however, Participant has opted out of the DRA, any Covered Claims shall be submitted to arbitration pursuant to this Section 11. Such arbitration shall be held in Orange County, California, U.S.A., 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 the Federal Arbitration Act; provided, however, that provisional injunctive relief may, but need not, be sought by either party in a court of law to maintain the status quo 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. Any such action for provisional injunctive relief shall be subject to the exclusive jurisdiction of the Delaware Chancery Court and each party consents to jurisdiction with respect to any such action in Delaware Chancery Court. To the fullest extent permitted by applicable law, Participant and the Company agree to bring any Covered Claims on an individual basis only, and not on a class, collective, joint, or representative basis. If, however, the preceding sentence be determined invalid or unenforceable by a court of competent jurisdiction and not by an arbitrator with respect to any particular Covered Claim, then that Covered Claim will not proceed in arbitration but rather will be resolved in a court of competent jurisdiction for that Covered Claim only. All other Covered Claims must be resolved in arbitration on an individual basis. Any award or relief granted by the arbitrator shall be final and binding on the Company and the Participant and may be enforced by any court of competent jurisdiction.

The Company shall be responsible for payment of the forum costs of any arbitration hereunder, including the arbitrator's fee. 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. If, however, any party prevails on a statutory claim, which affords the prevailing party attorneys' fees and costs, then the arbitrator may award reasonable fees and costs to the prevailing party. The parties agree that they are hereby waiving any rights to trial by jury in relation to any matter arising out of or in any way connected with any Covered Claim(s).

12. NON-U.S. EMPLOYEES

The Award shall be subject to any additional terms and conditions for non-U.S. employees set forth in <u>Appendix A</u> ("***Appendix A***") and any terms and conditions for the Participant's country set forth in <u>Appendix B</u> ("***Appendix B***"). Moreover, if the Participant relocates to one of the countries included in <u>Appendix B</u>, the terms and conditions for such country will apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. <u>Appendix A</u> and <u>Appendix B</u> constitute part of the Agreement.

13. ADDITIONAL PARTICIPANT OBLIGATIONS

(a) The Participant, in accepting this Award, (i) agrees to the terms of this Award as set forth in this Award Document generally, and (ii) specifically (and without limiting the generality of clause (i)) agrees to the provisions of this Section 13.

(b) The Participant agrees that during the Restricted Period (as defined below), the Participant will not directly or indirectly solicit, induce or encourage, or attempt to solicit, induce or encourage, any employee or independent contractor of the Company or any of its Subsidiaries to leave the employ or service, as applicable, of the Company or any such Subsidiary, or become employed or engaged by any third party, or in any way interfere with the relationship between the Company or any such Subsidiary, on the one hand, and any employee or independent contractor thereof, on the other hand. This Section 13(b) does not limit any general advertising or job posting not directed at any individual or group of employees of the Company or any of its Subsidiaries. For purposes of this Award Document, "Restricted Period" means the period of time the Participant is employed by or provides services to the Company or one of its Subsidiaries and the period of twenty-four (24) months after the date on which the Participant's Continuous Service terminates.

(c) The Participant agrees that if the Participant were to become employed by, or substantially involved in, the business of a competitor of the Company or any of its Subsidiaries, it would be very difficult for the Participant not to rely on or use the Company's and its Subsidiaries' trade secrets and confidential information. Thus, to avoid the inevitable disclosure of the Company's and its Subsidiaries' trade secrets and confidential information, and to protect such trade secrets and confidential information and the Company's and its Subsidiaries' relationships and goodwill with customers, during the Restricted Period, the Participant will not directly or indirectly through any other person engage in, enter the employ of, render any services to, have any ownership interest in, nor participate in the financing, operation, management or control of, any Competing Business. For purposes of this Agreement, the phrase "directly or indirectly through any other Person engage in" shall include, without limitation, any direct or indirect ownership or profit participation interest in such enterprise, whether as an owner, stockholder, member, partner, joint venturer or otherwise, and shall include any direct or indirect participation in such enterprise as an employee, consultant, director, officer, advisor, licensor of technology or otherwise. For purposes of this Agreement, "Competing Business" means a person anywhere in the continental United States and elsewhere in the world where the Company or any of its Subsidiaries engages in business, or reasonably anticipates engaging in business, (the "Restricted Area") that is engaged in design, development, manufacture, maintenance, offering, production or sales of hard disk drives or flash-based memory or other data storage devices or solutions. However, nothing in this Section 13(c) shall prohibit the Participant from being a passive owner of a *de minimis* amount of outstanding stock of any class of a corporation which is publicly traded, so long as such ownership is indirect through a mutual fund, similar passive common investment fund, or a broadly-diversified account managed by an unaffiliated third party.

(d) The Participant acknowledges that, in the course of the Participant's employment with the Company and/or its Subsidiaries and their predecessors, the Participant has become familiar, or will become familiar, with the Company's and its Subsidiaries' and their predecessors' trade secrets and with other confidential and proprietary information concerning the Company, its Subsidiaries and their respective predecessors and that the Participant's services have been and will be of special, unique and extraordinary value to the Company and its Subsidiaries. The Participant agrees that the covenants set forth in Sections 13(b) and (c) (together, the "Restrictive Covenants") are reasonable and necessary to protect the Company's and its Subsidiaries' trade secrets and other confidential and proprietary information, good will, stable workforce, and customer relations.

(e) Without limiting the generality of the Participant's agreement in Section 13(d), the Participant (i) represents that the Participant is familiar with and has carefully considered the Restrictive Covenants, (ii) represents that the Participant is fully aware of the Participant's obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company and its Subsidiaries currently conduct business throughout the world, and (v) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above in this Section 13 regardless of whether the Participant is then entitled to receive any form of compensation, severance pay or benefits from the Company or any of its Subsidiaries. The Participant understands that the Restrictive Covenants may limit the Participant's ability to earn a livelihood in a business similar to the business of the Company or any of its Subsidiaries, but the Participant nevertheless believes that the Participant has received and will receive sufficient consideration and other benefits as an employee of the Company or one of its Subsidiaries, and as otherwise provided hereunder, to clearly justify such restrictions which, in any event (given the Participant's education, skills and ability), the Participant does not believe would prevent the Participant from otherwise earning a living. The Participant agrees that the Restrictive Covenants do not confer a benefit upon the Company and its Subsidiaries that is disproportionate to the detriment of the Participant.

(f) The Participant agrees that a breach by the Participant of any of the covenants in this Section 13 would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, the Participant agrees that in the event of any breach or threatened breach of any provision of this Section 13, the Company (or its applicable Subsidiary, as the case may be) shall be entitled, in addition to and without limitation upon all other remedies the Company (or any of its Subsidiaries) may have under this Award Document, at law or otherwise, to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 13, or require the Participant to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 13 if and when final judgment of a court of competent jurisdiction or arbitrator, as applicable, is so entered against the Participant. The Participant further agrees that the applicable period of time any Restrictive Covenant is in effect following the date of the Participant's termination of Continuous Service shall be extended by the same amount of time that the Participant is in breach of any Restrictive Covenant following the date on which the Participant's Continuous Service terminates. The Participant further agrees that in the event of any breach of any provision of this Section 13, in addition to and without limitation upon all other remedies the Company (or any of its Subsidiaries) may have under this Award Document, at law or otherwise, this Award (to the extent outstanding at the time of such breach) shall automatically terminate and be forfeited as of the time of such breach.

<u>EXHIBIT B</u>

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

[*To be inserted*]

Exhibit B
Performance Measures and Goals

<u>EXHIBIT B-1</u>

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

First Measurement Period

[*To be inserted*]

<u>EXHIBIT B-2</u>

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

Second Measurement Period

[*To be inserted*]

EXHIBIT B-3

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

Third Measurement Period

[*To be inserted*]

* * *

APPENDIX A

ADDITIONAL TERMS AND CONDITIONS OF PERFORMANCE STOCK UNIT AWARD DOCUMENT FOR NON-U.S. EMPLOYEES

1. Terms of Plan Participation for Non-U.S. Participants

The Participant understands that this Appendix A contains additional terms and conditions that, together with the Plan and the Award Document, govern the Participant's participation in the Plan if the Participant is working or resident in a country other than the United States. The Participant further understands that the Participant's participation in the Plan also will be subject to any terms and conditions for the Participant's country set forth in Appendix B. *Capitalized terms used but not defined in this Appendix A shall have the same meanings assigned to them in the Plan and/or Award Document.*

2. Withholding Taxes

The following provision supplements Section 5 of the Standard Terms and Conditions:

The Participant acknowledges that, regardless of any action taken by the Company or, if different, the Participant's employer ("***Employer***"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and this Award and legally applicable to the Participant ("***Tax-Related Items***") is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSUs; and (b) are not obligated to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. If the Participant is or becomes subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees, in connection with any relevant taxable or tax withholding event, as applicable, to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the methods set forth in Section 8(f) of the Plan and Section 5 of the Standard Terms and Conditions. In addition, the Participant authorizes withholding from proceeds of the sale of shares of Common Stock acquired upon settlement of the PSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization without further consent). If the Participant is subject to Section 16 of the Exchange Act, then withholding for Tax-Related Items shall be satisfied in accordance with Section 8(f) of the Plan, Section 5 of the Standard Terms and Conditions, and the withholding methodology approved by the Administrator for officers subject to Section 16 of the Exchange Act.

Depending on the withholding method, the Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable minimum withholding amounts or other applicable withholding rates, including maximum applicable rates. In the event of over-withholding, the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Common Stock from the Company or the Employer; otherwise, the Participant may be able to seek a refund from the local tax authorities. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the Tax-Related Items are satisfied by withholding in shares of Common Stock, for tax purposes, the Participant is deemed to have been issued the full number of shares subject to the vested PSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

The Participant further agrees to pay to the Company or the Employer, any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Common Stock or the proceeds from the sale of shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

3. Nature of Grant

By accepting the PSUs and any shares of Common Stock, the Participant agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the PSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of PSUs, or benefits in lieu of PSUs, even if PSUs have been granted in the past;

(c) all decisions with respect to future PSUs or other grants, if any, will be at the sole discretion of the Company;

(d) the Participant is voluntarily participating in the Plan;

(e) the PSUs and any shares of Common Stock acquired under the Plan, and the income and value of the same, are not intended to replace any pension rights or compensation;

(f) the PSUs and any shares of Common Stock acquired under the Plan, and the income and value of the same, are not part of the Participant's normal or expected compensation for any purposes including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, leave-related pay, pension or retirement benefits or payments or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer or any Subsidiary;

(g) the future value of the shares of Common Stock underlying the PSUs is unknown, indeterminable, and cannot be predicted with certainty;

(h) unless otherwise agreed with the Company, the PSUs and the shares of Common Stock acquired under the Plan, and the income and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of any Subsidiary;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the PSUs resulting from the termination of the Participant's employment (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or providing services, or the terms of the Participant's employment or service agreement, if any) or from the application of any clawback or recoupment policy adopted by the Company or imposed by applicable law;

(j) unless otherwise provided in the Plan or by the Company in its discretion, the PSUs and the benefits evidenced by the Award Document do not create any entitlement to have the PSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares; and

(k) neither the Company, the Employer nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the U.S. dollar that may affect the value of the PSUs or of any amounts due to the Participant pursuant to the vesting of the PSUs or the subsequent sale of any shares of Common Stock acquired upon vesting.

4. Data Privacy

By accepting the PSUs via the Company's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Personal Data (as defined below) by the Company and the transfer of Personal Data to the recipients mentioned herein, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described herein.

(a) ***<u>Declaration of Consent</u>. The Participant understands that he or she needs to review the following information about the processing of the Participant's personal data by or on behalf of the Company, the Employer and/or any Subsidiary as described in this Award Document and any other PSU grant materials (the "Personal Data") and declare his or her consent. As regards the processing of the Participant's Personal Data in connection with the Plan and this Award Document, the Participant understands that the Company is the controller of the Participant's Personal Data.***

(b) ***<u>Data Processing and Legal Basis</u>. The Company collects, uses and otherwise processes Personal Data about the Participant for the purposes of allocating shares of Common Stock and implementing, administering and managing the Plan. The Participant understands that this Personal Data may include, without limitation, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport number or other identification number (e.g., resident registration***

number), salary, nationality, job title, any shares of stock or directorships held in the Company or its Subsidiaries, details of all PSUs or any other entitlement to shares of stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor. The legal basis for the processing of the Participant's Personal Data will be the Participant's consent.

(c) *<u>Stock Plan Administration Service Providers</u>. The Participant understands that the Company transfers the Participant's Personal Data, or parts thereof, to E*TRADE Financial Corporation Services, Inc. (and its affiliated companies), an independent service provider based in the United States or IBI Capital for Israeli employees, each of which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share the Participant's Personal Data with such different service provider that serves the Company in a similar manner. The Participant understands and acknowledges that the Company's service provider will open an account for the Participant to receive and trade shares of Common Stock acquired under the Plan and that the Participant will be asked to agree on separate terms and data processing practices with the service provider, which is a condition of the Participant's ability to participate in the Plan.*

(d) *<u>International Data Transfers.</u> The Participant understands that the Company and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as the Company's service providers, are based in the United States. If the Participant is located outside the United States, the Participant understands and acknowledges that the Participant's country has enacted data privacy laws that are different from the laws of the United States. Transfers of personal data from the EEA or the United Kingdom to the United States can be made on the basis of Standard Contractual Clauses approved by the European Commission, United Kingdom or other appropriate safeguards permissible under the applicable law. If the Participant is located in the EU, EEA or the United Kingdom, the Company may receive, process and transfer the Participant's Personal Data onward to third-party service providers solely on the basis of appropriate data transfer agreements or other appropriate safeguards permissible under applicable law. If applicable, the Participant understands that the Participant can ask for a copy of the appropriate data processing agreements underlying the transfer of the Participant's Personal Data by contacting the Participant's local human resources representative. The Company's legal basis for the transfer of the Participant's Personal Data is the Participant's consent.*

(e) *<u>Data Retention.</u> The Company will hold and use the Data only as long as is necessary to implement, administer and manage participation in the Plan or as required to comply with tax, exchange control, labor and securities laws, other applicable law, exercise or defense of legal rights, and archiving, back-up and deletion processes. This period may extend beyond the Participant's period of employment with the Employer.*

(f) *<u>Voluntariness and Consequences of Denial/Withdrawal of Consent</u>. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or later seeks to revoke their consent, the Participant's salary from or employment or other service with the Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant PSUs or other equity awards to the Participant or administer or maintain such awards.*

(g) *<u>Data Subject Rights.</u> The Participant understands that data subject rights regarding the processing of personal data vary depending on the applicable law and that, depending on where the Participant is based and subject to the conditions set out in the applicable law, the Participant may have, without limitation, the rights to (i) inquire whether and what kind of Personal Data the Company holds about the Participant and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, does not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of the Participant's Personal Data in certain situations where the Participant feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, and to (vi) request portability of the Participant's Personal Data that the Participant has actively or passively provided to the Company (which does not include data derived or inferred from the collected data), where the processing of such Personal Data is based on consent or the Participant's employment or service contract and is carried out by automated means. In case of concerns, the Participant understands that the Participant may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Participant's rights the Participant understands that the Participant should contact the Participant's local human resources representative.*

(h) *<u>Alternate Basis and Additional Consents.</u> Finally, the Participant understands that the Company may rely on a different basis for the processing or transfer of Personal Data in the future and/or request that the Participant provide another data privacy consent. If applicable, the Participant agrees that upon request of the Company or the Employer, the Participant will provide an executed acknowledgement or*

data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such consent or agreement requested by the Company and/or the Employer.

5. Electronic Delivery and Acceptance

The Participant agrees that the Company may, in its sole discretion, decide to deliver by email or other electronic means any documents relating to the Plan or the PSUs. Further, the Participant agrees to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or by a third party designated by the Company.

6. Insider Trading/Market Abuse Laws

The Participant agrees to comply with the Company's policy on insider trading (to the extent that it is applicable to the Participant). Depending on the Participant's country or the designated broker's country or country where the Common Stock is listed, the Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect the Participant's ability to accept, acquire, sell, attempt to sell or otherwise dispose of Common Stock, rights to Common Stock (*e.g.*, the PSUs) or rights linked to the value of Common Stock (*e.g.*, phantom awards, futures) during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in the Participant's country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant placed before possessing inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.

7. Exchange Control, Tax and/or Foreign Asset/Account Reporting

The Participant acknowledges that there may be exchange control, tax, foreign asset and/or account reporting requirements which may affect the Participant's ability to acquire or hold shares of Common Stock acquired under the Plan or cash received from participating in the Plan (including from any dividend equivalents paid with respect to the PSUs or dividends paid on shares of Common Stock acquired under the Plan) in a brokerage/bank account or legal entity outside the Participant's country. The Participant may be required to report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the tax or other authorities in the Participant's country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country through a designated bank or broker within a certain time after receipt. In addition, the Participant agrees to take any and all actions, and consent to any and all actions taken by the Company or the Employer as may be required to allow the Company or the Employer to comply with local laws, rules and regulations in the Participant's country of residence (and country of employment, if different). The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

8. Language

The Participant acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English so as to allow the Participant to understand the terms and conditions of this Award Document. Furthermore, if the Award Document or any other document related to the Plan has been translated into a language other than English and the meaning of the translated version is different than the English version, the English version will control, unless otherwise required by applicable law.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David V. Goeckeler, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. 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

d. 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.

/s/ David V. Goeckeler
David V. Goeckeler
Chief Executive Officer

Dated: November 6, 2023

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wissam Jabre, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. 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

d. 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.

/s/ Wissam Jabre

Wissam Jabre
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: November 6, 2023

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 September 29, 2023 (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.

/s/ David V. Goeckeler

David V. Goeckeler
Chief Executive Officer

Dated: November 6, 2023

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 September 29, 2023 (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.

/s/ Wissam Jabre

Wissam Jabre
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: November 6, 2023