

**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 January 1, 2021

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®
WESTERN DIGITAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

5601 Great Oaks Parkway San Jose, California
(Address of principal executive offices)

33-0956711

(I.R.S. Employer Identification No.)

95119
(Zip Code)

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

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.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
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 January 29, 2021, 306,097,179 shares of common stock, par value \$0.01 per share, were outstanding.

WESTERN DIGITAL CORPORATION

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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, G-Technology, 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 the effects of the COVID-19 pandemic and measures intended to reduce its spread;*
- *expectations regarding demand conditions and the ramp of our new products;*
- *expectations regarding our Flash Ventures joint venture with Kioxia Corporation, the flash industry and our flash wafer output plans;*
- *expectations regarding the outcome of legal proceedings in which we are involved;*
- *our reinvestment in the business and ongoing deleveraging efforts;*
- *our beliefs regarding tax benefits and the timing of future payments, if any, relating to the unrecognized tax benefits, and the adequacy of our tax provisions;*
- *expectations regarding capital investments and sources of funding for those investments; and*
- *our beliefs regarding the sufficiency of our available liquidity to meet our working capital, debt and capital expenditure needs as well as our dividend plans.*

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

- *future responses to and effects of the COVID-19 pandemic;*
- *volatility in global economic conditions;*
- *impact of business and market conditions;*
- *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;*
- *difficulties or delays in manufacturing or other supply chain disruptions;*
- *hiring and retention of key employees;*
- *our high level of debt and other financial obligations;*
- *changes to our relationships with key customers;*
- *disruptions in operations from cyberattacks or other system security risks;*
- *actions by competitors;*
- *risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings; and*
- *the other risks and uncertainties disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 3, 2020 (the “2020 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 2020 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 2020 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 events or circumstances 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)

	January 1, 2021	July 3, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,956	\$ 3,048
Accounts receivable, net	1,833	2,379
Inventories	3,576	3,070
Other current assets	744	551
Total current assets	9,109	9,048
Property, plant and equipment, net	2,918	2,854
Notes receivable and investments in Flash Ventures	1,858	1,875
Goodwill	10,071	10,067
Other intangible assets, net	596	941
Other non-current assets	1,000	877
Total assets	<u>\$ 25,552</u>	<u>\$ 25,662</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,939	\$ 1,945
Accounts payable to related parties	393	407
Accrued expenses	1,420	1,296
Accrued compensation	523	472
Current portion of long-term debt	251	286
Total current liabilities	4,526	4,406
Long-term debt	8,882	9,289
Other liabilities	2,315	2,416
Total liabilities	15,723	16,111
Commitments and contingencies (Notes 9, 10, 12 and 15)		
Shareholders' equity:		
Preferred stock, \$0.01 par value; authorized — 5 shares; issued and outstanding — none	—	—
Common stock, \$0.01 par value; authorized — 450 shares; issued — 312 shares; outstanding — 306 shares and 302 shares, respectively	3	3
Additional paid-in capital	3,546	3,717
Accumulated other comprehensive loss	(50)	(157)
Retained earnings	6,720	6,725
Treasury stock — common shares at cost; 6 shares and 10 shares, respectively	(390)	(737)
Total shareholders' equity	9,829	9,551
Total liabilities and shareholders' equity	<u>\$ 25,552</u>	<u>\$ 25,662</u>

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		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
Revenue, net	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274
Cost of revenue	2,983	3,299	6,001	6,581
Gross profit	960	935	1,864	1,693
Operating expenses:				
Research and development	535	578	1,090	1,152
Selling, general and administrative	265	298	521	603
Employee termination, asset impairment, and other charges	2	9	25	17
Total operating expenses	802	885	1,636	1,772
Operating income (loss)	158	50	228	(79)
Interest and other income (expense):				
Interest income	2	8	4	20
Interest expense	(81)	(105)	(165)	(227)
Other income, net	6	7	15	9
Total interest and other expense, net	(73)	(90)	(146)	(198)
Income (loss) before taxes	85	(40)	82	(277)
Income tax expense	23	99	80	138
Net income (loss)	\$ 62	\$ (139)	\$ 2	\$ (415)
Income (loss) per common share				
Basic	\$ 0.20	\$ (0.47)	\$ 0.01	\$ (1.40)
Diluted	\$ 0.20	\$ (0.47)	\$ 0.01	\$ (1.40)
Weighted average shares outstanding:				
Basic	305	298	304	297
Diluted	307	298	305	297
Cash dividends declared per share	\$ —	\$ 0.50	\$ —	\$ 1.00

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

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

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
Net income (loss)	\$ 62	\$ (139)	\$ 2	\$ (415)
Other comprehensive income (loss), before tax:				
Actuarial pension gain	1	2	2	3
Foreign currency translation adjustment	34	(15)	66	(10)
Net unrealized gain (loss) on derivative contracts and available-for-sale securities	20	(6)	50	(39)
Total other comprehensive income (loss), before tax	55	(19)	118	(46)
Income tax benefit (expense) related to items of other comprehensive income (loss), before tax	(4)	(1)	(11)	4
Other comprehensive income (loss), net of tax	51	(20)	107	(42)
Total comprehensive income (loss)	<u>\$ 113</u>	<u>\$ (159)</u>	<u>\$ 109</u>	<u>\$ (457)</u>

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)

	Six Months Ended	
	January 1, 2021	January 3, 2020
Cash flows from operating activities		
Net income (loss)	\$ 2	\$ (415)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization	710	805
Stock-based compensation	156	154
Deferred income taxes	(5)	(42)
Loss on disposal of assets	1	(12)
Amortization of debt discounts	20	20
Other non-cash operating activities, net	(18)	(20)
Changes in:		
Accounts receivable, net	546	(587)
Inventories	(505)	155
Accounts payable	70	170
Accounts payable to related parties	(13)	33
Accrued expenses	78	327
Accrued compensation	51	191
Other assets and liabilities, net	(305)	(269)
Net cash provided by operating activities	788	510
Cash flows from investing activities		
Purchases of property, plant and equipment	(576)	(305)
Proceeds from the sale of property, plant and equipment	39	—
Acquisitions, net of cash acquired	—	(22)
Notes receivable issuances to Flash Ventures	(252)	(224)
Notes receivable proceeds from Flash Ventures	346	690
Strategic investments and other, net	7	21
Net cash provided by (used in) investing activities	(436)	160
Cash flows from financing activities		
Issuance of stock under employee stock plans	63	72
Taxes paid on vested stock awards under employee stock plans	(43)	(54)
Dividends paid to shareholders	—	(296)
Repayment of debt	(461)	(707)
Other	(9)	—
Net cash used in financing activities	(450)	(985)
Effect of exchange rate changes on cash	6	(3)
Net decrease in cash and cash equivalents	(92)	(318)
Cash and cash equivalents, beginning of year	3,048	3,455
Cash and cash equivalents, end of period	\$ 2,956	\$ 3,137
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 251	\$ 181
Cash paid for interest	\$ 144	\$ 206

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

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at July 3, 2020	312	\$ 3	(10)	\$ (737)	\$ 3,717	\$ (157)	\$ 6,725	\$ 9,551
Net loss	—	—	—	—	—	—	(60)	(60)
Adoption of new accounting standards	—	—	—	—	—	—	(7)	(7)
Employee stock plans	—	—	2	216	(256)	—	—	(40)
Stock-based compensation	—	—	—	—	76	—	—	76
Actuarial pension gain	—	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	—	32	—	32
Net unrealized gain on derivative contracts	—	—	—	—	—	23	—	23
Balance at October 2, 2020	312	3	(8)	(521)	3,537	(101)	6,658	9,576
Net income	—	—	—	—	—	—	62	62
Employee stock plans	—	—	2	131	(71)	—	—	60
Stock-based compensation	—	—	—	—	80	—	—	80
Actuarial pension gain	—	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	—	34	—	34
Net unrealized loss on derivative contracts	—	—	—	—	—	16	—	16
Balance at January 1, 2021	312	\$ 3	(6)	\$ (390)	\$ 3,546	\$ (50)	\$ 6,720	\$ 9,829

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 28, 2019	312	\$ 3	(17)	\$ (1,268)	\$ 3,851	\$ (68)	\$ 7,449	\$ 9,967
Net loss	—	—	—	—	—	—	(276)	(276)
Adoption of new accounting standards	—	—	—	—	—	—	(5)	(5)
Employee stock plans	—	—	3	181	(207)	—	—	(26)
Stock-based compensation	—	—	—	—	77	—	—	77
Dividends to shareholders	—	—	—	—	7	—	(156)	(149)
Actuarial pension gain	—	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	—	4	—	4
Net unrealized loss on derivative contracts	—	—	—	—	—	(27)	—	(27)
Balance at October 4, 2019	312	\$ 3	(14)	\$ (1,087)	\$ 3,728	\$ (90)	\$ 7,012	\$ 9,566
Net loss	—	—	—	—	—	—	(139)	(139)
Employee stock plans	—	—	1	125	(81)	—	—	44
Stock-based compensation	—	—	—	—	77	—	—	77
Dividends to shareholders	—	—	—	—	7	—	(156)	(149)
Actuarial pension gain	—	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	—	(13)	—	(13)
Net unrealized loss on derivative contracts	—	—	—	—	—	(8)	—	(8)
Balance at January 3, 2020	312	\$ 3	(13)	\$ (962)	\$ 3,731	\$ (110)	\$ 6,717	\$ 9,379

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 that address the evolving needs of the information technology (“IT”) industry and the infrastructure that enables the proliferation of data in virtually every other industry. The Company creates environments for data to thrive. The Company is driving the innovation needed to help customers capture, preserve, access and transform an ever-increasing diversity of data. Everywhere data lives, from advanced data centers to mobile sensors to personal devices, the Company’s industry-leading solutions deliver the possibilities of data.

The Company’s broad portfolio of technology and products address the following key end markets: Client Devices; Data Center Devices and Solutions; and Client Solutions. The Company also generates license and royalty revenue from its extensive intellectual property (“IP”), 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 fiscal year ended July 3, 2020. 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 fiscal year ended July 3, 2020. 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 2021, which ends on July 2, 2021, will be comprised of 52 weeks, with all quarters presented consisting of 13 weeks. Fiscal year 2020, which ended on July 3, 2020, was comprised of 53 weeks, with the first quarter consisting of 14 weeks and the remaining quarters consisting of 13 weeks each.

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 the coronavirus disease 2019 (“COVID-19”) pandemic. However, actual results could differ materially from these estimates and be significantly affected by the severity and duration of the pandemic, the extent of actions to contain or treat COVID-19, including the effects of ongoing vaccination efforts, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

Segment Information

The Company manufactures, markets, and sells data storage devices and solutions in the U.S. and in foreign countries through its sales personnel, dealers, distributors, retailers, and subsidiaries. Historically, the Company has managed and reported under a single operating segment. Late in the first quarter of fiscal 2021, the Chief Executive Officer, who is the Company’s Chief Operating Decision Maker (“CODM”), announced a decision to reorganize the Company’s business by forming two separate product business units: flash-based products and hard disk drives (“HDD”). The Company is in the process of transitioning to this new operating model and discrete information has not yet been established to align with the new business structure. Management expects to finalize its assessment of its operating segments when the transition is completed, which is expected to be by the end of fiscal 2021.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 2. Recent Accounting Pronouncements*Accounting Pronouncements Recently Adopted*

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables, and other commitments to extend credit held by a reporting entity at each reporting date. The amendments require an entity to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments are effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2019, which for the Company is the first quarter of fiscal 2021. The Company adopted this standard effective July 4, 2020 (the beginning of fiscal 2021) with no material impact on its Condensed Consolidated Financial Statements.

In November 2018, the FASB issued ASU No. 2018-18, “Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606” (“ASU 2018-18”). ASU 2018-18 clarifies that certain transactions between collaborative arrangement participants should be accounted for as revenue when the collaborative arrangement participant is a customer in the context of a unit of account and precludes recognizing as revenue consideration received from a collaborative arrangement participant if the participant is not a customer. This ASU requires retrospective adoption to the date the Company adopted Accounting Standards Codification (ASC) 606 by recognizing a cumulative-effect adjustment to the opening balance of retained earnings of the earliest annual period presented. The Company adopted this standard effective July 4, 2020 (the beginning of fiscal 2021) with no material impact on its Condensed Consolidated Financial Statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” (“ASU 2019-12”). ASU 2019-12 removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This ASU is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2020, which for the Company is the first quarter of fiscal 2022. Early adoption is permitted. The Company does not expect this update to have a material impact on its Condensed Consolidated Financial Statements.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 3. Revenues

Contract assets represent the Company's rights to consideration where performance obligations are completed but the customer payments are not due until another performance obligation is satisfied. The Company did not have any contract assets as of either January 1, 2021 or July 3, 2020.

The Company incurs sales commissions and other direct incremental costs to obtain sales contracts. The Company has applied the practical expedient to recognize the direct incremental costs of obtaining contracts as an expense when incurred if the amortization period is expected to be one year or less or the amount is not material, with these costs charged to Selling, general and administrative expenses. Other direct incremental costs to obtain contracts that have an expected benefit of greater than one year are amortized over the period of expected cash flows from the related contracts, and the amortization expense is recorded as a reduction to revenue. Total capitalized contract costs as of January 1, 2021 and July 3, 2020 as well as the related amortization for the three and six months ended January 1, 2021 and January 3, 2020 were not material.

Contract liabilities relate to customers' payments in advance of performance under the contract and primarily relate to remaining performance obligations under support and maintenance contracts. As of January 1, 2021 and July 3, 2020, contract liabilities were not material.

The Company applies the practical expedients and does not disclose transaction price allocated to the remaining performance obligations for (i) arrangements that have an original expected duration of one year or less, which mainly consist of support and maintenance contracts, and (ii) variable consideration amounts for sale-based or usage-based royalties for IP license arrangements, which typically range longer than one year. Remaining performance obligations are mainly attributed to right-to-access patent license arrangements and customer support and service contracts, which will be recognized over the remaining contract period. The transaction price allocated to the remaining performance obligations as of January 1, 2021 was \$91 million, which is mainly attributable to the functional IP license and service arrangements. The Company expects to recognize this amount as revenue as follows: \$20 million during the remainder of fiscal 2021, \$40 million in fiscal 2022, and \$31 million in fiscal 2023 and thereafter.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's disaggregated revenue information is as follows:

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Revenue by Product				
HDD	\$ 1,909	\$ 2,396	\$ 3,753	\$ 4,804
Flash-based	2,034	1,838	4,112	3,470
Total Revenue	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274
Revenue by End Market				
Client Devices	\$ 2,131	\$ 1,797	\$ 4,077	\$ 3,413
Data Center Devices & Solutions	807	1,489	1,936	3,021
Client Solutions	1,005	948	1,852	1,840
Total Revenue	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274
Revenue by Geography				
Americas	\$ 945	\$ 1,296	\$ 2,024	\$ 2,609
Europe, Middle East and Africa	725	811	1,354	1,590
Asia	2,273	2,127	4,487	4,075
Total Revenue	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274

The Company's top 10 customers accounted for 43% and 41% of its net revenue for the three and six months ended January 1, 2021, respectively, and 44% and 43% of its net revenue for the three and six months ended January 3, 2020, respectively. For the three and six months ended January 1, 2021 and January 3, 2020, no single customer accounted for 10% or more of the Company's net revenue.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 six months ended January 1, 2021 and January 3, 2020, the Company sold trade accounts receivable and received cash proceeds of \$173 million and \$198 million, respectively. The discounts on the trade accounts receivable sold during the periods were not material and were recorded within Other income, net in the Condensed Consolidated Statements of Operations. As of January 1, 2021 and July 3, 2020, the amount of factored receivables that remained outstanding was \$45 million and \$113 million, respectively.

Inventories

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Inventories:		
Raw materials and component parts	\$ 1,466	\$ 1,306
Work-in-process	1,110	956
Finished goods	1,000	808
Total inventories	\$ 3,576	\$ 3,070

Property, plant and equipment, net

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Property, plant and equipment:		
Land	\$ 278	\$ 294
Buildings and improvements	1,793	1,837
Machinery and equipment	7,684	7,391
Computer equipment and software	436	429
Furniture and fixtures	52	52
Construction-in-process	321	297
Property, plant and equipment, gross	10,564	10,300
Accumulated depreciation	(7,646)	(7,446)
Property, plant and equipment, net	\$ 2,918	\$ 2,854

Goodwill

	Carrying Amount
	<i>(in millions)</i>
Balance at July 3, 2020	\$ 10,067
Foreign currency translation adjustment	4
Balance at January 1, 2021	\$ 10,071

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Intangible assets

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Finite-lived intangible assets	\$ 5,526	\$ 5,541
In-process research and development	80	80
Accumulated amortization	(5,010)	(4,680)
Intangible assets, net	<u>\$ 596</u>	<u>\$ 941</u>

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.

Product warranty liability

Changes in the warranty accrual were as follows:

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Warranty accrual, beginning of period	\$ 391	\$ 357	\$ 408	\$ 350
Charges to operations	24	50	59	99
Utilization	(24)	(35)	(55)	(83)
Changes in estimate related to pre-existing warranties	(25)	6	(46)	12
Warranty accrual, end of period	<u>\$ 366</u>	<u>\$ 378</u>	<u>\$ 366</u>	<u>\$ 378</u>

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:

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Warranty accrual		
Current portion (included in Accrued expenses)	\$ 166	\$ 205
Long-term portion (included in Other liabilities)	200	203
Total warranty accrual	<u>\$ 366</u>	<u>\$ 408</u>

Other liabilities

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Other liabilities:		
Non-current net tax payable	\$ 698	\$ 815
Payables related to unrecognized tax benefits	724	720
Other non-current liabilities	893	881
Total other liabilities	<u>\$ 2,315</u>	<u>\$ 2,416</u>

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) (“AOCI”), 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 AOCI:

	Actuarial Pension Gains (Losses)	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Derivative Contracts	Total Accumulated Comprehensive Income (Loss)
	<i>(in millions)</i>			
Balance at July 3, 2020	\$ (58)	\$ (2)	\$ (97)	\$ (157)
Other comprehensive loss before reclassifications	2	66	43	111
Amounts reclassified from accumulated other comprehensive loss	—	—	7	7
Income tax expense related to items of other comprehensive loss	—	—	(11)	(11)
Net current-period other comprehensive loss	2	66	39	107
Balance at January 1, 2021	<u>\$ (56)</u>	<u>\$ 64</u>	<u>\$ (58)</u>	<u>\$ (50)</u>

During the three and six months ended January 1, 2021 and January 3, 2020, the amounts reclassified out of AOCI related to derivative contracts were substantially all charged to Cost of revenue in the Condensed Consolidated Statements of Operations.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 January 1, 2021 and July 3, 2020, and indicate the fair value hierarchy of the valuation techniques utilized to determine such values:

	January 1, 2021			
	Level 1	Level 2	Level 3	Total
	<i>(in millions)</i>			
Assets:				
Cash equivalents - Money market funds	\$ 806	\$ —	\$ —	\$ 806
Foreign exchange contracts	—	33	—	33
Total assets at fair value	<u>\$ 806</u>	<u>\$ 33</u>	<u>\$ —</u>	<u>\$ 839</u>
Liabilities:				
Foreign exchange contracts	\$ —	\$ 16	\$ —	\$ 16
Interest rate swap contract	—	109	—	109
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ 125</u>
	July 3, 2020			
	Level 1	Level 2	Level 3	Total
	<i>(in millions)</i>			
Assets:				
Cash equivalents - Money market funds	\$ 1,079	\$ —	\$ —	\$ 1,079
Foreign exchange contracts	—	28	—	28
Total assets at fair value	<u>\$ 1,079</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ 1,107</u>
Liabilities:				
Foreign exchange contracts	\$ —	\$ 9	\$ —	\$ 9
Interest rate swap contract	—	133	—	133
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 142</u>	<u>\$ —</u>	<u>\$ 142</u>

During the three and six months ended January 1, 2021 and January 3, 2020, 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 — (Continued)

Financial Instruments Not Carried at Fair Value

The carrying value of the Company's revolving credit facility approximates its fair value given the revolving nature of the balance and the variable market interest rate. 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 second quarter of 2021 and the fourth quarter of 2020, respectively.

	January 1, 2021		July 3, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(in millions)</i>			
0.50% convertible senior notes due 2020	\$ —	\$ —	\$ 34	\$ 30
Variable interest rate Term Loan A-1 maturing 2023	4,451	4,443	4,576	4,474
Variable interest rate Term Loan B-4 maturing 2023	1,393	1,393	1,692	1,656
1.50% convertible notes due 2024	1,002	1,095	987	1,036
4.75% senior unsecured notes due 2026	2,287	2,553	2,286	2,428
Total	\$ 9,133	\$ 9,484	\$ 9,575	\$ 9,624

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 6. Derivative Instruments and Hedging Activities

As of January 1, 2021, 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. In addition, the Company had outstanding pay-fixed interest rate swaps that were designated as cash flow hedges of variable rate interest payments on a portion of its term loans through February 2023.

As of January 1, 2021, the amount of existing net losses related to cash flow hedges recorded in AOCI included \$57 million related to the Company's interest rate swaps that is expected to be reclassified to earnings after twelve months. In addition, as of January 1, 2021, the Company did not have any foreign exchange forward contracts with credit-risk-related contingent features.

Changes in fair values of the non-designated foreign exchange contracts are recognized in Other income, 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 and six months ended January 1, 2021 and January 3, 2020, 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.

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 January 1, 2021 and July 3, 2020, 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.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 7. Debt

Debt consisted of the following as of January 1, 2021 and July 3, 2020:

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
0.50% convertible senior notes due 2020	\$ —	\$ 35
Variable interest rate Term Loan A-1 maturing 2023	4,457	4,583
Variable interest rate Term Loan B-4 maturing 2023	1,393	1,693
1.50% convertible notes due 2024	1,100	1,100
4.75% senior unsecured notes due 2026	2,300	2,300
Total debt	9,250	9,711
Issuance costs and debt discounts	(117)	(136)
Subtotal	9,133	9,575
Less current portion of long-term debt	(251)	(286)
Long-term debt	<u>\$ 8,882</u>	<u>\$ 9,289</u>

The credit agreement governing the revolving credit facility and Term Loan A-1 requires the Company to comply with certain financial covenants, consisting of a leverage ratio and an interest coverage ratio. As of January 1, 2021, the Company was in compliance with these financial covenants.

During the six months ended January 1, 2021, the Company made voluntary prepayments totaling \$300 million on its Term Loan B-4. In October 2020, the 0.50% convertible senior notes due 2020 were settled in full in accordance with their terms.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 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:

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Benefit obligation at end of period	\$ 387	\$ 366
Fair value of plan assets at end of period	227	215
Unfunded status	<u>\$ 160</u>	<u>\$ 151</u>

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

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Current liabilities	\$ 1	\$ 1
Non-current liabilities	159	150
Net amount recognized	<u>\$ 160</u>	<u>\$ 151</u>

Net periodic benefit costs were not material for the three and six months ended January 1, 2021.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 as of January 1, 2021 and July 3, 2020:

	January 1, 2021	July 3, 2020
	<i>(in millions)</i>	
Notes receivable, Flash Partners	\$ 330	\$ 273
Notes receivable, Flash Alliance	197	301
Notes receivable, Flash Forward	666	670
Investment in Flash Partners	214	203
Investment in Flash Alliance	315	300
Investment in Flash Forward	136	128
Total notes receivable and investments in Flash Ventures	<u>\$ 1,858</u>	<u>\$ 1,875</u>

During the three and six months ended January 1, 2021 and during the three and six months ended January 3, 2020, the Company made net payments to Flash Ventures of \$1.21 billion and \$2.19 billion, and \$648 million and \$1.33 billion, respectively, for purchased flash-based memory wafers and net loans and investments.

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 January 1, 2021 and July 3, 2020, the Company had Accounts payable balances due to Flash Ventures of \$393 million and \$407 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 January 1, 2021, 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.

	January 1, 2021
	<i>(in millions)</i>
Notes receivable	\$ 1,193
Equity investments	665
Operating lease guarantees	2,107
Inventory and prepayments	662
Maximum estimable loss exposure	<u>\$ 4,627</u>

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

In June 2019, an unexpected power outage incident occurred at the flash-based memory manufacturing facilities operated in Yokkaichi, Japan. The power outage incident impacted the facilities and process tools and resulted in damage to flash wafers in production and a reduction in the Company's flash wafer availability. As a result of this incident, the Company incurred charges of \$68 million for the six months ended January 3, 2020, which were recorded in Cost of revenue and primarily consisted of unabsorbed manufacturing overhead costs. During the six months ended January 1, 2021, the Company recovered \$75 million related to this incident from its insurance carriers, which was recorded in Cost of revenue.

In May 2019, the Company entered into additional agreements with Kioxia to extend Flash Ventures to a new wafer fabrication facility, known as "K1," located in Kitakami, Japan. The primary purpose of K1 is to provide clean room space to continue the transition of existing flash-based wafer capacity to newer technology nodes. K1 is now fully operational. In connection with the start-up of this facility, the Company agreed to prepay an aggregate of approximately \$360 million over a 3-year period beginning in the first half of fiscal year 2020 toward K1 building depreciation, to be credited against future wafer charges. As of January 1, 2021, remaining committed prepayments totaled \$149 million.

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 January 1, 2021.

	Lease Amounts	
	<i>(Japanese yen, in billions)</i>	<i>(U.S. dollar, in millions)</i>
Total guarantee obligations	¥ 217	\$ 2,107

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 January 1, 2021 in U.S. dollars, based upon the Japanese yen to U.S. dollar exchange rate as of January 1, 2021:

Annual Installments	Payment of Principal Amortization	Purchase Option Exercise Price at Final Lease Terms <i>(in millions)</i>	Guarantee Amount
Remaining six months of 2021	\$ 294	\$ 63	\$ 357
2022	524	52	576
2023	409	70	479
2024	238	126	364
2025	77	116	193
Thereafter	28	110	138
Total guarantee obligations	<u>\$ 1,570</u>	<u>\$ 537</u>	<u>\$ 2,107</u>

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 January 1, 2021, no amounts have 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 both the three and six months ended January 1, 2021, the Company recognized approximately 3% of its consolidated revenue on products distributed by the Unis Venture. For both the three and six months ended January 3, 2020, the Company recognized approximately 1% of its consolidated revenue on products distributed by the Unis Venture. The outstanding accounts receivable due from and investment in the Unis Venture were 7% and 4% of Accounts receivable, net as of January 1, 2021 and July 3, 2020, respectively.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 2034. 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 January 1, 2021:

	Lease Amounts
	<i>(\$ in millions)</i>
Minimum lease payments by fiscal year:	
Remaining six months of 2021	\$ 25
2022	40
2023	33
2024	33
2025	31
Thereafter	147
Total future minimum lease payments	309
Less: Imputed Interest	(55)
Present value of lease liabilities	254
Less: Current portion (included in Accrued expenses)	38
Long-term operating lease liabilities (included in Other liabilities)	\$ 216
Operating lease right-of-use assets (included in Other non-current assets)	\$ 239
Weighted average remaining lease term in years	8.8
Weighted average discount rate	4.2 %

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

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Cost of operating leases	\$ 12	\$ 18	\$ 25	\$ 30
Cash paid for operating leases	14	13	26	29
Operating lease assets obtained in exchange for operating lease liabilities	20	1	27	50

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 January 1, 2021, the Company had the following minimum long-term commitments:

	Long-term commitments
	<i>(in millions)</i>
Fiscal year:	
Remaining six months of 2021	\$ 226
2022	613
2023	562
2024	350
2025	148
Thereafter	190
Total	<u>\$ 2,089</u>

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 11. Shareholders' Equity
Stock-based Compensation Expense

The following tables present the Company's stock-based compensation for equity-settled awards by type (i.e., stock options, 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		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Options	\$ —	\$ 2	\$ —	\$ 4
RSUs and PSUs	72	70	139	136
ESPP	8	5	17	14
Total	\$ 80	\$ 77	\$ 156	\$ 154

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Cost of revenue	\$ 15	\$ 13	\$ 27	\$ 25
Research and development	40	41	79	82
Selling, general and administrative	25	23	50	47
Subtotal	80	77	156	154
Tax benefit	(9)	(11)	(20)	(23)
Total	\$ 71	\$ 66	\$ 136	\$ 131

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 stock options, 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 January 1, 2021:

	Unamortized Compensation Costs	Weighted Average Service Period
	<i>(in millions)</i>	<i>(years)</i>
RSUs and PSUs ⁽¹⁾	\$ 663	2.8
ESPP	22	0.7
Total unamortized compensation cost	\$ 685	

⁽¹⁾ Weighted average service period assumes the performance metrics are met for the PSUs.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Plan Activities*Stock Options*

The following table summarizes stock option activity under the Company's incentive plans:

	<u>Number of Shares</u> <i>(in millions)</i>	<u>Weighted Average Exercise Price Per Share</u>	<u>Weighted Average Remaining Contractual Life</u> <i>(in years)</i>	<u>Aggregate Intrinsic Value</u> <i>(in millions)</i>
Options outstanding at July 3, 2020	2.7	\$ 69.16	2.1	\$ —
Exercised	(0.2)	44.09		\$ 2
Canceled or expired	(0.7)	74.66		
Options outstanding at January 1, 2021	<u>1.8</u>	69.75	1.74	\$ 9
Exercisable at January 1, 2021	<u>1.8</u>	\$ 69.75	1.74	\$ 9

RSUs and PSUs

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

	<u>Number of Shares</u> <i>(in millions)</i>	<u>Weighted Average Grant Date Fair Value</u>	<u>Aggregate Intrinsic Value at Vest Date</u> <i>(in millions)</i>
RSUs and PSUs outstanding at July 3, 2020	13.3	\$ 60.92	
Granted	8.1	37.97	
Vested	(3.9)	61.33	\$ 158
Forfeited	(0.9)	60.23	
RSUs and PSUs outstanding at January 1, 2021	<u>16.6</u>	49.45	

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.

Stock Repurchase Program

The Company's Board of Directors has authorized a stock repurchase program for the repurchase of up to \$5.0 billion of the Company's common stock, which authorization is effective through July 25, 2023. The Company did not make any stock repurchases during the six months ended January 1, 2021 and has not repurchased any shares of its common stock pursuant to its stock repurchase program since the first quarter of fiscal 2019. The remaining amount available to be repurchased under the Company's current stock repurchase program as of January 1, 2021 was \$4.5 billion. Repurchases under the stock repurchase program may be made in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Company expects stock repurchases to be funded principally by operating cash flows.

Dividends to Shareholders

The Company issued a quarterly cash dividend from the first quarter of fiscal 2013 up to the third quarter of fiscal 2020. In April 2020, the Company suspended its dividend to reinvest in the business and to support its ongoing deleveraging efforts.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 12. Income Tax Expense

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in response to the COVID-19 pandemic in the U.S. The CARES Act, among other things, allows net operating losses arising in tax years 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes and increases the business interest expense limitation from 30% to 50% of adjusted taxable income for tax years 2019 and 2020. Additionally, countries around the world continue to implement emergency tax measures to provide relief similar to the CARES Act. The Company at present does not expect that any of the provisions of the CARES Act or the emergency tax measures around the world would result in a material cash benefit.

On December 27, 2020, the Consolidated Appropriations Act (the “Appropriations Act”) was enacted to fund the federal government through their fiscal year, extend certain expiring tax provisions and provide additional emergency relief to individuals and businesses related to the COVID-19 pandemic in the U.S. The Company at present does not expect any of the provisions of the Appropriations Act to have a material impact on its financial statements. The Company continues to monitor and evaluate the regulatory and interpretive guidance related to the CARES Act and the Appropriations Act, as well as legislation in other jurisdictions.

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 fiscal 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.

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

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(\$ in millions)</i>			
Income (loss) before taxes	\$ 85	\$ (40)	\$ 82	\$ (277)
Income tax expense	23	99	80	138
Effective tax rate	27 %	(248)%	98 %	(50)%

The primary drivers of the difference between the effective tax rate for the three and six months ended January 1, 2021 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 2021 through 2030. In addition, the effective tax rate for the three and six months ended January 1, 2021 includes the discrete effects of favorable adjustments proposed by tax authorities of \$8 million. The effective tax rate for the six months ended January 1, 2021 also includes the discrete effects of net tax deficiencies from shortfalls of \$12 million related to the vesting of stock-based awards and additional tax expense of \$10 million from the re-measurement of deferred tax liabilities due to restructuring activities, which have no impact on the amount of income taxes paid by the Company.

The primary drivers of the difference between the effective tax rate for the three and six months ended January 3, 2020 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, Philippines and Thailand that expired or will expire at various dates during fiscal years 2020 through 2030.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The IRS previously completed its field examination of the Company's federal income tax returns for fiscal years 2008 through 2012 and proposed certain adjustments. As previously disclosed, the Company received Revenue Agent Reports from the IRS for fiscal years 2008 through 2009, proposing adjustments relating to transfer pricing with the Company's foreign subsidiaries and intercompany payable balances. The Company disagrees with the proposed adjustments and in September 2015, filed a protest with the IRS Appeals Office and received the IRS rebuttal in July 2016. The Company and the IRS Appeals Office did not reach a settlement on the disputed matters. On June 28, 2018, the IRS issued a statutory notice of deficiency with respect to the disputed matters for fiscal years 2008 through 2009, seeking to increase the Company's U.S. taxable income by an amount that would result in additional federal tax through fiscal year 2009 totaling approximately \$516 million, subject to interest and penalties. The Company filed a petition with the U.S. Tax Court in September 2018. On December 10, 2018, the IRS issued a statutory notice of deficiency with respect to fiscal years 2010 through 2012, seeking to increase the Company's U.S. taxable income by an amount that would result in additional federal tax for fiscal years 2010 through 2012 totaling approximately \$549 million, subject to interest and penalties. Approximately \$535 million of the total additional federal tax for fiscal years 2010 through 2012 relates to proposed adjustments for transfer pricing with the Company's foreign subsidiaries, intercompany payable balances and the utilization of certain tax attributes. The Company filed a petition with the U.S. Tax Court in March 2019. The U.S. Tax Court consolidated the case for fiscal years 2008 through 2009 with the case for fiscal years 2010 through 2012. On May 4, 2020, the IRS filed with the U.S. Tax Court Amendments to Answer to assert penalties totaling \$340 million on the proposed adjustments relating to transfer pricing with respect to fiscal years 2008 through 2009 and fiscal years 2010 through 2012. In September 2020 and December 2020, the IRS proposed adjustments relating to transfer pricing with the Company's foreign subsidiaries and intercompany payable balances for fiscal years 2013 through 2015 that, if sustained, would result in additional federal tax totaling approximately \$343 million. The Company disagrees with the proposed adjustments and continues to believe that its tax positions are properly supported and will vigorously contest the position taken by the IRS.

The Company believes that adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of 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 January 1, 2021, 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.

As of January 1, 2021, the liability for unrecognized tax benefits (excluding accrued interest and penalties) was approximately \$715 million. Accrued interest and penalties related to unrecognized tax benefits as of January 1, 2021 was approximately \$146 million. Of these amounts, approximately \$724 million could result in potential cash payments. The Company is not able to provide a reasonable estimate of the timing of future tax payments related to these obligations.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
<i>(in millions, except per share data)</i>				
Net income (loss)	\$ 62	\$ (139)	\$ 2	\$ (415)
Weighted average shares outstanding:				
Basic	305	298	304	297
Employee stock options, RSUs, PSUs and ESPP	2	—	1	—
Basic and diluted	307	298	305	297
Income (loss) per common share				
Basic	\$ 0.20	\$ (0.47)	\$ 0.01	\$ (1.40)
Diluted	\$ 0.20	\$ (0.47)	\$ 0.01	\$ (1.40)
Anti-dilutive potential common shares excluded	8	15	10	15

The Company computes basic income (loss) per common share using Net income (loss) and the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is computed using Net income (loss) and the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include dilutive outstanding employee stock options, RSUs and PSUs, and rights to purchase shares of common stock under the Company's ESPP. For the three and six months ended January 3, 2020, the Company recorded net loss, and all shares subject to outstanding equity awards have been excluded for those periods because including them would be anti-dilutive.

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 14. Employee Termination, Asset Impairment and Other Charges

The Company recorded the following charges related to employee termination benefits, asset impairment, and other charges:

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Employee termination and other charges:				
Closure of Foreign Manufacturing Facilities	\$ —	\$ —	\$ —	\$ 4
Business Realignment	2	26	25	30
Total employee termination and other charges	2	26	25	34
Business Realignment	—	(17)	—	(17)
Total employee termination, asset impairment, and other charges	<u>\$ 2</u>	<u>\$ 9</u>	<u>\$ 25</u>	<u>\$ 17</u>

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.

The following table presents an analysis of the components of the activity against the reserve during the six months ended January 1, 2021:

	Employee Termination Benefits	Contract Termination and Other	Total
	<i>(in millions)</i>		
Accrual balance at July 3, 2020	\$ 13	\$ —	\$ 13
Charges	22	3	25
Cash payments	(28)	(3)	(31)
Accrual balance at January 1, 2021	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ 7</u>

WESTERN DIGITAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 15. Legal Proceedings

Tax

For disclosures regarding statutory notices of deficiency issued by the IRS on June 28, 2018 and December 10, 2018, and petitions filed by the Company with the U.S. Tax Court in September 2018 and March 2019, 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.

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 July 3, 2020. 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 a leading developer, manufacturer and provider of data storage devices and solutions that address the evolving needs of the information technology ("IT") industry and the infrastructure that enables the proliferation of data in virtually every other industry. We create environments for data to thrive. We drive the innovation needed to help customers capture, preserve, access and transform an ever-increasing diversity of data. Everywhere data lives, from advanced data centers to mobile sensors to personal devices, our industry-leading solutions deliver the possibilities of data.

Our broad portfolio of technology and products address the following key end markets: Client Devices; Data Center Devices and Solutions; and Client Solutions. We also generate license and royalty revenue from our extensive intellectual property ("IP"), which is included in each of these three end market categories.

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 2021, which ends on July 2, 2021, will be comprised of 52 weeks, with all quarters presented consisting of 13 weeks. Fiscal year 2020, which ended on July 3, 2020, was comprised of 53 weeks, with the first quarter consisting of 14 weeks and the remaining quarters consisting of 13 weeks each.

Key Developments

Business Structure

Late in the first quarter of fiscal 2021, we announced a decision to reorganize our business by forming two separate product business units: flash-based products and hard disk drive ("HDD"). The new structure is intended to provide each business unit with focus and responsibility for identifying current and future customer requirements while driving the strategy, roadmap, pricing and overall profitability for their respective product areas. Beginning in the second fiscal quarter, we are in the process of transitioning to this new operating model and discrete information has not yet been established to align with the new business structure. We are developing new reporting processes to support the new business structure and evaluating the impact of these changes on our discussion and analysis of our financial condition and results of operations in the future.

COVID-19 Pandemic

As a result of the ongoing COVID-19 pandemic, governments and other authorities around the world, including federal, state and local authorities in the United States, have imposed measures intended to reduce its spread, including restrictions on freedom of movement and business operations such as travel bans, border closings, business limitations and closures (subject to exceptions for essential operations and businesses), quarantines and shelter-in-place orders. Although some of these governmental restrictions have since been lifted or scaled back, periodic surges of COVID-19 infections have resulted in the re-imposition of certain restrictions and may lead to other restrictions being re-implemented in response to efforts to reduce the spread of COVID-19. These measures may remain in place for a significant amount of time, and the effects of ongoing vaccination efforts and the emergence of new strains of the virus remain uncertain. In light of these events, we have taken actions to protect the health and safety of our employees while continuing to serve our global customers as an essential business. We have implemented more thorough sanitation practices as outlined by health organizations and instituted social distancing policies at our locations around the world, including working from home, limiting the number of employees attending meetings, reducing the number of people in our sites at any one time, and suspending employee travel. In addition, the responses to COVID-19 taken by others in the supply chain have impacted our operations. As a result, we have incurred

charges of approximately \$61 million during the six months ended January 1, 2021, primarily related to higher logistics costs, which were recorded in cost of revenue.

As an essential business, we continue to provide products and solutions that enable the proliferation of data and facilitate the sharing of information remotely, which has become more critical as much of the world is interacting from areas of self-isolation. Generally, demand for our products remains solid. During the six months ended January 1, 2021, we experienced lower sales in some of our capacity enterprise and Client Devices products as customers absorbed purchases made in recent quarters, but we also experienced increased sales in retail as COVID-19 restrictions eased, more brick and mortar businesses resumed operations, the work and learn from home trend increased hard drive demand for desktops and notebooks, and gaming increased. Looking forward, we see positive indications of the progression of 5G ramp and the growth of gaming. We also currently expect retail demand to be solid in the near term and HDD to improve as customers absorb recent purchases and we ramp sales of new products. However, the COVID-19 environment remains dynamic and we cannot predict the duration of the pandemic and how demand may change as it develops.

We will continue to actively monitor the situation and may take further actions altering our business operations that we determine are in the best interests of our employees, customers, partners, suppliers, and stakeholders, or as required by federal, state, or local authorities. See *“The COVID-19 pandemic could adversely affect our business, results of operations and financial condition”* in Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the fiscal year ended July 3, 2020 for more information regarding the risks we face as a result of the COVID-19 pandemic.

Flash Ventures

Through our three business ventures with Kioxia Corporation (“Kioxia”), referred to as “Flash Ventures”, we and Kioxia operate flash-based memory wafer manufacturing facilities in Japan. We are obligated to pay for variable costs incurred in producing our share of Flash Ventures’ flash-based memory wafer supply, based on our three-month forecast, which generally equals 50% of Flash Ventures’ output. In addition, we are obligated to pay for half of Flash Ventures’ fixed costs regardless of the output we choose to purchase. We are also obligated to fund 49.9% to 50% of each Flash Ventures entity’s capital investments to the extent that Flash Ventures entity’s operating cash flow is insufficient to fund these investments. We also co-develop flash technologies (including process technology and memory design) with Kioxia and contribute IP for Flash Ventures’ use.

Since its inception, Flash Ventures’ primary manufacturing site has been located in Yokkaichi, Japan, which currently includes five wafer fabrication facilities. Production levels at the Yokkaichi site were temporarily reduced as a result of an unexpected power outage incident that occurred in the Yokkaichi region on June 15, 2019. The power outage incident impacted the facilities and process tools and resulted in damage to flash wafers in production. The incident resulted in a reduction of our flash wafer availability by approximately 4 exabytes. As a result of this power outage incident, we incurred aggregate charges of \$68 million recorded in Cost of revenue in the six months ended January 3, 2020, which primarily consisted of unabsorbed manufacturing overhead costs. During the six months ended January 1, 2021, we recovered \$75 million related to this incident from our insurance carriers, which was recorded in Cost of revenue.

In May 2019, we entered into additional agreements with Kioxia to extend Flash Ventures to a new wafer fabrication facility, known as “K1,” located in Kitakami, Japan. The primary purpose of K1 is to provide clean room space to continue the transition of existing flash-based wafer capacity to newer technology nodes. K1 is now fully operational. In connection with the start-up of this facility, we agreed to prepay an aggregate of approximately \$360 million over a 3-year period beginning in the first half of fiscal year 2020 toward K1 building depreciation, to be credited against future wafer charges. As of January 1, 2021, remaining committed prepayments totaled \$149 million.

In October 2020, Kioxia announced the start of construction of the shell for a new fabrication facility in Yokkaichi, Japan, referred to as “Y7”. We expect to continue Flash Ventures investments into Y7 in due course, following the completion of agreements with Kioxia governing the construction and operation of the new facility and according to then-prevailing market trends.

Results of Operations

Second Quarter and First Half 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					
	January 1, 2021		January 3, 2020		\$ Change	% Change
	<i>(\$ in millions)</i>					
Revenue, net	\$ 3,943	100.0 %	\$ 4,234	100.0 %	\$ (291)	(7)%
Cost of revenue	2,983	75.7	3,299	77.9	(316)	(10)
Gross profit	<u>960</u>	24.3	<u>935</u>	22.1	25	3
Operating Expenses:						
Research and development	535	13.6	578	13.7	(43)	(7)
Selling, general and administrative	265	6.7	298	7.0	(33)	(11)
Employee termination, asset impairment, and other charges	2	0.1	9	0.2	(7)	(78)
Total operating expenses	<u>802</u>	20.3	<u>885</u>	20.9	(83)	(9)
Operating income	158	4.0	50	1.2	108	216
Interest and other income (expense):						
Interest income	2	0.1	8	0.2	(6)	(75)
Interest expense	(81)	(2.1)	(105)	(2.5)	24	(23)
Other income, net	6	0.2	7	0.2	(1)	(14)
Total interest and other expense, net	<u>(73)</u>	(1.9)	<u>(90)</u>	(2.1)	17	(19)
Income (loss) before taxes	85	2.2	(40)	(0.9)	125	(313)
Income tax expense	23	0.6	99	2.3	(76)	(77)
Net income (loss)	<u>\$ 62</u>	1.6	<u>\$ (139)</u>	(3.3)	201	(145)

⁽¹⁾ Percentages may not total due to rounding.

	Six Months Ended					
	January 1, 2021		January 3, 2020		\$ Change	% Change
	<i>(\$ in millions)</i>					
Revenue, net	\$ 7,865	100.0 %	\$ 8,274	100.0 %	\$ (409)	(5)%
Cost of revenue	6,001	76.3	6,581	79.5	(580)	(9)
Gross profit	1,864	23.7	1,693	20.5	171	10
Operating Expenses:						
Research and development	1,090	13.9	1,152	13.9	(62)	(5)
Selling, general and administrative	521	6.6	603	7.3	(82)	(14)
Employee termination, asset impairment, and other charges	25	0.3	17	0.2	8	47
Total operating expenses	1,636	20.8	1,772	21.4	(136)	(8)
Operating income (loss)	228	2.9	(79)	(1.0)	307	(389)
Interest and other income (expense):						
Interest income	4	0.1	20	0.2	(16)	(80)
Interest expense	(165)	(2.1)	(227)	(2.7)	62	(27)
Other income, net	15	0.2	9	0.1	6	67
Total interest and other expense, net	(146)	(1.9)	(198)	(2.4)	52	(26)
Income (loss) before taxes	82	1.0	(277)	(3.3)	359	(130)
Income tax expense	80	1.0	138	1.7	(58)	(42)
Net income (loss)	\$ 2	—	\$ (415)	(5.0)	417	(100)

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

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	<i>(in millions)</i>			
Revenue by Product				
HDD	\$ 1,909	\$ 2,396	\$ 3,753	\$ 4,804
Flash-based	2,034	1,838	4,112	3,470
Total Revenue	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274
Revenue by End Market				
Client Devices	\$ 2,131	\$ 1,797	\$ 4,077	\$ 3,413
Data Center Devices & Solutions	807	1,489	1,936	3,021
Client Solutions	1,005	948	1,852	1,840
Total Revenue	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274
Revenue by Geography				
Americas	\$ 945	\$ 1,296	\$ 2,024	\$ 2,609
Europe, Middle East and Africa	725	811	1,354	1,590
Asia	2,273	2,127	4,487	4,075
Total Revenue	\$ 3,943	\$ 4,234	\$ 7,865	\$ 8,274

Net Revenue

Net revenue decreased 7% for the three months ended January 1, 2021 compared to the three months ended January 3, 2020, which reflects an approximate 11 percentage point decline in revenue related to pricing per gigabyte of memory for both HDD and flash products and an approximate 6 percentage point decline in exabyte volume of HDD memory sold, primarily in Data Center Devices and Solutions as discussed further below. These declines were largely offset by higher volumes of flash memory sold.

Client Devices revenue increased 19% year over year. Higher volumes of flash memory contributed 28 percentage points of growth, as work-, school- and game-from-home trends continued to drive demand for our solutions for notebook and desktop applications. Western Digital's industry leading NVMe-based client SSDs and strong relationships with major PC OEMs drove a record level of exabyte shipments. These increases were slightly offset, in relatively equal portions, by lower average pricing per gigabyte of memory on both HDD and flash products and lower volumes of HDD.

Data Center Devices and Solutions revenue declined 46% year over year due to ongoing cloud digestion, one ongoing qualification delay and China shipment restrictions. Revenue from both capacity enterprise hard drives and enterprise SSDs were down year over year. We believe cloud digestion is abating and are seeing stabilization of OEM demand. Should these demand trends continue, we believe capacity enterprise hard drive revenue bottomed in the second quarter and anticipate a rebound in the third quarter. Within our enterprise SSD product line, we completed the qualification process at a cloud titan for our second-generation product and began shipping to this customer in the third quarter.

Client Solutions revenue increased 6% year over year with approximately 12 percentage points driven by volume growth. The work-, school- and gaming-from-home trends benefited both hard drive and flash-based products. This growth was partially offset by more competitive pricing.

Net revenue decreased 5% for the six months ended January 1, 2021 from the comparable period in the prior year, reflecting an approximate 11 percentage point decline related to pricing per gigabyte of memory for both HDD and flash products and an approximate 8 percentage point decline in HDD memory sold, primarily in Data Center Devices and Solutions. These declines were largely offset by higher volumes of memory, predominantly in flash products. Client Devices revenue increased 19% year over year, with approximately 25 percentage points of growth coming from higher volumes of memory, driven by growth in flash products for the same reasons noted above for the quarter. This increase was partially offset by lower average selling prices per gigabyte of memory in both flash and HDD products. Revenue for Data Center Devices and Solutions declined 36% year over year, which also reflects the drivers noted for the quarter above. Client Solutions revenue was essentially flat year over year, with relatively stable retail demand and pricing in both HDD and flash products.

The changes in net revenue by geography reflect an increase in Asia due to our increased sales of mobility products to manufacturers in the Asia region, and a decrease in the Americas driven by lower sales of capacity enterprise products.

Our top 10 customers accounted for 43% and 41% of our net revenue for the three and six months ended January 1, 2021, respectively, and 44% and 43% for the three and six months ended January 3, 2020, respectively. For the three and six months ended January 1, 2021 and January 3, 2020, 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. For the three and six months ended January 1, 2021 and January 3, 2020, these programs represented 20% and 19% and 17% and 16%, respectively, of gross revenues, and adjustments to revenue due to changes in accruals for these programs have generally averaged less than 1% of gross revenue year over year. The increase in adjustments year over year reflects the current competitive environment. 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

Gross profit increased by \$25 million for the three months ended January 1, 2021 from the comparable period in the prior year, which reflects a \$48 million decrease in charges in the current year related to amortization expense on acquired intangible assets and the \$45 million insurance recovery in the current year related to the power outage incident, partially offset by lower revenues.

Gross margin increased approximately 3 percentage points for the three months ended January 1, 2021 from the comparable period in the prior year, substantially all of which is attributed to the impacts of the lower charges for amortization of acquired intangible assets and the insurance recovery noted above.

Gross profit increased by \$171 million for the six months ended January 1, 2021 from the comparable period in the prior year, which reflects the power outage charges of \$68 million incurred in the prior year compared to the \$75 million partial recovery in the current year, a \$67 million decrease in charges in the current year related to amortization expense on acquired intangible assets and reduced manufacturing costs.

Gross margin increased approximately 10 percentage points for the six months ended January 1, 2021 from the comparable period in the prior year, substantially all of which is attributed to the impacts of the charges related to the power outage incident in the prior year, the insurance recovery in the current year and the lower charges for amortization of acquired intangible assets noted above. Over the near term, we expect flash gross margin to benefit from improved pricing and cost reductions while HDD gross margin is expected to be constrained by the pricing environment for 16-terabyte drives, but we expect improved gross margins over the longer term as we ramp production on higher capacity drives.

Operating Expenses

Research and development (“R&D”) expense decreased \$43 million for the three months ended January 1, 2021 from the comparable period in the prior year. The decrease was driven, in comparable amounts, by lower compensation costs, lower travel and entertainment expenses due to the COVID-19 restrictions, and a decline in outside services. R&D expense decreased \$62 million for the six months ended January 1, 2021 from the comparable period in the prior year, reflecting the drivers noted above for the quarter, as well as the impact of additional expense in the prior year for the additional week in the prior year.

Selling, general and administrative (“SG&A”) expense decreased \$33 million for the three months ended January 1, 2021 from the comparable period in the prior year. The decrease was driven, in comparable amounts, by lower compensation costs, lower travel and entertainment as a result of COVID-19 restrictions and lower consulting and marketing expenses due to event cancellations. SG&A expense decreased \$82 million for the six months ended January 1, 2021 from the comparable period in the prior year. Similar to the quarter, the decline was driven, in comparable amounts, by lower compensation costs, lower travel and entertainment as a result of COVID-19 restrictions and lower consulting and marketing expenses due to event cancellations, as well as approximately \$10 million of additional expense in the prior year related to the additional week.

Employee termination, asset impairment and other charges increased from the comparable period in the prior year as we initiated incremental actions to align our operations with current market demand. For information regarding employee termination, asset impairment and other charges, see Part I, Item 1, Note 14, *Employee Termination, Asset Impairment and Other Charges*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Interest and Other Income (Expense)

The decreases in total interest and other expense, net for the three and six months ended January 1, 2021 reflect lower interest expense resulting from lower index rates and the pay-down of principal on our debt.

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 Internal Revenue Service (“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.

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

	Three Months Ended		Six Months Ended	
	January 1, 2021	January 3, 2020	January 1, 2021	January 3, 2020
	(\$ in millions)			
Income (loss) before taxes	\$ 85	\$ (40)	\$ 82	\$ (277)
Income tax expense	23	99	80	138
Effective tax rate	27 %	(248)%	98 %	(50)%

The primary drivers of the difference between the effective tax rate for the three and six months ended January 1, 2021 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 2021 through 2030. In addition, the effective tax rate for the three and six months ended January 1, 2021 includes the discrete effects of favorable adjustments proposed by tax authorities of \$8 million. The effective tax rate for the six months ended January 1, 2021 also includes the discrete effects of net tax deficiencies from shortfalls of \$12 million related to the vesting of stock-based awards and additional tax expense of \$10 million from the re-measurement of deferred tax liabilities due to restructuring activities, which have no impact on the amount of income taxes paid by us.

The primary driver of the difference between the effective tax rate for the three and six months ended January 3, 2020 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, Philippines and Thailand that expired or will expire at various dates during fiscal years 2020 through 2030.

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. Our total tax expense in future fiscal years may also vary as a result of discrete items such as excess tax benefits or deficiencies.

For additional information regarding Income tax expense (benefit), 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:

	Six Months Ended	
	January 1, 2021	January 3, 2020
	(in millions)	
Net cash provided by (used in):		
Operating activities	\$ 788	\$ 510
Investing activities	(436)	160
Financing activities	(450)	(985)
Effect of exchange rate changes on cash	6	(3)
Net decrease in cash and cash equivalents	\$ (92)	\$ (318)

We believe our cash, cash equivalents and cash generated from operations as well as our available credit facilities will be sufficient to meet our working capital, debt and capital expenditure needs for at least the next twelve months. Our ability to sustain our working capital position is subject to a number of risks that we discuss in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the fiscal year ended July 3, 2020.

During fiscal 2021, we expect 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 aggregate approximately \$3.1 billion. After consideration of the Flash Ventures' lease financing of its capital expenditures and net operating cash flow, we expect net cash used for our purchases of property, plant and equipment and net activity in notes receivable relating to Flash Ventures to be a cash outflow of approximately \$1.0 billion during fiscal 2021. The total expected cash to be used could vary depending on the timing and completion of various capital projects and the availability, timing and terms of related financing.

During fiscal 2019, we determined that it was our intention to repatriate all of our foreign undistributed earnings as a result of the 2017 Act, except a portion of our foreign undistributed earnings, which could result in additional federal taxes based on interpretive guidance issued by the IRS. After consideration of this interpretive guidance affecting the taxation of a certain portion of our foreign undistributed earnings, we determined that we do not intend to repatriate this portion of our foreign undistributed earnings and did not establish an accrual for this liability.

A total of \$1.91 billion and \$2.28 billion of our Cash and cash equivalents was held outside of the U.S. as of January 1, 2021 and January 3, 2020, respectively. As a result of the change in our permanent reinvestment assertion, there are no material tax consequences that were not previously accrued for on the repatriation of this cash.

Operating Activities

Cash flow from operating activities primarily consists of net income, adjusted for non-cash charges, plus or minus changes in operating assets and liabilities. This represents our principal source of cash. Net cash used for changes in operating assets and liabilities was \$78 million for the six months ended January 1, 2021, as compared to \$20 million of net cash used for changes in operating assets and liabilities for the six months ended January 3, 2020. Changes in our operating assets and liabilities are largely affected by our working capital requirements, which are dependent on 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:

	Six Months Ended	
	January 1, 2021	January 3, 2020
	<i>(in days)</i>	
Days sales outstanding	42	38
Days in inventory	109	86
Days payables outstanding	(71)	(58)
Cash conversion cycle	80	66

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. Changes in days payables 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 the 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 January 1, 2021, DSO increased by 4 days over the prior year, primarily reflecting the timing of shipments and customer collections. We have seen no significant deterioration in our receivables as a result of COVID-19. DIO increased by 23 days over the prior year, primarily reflecting higher stocking levels of HDD inventory and delays in new product qualifications. With supply chains experiencing disruptions as a result of COVID-19, we are taking actions to ensure that we have the components we need to build products and are stocking higher levels of inventory so that we can ship by ocean and reduce higher cost air freight. DPO increased by 13 days over the prior year, primarily reflecting resumption of flash production volumes as well as routine variations in the timing of purchases and payments during the period.

Investing Activities

Net cash used in investing activities for the six months ended January 1, 2021 primarily consisted of \$576 million in capital expenditures, partially offset by a \$94 million net decrease in notes receivable issuances to Flash Ventures. Net cash provided by investing activities for the six months ended January 3, 2020 primarily consisted of a \$466 million net decrease in notes receivable issuances to Flash Ventures to fund its capital expansion, partially offset by \$305 million of capital expenditures.

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 invest directly in U.S. Treasury securities, U.S. and international government agency securities, certificates of deposit, asset backed securities and corporate and municipal notes and bonds.

Financing Activities

During the six months ended January 1, 2021, net cash used in financing activities primarily consisted of \$461 million for repayment of debt, which included a \$300 million voluntary prepayment on our Term Loan B-4. Net cash used in financing activities for the six months ended January 3, 2020 primarily consisted of \$707 million for the repayment of our debt and \$296 million to pay dividends on our common stock.

In April 2020, we suspended our dividend to reinvest in the business and to support our ongoing deleveraging efforts. We will reevaluate our dividend policy as our leverage ratio improves.

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-Contractual Obligations and 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 Unisoft (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*Contractual Obligations and Commitments*

The following is a summary of our known contractual cash obligations and commercial commitments as of January 1, 2021:

	Total	Remaining six months of 2021	2022-2023	2024-2025	Beyond 2025
	<i>(in millions)</i>				
Long-term debt, including current portion ⁽¹⁾	\$ 9,250	\$ 126	\$ 5,724	\$ 1,100	\$ 2,300
Interest on debt	992	141	507	235	109
Flash Ventures related commitments ⁽²⁾	6,189	1,839	2,950	1,166	234
Operating leases	309	25	73	64	147
Purchase obligations and other commitments	4,513	2,426	1,356	541	190
Mandatory Deemed Repatriation Tax	925	—	210	417	298
Total	\$ 22,178	\$ 4,557	\$ 10,820	\$ 3,523	\$ 3,278

⁽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.

Debt

In addition to our existing debt, we have \$2.25 billion available for borrowing under our revolving credit facility, subject to customary conditions under the credit agreement. Additional information regarding our indebtedness, including information about availability under our revolving credit facility and the principal repayment terms, interest rates, covenants and other key terms of our outstanding indebtedness, is included in Part I, Item 1, Note 7, *Debt*, of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q and in Part II, Item 8, Note 6, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended July 3, 2020. The credit agreement governing our revolving credit facility and Term Loan A-1 requires us to comply with certain financial covenants, consisting of a leverage ratio and an interest coverage ratio. As of January 1, 2021, 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 January 1, 2021, 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 fiscal years (in millions):

	January 1, 2021
2022	\$ 106
2023	104
2024	179
2025	238
2026	298
Total	<u>\$ 925</u>

For additional information regarding our estimate of the total tax liability for the mandatory deemed repatriation tax, see Part II, Item 8, Note 13, *Income Tax Expense*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 28, 2019.

Unrecognized Tax Benefits

As of January 1, 2021, the liability for unrecognized tax benefits (excluding accrued interest and penalties) was approximately \$715 million. Accrued interest and penalties related to unrecognized tax benefits as of January 1, 2021 was approximately \$146 million. Of these amounts, approximately \$724 million could result in potential cash payments. We are not able to provide a reasonable estimate of the timing of future tax payments related to these obligations.

Interest Rate Swap

We have generally held a balance of fixed and variable rate debt. At January 1, 2021, we had \$5.85 billion of variable rate debt, comprising 63% of the par value of our debt. To balance the portfolio and moderate our exposure to fluctuations in interest rates underlying our variable debt, we entered into pay-fixed interest rate swaps on \$2.00 billion notional amount, which effectively converts a portion of our term loan to fixed rates through February 2023. After giving effect to the \$2.00 billion of interest rate swaps, we effectively had \$3.85 billion of Long-term debt subject to variations in interest rates and a one percent increase in the variable rate of interest would increase annual interest expense by \$39 million.

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. For a description of our current foreign exchange contract commitments, see Part I, Item 1, Note 6, *Derivative Instruments and Hedging Activities*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

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 IP 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.

Stock Repurchase Program

Our Board of Directors has authorized a stock repurchase program for the repurchase of up to \$5.0 billion of our common stock, which authorization is effective through July 25, 2023. We did not make any stock repurchases during the six months ended January 1, 2021 and have not repurchased any shares of our common stock pursuant to our stock repurchase program since the first quarter of fiscal 2019. Although we will reevaluate the repurchasing of our common stock when appropriate, there can be no assurance if, when or at what level we may resume such activity. The remaining amount available to be repurchased under our current stock repurchase program as of January 1, 2021 was \$4.5 billion. Repurchases under the stock repurchase program may be made in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan.

Cash Dividend

We issued a quarterly cash dividend from the first quarter of fiscal 2013 through the third quarter of fiscal 2020. In April 2020, we suspended our dividend to reinvest in the business and to support our ongoing deleveraging efforts. We will reevaluate our dividend policy as our leverage ratio improves.

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 fiscal year ended July 3, 2020. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended July 3, 2020 for a discussion of our critical accounting policies and estimates.

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

There have been no material changes to our market risk during the six months ended January 1, 2021. For a discussion of our exposure to market risk, see Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended July 3, 2020.

Item 4. *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.

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We are implementing an enterprise resource planning (“ERP”) system on a worldwide basis, which is expected to improve the efficiency of certain financial and related transactional processes. The gradual implementation is expected to occur in phases over the next several years. We have completed the implementation of certain processes, including the financial consolidation and reporting, fixed assets, supplier management and indirect procure-to-pay processes, and have revised and updated the related controls. These changes did not materially affect our internal control over financial reporting. As we implement the remaining functionality under this ERP system over the next several years, we will continue to assess the impact on our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

None.

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 fiscal year ended July 3, 2020 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. There have been no material changes from these risk factors previously described in our Annual Report on Form 10-K for the fiscal year ended July 3, 2020. 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.

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	Amended and Restated By-Laws of Western Digital Corporation, as amended effective as of May 2, 2018 (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 May 7, 2018)
10.1	Western Digital Corporation Amended and Restated 2017 Performance Incentive Plan†*
10.2	Form of Notice of Grant of Performance Stock Units and Performance Stock Unit Award Agreement – Financial Measure, under the Amended and Restated Western Digital Corporation 2017 Performance Incentive Plan†*
10.3	Form of Notice of Grant of Performance Stock Units and Performance Stock Unit Award Agreement – TSR Measure, under the Amended and Restated Western Digital Corporation 2017 Performance Incentive Plan†*
10.4	Form of Notice of Grant of Restricted Stock Units and Restricted Stock Unit Award Agreement – Vice President and Above, under the Amended and Restated Western Digital Corporation 2017 Performance 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

Vice President, Global Accounting and Chief Accounting Officer
(Principal Accounting Officer)

Dated: February 9, 2021

**WESTERN DIGITAL CORPORATION
AMENDED AND RESTATED
2017 PERFORMANCE INCENTIVE PLAN**

(Amended and Restated as of August 11, 2020)

1. PURPOSE OF PLAN

The purpose of this Western Digital Corporation 2017 Performance Incentive Plan (formerly the “Western Digital Corporation 2004 Performance Incentive Plan” and referred to herein as this “**Plan**”) of Western Digital Corporation, a Delaware corporation (the “**Corporation**”), is to promote the success of the Corporation and to increase stockholder value by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons.

2. ELIGIBILITY

The Administrator (as such term is defined in Section 3.1) may grant awards under this Plan only to those persons that the Administrator determines to be Eligible Persons. An “**Eligible Person**” is any person who is either: (a) an officer (whether or not a director) or employee of the Corporation or one of its Subsidiaries; (b) a member of the Board; or (c) an individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Corporation or one of its Subsidiaries in a capital-raising transaction or as a market maker or promoter of securities of the Corporation or one of its Subsidiaries) to the Corporation or one of its Subsidiaries and who is selected to participate in this Plan by the Administrator; provided, however, that a person who is otherwise an Eligible Person under clause (c) above may participate in this Plan only if such participation would not adversely affect either the Corporation’s eligibility to use Form S-8 to register under the Securities Act of 1933, as amended (the “**Securities Act**”), the offering and sale of shares issuable under this Plan by the Corporation or the Corporation’s compliance with any other applicable laws. An Eligible Person who has been granted an award (a “participant”) may, if otherwise eligible, be granted additional awards if the Administrator shall so determine. As used herein, “**Subsidiary**” means any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation; and “**Board**” means the Board of Directors of the Corporation.

3. PLAN ADMINISTRATION

3.1 The Administrator. This Plan shall be administered by and all awards under this Plan shall be authorized by the Administrator. The “**Administrator**” means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may

delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by applicable law, to one or more officers of the Corporation, its powers under this Plan. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan. Unless otherwise provided in the Bylaws of the Corporation or the applicable charter of any Administrator: (x) a majority of the members of the acting Administrator shall constitute a quorum, and (y) the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

3.2 Powers of the Administrator. Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all things necessary or desirable in connection with the authorization of awards and the administration of this Plan (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

- (a) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive an award under this Plan;
- (b) grant awards to Eligible Persons, determine the price (if any) at which securities will be offered or awarded and the number of securities to be offered or awarded to any of such persons (in the case of securities-based awards), determine the other specific terms and conditions of such awards consistent with the express limits of this Plan, establish the installment(s) (if any) in which such awards shall become exercisable or shall vest (which may include, without limitation, performance and/or time-based schedules), or determine that no delayed exercisability or vesting is required (subject to the minimum vesting rules of Section 5.1.5), establish any applicable performance-based exercisability or vesting requirements, determine the circumstances in which any performance-based goals (or the applicable measure of performance) will be adjusted and the nature and impact of any such adjustment, determine the extent (if any) to which any applicable exercise and vesting requirements have been satisfied, establish the events (if any) on which exercisability or vesting may accelerate (which may include, without limitation, retirement and other specified terminations of employment or services, or other circumstances), and establish the events (if any) of termination, expiration or reversion of such awards;
- (c) approve the forms of award agreements (which need not be identical either as to type of award or among participants);

- (d) construe and interpret this Plan and any agreements defining the rights and obligations of the Corporation, its Subsidiaries, and participants under this Plan, make any and all determinations necessary under this Plan and any such agreements, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the awards granted under this Plan;
- (e) cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consent under Section 8.6.5;
- (f) accelerate, waive or extend the vesting or exercisability, or modify or extend the term of, any or all such outstanding awards (in the case of options or stock appreciation rights, within the maximum term of such awards) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature) subject to any required consent under Section 8.6.5;
- (g) adjust the number of shares of Common Stock subject to any award, adjust the price of any or all outstanding awards or otherwise waive or change previously imposed terms and conditions, in such circumstances as the Administrator may deem appropriate, in each case subject to Sections 4 and 8.6 (and subject to the no repricing provision below);
- (h) determine the date of grant of an award, which may be a designated date after but not before the date of the Administrator's action (unless otherwise designated by the Administrator, the date of grant of an award shall be the date upon which the Administrator took the action granting an award); provided, that the grant date of any award may not be modified once such grant date has occurred;
- (i) determine whether, and the extent to which, adjustments are required pursuant to Section 7 hereof and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in Section 7;
- (j) acquire or settle (subject to Sections 7 and 8.6) rights under awards in cash, stock of equivalent value, or other consideration (subject to the no repricing provision below); and
- (k) determine the fair market value of the Common Stock or awards under this Plan from time to time and/or the manner in which such value will be determined.

Notwithstanding the foregoing and except for an adjustment pursuant to Section 7.1 or a repricing approved by stockholders, in no case may the Administrator (1)

amend an outstanding stock option or SAR to reduce the exercise price or base price of the award, (2) cancel, exchange, replace or surrender an outstanding stock option or SAR in exchange for cash or other awards for the purpose of repricing the award, or (3) cancel, exchange, or surrender an outstanding stock option or SAR in exchange for an option or SAR with an exercise or base price that is less than the exercise or base price of the original award.

3.3 Binding Determinations. Any determination or other action taken by, or inaction of, the Corporation, any Subsidiary, or the Administrator relating or pursuant to this Plan (or any award made under this Plan) and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor any Board committee, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any award made under this Plan), and all such persons shall be entitled to indemnification and reimbursement by the Corporation in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time. Neither the Board nor any Board committee, nor any member thereof or person acting at the direction thereof, nor the Corporation or any of its Subsidiaries, shall be liable for any damages of a participant should an award or other action with respect thereto not satisfy Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), should an option intended as an ISO (as defined below) fail to actually meet the requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), applicable to ISOs, should any award fail to qualify for any intended tax treatment or be subject to tax, penalty, or interest under Section 409A of the Code or other tax penalties, or otherwise for any tax or other liability imposed on a participant with respect to an award.

3.4 Reliance on Experts. In making any determination or in taking or not taking any action under this Plan, the Board or a committee, as the case may be, may obtain and may rely upon the advice of experts, including employees and professional advisors to the Corporation. No director, officer or agent of the Corporation or any of its Subsidiaries shall be liable for any such action or determination taken or made or omitted in good faith.

3.5 Delegation. The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Corporation or any of its Subsidiaries or to third parties.

4. SHARES OF COMMON STOCK SUBJECT TO THE PLAN; SHARE LIMITS

4.1 Shares Available. Subject to the provisions of Section 7.1, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury

shares. For purposes of this Plan, “**Common Stock**” shall mean the common stock of the Corporation and such other securities or property as may become the subject of awards under this Plan, or may become subject to such awards, pursuant to an adjustment made under Section 7.1.

4.2 *Share Limits.*

4.2.1 Aggregate Share Limit. The maximum number of shares of Common Stock that may be delivered pursuant to awards granted to Eligible Persons under this Plan (the “**Share Limit**”) is equal to the sum of the following:

- (1) 105,580,215 shares of Common Stock, plus
- (2) the number of any shares of Common Stock subject to stock options outstanding under the SanDisk 2013 Incentive Plan (the “**SanDisk Plan**”) as of the Effective Date (as defined below) which expire, or for any reason are cancelled or terminated, after the Effective Date without being exercised (which, for purposes of clarity, shall become available for award grants under this Plan on a one-for-one basis), plus
- (3) 1.72 times the number of any shares of Common Stock subject to restricted stock unit awards outstanding and unvested under the SanDisk Plan as of the Effective Date (including any dividend equivalents thereon) that are forfeited, terminated, cancelled or otherwise reacquired by the Corporation after the Effective Date without having become vested (for clarity, with the 1.72:1 ratio to reflect the “Full-Value Award” ratio below);

provided that in no event shall the Share Limit exceed the sum of (i) the 105,580,215 shares set forth above, plus (ii) the number of shares of Common Stock subject to stock options outstanding under the SanDisk Plan as of the Effective Date that could become available for award grants under this Plan pursuant to clause (2) above, plus (iii) the number of shares of Common Stock subject to restricted stock unit awards outstanding and unvested under the SanDisk Plan as of the Effective Date that could become available for award grants under this Plan pursuant to clause (3) above).

Shares issued in respect of any “Full-Value Award” granted under this Plan shall be counted against the foregoing Share Limit as 1.72 shares for every one share actually issued in connection with such award. For this purpose, a “**Full-Value Award**” means any award under this Plan that is not a stock option grant or a stock appreciation right grant.

4.2.2 Aggregate Share Limit. The following limits also apply with respect to awards granted under this Plan:

- (1) The maximum number of shares of Common Stock that may be delivered pursuant to options qualified as incentive stock options granted under this Plan is 91,837,248 shares.
- (2) The maximum number of shares of Common Stock subject to those options and stock appreciation rights that are granted during any calendar year to any individual under this Plan is 1,000,000 shares.
- (3) In no event shall the value (based on the fair market value of the shares on the date of grant of the applicable award, using such valuation principles as determined by the Administrator) of the shares of Common Stock subject to awards granted under this Plan to any one non-employee member of the Board (a “**Non-Employee Director**”) in any one Grant Year exceed \$900,000. The limit in the preceding sentence shall not apply as to any award granted to an individual for services in a capacity other than as a Non-Employee Director, even if such individual is, was or becomes a Non-Employee Director. For this purpose, “**Grant Year**” means the annual period commencing on the date of the Corporation’s annual meeting of stockholders and concluding on the day immediately preceding the next annual meeting of stockholders, or such other annual period as the Administrator may determine in its discretion.

4.3 Awards Settled in Cash, Reissue of Awards and Shares. The share limits of this Plan are subject to adjustment pursuant to the following provisions of this Section 4.3. Refer to Section 8.10 for application of this Plan’s share limits with respect to assumed awards.

- (a) Shares that are subject to or underlie awards granted under this Plan which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan shall not be counted against the Share Limit and shall again be available for subsequent awards under this Plan.
- (b) Shares that are exchanged by a participant or withheld by the Corporation as full or partial payment in connection with any award under this Plan, or any award outstanding under the SanDisk Plan, and shares exchanged by a participant or withheld by the Corporation or one of its Subsidiaries to satisfy the tax withholding obligations related to any award under this Plan or the SanDisk Plan, shall be treated as follows:
 - (i) to the extent that the exchange or withholding occurred with respect to a stock option or stock appreciation right, such shares shall not be available for subsequent awards under this Plan;
 - (ii) to the extent that the exchange or withholding occurred prior to November 7, 2018 with respect to a Full-Value Award, such shares shall not be available for subsequent awards under this Plan;
 - and (iii) to the

extent that the exchange or withholding occurs on or after November 7, 2018 with respect to a Full-Value Award, such shares shall not be counted against the Share Limit and shall again be available for subsequent awards under this Plan.

- (c) To the extent that an award granted under this Plan is settled in cash or a form other than shares of Common Stock, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the Share Limit and shall again be available for subsequent awards under this Plan.
- (d) In the event that shares of Common Stock are delivered in respect of a dividend equivalent right granted under this Plan, only the actual number of shares delivered with respect to the award shall be counted against the share limits of this Plan. To the extent that shares of Common Stock are delivered pursuant to the exercise of a stock appreciation right or stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits under Section 4.2, as opposed to only counting the shares actually issued. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 100,000 shares shall be charged against the applicable share limits under Section 4.2 with respect to such exercise.)

Each of the numerical limits of Section 4.2 is also subject to adjustment as contemplated by Section 7.1. If any share subject to a Full-Value Award, or exchanged or withheld with respect to a Full-Value Award, becomes available for subsequent awards under this Plan pursuant to clause (a), (b) or (c) above, such share shall be credited as 1.72 shares when determining the number of shares that shall again become available for subsequent awards under this Plan if (i) upon grant of the related award, the shares underlying the award had been counted against the Share Limit at the 1.72:1 ratio applicable to Full-Value Awards or (ii) the related award had been granted under the SanDisk Plan.

The Corporation may not increase the Share Limit by repurchasing shares of Common Stock on the market (by using cash received through the exercise of stock options or otherwise).

4.3 No Fractional Shares. Unless otherwise expressly provided by the Administrator, no fractional shares shall be delivered under this Plan. The Administrator may pay cash in lieu of any fractional shares in settlements of awards under this Plan.

5. AWARDS

5.1 Type and Form of Awards. The Administrator shall determine the type or types of award(s) to be made to each selected Eligible Person. Awards may be granted

singly, in combination or in tandem. Awards also may be made in combination or in tandem with, in replacement of, as alternatives to, or as the payment form for grants or rights under any other employee or compensation plan of the Corporation or one of its Subsidiaries. The types of awards that may be granted under this Plan are:

5.1.1 Stock Options. A stock option is the grant of a right to purchase a specified number of shares of Common Stock during a specified period as determined by the Administrator. An option may be intended as an incentive stock option within the meaning of Section 422 of the Code (an “ISO”) or a nonqualified stock option (an option not intended to be an ISO). The award agreement for an option will indicate if the option is intended as an ISO; otherwise it will be deemed to be a nonqualified stock option. The maximum term of each option (ISO or nonqualified) shall be ten (10) years. The per share exercise price for each option shall be not less than 100% of the fair market value of a share of Common Stock on the date of grant of the option. When an option is exercised, the exercise price for the shares to be purchased shall be paid in full in cash or such other method permitted by the Administrator consistent with Section 5.4.

5.1.2 Additional Rules Applicable to ISOs. To the extent that the aggregate fair market value (determined at the time of grant of the applicable option) of stock with respect to which ISOs first become exercisable by a participant in any calendar year exceeds \$100,000, taking into account both Common Stock subject to ISOs under this Plan and stock subject to ISOs under all other plans of the Corporation or one of its Subsidiaries (or any parent or predecessor corporation to the extent required by and within the meaning of Section 422 of the Code and the regulations promulgated thereunder), such options shall be treated as nonqualified stock options. In reducing the number of options treated as ISOs to meet the \$100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the \$100,000 limit, the Administrator may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an ISO. ISOs may only be granted to employees of the Corporation or one of its subsidiaries (for this purpose, the term “subsidiary” is used as defined in Section 424(f) of the Code, which generally requires an unbroken chain of ownership of at least 50% of the total combined voting power of all classes of stock of each subsidiary in the chain beginning with the Corporation and ending with the subsidiary in question). No ISO may be granted to any person who, at the time the option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such option is at least 110% of the fair market value of the stock subject to the option and such option by its terms is not exercisable after the expiration of five years from the date such option is granted. If an otherwise intended ISO fails to meet the applicable requirements

of Section 422 of the Code, the option shall be rendered a nonqualified stock option.

5.1.3 Stock Appreciation Rights. A stock appreciation right or “SAR” is a right to receive a payment, in cash and/or Common Stock, equal to the excess of the fair market value of a specified number of shares of Common Stock on the date the SAR is exercised over the “base price” of the award, which base price shall not be less than the fair market value of a share of Common Stock on the date the SAR was granted and shall be set forth in the applicable award agreement. The maximum term of a SAR shall be ten (10) years.

5.1.4 Other Awards. The other types of awards that may be granted under this Plan include: (a) stock bonuses, restricted stock, performance stock, stock units, phantom stock, dividend equivalents, or similar rights to purchase or acquire shares, whether at a fixed or variable price (or no price) or fixed or variable ratio related to the Common Stock, and any of which may (but need not) be fully vested at grant (except as provided below with respect to dividend equivalent rights) or vest upon the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or any combination thereof; or (b) cash awards. The types of cash awards that may be granted under this Plan include the opportunity to receive a payment for the achievement of one or more goals established by the Administrator, on such terms as the Administrator may provide, as well as discretionary cash awards. Dividend equivalent rights may be granted as a separate award or in connection with another award under this Plan; provided, however, that dividend equivalent rights may not be granted in connection with a stock option or SAR granted under this Plan. In addition, any dividends and/or dividend equivalents as to the portion of an award that is subject to unsatisfied vesting requirements will be subject to termination and forfeiture to the same extent as the corresponding portion of the award to which they relate in the event the applicable vesting requirements are not satisfied.

5.1.5 Minimum Vesting Requirements. Except for any accelerated vesting required pursuant to Section 7 or as provided in the next sentence, each award granted under this Plan that is granted or payable in shares of Common Stock shall be subject to a minimum vesting requirement of one-year and no portion of any such award may vest earlier than the first anniversary of the grant date of the award (the “**Minimum Vesting Requirement**”). The Minimum Vesting Requirement shall not apply to 5% of the total number of shares available under this Plan (which shares may be used for awards that do not include a one year vesting period or may provide for no vesting requirement) and shall not limit or restrict the Administrator’s discretion to accelerate or provide for the acceleration of vesting of any award in circumstances it determines to be appropriate.

5.1.6 Performance Goals. The grant, vesting, exercisability or payment of an award may (but need not) depend on the degree of achievement of one or more

performance goals relative to a pre-established targeted level or levels using one or more of the Business Criteria set forth below (on an absolute or relative (including, without limitation, relative to the performance of one or more other companies or upon comparisons of any of the indicators of performance relative to one or more other companies) basis, any of which may also be expressed as a growth or decline measure relative to an amount or performance for a prior date or period) for the Corporation on a consolidated basis or for one or more of the Corporation's subsidiaries, segments, divisions or business units, or any combination of the foregoing, or any other basis for measurement as established by the Administrator. The "**Business Criteria**" as selected by the Administrator in its sole discretion may be: (i) earnings per share, (ii) adjusted earnings per share, (iii) cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities), (iv) stock price, (v) total stockholder return, (vi) gross or net sales or revenue, (vii) revenue growth, (viii) operating income (before or after taxes), (ix) net earnings (before or after interest, taxes, depreciation and/or amortization), (x) return on equity, assets, capital or net investment, (xi) cost or expense containment or reduction, (xii) market share or total available market, (xiii) economic value added, (xiv) gross margin or adjusted gross margin, (xv) net income, or any combination thereof, or any other criterion or criteria established by the Administrator. Unless otherwise approved by the Administrator, the specific performance formula, goal or goals ("targets") as to such a performance-based award must be established during the first 90 days of the performance period (and, in the case of performance periods of less than one year, in no event after 25% or more of the performance period has elapsed). The Administrator may provide that any performance-based goals (or the applicable measure of performance) will be adjusted to mitigate the unbudgeted impact of significant, material, unusual or nonrecurring items, accounting changes, extraordinary events not foreseen at the time the targets were set, or other circumstances determined by the Administrator. By way of example, such adjustment items may include, but are not limited to, one or more of the following: (i) items related to a change in accounting principle, (ii) items relating to financing activities, (iii) expenses for restructuring or productivity initiatives, (iv) other non-operating items, (v) items related to acquisitions, (vi) items attributable to the business operations of any entity acquired by the Corporation during the performance period, (vii) items related to the disposal of a business or segment of a business, (viii) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards, (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the performance period, (x) any other items of significant income or expense, (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets, (xiii) items that are outside the scope of core, on-going business activities, (xiv) items related to acquired in-process research and development, (xv) items relating to changes in tax laws, (xvi) items relating to licensing or partnership arrangements, (xvii) items relating to asset impairment charges, (xviii) items relating to gains or losses for

litigation, arbitration and contractual settlements, or (xix) items relating to any other unusual or nonrecurring events or changes in applicable law or business conditions.

5.2 Award Agreements. Each award shall be evidenced by either (1) a written award agreement in a form approved by the Administrator, or (2) an electronic notice of award grant in a form approved by the Administrator and recorded by the Corporation (or its designee) in an electronic recordkeeping system used for the purpose of tracking award grants under this Plan generally (in each case, an “award agreement”), as the Administrator may provide and, in each case and if required by the Administrator, executed or otherwise electronically accepted (including deemed acceptance) by the recipient of the award in such form and manner as the Administrator may require. The Administrator may authorize any officer of the Corporation (other than the particular award recipient) to execute any or all award agreements on behalf of the Corporation. The award agreement shall set forth the material terms and conditions of the award as established by the Administrator consistent with the express limitations of this Plan.

5.3 Deferrals and Settlements. Payment of awards may be in the form of cash, Common Stock, other awards or combinations thereof as the Administrator shall determine, and with such restrictions (if any) as it may impose, as set forth in the applicable award agreement. The Administrator may also require or permit participants to elect to defer the issuance of shares or the settlement of awards in cash under such rules and procedures as it may establish under this Plan and in accordance with the applicable award agreement. The Administrator may also provide that deferred settlements include the payment or crediting of interest or other earnings on the deferral amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in shares.

5.4 Consideration for Common Stock or Awards. The purchase price (if any) for any award granted under this Plan or the Common Stock to be delivered pursuant to an award, as applicable, may be paid by means of any lawful consideration as determined by the Administrator, including, without limitation, one or a combination of the following methods:

- a reduction in compensation otherwise payable to the recipient of such award or for services rendered by the recipient;
- cash, check payable to the order of the Corporation, or electronic funds transfer;
- notice and third party payment in such manner as may be authorized by the Administrator;
- the delivery of previously owned shares of Common Stock;

- by a reduction in the number of shares otherwise deliverable pursuant to the award; or
- subject to such procedures as the Administrator may adopt, pursuant to a “cashless exercise” with a third party who provides financing for the purposes of (or who otherwise facilitates) the purchase or exercise of awards, including through same-day sales.

In no event shall any shares newly-issued by the Corporation be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable state law. Shares of Common Stock used to satisfy the exercise price of an option shall be valued at their fair market value. The Corporation will not be obligated to deliver any shares unless and until it receives full payment of the exercise or purchase price therefor and any related withholding obligations under Section 8.5 and any other conditions to exercise or purchase have been satisfied. Unless otherwise expressly provided in the applicable award agreement, the Administrator may at any time eliminate or limit a participant’s ability to pay any purchase or exercise price of any award or shares by any method other than cash payment to the Corporation.

5.5 Definition of Fair Market Value. For purposes of this Plan, “fair market value” shall mean, unless otherwise determined or provided by the Administrator in the circumstances, the closing price (in regular trading) of a share of Common Stock on the Nasdaq Stock Market (or, if the Common Stock is not then traded on the Nasdaq Stock Market, on the principal national securities exchange on which the Common Stock is then listed or admitted to trade) (the “**Exchange**”) for the date in question or, if no sales of Common Stock were made on the Exchange on that date, the closing price (in regular trading) of a share of Common Stock on the Exchange for the next preceding day on which sales of Common Stock were made on the Exchange. The Administrator may, however, provide with respect to one or more awards that the fair market value shall equal the last closing price (in regular trading) of a share of Common Stock on the Exchange available at the relevant time or the average of the high and low trading prices of a share of Common Stock on the Exchange for the date in question or the most recent trading day. If the Common Stock is no longer listed or is no longer actively traded on the Exchange as of the applicable date, the fair market value of the Common Stock shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances. The Administrator also may adopt a different methodology for determining fair market value with respect to one or more awards if a different methodology is necessary or advisable to secure any intended favorable tax, legal or other treatment for the particular award(s) (for example, and without limitation, the Administrator may provide that fair market value for purposes of one or more awards will be based on an average of closing prices (or the average of high and low daily trading prices) for a specified period preceding the relevant date).

5.6 Transfer Restrictions.

5.6.1 Limitations on Exercise and Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 5.6, by applicable law and by the award agreement, as the same may be amended, (a) all awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; (b) awards shall be exercised only by the participant; and (c) amounts payable or shares issuable pursuant to any award shall be delivered only to (or for the account of) the participant.

5.6.2 Exceptions. The Administrator may permit awards to be transferred to other persons or entities pursuant to such conditions and procedures, including limitations on subsequent transfers, as the Administrator may, in its sole discretion, establish in writing; provided, however, that any such transfer shall only be permitted if it is made by the participant for estate or tax planning or charitable purposes for no (or nominal; i.e. the minimum consideration required by applicable law) consideration, as determined by the Administrator. Any permitted transfer shall be subject to compliance with applicable federal and state securities laws.

5.6.3 Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 5.6.1 shall not apply to:

- (a) transfers to the Corporation,
- (b) the designation of a beneficiary to receive benefits in the event of the participant's death or, if the participant has died, transfers to or exercise by the participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,
- (c) subject to any applicable limitations on ISOs and to such procedures as the Administrator may prescribe, transfers to a family member (or former family member) pursuant to a domestic relations order,
- (d) if the participant has suffered a disability, permitted transfers or exercises on behalf of the participant by his or her legal representative, or
- (e) the authorization by the Administrator of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of awards consistent with applicable laws and the express authorization of the Administrator.

5.7 International Awards. One or more awards may be granted to Eligible Persons who provide services to the Corporation or one of its Subsidiaries outside of the United States. Any awards granted to such persons may be granted pursuant to the terms and conditions of any applicable sub-plans, if any, appended to this Plan and approved by the Administrator. The awards so granted need not comply with

other specific terms of this Plan, provided that stockholder approval of any deviation from the specific terms of this Plan is not required by applicable law or any applicable listing agency.

6. EFFECT OF TERMINATION OF SERVICE ON AWARDS

6.1 General. The Administrator shall establish the effect (if any) of a termination of employment or service on the rights and benefits under each award under this Plan and in so doing may make distinctions based upon, inter alia, the cause of termination and type of award. If the participant is not an employee of the Corporation or one of its Subsidiaries and provides other services to the Corporation or one of its Subsidiaries, the Administrator shall be the sole judge for purposes of this Plan (unless a contract or the award otherwise provides) of whether the participant continues to render services to the Corporation or one of its Subsidiaries and the date, if any, upon which such services shall be deemed to have terminated.

6.2 Events Not Deemed Terminations of Service. Unless the express policy of the Corporation or one of its Subsidiaries, or the Administrator, otherwise provides, or except as otherwise required by applicable law, the employment relationship shall not be considered terminated in the case of (a) sick leave, (b) military leave, or (c) any other leave of absence authorized by the Corporation or one of its Subsidiaries, or the Administrator; provided that unless reemployment upon the expiration of such leave is guaranteed by contract or law or the Administrator otherwise provides, such leave is for a period of not more than three months. In the case of any employee of the Corporation or one of its Subsidiaries on an approved leave of absence, continued vesting of the award while on leave from the employ of the Corporation or one of its Subsidiaries may be suspended until the employee returns to service, unless the Administrator otherwise provides or applicable law otherwise requires. In no event shall an award be exercised after the expiration of the term set forth in the award agreement.

6.3 Effect of Change of Subsidiary Status. For purposes of this Plan and any award, if an entity ceases to be a Subsidiary of the Corporation a termination of employment or service shall be deemed to have occurred with respect to each Eligible Person in respect of such Subsidiary who does not continue as an Eligible Person in respect of the Corporation or another Subsidiary that continues as such after giving effect to the transaction or other event giving rise to the change in status unless the Subsidiary that is sold, spun-off or otherwise divested (or its successor or a direct or indirect parent of such Subsidiary or successor) assumes the Eligible Person's award(s) in connection with such transaction.

7. ADJUSTMENTS; ACCELERATION

7.1 Adjustments. Subject to Section 7.2, upon (or, as may be necessary to effect the adjustment, immediately prior to): any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend) or reverse stock split; any

merger, combination, consolidation, or other reorganization; any spin-off, split-up, or similar extraordinary dividend distribution in respect of the Common Stock; or any exchange of Common Stock or other securities of the Corporation, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; then the Administrator shall equitably and proportionately adjust (1) the number and type of shares of Common Stock (or other securities) that thereafter may be made the subject of awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of shares of Common Stock (or other securities or property) subject to any outstanding awards, (3) the grant, purchase, or exercise price (which term includes the base price of any SAR or similar right) of any outstanding awards, and/or (4) the securities, cash or other property deliverable upon exercise or payment of any outstanding awards, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding awards.

Without limiting the generality of Section 3.3, any good faith determination by the Administrator as to whether an adjustment is required in the circumstances pursuant to this Section 7.1, and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

7.2 Corporate Transactions - Assumption and Termination of Awards. Upon any event in which the Corporation does not survive, or does not survive as a public company in respect of its Common Stock (including, without limitation, a merger, combination, consolidation, or other reorganization; any exchange of Common Stock or other securities of the Corporation; a sale of all or substantially all the business, stock or assets of the Corporation; a dissolution of the Corporation; or other event in which the Corporation does not survive or does not survive as a public company in respect of its Common Stock), then the Administrator may make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding share-based awards or the cash, securities or property deliverable to the holder of any or all outstanding share-based awards, based upon, to the extent relevant under the circumstances, the distribution or consideration payable to holders of the Common Stock upon or in respect of such event. Upon the occurrence of (or, as may be necessary to effect such action, immediately prior to) any event described in the preceding sentence, then, unless the Administrator has made a provision for the substitution, assumption, exchange or other continuation or settlement of the award or the award would otherwise continue in accordance with its terms in the circumstances: (1) unless otherwise provided in the applicable award agreement, each then-outstanding option and SAR shall become fully vested, all shares of restricted stock then outstanding shall fully vest free of restrictions, and each other award granted under this Plan that is then outstanding shall become payable to the holder of such award (with any performance goals applicable to the award in each case being deemed met, unless otherwise provided in the award agreement, at the “target” performance level); and (2) each award shall terminate upon the related

event; provided that the holder of an option or SAR shall be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise his or her outstanding vested options and SARs (after giving effect to any accelerated vesting required in the circumstances) in accordance with their terms before the termination of such awards (except that in no case shall more than ten days' notice of the impending termination be required and any acceleration of vesting and any exercise of any portion of an award that is so accelerated may be made contingent upon the actual occurrence of the event).

For purposes of this Section 7.2, an award shall be deemed to have been "assumed" if (without limiting other circumstances in which an award is assumed) the award continues after an event referred to above in this Section 7.2, and/or is assumed and continued by the surviving entity following such event (including, without limitation, an entity that, as a result of such event, owns the Corporation or all or substantially all of the Corporation's assets directly or through one or more subsidiaries (a "**Parent**")), and confers the right to purchase or receive, as applicable and subject to vesting and the other terms and conditions of the award, for each share of Common Stock subject to the award immediately prior to the event, the consideration (whether cash, shares, or other securities or property) received in the event by the stockholders of the Corporation for each share of Common Stock sold or exchanged in such event (or the consideration received by a majority of the stockholders participating in such event if the stockholders were offered a choice of consideration); provided, however, that if the consideration offered for a share of Common Stock in the event is not solely the ordinary common stock of a successor corporation or a Parent, the Administrator may provide for the consideration to be received upon exercise or payment of the award, for each share subject to the award, to be solely ordinary common stock of the successor corporation or a Parent equal in fair market value to the per share consideration received by the stockholders participating in the event.

The Administrator may adopt such valuation methodologies for outstanding awards as it deems reasonable in the event of a cash or property settlement and, in the case of options, SARs or similar rights, but without limitation on other methodologies, may base such settlement solely upon the excess if any of the per share amount payable upon or in respect of such event over the exercise or base price of the award. In the case of an option, SAR or similar right as to which the per share amount payable upon or in respect of such event is less than or equal to the exercise or base price of the award, the Administrator may terminate such award in connection with an event referred to in this Section 7.2 without any payment in respect of such award.

Without limiting the generality of Section 3.3, any good faith determination by the Administrator pursuant to its authority under this Section 7.2 shall be conclusive and binding on all persons.

7.3 Possible Acceleration of Awards. Without limiting Section 7.2 or the Administrator's broad authority to establish vesting provisions, in the event of a Change in Control Event (as defined below), the Administrator may, in its discretion, provide that any outstanding option or SAR shall become fully vested, that any share of restricted stock then outstanding shall fully vest free of restrictions, and that any other award granted under this Plan that is then outstanding shall be payable to the holder of such award. The Administrator may take such action with respect to all awards then outstanding or only with respect to certain specific awards identified by the Administrator in the circumstances and may condition any such acceleration upon the occurrence of another event (such as, without limitation, a termination of the award holder's service). For purposes of this Plan, "**Change in Control Event**" means any of the following:

- (a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, a "**Person**"), alone or together with its affiliates and associates, including any group of persons which is deemed a "person" under Section 13(d)(3) of the Exchange Act (other than the Corporation or any subsidiary thereof or any employee benefit plan (or related trust) of the Corporation or any subsidiary thereof, or any underwriter in connection with a firm commitment public offering of the Corporation's capital stock), becomes the "beneficial owner" (as such term is defined in Rule 13d-3 of the Exchange Act, except that a person shall also be deemed the beneficial owner of all securities which such person may have a right to acquire, whether or not such right is presently exercisable, referred to herein as "**Beneficially Own**" or "**Beneficial Owner**" as the context may require) of thirty-three and one third percent or more of (i) the then outstanding shares of the Corporation's common stock ("**Outstanding Company Common Stock**") or (ii) securities representing thirty-three and one-third percent or more of the combined voting power of the Corporation's then outstanding voting securities ("**Outstanding Company Voting Securities**") (in each case, other than an acquisition in the context of a merger, consolidation, reorganization, asset sale or other extraordinary transaction covered by, and which does not constitute a Change in Control Event under, clause (c) below);
- (b) A change, during any period of two consecutive years, of a majority of the Board as constituted as of the beginning of such period, unless the election, or nomination for election by the Corporation's stockholders, of each director who was not a director at the beginning of such period was approved by vote of at least two-thirds of the Incumbent Directors then in office (for purposes hereof, "**Incumbent Directors**" shall consist of the directors holding office as of the Effective Date and any person becoming a director subsequent to such date whose election, or nomination for election by the Corporation's stockholders, is approved by a vote of at least a majority of the Incumbent Directors then in office);

- (c) Consummation of any merger, consolidation, reorganization or other extraordinary transaction (or series of related transactions) involving the Corporation, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries (each, a “**Business Combination**”), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the Beneficial Owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination Beneficially Own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation’s assets directly or through one or more subsidiaries (a “**Parent**”), (2) no Person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Corporation or such entity resulting from such Business Combination or Parent, and excluding any underwriter in connection with a firm commitment public offering of the Corporation’s capital stock) Beneficially Owns, directly or indirectly, more than thirty-three and one third percent of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, and (3) at least a majority of the members of the board of directors or trustees of the entity resulting from such Business Combination or a Parent were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or
- (d) The stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation (other than in the context of a merger, consolidation, reorganization, asset sale or other extraordinary transaction covered by, and which does not constitute a Change in Control Event under, clause (c) above).

7.4 Other Acceleration Rules. Any acceleration of awards pursuant to this Section 7 shall comply with applicable legal requirements and, if necessary to accomplish the purposes of the acceleration or if the circumstances require, may be deemed by the Administrator to occur prior to the applicable event, provided that the original terms of the award will be reinstated if the event giving rise to the acceleration does not actually occur. The Administrator may override the provisions of Section 7.2 and 7.3 by express provision in the award agreement and may accord any Eligible Person a right to refuse any acceleration, whether pursuant to the award agreement or otherwise, in such circumstances as the

Administrator may approve. The portion of any ISO accelerated in connection with a Change in Control Event or any other action permitted hereunder shall remain exercisable as an ISO only to the extent the applicable \$100,000 limitation on ISOs is not exceeded. To the extent exceeded, the accelerated portion of the option shall be exercisable as a nonqualified stock option under the Code.

8. OTHER PROVISIONS

- 8.1 *Compliance with Laws.*** This Plan, the granting and vesting of awards under this Plan, the offer, issuance and delivery of shares of Common Stock, the acceptance of promissory notes and/or the payment of money under this Plan or under awards are subject to compliance with all applicable federal, state, local and foreign laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. The person acquiring any securities under this Plan will, if requested by the Corporation or one of its Subsidiaries, provide such assurances and representations to the Corporation or one of its Subsidiaries as the Administrator may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.
- 8.2 *No Rights to Award.*** No person shall have any claim or rights to be granted an award (or additional awards, as the case may be) under this Plan, subject to any express contractual rights (set forth in a document other than this Plan) to the contrary.
- 8.3 *No Employment/Service Contract.*** Nothing contained in this Plan (or in any other documents under this Plan or in any award) shall confer upon any Eligible Person or other participant any right to continue in the employ or other service of the Corporation or one of its Subsidiaries, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Corporation or one of its Subsidiaries to change a person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause. Nothing in this Section 8.3, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract other than an award agreement.
- 8.4 *Plan Not Funded.*** Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and no special or separate reserve, fund or deposit shall be made to assure payment of such awards. No participant, beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Corporation or one of its Subsidiaries by reason of any award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a

trust of any kind or a fiduciary relationship between the Corporation or one of its Subsidiaries and any participant, beneficiary or other person. To the extent that a participant, beneficiary or other person acquires a right to receive payment pursuant to any award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

8.5 Tax Withholding. Upon any exercise, vesting, or payment of any award or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an ISO prior to satisfaction of the holding period requirements of Section 422 of the Code, or upon any other tax withholding event with respect to any award, arrangements satisfactory to the Corporation shall be made to provide for any taxes the Corporation or any of its Subsidiaries may be required or permitted to withhold with respect to such award event or payment. Such arrangements may include (but are not limited to) any one of (or a combination of) the following:

- (a) The Corporation or one of its Subsidiaries shall have the right to require the participant (or the participant's personal representative or beneficiary, as the case may be) to pay or provide for payment of the amount of any taxes which the Corporation or one of its Subsidiaries may be required or permitted to withhold with respect to such award event or payment.
- (b) The Corporation or one of its Subsidiaries shall have the right to deduct from any amount otherwise payable in cash (whether related to the award or otherwise) to the participant (or the participant's personal representative or beneficiary, as the case may be) the amount of any taxes which the Corporation or one of its Subsidiaries may be required or permitted to withhold with respect to such award event or payment.

In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Administrator may in its sole discretion (subject to Section 8.1) require or grant (either at the time of the award or thereafter) to the participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, that the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their fair market value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the applicable withholding obligation on exercise, vesting or payment. The Corporation may, with the Administrator's approval, accept one or more promissory notes from any Eligible Person in connection with taxes required to be withheld upon the exercise, vesting or payment of any award under this Plan; provided that any such note shall be subject to terms and conditions established by the Administrator and the requirements of applicable law.

8.6 Effective Date, Termination and Suspension, Amendments.

8.6.1 Effective Date. This Plan was initially adopted by the Board on September 21, 2004. The Amendment and Restatement of this Plan is effective as of August 11, 2020 (the “**Effective Date**”). Unless earlier terminated by the Board and subject to any extension that may be approved by stockholders, this Plan shall terminate at the close of business on August 4, 2025. After the termination of this Plan either upon such stated expiration date or its earlier termination by the Board, no additional awards may be granted under this Plan, but previously granted awards (and the authority of the Administrator with respect thereto, including the authority to amend such awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan.

8.6.2 Board Authorization. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No awards may be granted during any period that the Board suspends this Plan.

8.6.3 Stockholder Approval. An amendment to this Plan shall be subject to stockholder approval only to the extent then required by applicable law or stock exchange rules or deemed necessary or advisable by the Board.

8.6.4 Amendments to Awards. Without limiting any other express authority of the Administrator under (but subject to) the express limits of this Plan, the Administrator by agreement or resolution may waive conditions of or limitations on awards to participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a participant, and (subject to the requirements of Sections 3.2 and 8.6.5) may make other changes to the terms and conditions of awards. Any amendment or other action that would constitute a repricing of an award is subject to the limitations set forth in Section 3.2.

8.6.5 Limitations on Amendments to Plan and Awards. No amendment, suspension or termination of this Plan or change of or affecting any outstanding award agreement shall, without written consent of the participant, affect in any manner materially adverse to the participant any rights or benefits of the participant or obligations of the Corporation under any award granted under this Plan prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 7 shall not be deemed to constitute changes or amendments for purposes of this Section 8.6 and shall not require stockholder approval or the consent of the award holder.

8.7 Privileges of Stock Ownership. Except as otherwise expressly authorized by the Administrator or this Plan, a participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by the participant. Except as expressly required by Section 7.1 or otherwise expressly provided by the Administrator, no adjustment will be made

for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

8.8 Governing Law; Construction; Severability.

8.8.1 Choice of Law. This Plan, the awards, all documents evidencing awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of Delaware, notwithstanding any Delaware or other conflict of law provision to the contrary.

8.8.2 Severability. If a court of competent jurisdiction holds any provision invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

8.8.3 Plan Construction. It is intended that this Plan, as well as awards granted under this Plan, comply with, and not result in any tax, penalty or interest under, Section 409A of the Code. This Plan, as well as awards granted under this Plan, shall be construed and interpreted accordingly.

8.9 Captions. Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

8.10 Stock-Based Awards in Substitution for Stock Options or Awards Granted by Other Corporation. Awards may be granted to Eligible Persons in substitution for or in connection with an assumption of employee stock options, SARs, restricted stock or other stock-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Corporation or one of its Subsidiaries, in connection with a distribution, merger or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Corporation or one of its Subsidiaries, directly or indirectly, of all or a substantial part of the stock or assets of the employing entity. The awards so granted need not comply with other specific terms of this Plan, provided that the awards reflect adjustments giving effect to the assumption or substitution consistent with the conversion applicable to the Common Stock (or the securities otherwise subject to the award) in the transaction and any change in the issuer of the security. Any shares that are delivered and any awards that are granted by, or become obligations of, the Corporation, as a result of the assumption by the Corporation of, or in substitution for, outstanding awards previously granted or assumed by an acquired company (or previously granted or assumed by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Corporation or one of its Subsidiaries in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under this Plan.

8.11 *Non-Exclusivity of Plan.* Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

8.12 *No Corporate Action Restriction.* The existence of this Plan, the award agreements and the awards granted hereunder shall not limit, affect or restrict in any way the right or power of the Corporation or any Subsidiary (or any of their respective shareholders, boards of directors or committees thereof, as the case may be) to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the capital structure or business of the Corporation or any Subsidiary, (b) any merger, amalgamation, consolidation or change in the ownership of the Corporation or any Subsidiary, (c) any issue of bonds, debentures, capital, preferred or prior preference stock ahead of or affecting the capital stock (or the rights thereof) of the Corporation or any Subsidiary, (d) any dissolution or liquidation of the Corporation or any Subsidiary, (e) any sale or transfer of all or any part of the assets or business of the Corporation or any Subsidiary, (f) any other award, grant, or payment of incentives or other compensation under any other plan or authority (or any other action with respect to any benefit, incentive or compensation), or (g) any other corporate act or proceeding by the Corporation or any Subsidiary. No participant, beneficiary or any other person shall have any claim under any award or award agreement against any member of the Board or the Administrator, or the Corporation or any employees, officers or agents of the Corporation or any Subsidiary, as a result of any such action.

8.13 *Other Company Benefit and Compensation Programs.* Payments and other benefits received by a participant under an award made pursuant to this Plan shall not be deemed a part of a participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Corporation or any Subsidiary, except where the Administrator expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans, arrangements or authority of the Corporation or its Subsidiaries.

8.14 *Forfeiture and Clawback Provisions.*

- (a) All awards granted under this Plan (including any proceeds, gains or other economic benefit actually or constructively received by the award holder upon any receipt, vesting, payment or exercise of any award or upon the receipt or resale of any shares of Common Stock underlying the award) shall be subject to the provisions of any clawback or similar policy implemented by the Corporation from time to time, including, without limitation, any clawback or similar policy adopted to comply with the requirements of applicable law, such as the Dodd-Frank Wall Street

Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such clawback policy and/or in the applicable award agreement.

- (b) Pursuant to its authority to determine the terms and conditions applicable to awards under the Plan and without limiting the generality of that authority, the Administrator shall have the right to provide, in the applicable policy, award agreement or other written agreement that: (i) any proceeds, gains or other economic benefit actually or constructively received by the award holder upon any receipt, vesting, payment or exercise of the award, or upon the receipt or resale of any shares of Common Stock underlying the award, shall be paid to the Corporation, and (ii) the award shall terminate and any outstanding portion of the award (whether or not vested) shall be forfeited, if (x) a termination of service occurs prior to a specified date, or within a specified time period following receipt, vesting or exercise of the award, or (y) the award holder at any time, or during a specified time period, engages in any activity in competition with the Corporation, or which is inimical, contrary or harmful to the interests of the Corporation, as further defined by the Administrator for purposes of the award, or (z) the award holder incurs a termination of service for “cause” (as such term is defined by the Administrator for purposes of the award).



Western Digital Corporation
 5601 Great Oaks Parkway
 San Jose, California 95119
 (408) 717-6000

**Notice of Grant of Performance Stock Units
 and Performance Stock Unit Award Agreement – Financial Measures**

<<Name>>

Award Number:

<<Address 1>>

Plan: 2017 Performance Incentive Plan

<<Address 2>>

ID:

Congratulations! Effective [] (the “Grant Date”), you have been granted stock units (the “Performance Stock Units”) of Western Digital Corporation (the “Corporation”). These Performance Stock Units were granted under and are subject to the Corporation’s 2017 Performance Incentive Plan, as amended (the “Plan”).

Total Target Number of Performance Stock Units:

Vesting Date: []

Measurement Period covered by grant: The “Measurement Period” applicable to the Performance Stock Units subject to the award is the performance measurement period that begins [] and ends []. The actual number of Performance Stock Units that may become eligible to vest on the Vesting Date based on performance during the Measurement Period may range from 0% to 200% of the Total Target Number of Performance Stock Units subject to the award corresponding to that Measurement Period, subject to forfeiture under Section 8 of the attached Standard Terms and Conditions for Performance Stock Unit Award – Financial Measures (the “Standard Terms”).

Your Performance Stock Unit award is subject to the terms and conditions of this Notice, the attached Standard Terms and the Plan. By accepting the award, you are agreeing to the terms of the award as set forth in those documents. You should read the Plan, the Prospectus for the Plan, and the Standard Terms. The Standard Terms and the Plan are each incorporated into and made a part of this Notice by this reference. You do not have to accept your award and it is not a condition of employment to accept your award. If you do not agree to the terms of your award, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator indicating that you do not wish to accept the award and your Performance Stock Units will be cancelled.

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

STANDARD TERMS AND CONDITIONS FOR

PERFORMANCE STOCK UNIT AWARD – FINANCIAL MEASURES

Amended and Restated 2017 Performance Incentive Plan

1. Performance Stock Units Subject to Amended and Restated 2017 Performance Incentive Plan

The Performance Stock Unit Award (the “Award”) referred to in the attached Notice of Grant of Performance Stock Units and Performance Stock Unit Award Agreement (the “Notice”) was awarded under Western Digital Corporation’s (the “Corporation’s”) Amended and Restated 2017 Performance Incentive Plan, as amended (the “Plan”). Each Performance Stock Unit covered by the Award (“Stock Unit”) is a non-voting unit of measurement that is deemed for bookkeeping purposes to be equivalent to one outstanding share of Common Stock (subject to adjustment as provided in Section 7.1 of the Plan). The holder of the Stock Units is referred to herein as the “Participant.” Stock Units shall be used solely as a device for the determination of the number of shares of Common Stock to eventually be delivered to the Participant if Stock Units held by such Participant vest pursuant to Section 4, Section 7 or Section 8 and shall not be treated as property or as a trust fund of any kind. The target number of Stock Units granted to the Participant shall be credited to an unfunded bookkeeping account maintained by the Corporation on behalf of the Participant (a “Stock Unit Account”).

The Stock Units are subject to the terms and provisions of the Notice, these Standard Terms and Conditions for the Performance Stock Unit Award – Financial Measures (including any terms and conditions set forth in any appendices attached hereto) (collectively, these “Standard Terms”), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control.

Capitalized terms not defined herein have the meanings set forth in the Plan or in the Notice, as applicable.

2. Award Agreement

The Notice and these Standard Terms (together, the “Award Agreement”) constitute the award agreement with respect to the Award pursuant to Section 5.2 of the Plan.

3. Deferral of Stock Units

Not applicable.

4. Vesting

Following the end of the Measurement Period as set forth in the Notice, the Administrator shall determine, in accordance with the performance goals and related criteria and methodology established by the Administrator for the Measurement Period, the extent to which the performance goals have been achieved and the actual number of Stock Units becoming eligible to vest (subject to the following paragraph) based on performance during the Measurement Period. Any Stock Units (including any related Stock Units credited as dividend equivalents pursuant to Section 5) that do not become eligible to vest based on performance during the Measurement Period shall terminate as of the end of the Measurement Period when the Administrator has determined the extent to which the performance goals have not been achieved for the Measurement Period, and the Participant shall have no further rights with respect to such terminated Stock Units.

Except as otherwise provided in this Award Agreement, and subject to Section 8 below, the number of Stock Units becoming eligible to vest based on performance during the Measurement Period shall vest on the Vesting Date. Except as expressly provided in Sections 7 and 8 below, vesting requires continued employment or service with the Corporation or one of its Subsidiaries through the Vesting Date as a condition to the vesting of any Stock Units subject to the Award and the rights and benefits under this Award Agreement. Except as expressly provided in Sections 7 and 8 below, employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting, or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

5. Dividend Equivalent Rights Distributions

As of any date that the Corporation pays an ordinary cash dividend on its Common Stock, the Corporation shall credit the Participant's Stock Unit Account with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Common Stock on such date, multiplied by (ii) the number of Stock Units remaining subject to the Award as of the related dividend payment record date, divided by (iii) the Fair Market Value of a share of Common Stock on the date of payment of such dividend. For these purposes, any Stock Units that vest and become payable in excess of the target number of Stock Units shall be considered to have been granted on the Grant Date set forth in the Notice. The Stock Units credited pursuant to the foregoing provisions of this Section 5 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate.

6. Timing and Manner of Payment of Stock Units

Subject to Section 7 below, any Stock Unit granted (or credited pursuant to Section 5) to the Participant that becomes vested (whether pursuant to Section 4, Section 7 or Section 8 hereof) shall be paid to the Participant following the Vesting Date and in the same calendar year in which the Vesting Date occurs. The Corporation shall make payment of a Stock Unit that has vested by delivering to the Participant a share of Common Stock (either by delivering one or more certificates for the shares deliverable or by entering such shares in book entry form, as determined by the Corporation in its sole discretion), subject to adjustment as provided in Section 7.1 of the Plan. The Corporation's obligation to deliver shares of Common Stock with respect to vested Stock Units is subject to the condition precedent that the Participant (or other person entitled under the Plan to receive any shares with respect to the vested Stock Units) delivers to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan in advance of the scheduled payment date. The Participant shall have no further rights with respect to any Stock Units that are paid pursuant to this Section 6 or Section 7 hereof, or that are terminated pursuant to Section 7 or Section 8 hereof, and such Stock Units shall be removed from the Participant's Stock Unit Account upon the date of such payment or termination. The Corporation may, in its sole discretion, settle any Stock Units credited 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).

7. Change in Control Event

In connection with a transaction referenced in Section 7.2 of the Plan in connection with which the Corporation will not survive or will not survive as a public company in respect of its Common Stock, the Administrator may (without limiting the adjustment authority of Section 7.1 of the Plan and without limiting the flexibility of the Administrator to provide for the assumption, substitution or exchange of the Award pursuant to Section 7.2 of the Plan) provide that (i) payment for each Stock Unit that is otherwise outstanding on the date of such event and that becomes vested may be made in the form of cash in an amount equal to the fair market value of a share of Common Stock as of the date of the closing of such transaction, and/or (ii) that, as to any Stock Units outstanding with respect to a Measurement Period that has not ended on or prior to the date of such transaction, the performance measures applicable to such Measurement Period shall be deemed satisfied at the applicable "target" level (attainment of 100% of the applicable performance goal resulting in a 100% payout or vesting percentage as to that goal) or such greater level as the Administrator, in its sole discretion, may deem appropriate in the circumstances. However, notwithstanding anything otherwise provided in Section 7.2 of the Plan but subject to the following sentence, the time of payment of the Award may not be changed and shall be as set forth in Section 6 above. The Administrator may (notwithstanding the time of payment provisions of Sections 6 and 8 hereof) provide for the termination of the Stock Units subject to the Award in connection with the occurrence of a Change in Control Event in connection with which the Administrator has not made a provision for the substitution, assumption, exchange or other continuation of the Award; provided that (A) in such event, the portion of the Award that is outstanding and unvested immediately prior to such termination shall vest and become payable (as to any Stock Units outstanding with respect to a Measurement Period that has not ended on or prior to the date of Change in Control Event, the performance measures applicable to such Measurement Period shall be deemed satisfied at the applicable "target" level (attainment of 100% of the applicable performance goal resulting in a 100% payout or vesting percentage as to that goal) or such greater level as the Administrator, in its sole discretion, may deem appropriate in the circumstances), and (B) such acceleration, termination and payment of the Award satisfies the requirements of Treas. Reg. Section 1.409A-3(j)(4)(ix) (which requirements include the Change in Control Event qualifying as a change in the ownership or effective

control of the Corporation, or a change in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Treas. Reg. Section 1.409A-3(i)(5)).

8. Termination of Employment

(a) Termination of Employment Generally. Except as expressly provided below in this Section 8, if the Participant ceases to be employed by or to provide services to the Corporation or its Subsidiaries for any reason (the last day that the Participant is employed by or provides services as a consultant or director to the Corporation or a Subsidiary prior to a period in which the Participant is not employed by, and does not have any such service relationship with, any such entity as determined by the Administrator is referred to as the Participant's "Separation Date") before the Vesting Date, the Participant's Stock Units shall automatically be forfeited to the Corporation effective immediately following the Separation Date. If the Participant is entitled to any accelerated vesting pursuant to any provision below in this Section 8, any remaining unvested portion of the Participant's Stock Units (after giving effect to such acceleration) shall automatically be forfeited to the Corporation effective as of immediately following the Separation Date.

(b) Death of the Participant. In the event of the Participant's death prior to the Vesting Date and at a time when the Participant is employed by or providing services to the Corporation or any of its Subsidiaries, a portion of the Award shall vest on the Vesting Date and shall be paid to the Participant as provided in Section 6 above. In such event, the number of Stock Units that shall become vested on the Vesting Date equals (i) the Employment Fraction (determined as set forth below) multiplied by (ii) the number of Stock Units subject to the Award that would have otherwise (had the Separation Date not occurred prior to the Vesting Date) become vested on the Vesting Date (determined before taking the acceleration contemplated by this Section 8(b) into account and before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account). To the extent any Stock Units become vested on the Vesting Date pursuant to the preceding sentence, the dividend equivalent Stock Units credited pursuant to Section 5 above with respect to such Stock Units shall also become vested on the Vesting Date. For purposes of this Section 8, the "Employment Fraction" equals a fraction (not greater than one), the numerator of which is the total number of calendar days in the period beginning with the first day of the Measurement Period through and including the Participant's Separation Date, and the denominator of which is the total number of calendar days in the Measurement Period ([_____] days).

(c) Retirement of the Participant. If the Participant Retires (as defined below) from the Corporation or one of its Subsidiaries before the Vesting Date, a portion of the Award shall vest on the Vesting Date and shall be paid to the Participant as provided in Section 6 above. In such event, the number of Stock Units that shall become vested on the Vesting Date equals (i) the Employment Fraction (determined as set forth in Section 8(b) above) multiplied by (ii) the number of Stock Units subject to the Award that would have otherwise (had the Separation Date not occurred prior to the Vesting Date) become vested on the Vesting Date (determined before taking the acceleration contemplated by this Section 8(c) into account and before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account). To the extent any Stock Units become vested on the Vesting Date pursuant to the preceding sentence, the dividend equivalent Stock Units credited pursuant to Section 5 above with respect to such Stock Units shall also become vested on the Vesting Date.

For purposes of this Award Agreement, the Participant shall be deemed to have "Retired" (which term shall include "Retirement," "Retire" and "Retires") if the Participant retires from employment with the Corporation or one of its Subsidiaries for any reason other than Cause (as defined below) and other than due to the Participant's death after satisfying all of the following requirements at the time of such retirement: (i) the Participant is at least 55 years of age, (ii) the Participant has five (5) or more whole years of credited service with the Corporation or any of its Subsidiaries ending on the date of such retirement, and (iii) the Participant's age plus years of credited service with the Corporation 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. The Administrator shall determine the Participant's "years of credited service" under clauses (ii) and (iii) above; provided that, for such purposes, in no event shall the Participant accrue more than one year of service with respect to any period of twelve consecutive months (that is, concurrent employment by both the Corporation and one or more of its Subsidiaries, or by multiple Subsidiaries, for a month shall not be counted as more than one month of service). For clarity, Retirement is based on a termination of employment and not a termination of any other service relationship. However, if the Participant Retires and continues in another service capacity such that the Participant does not have a Separation Date in connection with his or her Retirement, the remaining portion of the Award not eligible to vest in connection with such Retirement shall remain eligible to vest through and until the Participant's Separation Date should it occur before the Vesting Date (in connection with any such Separation Date the other

provisions of this Section 8 shall apply as to such portion of the Award; in the event the Participant is entitled to accelerated vesting pursuant to Section 8(b), the provisions of Section 8(b) and not this Section 8(c) shall apply).

For purposes of this Award Agreement, "Cause" is used as defined in the Western Digital Corporation Executive Severance Plan or, if the Participant's Separation Date occurs on or after a Change in Control Event, as defined in the Western Digital Corporation Amended and Restated Change of Control Severance Plan.

(d) Involuntary Termination of Employment. In the event the Participant's employment terminates in circumstances as to which the Participant is entitled to severance benefits pursuant to the Western Digital Corporation Executive Severance Plan (or any applicable successor executive severance plan, as each is in effect at the time of such termination of employment, and only if such severance plan then otherwise applies with respect to the Participant) ("Pre-CIC Severance Plan"), the Participant shall be treated for purposes of the Award as though the Participant Retired on the Participant's Separation Date and Section 8(c) shall apply; provided, however, that if any Stock Units subject to the Award would (before taking this paragraph into consideration) also be subject to accelerated vesting pursuant to Section 8(b) or 8(c) above, the Stock Units shall be subject to accelerated vesting pursuant to the section (Section 8(b) or 8(c) above) that would otherwise apply in the circumstances.

In the event the Participant's employment terminates in circumstances as to which the Participant is entitled to severance benefits pursuant to the Western Digital Corporation Amended and Restated Change of Control Severance Plan (or any applicable successor change of control severance plan, as each is in effect at the time of such termination of employment, and only if such severance plan then otherwise applies with respect to the Participant) ("CIC Severance Plan"), the extent to which the Award vests will be determined in accordance with the applicable provisions of the CIC Severance Plan. If the Stock Units subject to the Award would (before taking this paragraph into consideration) also be subject to accelerated vesting pursuant to the immediately preceding paragraph or Section 8(b) or 8(c) above, this paragraph (and not the immediately preceding paragraph or Section 8(b) or 8(c) above) shall apply; provided, however, that if the Participant does not satisfy any applicable conditions to severance benefits set forth in the applicable CIC Severance Plan, then the Participant shall remain entitled to any accelerated vesting that would otherwise apply pursuant to Section 8(b) or 8(c) above, as applicable.

For clarity, any accelerated or additional vesting contemplated by this Section 8(d), whether with respect to a Pre-CIC Severance Plan or a CIC Severance Plan, is subject to the Participant satisfying any applicable conditions to severance benefits set forth in the applicable Pre-CIC Severance Plan or CIC Severance Plan (such as, without limitation, any eligibility and release requirements).

The treatment of the Award in any circumstances as to which the Participant is entitled to severance benefits pursuant to a Pre-CIC Severance Plan (including, without limitation, the extent (if any) to which the Award vests or accelerates in such circumstances as well as the timing of payment of the Award), and the timing of payment of the Award in any circumstances as to which the Participant is entitled to severance benefits pursuant to a CIC Severance Plan, shall be governed by this Award Agreement and not by the Pre-CIC Severance Plan or CIC Severance Plan, as the case may be. As to the Award, this Award Agreement controls in the event of any inconsistency or conflict with a Pre-CIC Severance Plan or CIC Severance Plan, and to that extent this Award Agreement amends any applicable Pre-CIC Severance Plan or CIC Severance Plan as to the Award.

9. Adjustments

The Administrator may accelerate the vesting of the Stock Units in such circumstances as it, in its sole discretion, may determine; provided that the time of payment of the Stock Units as otherwise set forth herein may not be changed. In addition, upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Administrator will make adjustments if appropriate in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which dividend equivalents are credited or to be credited pursuant to Section 5 above.

10. Withholding Taxes

Upon or in connection with the crediting, vesting or payment of Stock Units, or any other time when tax withholding may be required with respect to the Award, the Corporation (or the Subsidiary last employing the Participant) shall have the right at its option to (a) require the Participant to pay or provide for payment in cash of the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such crediting, vesting, payment or other event, or (b) deduct from any amount payable to the Participant (pursuant to the Award or otherwise) the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such crediting, vesting, payment or other event. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Award Agreement, the Administrator may, in its sole discretion, direct the Corporation or the Subsidiary to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then fair market value, to satisfy such withholding obligation at the applicable withholding rates. In addition, the Administrator may, in its sole discretion but only to the extent consistent with Treas. Reg. Section 1.409A-3(j)(4)(vi), reduce the number of Stock Units remaining subject to the Award, with each such Stock Unit 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.

11. Nontransferability

Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, anticipated, alienated, encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation (i.e., upon the termination of a Stock Unit), or (b) transfers by will or the laws of descent and distribution.

12. No Right to Employment

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

13. Rights as a Stockholder

Subject to the provisions of the Plan, the Notice and these Standard Terms, the Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 5 above with respect to dividend equivalent rights) and no voting rights with respect to Stock Units awarded to the Participant and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of such issuance of such shares.

14. Notices

Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government, or for non-U.S. employees, the government of the country where the Participant is working and/or residing. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 14.

15. Arbitration

Any controversy arising out of or relating to this Award Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Award, including, but not limited to, any state or federal statutory claims (“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 25(f) below. If, however, Participant has opted out of the DRA pursuant to Section 3.3 of the DRA, any Covered Claims by Corporation or Participant shall be submitted to arbitration pursuant to this Section 15. 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. Except as otherwise stated herein, this Section 15 also requires arbitration of any disputes concerning the enforceability, interpretation, and/or implementation of this Section 15 and the arbitrability of any claims brought hereunder, which shall also be decided by an arbitrator. To the fullest extent permitted by applicable law, Participant and Corporation 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 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. If that occurs, however, this Section 15 will still be fully enforceable as to all other Covered Claims, which must be resolved in arbitration on an individual basis. Any arbitrable claims in arbitration will be resolved first and the parties agree to seek a stay of any non-arbitrable claims until the full completion of the arbitral process. Any claim that the requirement in this Section 15 that Covered Claims be arbitrated on an individual basis only is invalid, unenforceable, unconscionable, void or voidable may be determined only by a court of competent jurisdiction and not by an Arbitrator. Final resolution of any dispute through arbitration may include any and all remedies that may be obtained in a court. Statutes of limitation for Covered Claims submitted to arbitration under this Section 15 shall be the same as they would be if those claims were brought in court. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator’s award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The Corporation 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 arbitrator may not award attorneys’ fees to a party that would not otherwise be entitled to such an award under the applicable statute. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any Covered Claim(s), either by virtue of Participant’s acceptance without opting out of the DRA or, if Participant did opt out of the DRA, by virtue of the provisions of this Section 15.

16. Governing Law

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

17. Severability

Except as otherwise provided by Section 15, if the arbitrator selected in accordance with Section 15 above or a court of competent jurisdiction determines that any portion of this Award Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Award Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all

portions of this Award Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, except as otherwise provided by Section 15, it is the parties' intent that any order striking any portion of this Award Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

18. Entire Agreement

This Award Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. However, this Award Agreement shall not supersede or in any way affect the DRA, which shall remain in full force and effect, unless Participant opted out of the DRA pursuant to the provisions therein. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof. Provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the Grant Date.

19. Section Headings

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

20. Appendix

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

21. Imposition of Other Requirements

The Corporation reserves the right to impose other requirements on the Participant's participation in the Plan, on the Stock Units and on any shares of Common Stock acquired under the Plan, to the extent the Corporation determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

22. Construction

It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

23. Clawback Policy

The Stock Units, as well as any payment (whether in cash, shares of Common Stock or other property) made pursuant to the Award with respect to the Stock Units, are subject to the terms of the Corporation's Compensation Recovery Policy (as well as any successor compensation recoupment, clawback or similar policy adopted by the Corporation or as provided by applicable law), as each may be in effect from time to time, any of which could require repayment or forfeiture of the Stock Units or any shares of Common Stock or other cash or property received with respect to the Stock Units (including any value received from a disposition of the shares acquired upon payment of the Stock Units).

24. No Advice Regarding Grant

The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Stock Units (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Award Agreement) or recommendation with respect to the Award. Except for the withholding rights set forth in Section 10 above, the Participant is solely responsible for any and all tax liability that may arise with respect to the Award.

25. Additional Participant Obligations

(a) The Participant, in accepting the Award, (i) agrees to the terms of the Award as set forth in this Award Agreement generally, and (ii) specifically (and without limiting the generality of clause (i)) agrees to the provisions of this Section 25.

(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 Corporation or any of its Subsidiaries to leave the employ or service, as applicable, of the Corporation or any such Subsidiary, or become employed or engaged by any third party, or in any way interfere with the relationship between the Corporation or any such Subsidiary, on the one hand, and any employee or independent contractor thereof, on the other hand. This Section 25(b) does not limit any general advertising or job posting not directed at any individual or group of employees of the Corporation or any of its Subsidiaries. For purposes of this Award Agreement, "Restricted Period" means the period of time the Participant is employed by or provides services to the Corporation or one of its Subsidiaries and the period of twenty four (24) months after the Separation Date.

(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 25(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 25(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 25(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 25 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 25 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 25, 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 Agreement, 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 25, 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 25 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 Separation Date shall be extended by the same amount of time that the Participant is in breach of any Restrictive Covenant following the Separation Date. The Participant further agrees that in the event of any breach of any provision of this Section 25, in addition to and without limitation upon all other remedies the Company (or any of its Subsidiaries) may have under this Award Agreement, at law or otherwise, the Award (to the extent outstanding at the time of such breach) shall automatically terminate and be forfeited as of the time of such breach.

EXHIBIT A

**PERFORMANCE STOCK UNIT AWARD – FINANCIAL MEASURES
Performance Measures and Goals**

[To be inserted]

APPENDIX A

ADDITIONAL TERMS AND CONDITIONS OF STOCK UNIT AWARD AGREEMENT 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 Agreement, 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 attached hereto. *Capitalized terms used but not defined in this Appendix A shall have the same meanings assigned to them in the Plan and/or Award Agreement.*

2. Withholding Taxes

The following provision supplements Section 10 of the Standard Terms:

The Participant acknowledges that, regardless of any action taken by the Corporation 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 Corporation or the Employer. The Participant further acknowledges that the Corporation 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 Stock Units, including, but not limited to, the grant, vesting or settlement of the Stock Units, the subsequent sale of shares of Common Stock acquired pursuant to such settlement and the receipt of any dividends and/or any dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Stock Units 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 Corporation 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, prior to any relevant taxable or tax withholding event, as applicable, to make adequate arrangements satisfactory to the Corporation and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Corporation and/or the Employer, or their respective agents, at the Corporation's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the methods set forth in Section 8.5 of the Plan and Section 10 of the Standard Terms. In addition, the Participant authorizes withholding from proceeds of the sale of shares of Common Stock acquired upon settlement of the Stock Units either through a voluntary sale or through a mandatory sale arranged by the Corporation (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 8.5 of the Plan, Section 10 of the Standard Terms, and the withholding methodology approved by the Administrator for officers subject to Section 16 of the Exchange Act.

Depending on the withholding method, the Corporation 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 Participant's jurisdiction(s), in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Common Stock. 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 Stock Units, 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 Corporation or the Employer, any amount of Tax-Related Items that the Corporation 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

Corporation 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 Stock Units and any shares of Common Stock, the Participant acknowledges, understands and agrees that:

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

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

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

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

(e) the Stock Units 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 Stock Units 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 Corporation or the Employer or any Subsidiary;

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

(h) unless otherwise agreed with the Corporation, the Stock Units 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 Stock Units 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);

(j) unless otherwise provided in the Plan or by the Corporation in its discretion, the Stock Units and the benefits evidenced by the Award Agreement do not create any entitlement to have the Stock Units 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 Corporation, 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 Stock Units or of any amounts due to the Participant pursuant to the vesting of the Stock Units or the subsequent sale of any shares of Common Stock acquired upon vesting.

4. Data Privacy

By accepting the Stock Units via the Corporation'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 Corporation 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) Declaration of Consent. 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 Corporation, the Employer and/or any Subsidiary as described in this Award Agreement and any other Stock Unit 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 Agreement, the Participant understands that the Corporation is the controller of the Participant's Personal Data.

(b) Data Processing and Legal Basis. The Corporation 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 Corporation or its Subsidiaries, details of all Stock Units 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) Stock Plan Administration Service Providers. The Participant understands that the Corporation 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 Corporation with the implementation, administration and management of the Plan. In the future, the Corporation may select a different service provider and share the Participant's Personal Data with such different service provider that serves the Corporation in a similar manner. The Participant understands and acknowledges that the Corporation's service provider will open an account for the Participant to receive and trade Shares 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) International Data Transfers. The Participant understands that the Corporation and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as the Corporation'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 Corporation 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 Corporation's legal basis for the transfer of the Participant's Personal Data is the Participant's consent.

(e) Data Retention. The Participant understands that the Corporation will use the Participant's Personal Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or to comply with legal or regulatory obligations, including under tax and securities laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Personal Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Personal Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.

(f) Voluntariness and Consequences of Denial/Withdrawal of Consent. The Participant understands that the Participant's participation in the Plan and the Participant's grant of consent is purely voluntary. The Participant may deny or later withdraw the Participant's consent at any time, with future

effect and for any or no reason. If the Participant denies or later withdraws the Participant's consent, the Corporation can no longer offer the Participant participation in the Plan or offer other awards to the Participant or administer or maintain such awards and the Participant would no longer be able to participate in the Plan. The Participant further understands that denial or withdrawal of the Participant's consent would not affect the Participant's status or salary as an employee or the Participant's career and that the Participant would merely forfeit the opportunities associated with the Plan.

(g) Data Subject Rights. 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 Corporation 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 Corporation 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 Corporation (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) Alternate Basis and Additional Consents. Finally, the Participant understands that the Corporation 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 Corporation or the Employer, the Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Corporation 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 Corporation and/or the Employer.

5. Electronic Delivery and Acceptance

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

6. Insider Trading/ Market Abuse Laws

By participating in the Plan, the Participant agrees to comply with the Corporation'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 Stock Units) 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 Corporation (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 Corporation 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 Stock Units 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. 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 Agreement. Furthermore, if the Award Agreement 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.



Western Digital Corporation
5601 Great Oaks Parkway
San Jose, California 95119
(408) 717-6000

**Notice of Grant of Performance Stock Units
and Performance Stock Unit Award Agreement – TSR Measure**

<<Name>> Award Number:
<<Address 1>> Plan: 2017 Performance Incentive Plan
<<Address 2>> ID:

Congratulations! Effective [] (the “Grant Date”), you have been granted stock units (the “Performance Stock Units”) of Western Digital Corporation (the “Corporation”). These Performance Stock Units were granted under and are subject to the Corporation’s 2017 Performance Incentive Plan, as amended (the “Plan”).

Total Target Number of Performance Stock Units:

Vesting Date: []

Measurement Period covered by grant: The “Measurement Period” applicable to the Performance Stock Units subject to the award is the performance measurement period that begins [] and ends []. The actual number of Performance Stock Units that may become eligible to vest on the Vesting Date based on performance during the Measurement Period may range from 0% to 200% of the Total Target Number of Performance Stock Units subject to the award, subject to forfeiture under Section 8 of the attached Standard Terms and Conditions for Performance Stock Unit Award – TSR Measure (the “Standard Terms”).

Your Performance Stock Unit award is subject to the terms and conditions of this Notice, the attached Standard Terms and the Plan. By accepting the award, you are agreeing to the terms of the award as set forth in those documents. You should read the Plan, the Prospectus for the Plan, and the Standard Terms. The Standard Terms and the Plan are each incorporated into and made a part of this Notice by this reference. You do not have to accept your award and it is not a condition of employment to accept your award. If you do not agree to the terms of your award, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator indicating that you do not wish to accept the award and your Performance Stock Units will be cancelled.

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

**STANDARD TERMS AND CONDITIONS FOR
PERFORMANCE STOCK UNIT AWARD - TSR MEASURE**
Amended and Restated 2017 Performance Incentive Plan

1. Performance Stock Units Subject to Amended and Restated 2017 Performance Incentive Plan

The Performance Stock Unit Award (the “Award”) referred to in the attached Notice of Grant of Performance Stock Units and Performance Stock Unit Award Agreement (the “Notice”) was awarded under Western Digital Corporation’s (the “Corporation’s”) Amended and Restated 2017 Performance Incentive Plan, as amended (the “Plan”). Each Performance Stock Unit covered by the Award (“Stock Unit”) is a non-voting unit of measurement that is deemed for bookkeeping purposes to be equivalent to one outstanding share of Common Stock (subject to adjustment as provided in Section 7.1 of the Plan). The holder of the Stock Units is referred to herein as the “Participant.” Stock Units shall be used solely as a device for the determination of the number of shares of Common Stock to eventually be delivered to the Participant if Stock Units held by such Participant vest pursuant to Section 4, Section 7 or Section 8 and shall not be treated as property or as a trust fund of any kind. The target number of Stock Units granted to the Participant shall be credited to an unfunded bookkeeping account maintained by the Corporation on behalf of the Participant (a “Stock Unit Account”).

The Stock Units are subject to the terms and provisions of the Notice, these Standard Terms and Conditions for the Performance Stock Unit Award – TSR Measure (including any terms and conditions set forth in any appendices attached hereto) (collectively, these “Standard Terms”), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control.

Capitalized terms not defined herein have the meanings set forth in the Plan or in the Notice, as applicable.

2. Award Agreement

The Notice and these Standard Terms (together, the “Award Agreement”) constitute the award agreement with respect to the Award pursuant to Section 5.2 of the Plan.

3. Deferral of Stock Units

Not applicable.

4. Vesting

Following the end of the Measurement Period as set forth in the Notice, the Administrator shall determine, in accordance with the performance goals and related criteria and methodology established by the Administrator for the Measurement Period, the extent to which the performance goals have been achieved and the actual number of Stock Units becoming eligible to vest (subject to the following paragraph) based on performance during the Measurement Period. Any Stock Units (including any related Stock Units credited as dividend equivalents pursuant to Section 5) that do not become eligible to vest based on performance during the Measurement Period shall terminate as of the end of the Measurement Period when the Administrator has determined the extent to which the performance goal has not been achieved for the Measurement Period, and the Participant shall have no further rights with respect to such terminated Stock Units.

Except as otherwise provided in this Award Agreement, and subject to Section 8 below, the number of Stock Units becoming eligible to vest based on performance during the Measurement Period shall vest on the Vesting Date. Except as expressly provided in Sections 7 and 8 below, vesting requires continued employment or service with the Corporation or one of its Subsidiaries through the Vesting Date as a condition to the vesting of any Stock Units subject to the Award and the rights and benefits under this Award Agreement. Except as expressly provided in Sections 7 and 8 below, employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting, or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

5. Dividend Equivalent Rights Distributions

As of any date that the Corporation pays an ordinary cash dividend on its Common Stock, the Corporation shall credit the Participant's Stock Unit Account with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Common Stock on such date, multiplied by (ii) the number of Stock Units remaining subject to the Award as of the related dividend payment record date, divided by (iii) the Fair Market Value of a share of Common Stock on the date of payment of such dividend. For these purposes, any Stock Units that vest and become payable in excess of the target number of Stock Units shall be considered to have been granted on the Grant Date set forth in the Notice. The Stock Units credited pursuant to the foregoing provisions of this Section 5 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate.

6. Timing and Manner of Payment of Stock Units

Subject to Section 7 below, any Stock Unit granted (or credited pursuant to Section 5) to the Participant that becomes vested (whether pursuant to Section 4, Section 7 or Section 8 hereof) shall be paid to the Participant following the Vesting Date and in the same calendar year in which the Vesting Date occurs. The Corporation shall make payment of a Stock Unit that has vested by delivering to the Participant a share of Common Stock (either by delivering one or more certificates for the shares deliverable or by entering such shares in book entry form, as determined by the Corporation in its sole discretion), subject to adjustment as provided in Section 7.1 of the Plan. The Corporation's obligation to deliver shares of Common Stock with respect to vested Stock Units is subject to the condition precedent that the Participant (or other person entitled under the Plan to receive any shares with respect to the vested Stock Units) delivers to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan in advance of the scheduled payment date. The Participant shall have no further rights with respect to any Stock Units that are paid pursuant to this Section 6 or Section 7 hereof, or that are terminated pursuant to Section 7 or Section 8 hereof, and such Stock Units shall be removed from the Participant's Stock Unit Account upon the date of such payment or termination. The Corporation may, in its sole discretion, settle any Stock Units credited 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).

7. Change in Control Event

In connection with a transaction referenced in Section 7.2 of the Plan in connection with which the Corporation will not survive or will not survive as a public company in respect of its Common Stock, the Administrator may (without limiting the adjustment authority of Section 7.1 of the Plan and without limiting the flexibility of the Administrator to provide for the assumption, substitution or exchange of the Award pursuant to Section 7.2 of the Plan) provide that (i) payment for each Stock Unit that is otherwise outstanding on the date of such event and that becomes vested may be made in the form of cash in an amount equal to the fair market value of a share of Common Stock as of the date of the closing of such transaction, and/or (ii) that, as to any Stock Units outstanding with respect to a Measurement Period that has not ended on or prior to the date of such transaction, the performance measures applicable to such Measurement Period shall be deemed satisfied at the applicable "target" level (attainment of 100% of the applicable performance goal resulting in a 100% payout or vesting percentage as to that goal) or such greater level as the Administrator, in its sole discretion, may deem appropriate in the circumstances. However, notwithstanding anything otherwise provided in Section 7.2 of the Plan but subject to the following sentence, the time of payment of the Award may not be changed and shall be as set forth in Section 6 above. The Administrator may (notwithstanding the time of payment provisions of Sections 6 and 8 hereof) provide for the termination of the Stock Units subject to the Award in connection with the occurrence of a Change in Control Event in connection with which the Administrator has not made a provision for the substitution, assumption, exchange or other continuation of the Award; provided that (A) in such event, the portion of the Award that is outstanding and unvested immediately prior to such termination shall vest and become payable (as to any Stock Units outstanding with respect to a Measurement Period that has not ended on or prior to the date of Change in Control Event, the performance measures applicable to such Measurement Period shall be deemed satisfied at the applicable "target" level (attainment of 100% of the applicable performance goal resulting in a 100% payout or vesting percentage as to that goal) or such greater level as the Administrator, in its sole discretion, may deem appropriate in the circumstances), and (B) such acceleration, termination and payment of the Award satisfies the requirements of Treas. Reg. Section 1.409A-3(j)(4)(ix) (which requirements include the Change in Control Event qualifying as a change in the

ownership or effective control of the Corporation, or a change in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Treas. Reg. Section 1.409A-3(i)(5)).

8. Termination of Employment

(a) Termination of Employment Generally. Except as expressly provided below in this Section 8, if the Participant ceases to be employed by or to provide services to the Corporation or its Subsidiaries for any reason (the last day that the Participant is employed by or provides services as a consultant or director to the Corporation or a Subsidiary prior to a period in which the Participant is not employed by, and does not have any such service relationship with, any such entity as determined by the Administrator is referred to as the Participant's "Separation Date") before the Vesting Date, the Participant's Stock Units shall automatically be forfeited to the Corporation effective immediately following the Separation Date. If the Participant is entitled to any accelerated vesting pursuant to any provision below in this Section 8, any remaining unvested portion of the Participant's Stock Units (after giving effect to such acceleration) shall automatically be forfeited to the Corporation effective as of immediately following the Separation Date.

(b) Death of the Participant. In the event of the Participant's death prior to the Vesting Date and at a time when the Participant is employed by or providing services to the Corporation or any of its Subsidiaries, a portion of the Award shall vest on the Vesting Date and shall be paid to the Participant as provided in Section 6 above. In such event, the number of Stock Units that shall become vested on the Vesting Date equals (i) the Employment Fraction (determined as set forth below) multiplied by (ii) the number of Stock Units subject to the Award that would have otherwise (had the Separation Date not occurred prior to the Vesting Date) become vested on the Vesting Date (determined before taking the acceleration contemplated by this Section 8(b) into account and before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account). To the extent any Stock Units become vested on the Vesting Date pursuant to the preceding sentence, the dividend equivalent Stock Units credited pursuant to Section 5 above with respect to such Stock Units shall also become vested on the Vesting Date. For purposes of this Section 8, the "Employment Fraction" equals a fraction (not greater than one), the numerator of which is the total number of calendar days in the period beginning with the first day of the Measurement Period through and including the Participant's Separation Date, and the denominator of which is the total number of calendar days in the Measurement Period ([_____] days).

(c) Retirement of the Participant. If the Participant Retires (as defined below) from the Corporation or one of its Subsidiaries before the Vesting Date, a portion of the Award shall vest on the Vesting Date and shall be paid to the Participant as provided in Section 6 above. In such event, the number of Stock Units that shall become vested on the Vesting Date equals (i) the Employment Fraction (determined as set forth in Section 8(b) above) multiplied by (ii) the number of Stock Units subject to the Award that would have otherwise (had the Separation Date not occurred prior to the Vesting Date) become vested on the Vesting Date (determined before taking the acceleration contemplated by this Section 8(c) into account and before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account). To the extent any Stock Units become vested on the Vesting Date pursuant to the preceding sentence, the dividend equivalent Stock Units credited pursuant to Section 5 above with respect to such Stock Units shall also become vested on the Vesting Date.

For purposes of this Award Agreement, the Participant shall be deemed to have "Retired" (which term shall include "Retirement," "Retire" and "Retires") if the Participant retires from employment with the Corporation or one of its Subsidiaries for any reason other than Cause (as defined below) and other than due to the Participant's death after satisfying all of the following requirements at the time of such retirement: (i) the Participant is at least 55 years of age, (ii) the Participant has five (5) or more whole years of credited service with the Corporation or any of its Subsidiaries ending on the date of such retirement, and (iii) the Participant's age plus years of credited service with the Corporation 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. The Administrator shall determine the Participant's "years of credited service" under clauses (ii) and (iii) above; provided that, for such purposes, in no event shall the Participant accrue more than one year of service with respect to any period of twelve consecutive months (that is, concurrent employment by both the Corporation and one or more of its Subsidiaries, or by multiple Subsidiaries, for a month shall not be counted as more than one month of service). For clarity, Retirement is based on a termination of employment and not a termination of any other service relationship. However, if the Participant Retires and continues in another service capacity such that the Participant does not have a Separation Date in connection with his or her Retirement, the remaining portion of the Award not eligible to vest in connection with such Retirement

shall remain eligible to vest through and until the Participant's Separation Date should it occur before the Vesting Date (in connection with any such Separation Date the other provisions of this Section 8 shall apply as to such portion of the Award; in the event the Participant is entitled to accelerated vesting pursuant to Section 8(b), the provisions of Section 8(b) and not this Section 8(c) shall apply).

For purposes of this Award Agreement, "Cause" is used as defined in the Western Digital Corporation Executive Severance Plan or, if the Participant's Separation Date occurs on or after a Change in Control Event, as defined in the Western Digital Corporation Amended and Restated Change of Control Severance Plan.

(d) Involuntary Termination of Employment. In the event the Participant's employment terminates in circumstances as to which the Participant is entitled to severance benefits pursuant to the Western Digital Corporation Executive Severance Plan (or any applicable successor executive severance plan, as each is in effect at the time of such termination of employment, and only if such severance plan then otherwise applies with respect to the Participant) ("Pre-CIC Severance Plan"), the Participant shall be treated for purposes of the Award as though the Participant Retired on the Participant's Separation Date and Section 8(c) shall apply; provided, however, that if any Stock Units subject to the Award would (before taking this paragraph into consideration) also be subject to accelerated vesting pursuant to Section 8(b) or 8(c) above, the Stock Units shall be subject to accelerated vesting pursuant to the section (Section 8(b) or 8(c) above) that would otherwise apply in the circumstances.

In the event the Participant's employment terminates in circumstances as to which the Participant is entitled to severance benefits pursuant to the Western Digital Corporation Amended and Restated Change of Control Severance Plan (or any applicable successor change of control severance plan, as each is in effect at the time of such termination of employment, and only if such severance plan then otherwise applies with respect to the Participant) ("CIC Severance Plan"), the extent to which the Award vests will be determined in accordance with the applicable provisions of the CIC Severance Plan. If the Stock Units subject to the Award would (before taking this paragraph into consideration) also be subject to accelerated vesting pursuant to the immediately preceding paragraph or Section 8(b) or 8(c) above, this paragraph (and not the immediately preceding paragraph or Section 8(b) or 8(c) above) shall apply; provided, however, that if the Participant does not satisfy any applicable conditions to severance benefits set forth in the applicable CIC Severance Plan, then the Participant shall remain entitled to any accelerated vesting that would otherwise apply pursuant to Section 8(b) or 8(c) above, as applicable.

For clarity, any accelerated or additional vesting contemplated by this Section 8(d), whether with respect to a Pre-CIC Severance Plan or a CIC Severance Plan, is subject to the Participant satisfying any applicable conditions to severance benefits set forth in the applicable Pre-CIC Severance Plan or CIC Severance Plan (such as, without limitation, any eligibility and release requirements).

The treatment of the Award in any circumstances as to which the Participant is entitled to severance benefits pursuant to a Pre-CIC Severance Plan (including, without limitation, the extent (if any) to which the Award vests or accelerates in such circumstances as well as the timing of payment of the Award), and the timing of payment of the Award in any circumstances as to which the Participant is entitled to severance benefits pursuant to a CIC Severance Plan, shall be governed by this Award Agreement and not by the Pre-CIC Severance Plan or CIC Severance Plan, as the case may be. As to the Award, this Award Agreement controls in the event of any inconsistency or conflict with a Pre-CIC Severance Plan or CIC Severance Plan, and to that extent this Award Agreement amends any applicable Pre-CIC Severance Plan or CIC Severance Plan as to the Award.

9. Adjustments

The Administrator may accelerate the vesting of the Stock Units in such circumstances as it, in its sole discretion, may determine; provided that the time of payment of the Stock Units as otherwise set forth herein may not be changed. In addition, upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan, the Administrator will make adjustments if appropriate in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which dividend equivalents are credited or to be credited pursuant to Section 5 above.

10. Withholding Taxes

Upon or in connection with the crediting, vesting or payment of Stock Units, or any other time when tax withholding may be required with respect to the Award, the Corporation (or the Subsidiary last employing the Participant) shall have the right at its option to (a) require the Participant to pay or provide for payment in cash of the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such crediting, vesting, payment or other event, or (b) deduct from any amount payable to the Participant (pursuant to the Award or otherwise) the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such crediting, vesting, payment or other event. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Award Agreement, the Administrator may, in its sole discretion, direct the Corporation or the Subsidiary to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then fair market value, to satisfy such withholding obligation at the applicable withholding rates. In addition, the Administrator may, in its sole discretion but only to the extent consistent with Treas. Reg. Section 1.409A-3(j)(4)(vi), reduce the number of Stock Units remaining subject to the Award, with each such Stock Unit 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.

11. Nontransferability

Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, anticipated, alienated, encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation (i.e., upon the termination of a Stock Unit), or (b) transfers by will or the laws of descent and distribution.

12. No Right to Employment

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

13. Rights as a Stockholder

Subject to the provisions of the Plan, the Notice and these Standard Terms, the Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 5 above with respect to dividend equivalent rights) and no voting rights with respect to Stock Units awarded to the Participant and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of such issuance of such shares.

14. Notices

Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government, or for non-U.S. employees, the government of the country where the Participant is working and/or residing. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 14.

15. Arbitration

Any controversy arising out of or relating to this Award Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Award, including, but not limited to, any state or federal statutory claims (“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 25(f) below. If, however, Participant has opted out of the DRA pursuant to Section 3.3 of the DRA, any Covered Claims by Corporation or Participant shall be submitted to arbitration pursuant to this Section 15. 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. Except as otherwise stated herein, this Section 15 also requires arbitration of any disputes concerning the enforceability, interpretation, and/or implementation of this Section 15 and the arbitrability of any claims brought hereunder, which shall also be decided by an arbitrator. To the fullest extent permitted by applicable law, Participant and Corporation 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 with respect to any particular Covered Claim, than that Covered Claim will not proceed in arbitration but rather will be resolved in a court of competent jurisdiction. If that occurs, however, this Section 15 will still be fully enforceable as to all other Covered Claims, which must be resolved in arbitration on an individual basis. Any arbitrable claims in arbitration will be resolved first and the parties agree to seek a stay of any non-arbitrable claims until the full completion of the arbitral process. Any claim that the requirement in this Section 15 that Covered Claims be arbitrated on an individual basis only is invalid, unenforceable, unconscionable, void or voidable may be determined only by a court of competent jurisdiction and not by an Arbitrator. Final resolution of any dispute through arbitration may include any and all remedies that may be obtained in a court. Statutes of limitation for Covered Claims submitted to arbitration under this Section 15 shall be the same as they would be if those claims were brought in court. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator’s award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The Corporation 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 arbitrator may not award attorneys’ fees to a party that would not otherwise be entitled to such an award under the applicable statute. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any Covered Claim(s), either by virtue of Participant’s acceptance without opting out of the DRA or, if Participant did opt out of the DRA, by virtue of the provisions of this Section 15.

16. Governing Law

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

17. Severability

Except as otherwise provided by Section 15, if the arbitrator selected in accordance with Section 15 above or a court of competent jurisdiction determines that any portion of this Award Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Award Agreement or the Plan, as

applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Award Agreement and the Plan which are not found to violate any statute or public policy shall continue in full force and effect. Furthermore, except as otherwise provided by Section 15, it is the parties' intent that any order striking any portion of this Award Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

18. Entire Agreement

This Award Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. However, this Award Agreement shall not supersede or in any way affect the DRA, which shall remain in full force and effect, unless Participant opted out of the DRA pursuant to the provisions therein. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof. Provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the Grant Date.

19. Section Headings

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

20. Appendix

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

21. Imposition of Other Requirements

The Corporation reserves the right to impose other requirements on the Participant's participation in the Plan, on the Stock Units and on any shares of Common Stock acquired under the Plan, to the extent the Corporation determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

22. Construction

It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

23. Clawback Policy

The Stock Units, as well as any payment (whether in cash, shares of Common Stock or other property) made pursuant to the Award with respect to the Stock Units, are subject to the terms of the Corporation's Compensation Recovery Policy (as well as any successor compensation recoupment, clawback or similar policy adopted by the Corporation or as provided by applicable law), as each may be in effect from time to time, any of which could require repayment or forfeiture of the Stock Units or any shares of Common Stock or other cash or property received with respect to the Stock Units (including any value received from a disposition of the shares acquired upon payment of the Stock Units).

24. No Advice Regarding Grant

The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Stock Units (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Award Agreement) or recommendation with respect to the Award. Except for the withholding rights set forth in Section 10 above, the Participant is solely responsible for any and all tax liability that may arise with respect to the Award.

25. Additional Participant Obligations

(a) The Participant, in accepting the Award, (i) agrees to the terms of the Award as set forth in this Award Agreement generally, and (ii) specifically (and without limiting the generality of clause (i)) agrees to the provisions of this Section 25.

(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 Corporation or any of its Subsidiaries to leave the employ or service, as applicable, of the Corporation or any such Subsidiary, or become employed or engaged by any third party, or in any way interfere with the relationship between the Corporation or any such Subsidiary, on the one hand, and any employee or independent contractor thereof, on the other hand. This Section 25(b) does not limit any general advertising or job posting not directed at any individual or group of employees of the Corporation or any of its Subsidiaries. For purposes of this Award Agreement, "Restricted Period" means the period of time the Participant is employed by or provides services to the Corporation or one of its Subsidiaries and the period of twenty four (24) months after the Separation Date.

(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 25(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 25(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 25(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 25 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 25 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 25, 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 Agreement, 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 25, 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 25 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 Separation Date shall be extended by the same amount of time that the Participant is in breach of any Restrictive Covenant following the Separation Date. The Participant further agrees that in the event of any breach of any provision of this Section 25, in addition to and without limitation upon all other remedies the Company (or any of its Subsidiaries) may have under this Award Agreement, at law or otherwise, the Award (to the extent outstanding at the time of such breach) shall automatically terminate and be forfeited as of the time of such breach.

EXHIBIT A

PERFORMANCE STOCK UNIT AWARD – TSR MEASURE
Performance Measures and Goals

[To be inserted]

* * *

APPENDIX A

ADDITIONAL TERMS AND CONDITIONS OF STOCK UNIT AWARD AGREEMENT 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 Agreement, 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 attached hereto. *Capitalized terms used but not defined in this Appendix A shall have the same meanings assigned to them in the Plan and/or Award Agreement.*

2. Withholding Taxes

The following provision supplements Section 10 of the Standard Terms:

The Participant acknowledges that, regardless of any action taken by the Corporation 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 Corporation or the Employer. The Participant further acknowledges that the Corporation 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 Stock Units, including, but not limited to, the grant, vesting or settlement of the Stock Units, the subsequent sale of shares of Common Stock acquired pursuant to such settlement and the receipt of any dividends and/or any dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Stock Units 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 Corporation 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, prior to any relevant taxable or tax withholding event, as applicable, to make adequate arrangements satisfactory to the Corporation and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Corporation and/or the Employer, or their respective agents, at the Corporation's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the methods set forth in Section 8.5 of the Plan and Section 10 of the Standard Terms. In addition, the Participant authorizes withholding from proceeds of the sale of shares of Common Stock acquired upon settlement of the Stock Units either through a voluntary sale or through a mandatory sale arranged by the Corporation (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 8.5 of the Plan, Section 10 of the Standard Terms, and the withholding methodology approved by the Administrator for officers subject to Section 16 of the Exchange Act.

Depending on the withholding method, the Corporation 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 Participant's jurisdiction(s), in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Common Stock. 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 Stock Units, 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 Corporation or the Employer, any amount of Tax-Related Items that the Corporation 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

Corporation 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 Stock Units and any shares of Common Stock, the Participant acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Corporation, it is discretionary in nature, and may be amended, suspended or terminated by the Corporation at any time, to the extent permitted by the Plan;
- (b) the grant of the Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Stock Units, or benefits in lieu of Stock Units, even if Stock Units have been granted in the past;
- (c) all decisions with respect to future Stock Units or other grants, if any, will be at the sole discretion of the Corporation;
- (d) the Participant is voluntary participating in the Plan;
- (e) the Stock Units 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 Stock Units 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 Corporation or the Employer or any Subsidiary;
- (g) the future value of the shares of Common Stock underlying the Stock Units is unknown, indeterminable, and cannot be predicted with certainty;
- (h) unless otherwise agreed with the Corporation, the Stock Units 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 Stock Units 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);
- (j) unless otherwise provided in the Plan or by the Corporation in its discretion, the Stock Units and the benefits evidenced by the Award Agreement do not create any entitlement to have the Stock Units 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 Corporation, 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 Stock Units or of any amounts due to the Participant pursuant to the vesting of the Stock Units or the subsequent sale of any shares of Common Stock acquired upon vesting.

4. Data Privacy

By accepting the Stock Units via the Corporation'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 Corporation 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) **Declaration of Consent.** *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 Corporation, the Employer and/or any Subsidiary as described in this Award Agreement and any other Stock Unit 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 Agreement, the Participant understands that the Corporation is the controller of the Participant's Personal Data.*

(b) **Data Processing and Legal Basis.** *The Corporation 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 Corporation or its Subsidiaries, details of all Stock Units 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) **Stock Plan Administration Service Providers.** *The Participant understands that the Corporation 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 Corporation with the implementation, administration and management of the Plan. In the future, the Corporation may select a different service provider and share the Participant's Personal Data with such different service provider that serves the Corporation in a similar manner. The Participant understands and acknowledges that the Corporation's service provider will open an account for the Participant to receive and trade Shares 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) **International Data Transfers.** *The Participant understands that the Corporation and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as the Corporation'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 Corporation 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 Corporation's legal basis for the transfer of the Participant's Personal Data is the Participant's consent.*

(e) **Data Retention.** *The Participant understands that the Corporation will use the Participant's Personal Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or to comply with legal or regulatory obligations, including under tax and securities laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Personal Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Personal Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.*

(f) **Voluntariness and Consequences of Denial/Withdrawal of Consent.** *The Participant understands that the Participant's participation in the Plan and the Participant's grant of consent*

is purely voluntary. The Participant may deny or later withdraw the Participant's consent at any time, with future effect and for any or no reason. If the Participant denies or later withdraws the Participant's consent, the Corporation can no longer offer the Participant participation in the Plan or offer other awards to the Participant or administer or maintain such awards and the Participant would no longer be able to participate in the Plan. The Participant further understands that denial or withdrawal of the Participant's consent would not affect the Participant's status or salary as an employee or the Participant's career and that the Participant would merely forfeit the opportunities associated with the Plan.

(g) Data Subject Rights. *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 Corporation 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 Corporation 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 Corporation (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) Alternate Basis and Additional Consents. *Finally, the Participant understands that the Corporation 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 Corporation or the Employer, the Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Corporation 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 Corporation and/or the Employer.*

5. Electronic Delivery and Acceptance

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

6. Insider Trading/ Market Abuse Laws

By participating in the Plan, the Participant agrees to comply with the Corporation'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 Stock Units) 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 Corporation (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 Corporation 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 Stock Units 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. 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 Agreement. Furthermore, if the Award Agreement 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.



Western Digital Corporation
5601 Great Oaks Parkway
San Jose, California 95119
(408) 717-6000

**Notice of Grant of Restricted Stock Units
and Restricted Stock Unit Award Agreement – Vice President and Above**

«fn» «mn» «ln»
«ad1»
«ad2»
«cty», «st» «z»

Award Number: «nbr»
Plan: 2017 Performance Incentive Plan
ID: «id»

Congratulations! Effective [_____] (the “Grant Date”), you have been granted stock units (the “Restricted Stock Units”) of Western Digital Corporation. The Restricted Stock Units were granted under and are subject to the Corporation’s 2017 Performance Incentive Plan, as amended (the “Plan”).

Vesting:

<u>Stock Units</u>	<u>Vest Type</u>	<u>Full Vest</u>
«sp1»	«vtpr1»	«vdp1»
«sp2»	«vtp2»	«vdp2»
«sp3»	«vtp3»	«vdp3»
«sp4»	«vtp4»	«vdp4»

Your Restricted Stock Unit award is subject to the terms and conditions of this Notice, the attached Standard Terms and Conditions for Restricted Stock Unit Award – Vice President and Above (including any terms and conditions set forth in any appendices attached hereto collectively, the “Standard Terms”) and the Plan. By accepting the award, you are agreeing to the terms of the award as set forth in those documents. You should read the Plan, the Prospectus for the Plan, and the Standard Terms. The Standard Terms and the Plan are each incorporated into and made a part of this Notice by this reference. You do not have to accept your award and it is not a condition of employment to accept your award. If you do not agree to the terms of your award, you should promptly return this Notice to the Western Digital Corporation Stock Plans Administrator indicating that you do not wish to accept the award and your Restricted Stock Units will be cancelled.

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

**STANDARD TERMS AND CONDITIONS FOR
RESTRICTED STOCK UNIT AWARD – VICE PRESIDENT AND ABOVE**

Amended and Restated 2017 Performance Incentive Plan

1. Restricted Stock Units Subject to Amended and Restated 2017 Performance Incentive Plan

The Restricted Stock Unit Award (the “Award”) referred to in the attached Notice of Grant of Restricted Stock Units and Restricted Stock Unit Award Agreement – Vice President and Above (the “Notice”) was awarded under Western Digital Corporation’s (the “Corporation’s”) Amended and Restated 2017 Performance Incentive Plan, as amended (the “Plan”). Each Restricted Stock Unit covered by the Award (“Stock Unit”) is a non-voting unit of measurement that is deemed for bookkeeping purposes to be equivalent to one outstanding share of Common Stock (subject to adjustment as provided in Section 7.1 of the Plan). The holder of the Stock Units is referred to herein as the “Participant.” Stock Units shall be used solely as a device for the determination of the number of shares of Common Stock to eventually be delivered to the Participant if Stock Units held by such Participant vest pursuant to Section 4, Section 7 or Section 8 and shall not be treated as property or as a trust fund of any kind. Stock Units granted to the Participant shall be credited to an unfunded bookkeeping account maintained by the Corporation on behalf of the Participant (a “Stock Unit Account”).

The Stock Units are subject to the terms and provisions of the Notice, these Standard Terms and Conditions for the Restricted Stock Unit Award – Vice President and Above (including any terms and conditions set forth in any appendices attached hereto) (collectively, these “Standard Terms”), and the Plan. To the extent any information in the Notice, the prospectus for the Plan, or other information provided by the Corporation conflicts with the Plan and/or these Standard Terms, the Plan or these Standard Terms, as applicable, shall control. To the extent any terms and provisions in these Standard Terms conflict with the terms and provisions of the Plan, the Plan shall control.

Capitalized terms not defined herein have the meanings set forth in the Plan or in the Notice, as applicable.

2. Award Agreement

The Notice and these Standard Terms (together, the “Award Agreement”) constitute the award agreement with respect to the Award pursuant to Section 5.2 of the Plan.

3. Deferral of Stock Units

Not applicable.

4. Vesting

Except as otherwise provided in this Award Agreement, the Award shall vest and become nonforfeitable in percentage installments of the aggregate number of Stock Units as set forth in the Notice. Except as expressly provided in Sections 7 and 8 below, vesting requires continued employment or service with the Corporation or one of its Subsidiaries through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Except as expressly provided in Sections 7 and 8 below, employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting, or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

5. Dividend Equivalent Rights Distributions

As of any date that the Corporation pays an ordinary cash dividend on its Common Stock, the Corporation shall credit the Participant’s Stock Unit Account with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Common Stock on such date, multiplied by (ii) the number of Stock Units remaining subject to the Award as of the related dividend payment record date, divided by (iii) the Fair Market Value of a share of Common Stock on the date of payment of such dividend. The Stock Units credited

pursuant to the foregoing provisions of this Section 5 shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate.

6. Timing and Manner of Payment of Stock Units

Subject to Section 7 below and the following paragraph of this Section 6, any Stock Unit granted (or credited pursuant to Section 5) to the Participant that becomes vested (whether pursuant to Section 4, Section 7 or Section 8 hereof) shall be paid to the Participant on or within sixty (60) days following the first to occur of: (a) the date that such Stock Unit was scheduled to vest as set forth in the Notice, (b) the date of the Participant's Separation from Service (as defined below), or (c) the Participant's death. The Corporation shall make payment of a Stock Unit that has vested by delivering to the Participant a share of Common Stock (either by delivering one or more certificates for the shares deliverable or by entering such shares in book entry form, as determined by the Corporation in its sole discretion), subject to adjustment as provided in Section 7.1 of the Plan. The Corporation's obligation to deliver shares of Common Stock with respect to vested Stock Units is subject to the condition precedent that the Participant (or other person entitled under the Plan to receive any shares with respect to the vested Stock Units) delivers to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan in advance of the scheduled payment date. The Participant shall have no further rights with respect to any Stock Units that are paid pursuant to this Section 6 or Section 7 hereof, or that are terminated pursuant to Section 7 or Section 8 hereof, and such Stock Units shall be removed from the Participant's Stock Unit Account upon the date of such payment or termination. The Corporation may, in its sole discretion, settle any Stock Units credited 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).

If a payment is triggered by the Participant's Separation from Service and, as of the date of such Separation from Service the Participant is a Specified Employee, then any Stock Units that would otherwise become payable on the Participant's Separation from Service shall be paid on (or as soon as administratively practicable following) the first day of the seventh month following the month in which the Participant's Separation from Service occurs. The determination of whether the Participant is a "Specified Employee" shall be made in accordance with the definition of "Specified Employee" as set forth in the Western Digital Corporation Deferred Compensation Plan, as amended and restated (the "Deferred Compensation Plan"), regardless of whether the Participant participates in the Deferred Compensation Plan.

For purposes of this Award Agreement, the term "Separation from Service" (which generally means that the Participant ceases to be employed by the Corporation and its affiliates) is used as defined in the Deferred Compensation Plan and the determination of whether a Separation from Service has occurred shall be made in accordance with the rules set forth in the definition of "Separation from Service" in the Deferred Compensation Plan, regardless of whether the Participant participates in the Deferred Compensation Plan, except that for purposes of this Award Agreement a "Separation from Service" shall include a separation from service due to Disability (as such term is used in the Deferred Compensation Plan).

7. Change in Control Event

In connection with a transaction referenced in Section 7.2 of the Plan in connection with which the Corporation will not survive or will not survive as a public company in respect of its Common Stock, the Administrator may (without limiting the adjustment authority of Section 7.1 of the Plan and without limiting the flexibility of the Administrator to provide for the assumption, substitution or exchange of the Award pursuant to Section 7.2 of the Plan) provide that payment for each Stock Unit that is otherwise outstanding on the date of such event and that becomes vested may be made in the form of cash in an amount equal to the fair market value of a share of Common Stock as of the date of the closing of such transaction. However, notwithstanding anything otherwise provided in Section 7.2 of the Plan but subject to the following sentence, the time of payment of the Award may not be changed and shall be as set forth in Section 6 above. The Administrator may (notwithstanding the time of payment provisions of Sections 6 and 8 hereof) provide for the termination of the Stock Units subject to the Award in connection with the occurrence of a Change in Control Event in connection with which the Administrator has not made a provision for the substitution, assumption, exchange or other continuation of the Award; provided that (A) in such event, the portion of the Award that is outstanding and unvested immediately prior to such termination shall vest and become payable, and (B) such acceleration, termination and payment of the Award satisfies the requirements of Treas. Reg. Section 1.409A-3(j)(4)(ix) (which requirements include the

Change in Control Event qualifying as a change in the ownership or effective control of the Corporation, or a change in the ownership of a substantial portion of the assets of the Corporation, within the meaning of Treas. Reg. Section 1.409A-3(i)(5)).

8. Termination of Employment

(a) Termination of Employment Generally. Except as expressly provided below in this Section 8, if the Participant ceases to be employed by or to provide services to the Corporation or its Subsidiaries for any reason (the last day that the Participant is employed by or provides services as a consultant or director to the Corporation or a Subsidiary prior to a period in which the Participant is not employed by, and does not have any such service relationship with, any such entity as determined by the Administrator is referred to as the Participant's "Separation Date"), the Participant's Stock Units shall, to the extent such Stock Units have not become vested upon the Separation Date, automatically be forfeited to the Corporation effective immediately following the Separation Date. If the Participant is entitled to any accelerated vesting pursuant to any provision below in this Section 8, any remaining unvested portion of the Participant's Stock Units (after giving effect to such acceleration) shall automatically be forfeited to the Corporation effective immediately following the Separation Date.

(b) Death of the Participant. In the event of the Participant's death at a time when the Participant is employed by or providing services to the Corporation or any of its Subsidiaries, a portion of the otherwise outstanding and unvested Stock Units subject to the Award shall automatically become vested as of the date of the Participant's death, and shall be paid to the Participant as provided in Section 6 above. In such event, the number of Stock Units that shall become vested on the date of the date of the Participant's death equals (i) minus (ii) (but not less than zero), where (i) is the Employment Fraction (determined as set forth below) multiplied by the total number of Stock Units originally subject to the Award (subject to adjustment as provided in Section 9 hereof but before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account), and (ii) is the number of Stock Units otherwise paid or payable on or prior to the date of the Separation Date (before taking the acceleration contemplated by this Section 8(b) into account and before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account). To the extent any Stock Units accelerate in connection with the Participant's death pursuant to the preceding sentence, the dividend equivalent Stock Units credited pursuant to Section 5 above with respect to such Stock Units shall also accelerate and become vested as of the Separation Date. For purposes of this Section 8, the "Employment Fraction" equals a fraction (not greater than one), the numerator of which is the total number of calendar days in the period beginning with the Grant Date as set forth in the Notice through and including the Participant's Separation Date, and the denominator of which is the total number of calendar days in the period beginning with the Grant Date as set forth in the Notice through and including the last scheduled vesting date applicable to the Award as set forth in the Notice.

(c) Retirement of the Participant. If the Participant Retires (as defined below) from the Corporation or one of its Subsidiaries, a portion of the otherwise outstanding and unvested Stock Units subject to the Award shall automatically become vested as of the date of such retirement and shall be paid to the Participant as provided in Section 6 above. In such event, the number of Stock Units that shall become vested on the date of the Participant's Retirement equals (i) minus (ii) (but not less than zero), where (i) is the Employment Fraction (determined as set forth above in Section 8(b)) multiplied by the total number of Stock Units originally subject to the Award (subject to adjustment as provided in Section 9 hereof but before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account), and (ii) is the number of Stock Units otherwise paid or payable on or prior to the Separation Date (before taking the acceleration contemplated by this Section 8(c) into account and before taking the crediting of dividend equivalent Stock Units pursuant to Section 5 above into account). To the extent any Stock Units accelerate in connection with a Retirement pursuant to the foregoing provisions of this Section 8(c), the dividend equivalent Stock Units credited pursuant to Section 5 above with respect to such Stock Units shall also accelerate and become vested as of the Separation Date.

For purposes of this Award Agreement, the Participant shall be deemed to have "Retired" (which term shall include "Retirement," "Retire" and "Retires") if the Participant retires from employment with the Corporation or one of its Subsidiaries for any reason other than Cause (as defined below) and other than due to the Participant's death after satisfying all of the following requirements at the time of such retirement: (i) the Participant is at least 55 years of age, (ii) the Participant has five (5) or more whole years of credited service with the Corporation or any of its Subsidiaries ending on the date of such retirement, and (iii) the Participant's age plus years of credited

service with the Corporation 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. The Administrator shall determine the Participant's "years of credited service" under clauses (ii) and (iii) above; provided that, for such purposes, in no event shall the Participant accrue more than one year of service with respect to any period of twelve consecutive months (that is, concurrent employment by both the Corporation and one or more of its Subsidiaries, or by multiple Subsidiaries, for a month shall not be counted as more than one month of service).

For clarity, Retirement is based on a termination of employment and not a termination of any other service relationship. However, if the Participant Retires and continues in another service capacity such that the Participant does not have a Separation Date in connection with his or her Retirement, the portion of the Award (if any) that accelerates in connection with such Retirement shall be deemed to correspond to the first vesting date scheduled to occur after the date of such Retirement and the portion of the Award not vested on the Participant's Retirement shall remain eligible to vest through and until the Participant's Separation Date (in connection with any such Separation Date the other provisions of this Section 8 shall apply as to such portion of the Award; in the event the Participant is entitled to accelerated vesting pursuant to Section 8(b), the provisions of Section 8(b) and not this Section 8(c) shall apply).

(d) Involuntary Termination of Employment After a Change in Control Event - Not a Severance Plan Participant. This Section 8(d) is applicable if the Participant is not, at the time of the termination of the Participant's employment, a participant in (i) the Western Digital Corporation Executive Severance Plan (or any applicable successor executive severance plan, as each is in effect at the time of such termination of employment, and only if such severance plan then otherwise applies with respect to the Participant) ("Pre-CIC Severance Plan") and/or (ii) the Western Digital Corporation Amended and Restated Change of Control Severance Plan (or any applicable successor change of control severance plan, as each is in effect at the time of such termination of employment, and only if such severance plan then otherwise applies with respect to the Participant) ("CIC Severance Plan").

In the event the Participant ceases to be employed by the Corporation or any of its Subsidiaries as a result of either a termination of employment by the Corporation or one of its Subsidiaries without "Cause" (as defined below) or the resignation of the Participant for "Good Reason" (as defined below), in either case upon or within the one (1) year period following the occurrence of a Change in Control Event, the Award (to the extent outstanding and not previously vested) shall fully vest on the Participant's Separation Date and shall be paid to the Participant as provided in Section 6 above. If the Participant's employment terminates in the circumstances described in the preceding sentence and the Participant also qualifies for Retirement under Section 8(c) above, this Section 8(d) shall apply.

For purposes of this Award Agreement, the term "Cause" is used as defined in the CIC Severance Plan (for clarity, including if the Participant does not participate in such plan).

For purposes of this Award Agreement, the term "Good Reason" shall mean any of the following without the Participant's express written consent:

- (i) a material diminution in the Participant's authority, duties or responsibilities in effect immediately prior to the Change in Control Event;
- (ii) a material diminution by the Employer (as defined below) in the Participant's base compensation in effect immediately prior to a Change in Control Event;
- (iii) any material breach by the Corporation or the Employer of any right that the Participant has under a written severance plan of the Corporation or the Employer in which the Participant participates or by the Corporation or the Employer of any written employment agreement either of them may be a party to with the Participant; or
- (iv) the requirement by the Employer that the Participant's principal place of employment be relocated more than fifty (50) miles from his or her place of employment immediately prior to a Change in Control Event;

provided, however, that any such condition shall not constitute “Good Reason” unless both (i) the Participant provides written notice to the Corporation of the condition claimed to constitute Good Reason within ninety (90) days of the initial existence of such condition, and (ii) the Corporation fails to remedy such condition within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Participant’s employment with the Corporation shall not be treated as a termination for “Good Reason” unless such termination occurs not more than one (1) year following the initial existence of the condition claimed to constitute “Good Reason.”

For purposes of this Award Agreement, “Employer” shall mean the Corporation or its Subsidiary employing the Participant; provided however, that nothing contained herein shall prohibit the Corporation or another of its Subsidiaries fulfilling any obligation of the employing entity to the Participant and for such purposes will be deemed the act of the Employer.

(e) Severance Plan Benefits. In the event the Participant’s employment terminates in circumstances as to which the Participant is entitled to severance benefits pursuant to a Pre-CIC Severance Plan, the Participant shall be treated for purposes of the Award as though the Participant Retired on the Participant’s Separation Date and Section 8(c) shall apply; provided, however, that if any Stock Units subject to the Award would (before taking this paragraph into consideration) also be subject to accelerated vesting pursuant to Section 8(b) or 8(c) above, the Stock Units shall be subject to accelerated vesting pursuant to the section (Section 8(b) or 8(c) above) that would otherwise apply in the circumstances.

In the event the Participant’s employment terminates in circumstances as to which the Participant is entitled to severance benefits pursuant to a CIC Severance Plan, the extent to which the Award vests will be determined in accordance with the applicable provisions of the CIC Severance Plan. If the Stock Units subject to the Award would (before taking this paragraph into consideration) also be subject to accelerated vesting pursuant to the immediately preceding paragraph or Section 8(b) or 8(c) above, this paragraph (and not the immediately preceding paragraph or Section 8(b) or 8(c) above) shall apply; provided, however, that if the Participant does not satisfy any applicable conditions to severance benefits set forth in the applicable CIC Severance Plan, then the Participant shall remain entitled to any accelerated vesting that would otherwise apply pursuant to Section 8(b) or 8(c) above, as applicable.

For clarity, any accelerated or additional vesting contemplated by this Section 8(e), whether with respect to a Pre-CIC Severance Plan or a CIC Severance Plan, is subject to the Participant satisfying any applicable conditions to severance benefits set forth in the applicable Pre-CIC Severance Plan or CIC Severance Plan (such as, without limitation, any eligibility and release requirements).

The treatment of the Award in any circumstances as to which the Participant is entitled to severance benefits pursuant to a Pre-CIC Severance Plan (including, without limitation, the extent (if any) to which the Award vests or accelerates in such circumstances as well as the timing of payment of the Award), and the timing of payment of the Award in any circumstances as to which the Participant is entitled to severance benefits pursuant to a CIC Severance Plan, shall be governed by this Award Agreement and not by the Pre-CIC Severance Plan or CIC Severance Plan, as the case may be. As to the Award, this Award Agreement controls in the event of any inconsistency or conflict with a Pre-CIC Severance Plan or CIC Severance Plan, and to that extent this Award Agreement amends any applicable Pre-CIC Severance Plan or CIC Severance Plan as to the Award.

9. Adjustments

The Administrator may accelerate the vesting of the Stock Units in such circumstances as it, in its sole discretion, may determine; provided that the time of payment of the Stock Units as otherwise set forth herein may not be changed. In addition, upon the occurrence of certain events relating to the Corporation’s stock contemplated by Section 7.1 of the Plan, the Administrator will make adjustments if appropriate in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which dividend equivalents are credited or to be credited pursuant to Section 5 above.

10. Withholding Taxes

Upon or in connection with the crediting, vesting or payment of Stock Units, or any other time when tax withholding may be required with respect to the Award, the Corporation (or the Subsidiary last employing the Participant) shall have the right at its option to (a) require the Participant to pay or provide for payment in cash of the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such crediting, vesting, payment or other event, or (b) deduct from any amount payable to the Participant (pursuant to the Award or otherwise) the amount of any taxes that the Corporation or the Subsidiary may be required to withhold with respect to such crediting, vesting, payment or other event. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Award Agreement, the Administrator may, in its sole discretion, direct the Corporation or the Subsidiary to reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then fair market value, to satisfy such withholding obligation at the applicable withholding rates. In addition, the Administrator may, in its sole discretion but only to the extent consistent with Treas. Reg. Section 1.409A-3(j)(4)(vi), reduce the number of Stock Units remaining subject to the Award, with each such Stock Unit 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.

11. Nontransferability

Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, anticipated, alienated, encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation (*i.e.*, upon the termination of a Stock Unit), or (b) transfers by will or the laws of descent and distribution.

12. No Right to Employment

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

13. Rights as a Stockholder

Subject to the provisions of the Plan, the Notice and these Standard Terms, the Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 5 above with respect to dividend equivalent rights) and no voting rights with respect to Stock Units awarded to the Participant and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of such issuance of such shares.

14. Notices

Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the address last reflected on the Corporation's payroll records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be delivered in person or shall be enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government, or for non-U.S. employees, the government of the country where the Participant is working and/or residing. Any such notice shall be given only when received, but if the Participant is no longer employed by the Corporation or a Subsidiary, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 14.

15. Arbitration

Any controversy arising out of or relating to this Award Agreement (including these Standard Terms) and/or the Plan, their enforcement or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of their provisions, or any other controversy arising out of or related to the Award, including, but not limited to, any state or federal statutory claims (“Covered Claims”), shall be resolved in accordance with the terms and conditions of the Western Digital Technologies, Inc. Dispute Resolution Agreement (the “DRA”). If, however, Participant has opted out of the DRA pursuant to Section 3.3 of the DRA, any Covered Claims by Corporation or Participant shall be submitted to arbitration pursuant to this Section 15. 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. Except as otherwise stated herein, this Section 15 also requires arbitration of any disputes concerning the enforceability, interpretation, and/or implementation of this Section 15 and the arbitrability of any claims brought hereunder, which shall also be decided by an arbitrator. To the fullest extent permitted by applicable law, Participant and Corporation 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 with respect to any particular Covered Claim, than that Covered Claim will not proceed in arbitration but rather will be resolved in a court of competent jurisdiction. If that occurs, however, this Section 15 will still be fully enforceable as to all other Covered Claims, which must be resolved in arbitration on an individual basis. Any arbitrable claims in arbitration will be resolved first and the parties agree to seek a stay of any non-arbitrable claims until the full completion of the arbitral process. Any claim that the requirement in this Section 15 that Covered Claims be arbitrated on an individual basis only is invalid, unenforceable, unconscionable, void or voidable may be determined only by a court of competent jurisdiction and not by an Arbitrator. Final resolution of any dispute through arbitration may include any and all remedies that may be obtained in a court. Statutes of limitation for Covered Claims submitted to arbitration under this Section 15 shall be the same as they would be if those claims were brought in court. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator’s award or decision is based. Any award or relief granted by the arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. The Corporation 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 arbitrator may not award attorneys’ fees to a party that would not otherwise be entitled to such an award under the applicable statute. The parties acknowledge and agree that they are hereby waiving any rights to trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with any Covered Claim(s), either by virtue of Participant’s acceptance without opting out of the DRA or, if Participant did opt out of the DRA, by virtue of the provisions of this Section 15.

16. Governing Law

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

17. Severability

Except as otherwise provided by Section 15, if the arbitrator selected in accordance with Section 15 above or a court of competent jurisdiction determines that any portion of this Award Agreement (including these Standard Terms) or the Plan is in violation of any statute or public policy, then only the portions of this Award Agreement or the Plan, as applicable, which are found to violate such statute or public policy shall be stricken, and all portions of this Award Agreement and the Plan which are not found to violate any statute or public policy shall

continue in full force and effect. Furthermore, except as otherwise provided by Section 15, it is the parties' intent that any order striking any portion of this Award Agreement and/or the Plan should modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties hereunder.

18. Entire Agreement

This Award Agreement (including these Standard Terms) and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. However, this Award Agreement shall not supersede or in any way affect the DRA, which shall remain in full force and effect, unless Participant opted out of the DRA pursuant to the provisions therein. The Plan and this Award Agreement may be amended pursuant to Section 8.6 of the Plan. Such amendment must be in writing and signed by the Corporation. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof. Provisions of the Plan that confer discretionary authority on the Board or the Administrator do not and shall not be deemed to create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the Grant Date.

19. Section Headings

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

20. Appendix

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

21. Imposition of Other Requirements

The Corporation reserves the right to impose other requirements on the Participant's participation in the Plan, on the Stock Units and on any shares of Common Stock acquired under the Plan, to the extent the Corporation determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

22. Construction

It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

23. Clawback Policy

The Stock Units, as well as any payment (whether in cash, shares of Common Stock or other property) made pursuant to the Award with respect to the Stock Units, are subject to the terms of the Corporation's Compensation Recovery Policy (as well as any successor compensation recoupment, clawback or similar policy adopted by the Corporation or as provided by applicable law), as each may be in effect from time to time, any of which could require repayment or forfeiture of the Stock Units or any shares of Common Stock or other cash or

property received with respect to the Stock Units (including any value received from a disposition of the shares acquired upon payment of the Stock Units).

24. No Advice Regarding Grant

The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Stock Units (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Award Agreement) or recommendation with respect to the Award. Except for the withholding rights set forth in Section 10 above, the Participant is solely responsible for any and all tax liability that may arise with respect to the Award.

APPENDIX A

ADDITIONAL TERMS AND CONDITIONS OF STOCK UNIT AWARD AGREEMENT 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 Agreement, 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 attached hereto. *Capitalized terms used but not defined in this Appendix A shall have the same meanings assigned to them in the Plan and/or Award Agreement.*

2. Withholding Taxes

The following provision supplements Section 10 of the Standard Terms:

The Participant acknowledges that, regardless of any action taken by the Corporation 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 Corporation or the Employer. The Participant further acknowledges that the Corporation 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 Stock Units, including, but not limited to, the grant, vesting or settlement of the Stock Units, the subsequent sale of shares of Common Stock acquired pursuant to such settlement and the receipt of any dividends and/or any dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Stock Units 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 Corporation 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, prior to any relevant taxable or tax withholding event, as applicable, to make adequate arrangements satisfactory to the Corporation and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Corporation and/or the Employer, or their respective agents, at the Corporation's discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the methods set forth in Section 8.5 of the Plan and Section 10 of the Standard Terms. In addition, the Participant authorizes withholding from proceeds of the sale of shares of Common Stock acquired upon settlement of the Stock Units either through a voluntary sale or through a mandatory sale arranged by the Corporation (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 8.5 of the Plan, Section 10 of the Standard Terms, and the withholding methodology approved by the Administrator for officers subject to Section 16 of the Exchange Act.

Depending on the withholding method, the Corporation 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 Participant's jurisdiction(s), in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Common Stock. 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 Stock Units, 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 Corporation or the Employer, any amount of Tax-Related Items that the Corporation 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

Corporation 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 Stock Units and any shares of Common Stock, the Participant acknowledges, understands and agrees that:

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

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

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

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

(e) the Stock Units 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 Stock Units 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 Corporation or the Employer or any Subsidiary;

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

(h) unless otherwise agreed with the Corporation, the Stock Units 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 Stock Units 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);

(j) unless otherwise provided in the Plan or by the Corporation in its discretion, the Stock Units and the benefits evidenced by the Award Agreement do not create any entitlement to have the Stock Units 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 Corporation, 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 Stock Units or of any amounts due to the Participant pursuant to the vesting of the Stock Units or the subsequent sale of any shares of Common Stock acquired upon vesting.

4. Data Privacy

By accepting the Stock Units via the Corporation'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 Corporation 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) **Declaration of Consent.** 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 Corporation, the Employer and/or any Subsidiary as described in this Award Agreement and any other Stock Unit 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 Agreement, the Participant understands that the Corporation is the controller of the Participant's Personal Data.

(b) **Data Processing and Legal Basis.** The Corporation 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 Corporation or its Subsidiaries, details of all Stock Units 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) **Stock Plan Administration Service Providers.** The Participant understands that the Corporation 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 Corporation with the implementation, administration and management of the Plan. In the future, the Corporation may select a different service provider and share the Participant's Personal Data with such different service provider that serves the Corporation in a similar manner. The Participant understands and acknowledges that the Corporation's service provider will open an account for the Participant to receive and trade Shares 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) **International Data Transfers.** The Participant understands that the Corporation and, as of the date hereof, any third parties assisting in the implementation, administration and management of the Plan, such as the Corporation'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 Corporation 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 Corporation's legal basis for the transfer of the Participant's Personal Data is the Participant's consent.

(e) **Data Retention.** The Participant understands that the Corporation will use the Participant's Personal Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or to comply with legal or regulatory obligations, including under tax and securities laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Personal Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Personal Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.

(f) **Voluntariness and Consequences of Denial/Withdrawal of Consent.** The Participant understands that the Participant's participation in the Plan and the Participant's grant of consent is purely

voluntary. The Participant may deny or later withdraw the Participant's consent at any time, with future effect and for any or no reason. If the Participant denies or later withdraws the Participant's consent, the Corporation can no longer offer the Participant participation in the Plan or offer other awards to the Participant or administer or maintain such awards and the Participant would no longer be able to participate in the Plan. The Participant further understands that denial or withdrawal of the Participant's consent would not affect the Participant's status or salary as an employee or the Participant's career and that the Participant would merely forfeit the opportunities associated with the Plan.

*(g) **Data Subject Rights.** 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 Corporation 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 Corporation 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 Corporation (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) **Alternate Basis and Additional Consents.** Finally, the Participant understands that the Corporation 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 Corporation or the Employer, the Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Corporation 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 Corporation and/or the Employer.*

5. Electronic Delivery and Acceptance

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

6. Insider Trading/ Market Abuse Laws

By participating in the Plan, the Participant agrees to comply with the Corporation'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 Stock Units) 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 Corporation (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 Corporation 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 Stock Units 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. 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 Agreement. Furthermore, if the Award Agreement 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.

**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: February 9, 2021

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

I, Robert K. Eulau, 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/ Robert K. Eulau

Robert K. Eulau
*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

Dated: February 9, 2021

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 January 1, 2021 (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: February 9, 2021

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 January 1, 2021 (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/ Robert K. Eulau

Robert K. Eulau

*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

Dated: February 9, 2021