

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 1995.

OR

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

Commission file number 1-8703

WESTERN DIGITAL CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE

95-2647125

(State or other jurisdiction of
incorporation or organization)

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

8105 Irvine Center Drive
Irvine, California

92718

(Address of principal executive offices)

(Zip Code)

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

N/A

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

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

Number of shares outstanding of Common Stock, as of November 1, 1995 is 47,514,239.

WESTERN DIGITAL CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WESTERN DIGITAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE-MONTH PERIOD ENDED	
	SEPT. 30, 1995	OCT. 1, 1994
Revenues, net	\$ 558,149	\$ 464,590
Costs and expenses:		
Cost of revenues	477,357	366,823
Research and development	40,723	28,698
Selling, general and administrative	33,904	31,167
Total costs and expenses	551,984	426,688
Operating income	6,165	37,902
Interest and other income	3,632	2,943
Income before income taxes	9,797	40,845
Provision for income taxes	1,470	6,127
Net income	\$ 8,327	\$ 34,718
Earnings per common and common equivalent share (Note 2):		
Primary	\$.16	\$.73
Fully diluted	\$.16	\$.70
Common and common equivalent shares used in computing per share amounts:		
Primary	51,641	47,264
Fully diluted	51,643	51,323

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

WESTERN DIGITAL CORPORATION

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	SEPT. 30, 1995	JULY 1, 1995
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 159,174	\$ 217,531
Short-term investments	82,690	90,177
Accounts receivable, less allowance for doubtful accounts of \$9,673 and \$9,309	319,148	303,841
Inventories (Note 3)	147,078	98,925
Prepaid expenses	20,799	19,663
	-----	-----
Total current assets	728,889	730,137
Property and equipment, at cost, less accumulated depreciation and amortization	94,856	88,576
Intangible and other assets, net	40,087	40,127
	-----	-----
Total assets	\$ 863,832	\$ 858,840
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 288,883	\$ 250,325
Accrued compensation	10,513	30,064
Accrued expenses	86,071	89,213
	-----	-----
Total current liabilities	385,467	369,602
Deferred income taxes	16,597	15,812
Commitments and contingent liabilities		
Shareholders' equity:		
Preferred stock, \$.10 par value; Authorized: 5,000 shares Outstanding: None	--	--
Common stock, \$.10 par value; Authorized: 95,000 shares Outstanding: 50,666 shares at September 30 and 50,482 shares at July 1	5,066	5,048
Additional paid-in capital	357,051	355,624
Retained earnings	131,903	123,576
Treasury stock-common stock at cost; 2,040 shares at September 30 and 805 shares at July 1 (Note 4)	(32,252)	(10,822)
	-----	-----
Total shareholders' equity	461,768	473,426
	-----	-----
Total liabilities and shareholders' equity . .	\$ 863,832	\$ 858,840
	=====	=====

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

WESTERN DIGITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	THREE-MONTH PERIOD ENDED	
	SEPT. 30, 1995	OCT. 1, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 8,327	\$ 34,718
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	12,363	9,428
Changes in current assets and liabilities:		
Accounts receivable	(15,307)	(42,451)
Inventories	(48,153)	(16,456)
Prepaid expenses	(1,136)	(6,625)
Accounts payable and accrued expenses	15,865	21,325
Other assets	669	(1,183)
Deferred income taxes	785	50
Net cash used for operating activities	(26,587)	(1,194)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in short-term investments	7,487	--
Capital expenditures, net	(16,647)	(17,637)
Decrease (increase) in other assets	(2,625)	1,365
Net cash used for investing activities	(11,785)	(16,272)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options	2,203	799
Proceeds from ESPP shares issued	3,795	2,656
Repurchase of common stock (Note 4)	(25,983)	--
Net cash provided by (used for) financing activities	(19,985)	3,455
Net decrease in cash and cash equivalents	(58,357)	(14,011)
Cash and cash equivalents, beginning of period	217,531	243,484
Cash and cash equivalents, end of period	\$ 159,174	\$ 229,473
	=====	=====
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for income taxes	\$ 1,127	\$ 3,195

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

WESTERN DIGITAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accounting policies followed by the Company are set forth in Note 1 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended July 1, 1995.
2. Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents for each period presented. For the quarter ended October 1, 1994, fully diluted earnings per share additionally reflect dilutive shares assumed to be issued upon conversion of the Company's convertible subordinated debentures.
3. Inventories comprised the following:

	SEPT. 30, 1995	JULY 1, 1995
(in thousands)	-----	-----
Finished goods	\$ 61,134	\$ 31,811
Work in process	40,824	35,763
Raw materials and component parts	45,120	31,351
	-----	-----
	\$ 147,078	\$ 98,925
	=====	=====

4. During the quarter ended September 30, 1995, the Company repurchased 1,574,400 shares of its common stock in the open market at a cost of approximately \$26.0 million. This amount was offset by 339,176 shares distributed in conjunction with the Employee Stock Purchase Plan ("ESPP").
5. In the opinion of management, all adjustments necessary to fairly state the results of operations for the three-month periods ended September 30, 1995 and October 1, 1994 have been made. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended July 1, 1995.
6. Certain prior quarter amounts have been reclassified to conform to the current quarter presentation.

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

RESULTS OF OPERATIONS

Sales of hard drive products were \$522.9 million in the first quarter of 1996, an increase of \$109.1 million or 26% from the first quarter of 1995. The growth in hard drive product revenues was the result of a 29% increase in hard drive units shipped, offset by a decline in average selling prices ("ASPs"). Hard drive product revenues decreased \$22.7 million or four percent from the immediately preceding quarter primarily due to the decline in ASPs.

Sales of microcomputer products for the current quarter were \$35.2 million, down \$15.6 million or 31% from the first quarter of 1995 and \$4.3 million or 11% from the immediately preceding quarter. The decline in microcomputer product sales is primarily due to lower sales of the Company's multimedia products.

Gross profit margins were as follows:

	Three-Month Period Ended		
	9/30/95	7/1/95	10/1/94
Hard drive products	13.0%	15.0%	18.8%
Microcomputer products	36.9%	43.0%	39.4%
Overall	14.5%	16.9%	21.1%

The decrease in hard drive product gross profit margin from the first quarter of 1995 is due to the decline in ASPs combined with a broader product mix shipped to retail customers (including lower capacity hard drives which typically have lower gross margins). The reduction in gross profit margin from the immediately preceding quarter was the result of continued competitive pricing pressures, particularly with the Company's higher capacity product offerings.

The gross profit margin percentage for microcomputer products declined from the first quarter of 1995 and the immediately preceding quarter because of the relationship between fixed costs and the lower revenue base.

Research and development ("R&D") expense for the current quarter increased \$12.0 million or 42% over the same period a year ago and \$3.0 million or 8% as compared to the fourth quarter of 1995. Higher expenditures to support new product introductions, including high performance storage product development activities, was the primary factor contributing to the increases.

Selling, general and administrative ("SG&A") expenses increased \$2.7 million or 9% from the first quarter of 1995 in support of higher revenue levels. SG&A expense decreased slightly from the fourth quarter of 1995 as the decline in pretax income resulted in lower accruals for annual incentive plans.

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

Net interest and other income for the current quarter was \$3.6 million, as compared to \$2.9 million in the first quarter of 1995 and \$3.9 million in the immediately preceding quarter. The elimination of the Company's outstanding debt generated the improvement in interest and other income over the prior year. The decrease from the immediately preceding quarter is primarily the result of lower average cash and short-term investment balances.

FINANCIAL CONDITION

Cash and short-term investments totaled \$241.9 million at September 30, 1995 as compared to \$307.7 million at July 1, 1995. Net cash used for operating activities was \$26.6 million. Cash flow from earnings, depreciation and an increase in current liabilities was more than offset by cash used to fund increases in accounts receivable and inventories. Capital additions during the first quarter totaled \$16.6 million and were incurred primarily to support increased production of hard drives and related components. Also, \$26.0 million was used to repurchase 1.6 million shares of the Company's common stock in the open market.

The ability of the Company to continue to effectively manage its working capital and operate profitably is dependent upon a number of factors including competitive conditions in the marketplace, general economic conditions, the efficiency of the Company's manufacturing operations and the timely development and introduction of new products which address market needs.

PART II. OTHER INFORMATION

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

(a) Exhibits:

- 11 Computation of Per Share Earnings.
- 27 Financial Data Schedule.

(b) Reports on Form 8-K:

None

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

WESTERN DIGITAL CORPORATION

Registrant

/s/ Scott Mercer

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

Date: November 13, 1995

EXHIBIT INDEX

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

EXHIBIT 11

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

	THREE-MONTH PERIOD	
	SEPT. 30, 1995	OCT. 1, 1994
PRIMARY		
Net income	\$ 8,327 =====	\$ 34,718 =====
Weighted average number of common shares outstanding during the period	49,574	45,141
Incremental common shares attributable to exercise of outstanding options, warrants, put options and ESPP contributions	2,067 -----	2,123 -----
Total shares	51,641 =====	47,264 =====
Net income per share	\$.16 =====	\$.73 =====
FULLY DILUTED		
Net income	\$ 8,327	\$ 34,718
Add back: interest expense, net of income tax effect, applicable to convertible subordinated debentures	-- -----	1,161 -----
	\$ 8,327 =====	\$ 35,879 =====
Weighted average number of common shares outstanding during the period	49,574	45,141
Incremental common shares attributable to exercise of outstanding options, warrants, put options and ESPP contributions	2,069	2,124
Incremental common shares attributable to conversion of convertible subordinated debentures	-- -----	4,058 -----
Total shares	51,643 =====	51,323 =====
Net income per share	\$.16 =====	\$.70 =====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENTS OF OPERATIONS AND BALANCE SHEETS OF WESTERN DIGITAL CORPORATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 1995.

1,000
U.S. DOLLARS

3-MOS		
	JUN-29-1996	
	JUL-02-1995	
	SEP-30-1995	
	1	
		159,174
		82,690
		328,821
		9,673
		147,078
	728,889	
		227,049
		132,193
		863,832
385,467		
		0
		4,862
0		
		0
		456,906
863,832		
		558,149
	558,149	
		477,357
		477,357
		40,723
		250
	(3,632)	
	9,797	
		1,470
8,327		
		0
		0
		0
		8,327
		.16
		.16