UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 1-8703

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

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

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

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

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

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

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

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

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

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

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

As of the close of business on October 26, 2022, 317,650,295 shares of common stock, par value $0.01 per share, were outstanding.

WESTERN DIGITAL CORPORATION

INDEX

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

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

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

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

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. You can identify some of the forward-looking statements by the use of forward-looking words, such as "may," "will," "could," "would," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecast," and the like, or the use of future tense. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions. Examples of forward-looking statements include, but are not limited to, statements concerning: expectations regarding the global macroeconomic environment; the effects of the COVID-19 pandemic; expectations regarding supply chain conditions and constraints; expectations regarding demand trends and market conditions for our products and expected future financial performance; expectations regarding our product momentum and product development and technology plans; expectations regarding capital expenditure plans and investments, including relating to our Flash Ventures joint venture with Kioxia Corporation ("Kioxia"), and sources of funding for those expenditures; expectations regarding our effective tax rate and our unrecognized tax benefits; and our beliefs regarding the sufficiency of our available liquidity to meet our working capital, debt and capital expenditure needs.

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

- *volatility in global economic conditions;*
- *future responses to and effects of the COVID-19 pandemic or other similar global health crises;*
- *impact of business and market conditions;*
- *the outcome and impact of our ongoing strategic review, including with respect to customer and supplier relationships, regulatory and contractual restrictions, stock price volatility and the diversion of management's attention from ongoing business operations and opportunities;*
- *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 level of debt and other financial obligations;*
- *changes to our relationships with key customers;*
- *disruptions in operations from cybersecurity incidents 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 year ended July 1, 2022 (the "2022 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 2022 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 2022 Annual Report on Form 10-K. You are cautioned not to place undue reliance on the forward-looking statements included in this Quarterly Report on Form 10-Q, which speak only as of the date of this document. We do not intend, and undertake no obligation, to update or revise these forward-looking statements to reflect new information or events after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements (unaudited)***

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

	September 30, 2022	July 1, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,049	$ 2,327
Accounts receivable, net	2,422	2,804
Inventories	3,862	3,638
Other current assets	738	684
Total current assets	9,071	9,453
Property, plant and equipment, net	3,718	3,670
Notes receivable and investments in Flash Ventures	1,219	1,396
Goodwill	10,037	10,041
Other intangible assets, net	174	213
Other non-current assets	1,467	1,486
Total assets	$ 25,686	$ 26,259
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,686	$ 1,902
Accounts payable to related parties	295	320
Accrued expenses	1,592	1,636
Income taxes payable	986	869
Accrued compensation	407	510
Total current liabilities	4,966	5,237
Long-term debt	7,071	7,022
Other liabilities	1,542	1,779
Total liabilities	13,579	14,038
Commitments and contingencies (Notes 10, 11, 13 and 16)		
Shareholders' equity:		
Common stock, $0.01 par value; authorized — 450 shares; issued — 318 shares and 315 shares, respectively; outstanding — 318 shares and 315 shares, respectively	3	3
Additional paid-in capital	3,641	3,733
Accumulated other comprehensive loss	(694)	(554)
Retained earnings	9,157	9,039
Total shareholders' equity	12,107	12,221
Total liabilities and shareholders' equity	$ 25,686	$ 26,259

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

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
Revenue, net	$ 3,736	$ 5,051
Cost of revenue	2,755	3,386
Gross profit	981	1,665
Operating expenses:		
Research and development	552	578
Selling, general and administrative	247	291
Employee termination, asset impairment, and other charges	24	18
Total operating expenses	823	887
Operating income	158	778
Interest and other income (expense):		
Interest income	2	2
Interest expense	(70)	(78)
Other income (expense), net	(6)	2
Total interest and other expense, net	(74)	(74)
Income before taxes	84	704
Income tax expense	57	94
Net income	$ 27	$ 610
Income per common share:		
Basic	$ 0.09	$ 1.97
Diluted	$ 0.08	$ 1.93
Weighted average shares outstanding:		
Basic	316	310
Diluted	319	316

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	
	September 30, 2022	October 1, 2021
Net income	$ 27	$ 610
Other comprehensive income (loss), before tax:		
Actuarial pension gain	—	1
Foreign currency translation adjustment	(80)	4
Net unrealized gain (loss) on derivative contracts and available-for-sale securities	(76)	33
Total other comprehensive income (loss), before tax	(156)	38
Income tax benefit (expense) related to items of other comprehensive income (loss), before tax	16	(8)
Other comprehensive income (loss), net of tax	(140)	30
Total comprehensive income (loss)	$ (113)	$ 640

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

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Three Months Ended	
	September 30, 2022	**October 1, 2021**
Cash flows from operating activities		
Net income	$ 27	$ 610
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	216	250
Stock-based compensation	86	76
Deferred income taxes	(42)	27
Gain on disposal of assets	1	—
Amortization of debt issuance costs and discounts	3	10
Other non-cash operating activities, net	44	(12)
Changes in:		
Accounts receivable, net	382	(188)
Inventories	(224)	73
Accounts payable	(125)	(41)
Accounts payable to related parties	(25)	(20)
Accrued expenses	(44)	(1)
Income taxes payable	117	(35)
Accrued compensation	(104)	(67)
Other assets and liabilities, net	(306)	(161)
Net cash provided by operating activities	6	521
Cash flows from investing activities		
Purchases of property, plant and equipment	(320)	(245)
Notes receivable issuances to Flash Ventures	(84)	(165)
Notes receivable proceeds from Flash Ventures	183	113
Strategic investments and other, net	(3)	(15)
Net cash used in investing activities	(224)	(312)
Cash flows from financing activities		
Issuance of stock under employee stock plans	—	2
Taxes paid on vested stock awards under employee stock plans	(50)	(78)
Repayment of debt	—	(213)
Repayments of revolving credit facility	(300)	—
Proceeds from revolving credit facility	300	—
Net cash used in financing activities	(50)	(289)
Effect of exchange rate changes on cash	(10)	—
Net decrease in cash and cash equivalents	(278)	(80)
Cash and cash equivalents, beginning of year	2,327	3,370
Cash and cash equivalents, end of period	$ 2,049	$ 3,290
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 134	$ 221
Cash paid for interest	$ 106	$ 99

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

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

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

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

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

	Common Stock		Treasury Stock					
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Total Shareholders' Equity**
Balance at July 2, 2021	312	$ 3	(4)	$ (232)	$ 3,608	$ (197)	$ 7,539	$ 10,721
Net income	—	—	—	—	—	—	610	610
Employee stock plans	—	—	3	207	(283)	—	—	(76)
Stock-based compensation	—	—	—	—	76	—	—	76
Actuarial pension gain	—	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	—	4	—	4
Net unrealized gain on derivative contracts	—	—	—	—	—	25	—	25
Balance at October 1, 2021	312	$ 3	(1)	$ (25)	$ 3,401	$ (167)	$ 8,149	$ 11,361

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

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

Note 1. Organization and Basis of Presentation

Western Digital Corporation ("Western Digital" or the "Company") is a leading developer, manufacturer, and provider of data storage devices and solutions based on both flash-based products ("Flash") and hard disk drives ("HDD") technologies. With dedicated Flash and HDD business units driving advancements in memory technologies, the Company creates and drives innovations needed to help customers capture, preserve, access, and transform an ever-increasing diversity of data.

The accounting policies followed by the Company are set forth in Part II, Item 8, Note 1, *Organization and Basis of Presentation,* of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended July 1, 2022. In the opinion of management, all adjustments necessary to fairly state the Condensed Consolidated Financial Statements have been made. All such adjustments are of a normal, recurring nature. Certain information and footnote disclosures normally included in the Consolidated Financial Statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended July 1, 2022. 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 years 2023, which ends on June 30, 2023, and 2022, which ended on July 1, 2022, are each comprised of 52 weeks, with all quarters presented consisting of 13 weeks.

Segment Reporting

The Company manufactures, markets, and sells data storage devices and solutions in the U.S. and in foreign countries through its sales personnel, dealers, distributors, retailers, and subsidiaries. The Company manages and reports under two reportable segments: Flash and HDD.

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

Use of Estimates

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

Note 2. Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" ("ASU 2020-06"). ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock and results in fewer instruments with embedded conversion features being separately recognized from the host contract as compared with prior standards. Those instruments that do not have a separately recognized embedded conversion feature will no longer recognize a debt issuance discount related to such a conversion feature and would recognize less interest expense on a periodic basis. Additionally, the ASU amends the calculation of the share dilution impact related to a conversion feature and eliminates the treasury method as an option. The Company adopted the new standard effective July 2, 2022, the first day of the year ending June 30, 2023, using the modified retrospective method. On the date of adoption, the Company recorded a reduction in Additional Paid-In Capital of $128 million, a reduction of unamortized debt discount of $48 million, a reduction of deferred income tax liabilities of $11 million, and an increase to retained earnings of $91 million for the after-tax impact of previously recognized amortization of the debt discount associated with the Company's convertible senior notes.

In November 2021, the FASB issued ASU No. 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance" ("ASU 2021-10"). ASU 2021-10 increases the transparency of government assistance received by requiring most business entities to disclose information about government assistance received, including (1) the types of assistance, (2) the entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. This ASU is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2021, which for the Company is the first quarter of 2023. The Company adopted this ASU on July 2, 2022, the first day of the year ending June 30, 2023, and the adoption did not have a material impact on its Condensed Consolidated Financial Statements.

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

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

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions, except percentages)	
Net revenue:		
Flash	$ 1,722	$ 2,490
HDD	2,014	2,561
Total net revenue	$ 3,736	$ 5,051
Gross profit:		
Flash	$ 422	$ 921
HDD	574	792
Total gross profit for segments	996	1,713
Unallocated corporate items:		
Stock-based compensation expense	(14)	(9)
Amortization of acquired intangible assets	(1)	(39)
Total unallocated corporate items	(15)	(48)
Consolidated gross profit	$ 981	$ 1,665
Gross margin:		
Flash	24.5 %	37.0 %
HDD	28.5 %	30.9 %
Consolidated gross margin	26.3 %	33.0 %

Disaggregated Revenue

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

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

The Company's disaggregated revenue information is as follows:

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
Revenue by End Market		
Cloud	$ 1,829	$ 2,225
Client	1,229	1,853
Consumer	678	973
Total Revenue	$ 3,736	$ 5,051
Revenue by Geography		
Asia	$ 1,686	$ 2,675
Americas	1,423	1,614
Europe, Middle East and Africa	627	762
Total Revenue	$ 3,736	$ 5,051

The Company's top 10 customers accounted for 52% of its net revenue for the three months ended September 30, 2022, and 43% of its net revenue for the three months ended October 1, 2021. For the three months ended September 30, 2022 and October 1, 2021, no single customer accounted for 10% or more of the Company's net revenue.

Goodwill

The following table provides a summary of goodwill activity for the period:

	Flash	HDD	Total
		(in millions)	
Balance at July 1, 2022	$ 5,718	$ 4,323	$ 10,041
Foreign currency translation adjustment	(2)	(2)	(4)
Balance at September 30, 2022	$ 5,716	$ 4,321	$ 10,037

Goodwill is not amortized. Instead, it is tested for impairment annually as of the beginning of the Company's fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The Company uses qualitative factors to determine whether goodwill is more-likely-than-not impaired and whether a quantitative test for impairment is considered necessary. If the Company concludes from the qualitative assessment that goodwill is more likely than not impaired, the Company is required to perform a quantitative approach to determine the amount of impairment

As of September 30, 2022, management identified several factors, including changes in macroeconomic conditions and a recent decline of the Company's market stock price, that warranted a quantitative analysis of impairment for both the Flash and HDD reporting units as of that date. The fair value of each operating segment was based on a weighting of two valuation methodologies: an income approach and a market approach.

The income approach was based on the present value of the projected discounted cash flows ("DCF") expected to be generated by the operating segment. Those projections required the use of significant estimates and assumptions specific to the reporting unit as well as those based on general economic conditions, which included, among other factors, revenue growth rates, gross margins, operating costs, capital expenditures, assumed tax rates and other assumptions deemed reasonable by management. The present value was based on applying a weighted average cost of capital ("WACC") which considered long-term interest rates and cost of equity based on the Company's risk profile.

The market approach was based on a guideline company method, which analyzed market multiples of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA") for a group of comparable public companies.

We reconciled the aggregated estimated fair value of both operating segments to the Company’s market capitalization, including consideration of a control premium representing the estimated amount a market participant would pay to obtain a controlling interest in the Company.

As of September 30, 2022, the fair value derived from those valuation methodologies exceeded the carrying value by 7% and 32% for Flash and HDD, respectively, and no impairment was recognized.

The Company is required to use judgment when applying the goodwill impairment test, including the assignment of assets and liabilities to reporting units, and determination of the fair value of each reporting unit. In addition, the estimates used to determine the fair value of reporting units may change based on future changes in the Company’s results of operations, macroeconomic conditions or other factors. Changes in these estimates could materially affect the Company’s assessment of the fair value and goodwill impairment. In addition, if negative macroeconomic conditions continue or worsen or the Company’s stock price decreases for a sustained period of time, goodwill could become impaired, which could result in an impairment charge and materially adversely affect the Company’s financial condition results of operations.

Note 4. 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 September 30, 2022 or July 1, 2022. Contract liabilities relate to customers' payments in advance of performance under the contract and primarily relate to remaining performance obligations under professional service and support and maintenance contracts. Contract liabilities as of September 30, 2022 and July 1, 2022 and changes in contract liabilities for the three months ended September 30, 2022 and October 1, 2021 were not material.

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. The Company had no direct incremental costs to obtain contracts that have an expected benefit of greater than one year.

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 the support and maintenance contracts, and (ii) variable consideration amounts for sale-based or usage-based royalties for intellectual property ("IP") license arrangements, which typically range longer than one year. Remaining performance obligations are mainly attributed to right-to-access patent license arrangements, professional service 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 September 30, 2022 was $26 million, which is mainly attributable to the functional IP license and professional service arrangements. The Company expects to recognize substantially all of this amount as revenue within the next twelve months.

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

Note 5. Supplemental Financial Statement Data

Accounts receivable, net

From time to time, in connection with factoring agreements, the Company sells trade accounts receivable without recourse to third party purchasers in exchange for cash. During the three months ended September 30, 2022, the Company sold trade accounts receivable aggregating $291 million. The Company did not sell any trade accounts receivable during the three months ended October 1, 2021. The discounts on the trade accounts receivable sold were not material and were recorded within Other income (expense), net in the Condensed Consolidated Statements of Operations. As of September 30, 2022 and July 1, 2022, the amount of factored receivables that remained outstanding was $291 million and $300 million, respectively.

Inventories

	September 30, 2022	July 1, 2022
	(in millions)	
Inventories:		
Raw materials and component parts	$ 1,809	$ 1,603
Work-in-process	1,130	1,162
Finished goods	923	873
Total inventories	$ 3,862	$ 3,638

Property, plant and equipment, net

	September 30, 2022	July 1, 2022
	(in millions)	
Property, plant and equipment:		
Land	$ 269	$ 269
Buildings and improvements	1,945	1,920
Machinery and equipment	8,734	8,642
Computer equipment and software	499	494
Furniture and fixtures	54	54
Construction-in-process	642	591
Property, plant and equipment, gross	12,143	11,970
Accumulated depreciation	(8,425)	(8,300)
Property, plant and equipment, net	$ 3,718	$ 3,670

Other Intangible assets

	September 30, 2022	July 1, 2022
	(in millions)	
Other Intangible assets:		
Finite-lived intangible assets	$ 5,715	$ 5,493
In-process research and development	80	80
Accumulated amortization	(5,621)	(5,360)
Other Intangible assets, net	$ 174	$ 213

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	
	September 30, 2022	October 1, 2021
	(in millions)	
Warranty accrual, beginning of period	$ 345	$ 363
Charges to operations	32	40
Utilization	(34)	(23)
Changes in estimate related to pre-existing warranties	(3)	(10)
Warranty accrual, end of period	$ 340	$ 370

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

	September 30, 2022	July 1, 2022
	(in millions)	
Warranty accrual:		
Current portion (included in Accrued expenses)	$ 144	$ 162
Long-term portion (included in Other liabilities)	196	183
Total warranty accrual	$ 340	$ 345

Other liabilities

	September 30, 2022	July 1, 2022
	(in millions)	
Other liabilities:		
Non-current net tax payable	$ 460	$ 659
Non-current portion of unrecognized tax benefits	453	477
Other non-current liabilities	629	643
Total other liabilities	$ 1,542	$ 1,779

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

Accumulated other comprehensive loss

Accumulated other comprehensive 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 Losses	Foreign Currency Translation Adjustment	Unrealized Losses on Derivative Contracts	Total Accumulated Comprehensive Loss
		(in millions)		
Balance at July 1, 2022	$ (11)	$ (277)	$ (266)	$ (554)
Other comprehensive loss before reclassifications	—	(80)	(140)	(220)
Amounts reclassified from accumulated other comprehensive loss	—	—	64	64
Income tax benefit related to items of other comprehensive loss	—	—	16	16
Net current-period other comprehensive loss	—	(80)	(60)	(140)
Balance at September 30, 2022	$ (11)	$ (357)	$ (326)	$ (694)

During the three months ended September 30, 2022, the amounts reclassified out of AOCI were losses related to foreign exchange contracts and interest rate swap contracts. Losses reclassified out of AOCI related to foreign exchange contracts were $62 million for the three months ended September 30, 2022 that were substantially charged to Cost of revenue in the Condensed Consolidated Statements of Operations. Losses reclassified out of AOCI related to interest rate swap contracts were $2 million for the three months ended September 30, 2022 that were charged to Interest expense in the Condensed Consolidated Statements of Operations.

As of September 30, 2022, substantially all of existing net losses related to cash flow hedges recorded in AOCI are expected to be reclassified to earnings within the next twelve months. In addition, as of September 30, 2022, the Company did not have any foreign exchange forward contracts with credit-risk-related contingent features.

Note 6. Fair Value Measurements and Investments

Financial Instruments Carried at Fair Value

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

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

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

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

The following tables present information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2022 and July 1, 2022, and indicate the fair value hierarchy of the valuation techniques utilized to determine such values:

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents - Money market funds	$ 322	$ —	$ —	$ 322
Foreign exchange contracts	—	48	—	48
Interest rate swap contracts	—	11	—	11
Total assets at fair value	$ 322	$ 59	$ —	$ 381
Liabilities:				
Foreign exchange contracts	$ —	$ 329	$ —	$ 329
Total liabilities at fair value	$ —	$ 329	$ —	$ 329

	July 1, 2022			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets:				
Cash equivalents - Money market funds	$ 266	$ —	$ —	$ 266
Foreign exchange contracts	—	61	—	61
Interest rate swap contracts	—	3	—	3
Total assets at fair value	$ 266	$ 64	$ —	$ 330
Liabilities:				
Foreign exchange contracts	$ —	$ 316	$ —	$ 316
Total liabilities at fair value	$ —	$ 316	$ —	$ 316

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

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

Financial Instruments Not Carried at Fair Value

For financial instruments where the carrying value (which includes principal adjusted for any unamortized issuance costs, and discounts or premiums) differs from fair value (which is based on quoted market prices), the following table represents the related carrying value and fair value for each of the Company's outstanding financial instruments. Each of the financial instruments presented below was categorized as Level 2 for all periods presented, based on the frequency of trading immediately prior to the end of the first quarter of 2023 and the fourth quarter of 2022, respectively.

	September 30, 2022		July 1, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
1.50% convertible notes due 2024	$ 1,097	$ 1,047	$ 1,048	$ 1,040
4.75% senior unsecured notes due 2026	2,291	2,134	2,291	2,205
Variable interest rate Term Loan A-2 maturing 2027	2,693	2,634	2,693	2,621
2.85% senior unsecured notes due 2029	495	389	495	412
3.10% senior unsecured notes due 2032	495	342	495	389
Total	$ 7,071	$ 6,546	$ 7,022	$ 6,667

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

Note 7. Derivative Instruments and Hedging Activities

As of September 30, 2022, 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 through February 2023, on a portion of its term loans.

Changes in fair values of the non-designated foreign exchange contracts are recognized in Other income (expense), net and are largely offset by corresponding changes in the fair values of the foreign currency denominated monetary assets and liabilities. For each of the three months ended September 30, 2022 and October 1, 2021, total net realized and unrealized transaction and foreign exchange contract currency gains and losses were not material to the Company's Condensed Consolidated Financial Statements.

Unrealized gains or losses on designated cash flow hedges are recognized in AOCI. For more information regarding cash flow hedges, see Part I, Item 1, Note 5, *Supplemental Financial Statement Data - Accumulated other comprehensive loss*, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Netting Arrangements

Under certain provisions and conditions within agreements with counterparties to the Company's foreign exchange forward contracts, subject to applicable requirements, the Company has the right of offset associated with the Company's foreign exchange forward contracts and is allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. As of September 30, 2022 and July 1, 2022, 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
(Unaudited)

Note 8. Debt

Debt consisted of the following:

	September 30, 2022	July 1, 2022
	(in millions)	
1.50% convertible notes due 2024	$ 1,100	$ 1,100
4.75% senior unsecured notes due 2026	2,300	2,300
Variable interest rate Term Loan A-2 maturing 2027	2,700	2,700
2.85% senior unsecured notes due 2029	500	500
3.10% senior unsecured notes due 2032	500	500
Total debt	7,100	7,100
Issuance costs and debt discounts	(29)	(78)
Long-term debt	$ 7,071	$ 7,022

During the three months ended September 30, 2022, the Company drew and repaid $300 million principal amount under its $2.25 billion revolving credit facility maturing in January 2027 (the “2027 Revolving Credit Facility”). The terms of the credit agreement governing the 2027 Revolving Credit Facility and Term Loan A-2 requires the Company to comply with a leverage ratio financial covenant. As of September 30, 2022, the Company was in compliance with this financial covenant.

As described in Note 2, *Recent Accounting Pronouncements* the Company adopted ASU 2020-06 effective July 2, 2022, using a modified retrospective method, which resulted in the elimination of the originally recorded debt discount associated with the conversion feature on its 1.50% convertible notes due 2024.

Note 9. Pension and Other Post-Retirement Benefit Plans

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

Obligations and Funded Status

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

	September 30, 2022	July 1, 2022
	(in millions)	
Benefit obligation at end of period	$ 275	$ 294
Fair value of plan assets at end of period	177	189
Unfunded status	$ 98	$ 105

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

	September 30, 2022	July 1, 2022
	(in millions)	
Current liabilities	$ 1	$ 1
Non-current liabilities	97	104
Net amount recognized	$ 98	$ 105

Net periodic benefit costs were not material for the three months ended September 30, 2022.

Note 10. Related Parties and Related Commitments and Contingencies

Flash Ventures

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

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

	September 30, 2022	July 1, 2022
	(in millions)	
Notes receivable, Flash Partners	$ 6	$ 27
Notes receivable, Flash Alliance	62	55
Notes receivable, Flash Forward	658	793
Investment in Flash Partners	158	166
Investment in Flash Alliance	229	243
Investment in Flash Forward	106	112
Total notes receivable and investments in Flash Ventures	$ 1,219	$ 1,396

During the three months ended September 30, 2022 and October 1, 2021, the Company made net payments to Flash Ventures of $1.0 billion, and $1.2 billion, respectively, for purchased flash-based memory wafers and net loans.

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

As of September 30, 2022 and July 1, 2022, the Company had account payable balances due to Flash Ventures of $295 million and $320 million, respectively.

The Company's maximum reasonably estimable loss exposure (excluding lost profits) as a result of its involvement with Flash Ventures, based upon the Japanese yen to U.S. dollar exchange rate at September 30, 2022, is presented below. Investments in Flash Ventures are denominated in Japanese yen, and the maximum estimable loss exposure excludes any cumulative translation adjustment due to revaluation from the Japanese yen to the U.S. dollar.

	September 30, 2022
	(in millions)
Notes receivable	$ 726
Equity investments	493
Operating lease guarantees	1,684
Inventory and prepayments	1,022
Maximum estimable loss exposure	$ 3,925

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 January 2022, the Company entered into additional agreements regarding Flash Ventures' investment in a new wafer fabrication facility currently under construction in Yokkaichi, Japan, referred to as "Y7". The primary purpose of Y7 is to provide clean room space to continue the transition of existing flash-based wafer capacity to newer flash technology nodes. The Company is committed to pay, among other items, future building depreciation prepayments aggregating approximately $203 million as follows: $182 million for the remaining nine months of 2023 and $21 million in 2024, to be credited against future wafer charges.

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

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

Off-Balance Sheet Liabilities

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

The following table presents the Company's portion of the remaining guarantee obligations under the Flash Ventures' lease facilities in both Japanese yen and U.S. dollar-equivalent, based upon the Japanese yen to U.S. dollar exchange rate as of September 30, 2022.

	Lease Amounts	
	(Japanese yen, in billions)	*(U.S. dollar, in millions)*
Total guarantee obligations	¥ 243	$ 1,684

The following table details the breakdown of the Company's remaining guarantee obligations between the principal amortization and the purchase option exercise price at the end of the term of the Flash Ventures lease agreements, in annual installments as of September 30, 2022 in U.S. dollars, based upon the Japanese yen to U.S. dollar exchange rate as of September 30, 2022:

Annual Installments	Payment of Principal Amortization	Purchase Option Exercise Price at Final Lease Terms	Guarantee Amount
		(in millions)	
Remaining nine months of 2023	$ 371	$ 50	$ 421
2024	376	90	466
2025	203	82	285
2026	199	124	323
2027	53	106	159
2028 and thereafter	3	27	30
Total guarantee obligations	$ 1,205	$ 479	$ 1,684

The Company and Kioxia have agreed to mutually contribute to, and indemnify each other and Flash Ventures for, environmental remediation costs or liability resulting from Flash Ventures' manufacturing operations in certain circumstances. The Company has not made any indemnification payments, nor recorded any indemnification receivables, under any such agreements. As of September 30, 2022, 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 the three months ended September 30, 2022, the Company recognized approximately 3% of its consolidated revenue on products distributed by the Unis Venture. For the three months ended October 1, 2021, the Company recognized approximately 5% of its consolidated revenue on products distributed by the Unis Venture. The outstanding accounts receivable due from the Unis Venture were 6% and 5% of Accounts receivable, net for September 30, 2022 and July 1, 2022, respectively.

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

Note 11. 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 September 30, 2022:

	Lease Amounts
	($ in millions)
Minimum lease payments by year:	
Remaining nine months of 2023	$ 36
2024	46
2025	44
2026	44
2027	39
Thereafter	147
Total future minimum lease payments	356
Less: Imputed interest	51
Present value of lease liabilities	305
Less: Current portion (included in Accrued expenses)	40
Long-term operating lease liabilities (included in Other liabilities)	$ 265
Operating lease right-of-use assets (included in Other non-current assets)	$ 288
Weighted average remaining lease term in years	8.2
Weighted average discount rate	3.4 %

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
Cost of operating leases	$ 14	$ 13
Cash paid for operating leases	14	12
Operating lease assets obtained in exchange for operating lease liabilities	4	112

Purchase Agreements and Other Commitments

In the normal course of business, the Company enters into purchase orders with suppliers for the purchase of components used to manufacture its products. These purchase orders generally cover forecasted component supplies needed for production during the next quarter, are recorded as a liability upon receipt of the components, and generally may be changed or canceled at any time prior to shipment of the components. The Company also enters into long-term agreements with suppliers that contain fixed future commitments, which are contingent on certain conditions such as performance, quality and technology of the vendor’s components. As of September 30, 2022, the Company had the following minimum long-term commitments:

	Long-Term Commitments
	(in millions)
Year:	
Remaining nine months of 2023	$ 385
2024	325
2025	180
2026	53
2027	46
Thereafter	150
Total	$ 1,139

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

Note 12. Shareholders' Equity

Stock-based Compensation Expense

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
RSUs and PSUs	$ 75	$ 67
ESPP	11	9
Total	$ 86	$ 76

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
Cost of revenue	$ 14	$ 9
Research and development	39	40
Selling, general and administrative	33	27
Subtotal	86	76
Tax benefit	(13)	(15)
Total	$ 73	$ 61

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

Compensation cost related to unvested RSUs, PSUs, and rights to purchase shares of common stock under the ESPP will generally be amortized on a straight-line basis over the remaining average service period. The following table presents the unamortized compensation cost and weighted average service period of all unvested outstanding awards as of September 30, 2022:

	Unamortized Compensation Costs	Weighted Average Service Period
	(in millions)	*(years)*
RSUs and PSUs [(1)]	$ 655	2.6
ESPP	51	1.0
Total unamortized compensation cost	$ 706	

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

Plan Activities

Stock Options

The following table summarizes stock option activity under the Company's incentive plans. All outstanding options were exercisable at September 30, 2022:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life
	(in millions)		*(in years)*
Options outstanding at July 1, 2022	0.9	$ 66.76	0.54
Canceled or expired	(0.5)	84.39	
Options outstanding at September 30, 2022	0.4	$ 45.08	0.81

RSUs and PSUs

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

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value at Vest Date
	(in millions)		*(in millions)*
RSUs and PSUs outstanding at July 1, 2022	15.4	52.89	
Granted	4.5	43.79	
Vested	(4.3)	53.28	$ 186
Forfeited	(0.6)	62.12	
RSUs and PSUs outstanding at September 30, 2022	15.0	49.71	

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 three months ended September 30, 2022 and has not repurchased any shares of its common stock pursuant to its stock repurchase program since the first quarter of fiscal 2019. Although the Company will reevaluate the repurchasing of common stock when appropriate, there can be no assurance if, when or at what level the Company may resume such activity. The remaining amount available to be repurchased under the Company's current stock repurchase program as of September 30, 2022 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.

Note 13. Income Tax Expense

The Tax Cuts and Jobs Act (the “2017 Act”), enacted on December 22, 2017, includes a broad range of tax reform proposals affecting businesses. The Company completed its accounting for the tax effects of the enactment of the 2017 Act during the second quarter of 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.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which contained significant law changes related to tax, climate, energy, and health care. The tax measures include, among other things, a corporate alternative minimum tax of 15% on corporations with three-year average annual adjusted financial statement income exceeding $1 billion. The corporate alternative minimum tax will not be effective for the Company until fiscal year 2024 and the Company is currently evaluating the potential effects of these legislative changes.

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	($ in millions)	
Income before taxes	$ 84	$ 704
Income tax expense	57	94
Effective tax rate	68 %	13 %

Beginning in fiscal year 2023, the 2017 Act requires the Company to capitalize and amortize research and development expenses rather than expensing them in the year incurred. The tax effects related to the capitalization of research and development expenses are included in the effective tax rate for the three months ended September 30, 2022. This impact, together with the relative mix of earnings and losses by jurisdiction, the deduction for foreign derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand that will expire at various dates during fiscal years 2024 through 2031 are the primary drivers of the difference between the effective tax rate for the three months ended September 30, 2022 and the U.S. Federal statutory rate of 21%.

The primary drivers of the difference between the effective tax rate for the three months ended October 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. In addition, the effective tax rate for the three months ended October 1, 2021 included the discrete effect of an increase to unrecognized tax benefits of $16 million as a result of ongoing discussions with various taxing authorities.

Uncertain Tax Positions

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

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

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits excluding accrued interest and penalties for the three months ended September 30, 2022 (in millions):

Accrual balance at July 1, 2022	$	1,047
Gross increases related to current year tax positions		2
Gross decreases related to prior year tax positions		(18)
Settlements		(2)
Lapse of statute of limitations		(3)
Accrual balance at September 30, 2022	$	1,026

As of September 30, 2022, the liability for unrecognized tax benefits (excluding accrued interest and penalties) was $1.03 billion. Interest and penalties related to unrecognized tax benefits are recognized in liabilities recorded for uncertain tax positions and are recorded in the provision for income taxes. Accrued interest and penalties included in the Company's liability related to unrecognized tax benefits as of September 30, 2022 was $264 million. Of these amounts, approximately $1.15 billion could result in potential cash payments.

As previously disclosed, the IRS issued statutory notices of deficiency and notices of proposed adjustments with respect to transfer pricing with the Company's foreign subsidiaries and intercompany payable balances for years 2008 through 2015. In September 2018 and March 2019, the Company filed petitions with the U.S. Tax Court covering years 2008 through 2012, for which it had received statutory notices of deficiency, while years 2013 through 2015 remain in the jurisdiction of the IRS's Examination function. The IRS has filed various Amendments to Answer with the U.S. Tax Court which, together with the notices of proposed adjustments, would result in additional federal income tax liabilities totaling approximately $1.6 billion and penalties totaling $449 million with respect to years 2008 through 2015. In May 2022, the Company and the IRS tentatively reached a settlement for resolving the statutory notices of deficiency and notices of proposed adjustments with respect to years 2008 through 2015 subject to the parties entering into final stipulations and a closing agreement. Based on the tentative settlement for resolution, the Company expects to pay tax and interest totaling approximately $600 million to $700 million, which the Company expects to be partially offset by future reductions to its mandatory deemed repatriation tax obligations and tax savings from interest deductions aggregating to approximately $100 million to $150 million. While the Company continues to work with the IRS to come to a final agreement on the federal tax and interest calculations, the Company is uncertain as to when a final agreement will be reached and the exact timing of when any payments will be made. However, the Company believes it is reasonably likely that these payments may be made within the next twelve months and have classified that portion of these unrecognized tax benefits, including interest in Income taxes payable on its Condensed Consolidated Balance Sheets as of September 30, 2022. This classification and amount may be subject to change in the next twelve months depending on when the Company is able to reach a final agreement with the IRS.

The Company believes that adequate provision has been made for any adjustments that may result from any other tax examinations. However, the outcome of such tax examinations cannot be predicted with certainty. If any issues addressed in the Company's tax examinations are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs. Any significant change in the amount of the Company's liability for unrecognized tax benefits would most likely result from additional information or settlements relating to the examination of the Company's tax returns.

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

Note 14. Net Income Per Common Share

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions, except per share data)	
Net income	$ 27	$ 610
Weighted average shares outstanding:		
Basic	316	310
Employee stock options, RSUs, PSUs, and ESPP	3	6
Diluted	319	316
Income per common share		
Basic	$ 0.09	$ 1.97
Diluted	$ 0.08	$ 1.93
Anti-dilutive potential common shares excluded	8	1

The Company computes basic income per common share using Net income and the weighted average number of common shares outstanding during the period. Diluted income per common share is computed using Net income 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 months ended September 30, 2022 and October 1, 2021, the Company excluded common shares subject to outstanding equity awards from the calculation of diluted shares because their impact would have been anti-dilutive based on the Company's average stock price during the period.

Note 15. Employee Termination, Asset Impairment, and Other Charges

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 Company recorded the following charges related to these actions:

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
Employee termination benefits	$ 24	$ 15
Asset impairments and losses on disposal of assets	—	3
Total employee termination, asset impairment, and other charges	$ 24	$ 18

The following table presents an analysis of the components of these activities against the reserve during the three months ended September 30, 2022:

	Employee Termination Benefits
	(in millions)
Accrual balance at July 1, 2022	$ 17
Charges	24
Cash payments	(28)
Accrual balance at September 30, 2022	$ 13

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

Note 16. Legal Proceedings

Tax

For disclosures regarding statutory notices of deficiency issued by the IRS on June 28, 2018 and December 10, 2018, petitions filed by the Company with the U.S. Tax Court in September 2018 and March 2019, additional penalties asserted by the IRS in March 2021 and further Amendments to Answers filed by the IRS in June 2021 and January 2022, and a tentative resolution with respect to certain matters, see Note 13, *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 1, 2022. See also "Forward-Looking Statements" immediately prior to Part I, Item 1 in this Quarterly Report on Form 10-Q.

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

Our Company

We are on a mission to unlock the potential of data by harnessing the possibility to use it. We are a leading developer, manufacturer, and provider of data storage devices based on both flash-based products ("Flash") and hard disk drives ("HDD") technologies. With dedicated business units driving advancements in NAND flash and magnetic recording technologies, we create and drive innovations needed to help customers capture, preserve, access, and transform an ever-increasing diversity of data.

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 years 2023, which ends on June 30, 2023, and 2022, which ended on July 1, 2022, are each comprised of 52 weeks, with all quarters presented consisting of 13 weeks.

Key Developments

Strategic Alternatives

In June 2022, we announced that we are reviewing potential strategic alternatives aimed at further optimizing long-term value for stockholders. The Executive Committee of our Board of Directors is overseeing the assessment process and evaluating a range of alternatives, including options for separating our Flash and HDD business units. In conjunction with that review process, we announced that we had entered into a letter agreement with Elliott Investment Management L.P., which had disclosed in May 2022 a $1 billion investment in our Company and called for a full strategic review of our business. As of September 30, 2022, we are still actively working with financial advisors and our legal counsel in this strategic review process.

Tax Resolution

As previously disclosed, we have received statutory notices of deficiency and notices of proposed adjustments from the Internal Revenue Service ("IRS") with respect to 2008 through 2015. During 2022, new information became available which required us to re-measure our unrecognized tax benefits for this IRS matter. Additionally, during 2022, we and the IRS tentatively reached a settlement for resolving this matter. Additional information is provided in our discussion of Income tax expense in our results of operations below, as well as in Part I, Item 1, Note 13, *Income Tax Expense*, of the Notes to the Condensed Consolidated Financial Statements, and in the "Short- and Long-Term Liquidity-Unrecognized Tax Benefits" section below.

Operational and COVID-19 Pandemic Update

Macroeconomic factors such as inflation, higher interest rates and recession concerns have softened demand for our products, with certain customers reducing purchases as they adjust their production levels and right-size their inventories. As a result, we and our industry are experiencing a supply-demand imbalance, which has negatively impacted pricing, particularly in Flash and is expected to result in reduced shipments and increased absorption charges in HDD in future quarters. However, we believe digital transformation will continue to drive long-term growth for data storage across all three of our end markets.

We believe we have made significant progress in strengthening our product portfolio to meet our customers' growing and evolving storage needs. Our BiCS5 based products continue to play a significant role in driving top line results across our end markets. Additionally, hard drive products utilizing OptiNAND and shingled magnetic recording ("SMR") technologies have commenced commercial shipments and our latest 26-terabyte SMR drives are undergoing qualifications at multiple cloud and OEM customers. We continued commercial shipment of consumer flash devices based on our next generation 3D-flash technology, but are pushing out our BiCS6 transition as compared to prior targets to reduce our capital expenditures for 2023 in light of market conditions. We are also aware of the ongoing trends in the HDD Client market as PCs shift from using HDD to Flash technology and as a result, we have and are still undergoing actions to restructure our HDD manufacturing footprint to reflect this market dynamic, including a sharp reduction in our client hard drive production capacity of approximately 40%.

The COVID-19 environment remains dynamic with outbreaks in various geographies. The responses to COVID-19 taken by ourselves and others in the supply chain have contributed to increases in the costs of their services which in turn impacted our operations, but these costs have now been normalized in our operating results.

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 “Adverse global or regional conditions could harm our business,” “The COVID-19 pandemic could negatively affect our business” and “We are dependent on a limited number of qualified suppliers who provide critical services, materials or components, and a disruption in our supply chain could negatively affect our business” in Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended July 1, 2022 for more information regarding the risks we face as a result of macroeconomic conditions, the COVID-19 pandemic and supply chain disruptions.

Russia Sanctions

In February 2022, the U.S. and other countries imposed sanctions on Russia. In accordance with these sanctions, we have ceased shipments to distributors for customers located in Russia. Our revenue from distributors for customers in Russia have not been significant. We have no material assets or operations in Russia.

Results of Operations

First Quarter Overview

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

	Three Months Ended					
	September 30, 2022		October 1, 2021		$ Change	% Change
	($ in millions)					
Revenue, net	$ 3,736	100.0 %	$ 5,051	100.0 %	$ (1,315)	(26) %
Cost of revenue	2,755	73.7	3,386	67.0	(631)	(19)
Gross profit	981	26.3	1,665	33.0	(684)	(41)
Operating expenses:						
Research and development	552	14.8	578	11.4	(26)	(4)
Selling, general and administrative	247	6.6	291	5.8	(44)	(15)
Employee termination, asset impairment, and other charges	24	0.6	18	0.4	6	33
Total operating expenses	823	22.0	887	17.6	(64)	(7)
Operating income	158	4.2	778	15.4	(620)	(80)
Interest and other income (expense):						
Interest income	2	0.1	2	—	—	—
Interest expense	(70)	(1.9)	(78)	(1.5)	8	(10)
Other income (expense), net	(6)	(0.2)	2	—	(8)	(400)
Total interest and other expense, net	(74)	(2.0)	(74)	(1.5)	—	—
Income before taxes	84	2.2	704	13.9	(620)	(88)
Income tax expense	57	1.5	94	1.9	(37)	(39)
Net income	$ 27	0.7 %	$ 610	12.1 %	$ (583)	(96) %

(1) Percentages may not total due to rounding.

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	($ in millions)	
Net revenue:		
Flash	$ 1,722	$ 2,490
HDD	2,014	2,561
Total net revenue	$ 3,736	$ 5,051
Gross profit:		
Flash	$ 422	$ 921
HDD	574	792
Unallocated corporate items:		
Stock-based compensation expense	(14)	(9)
Amortization of acquired intangible assets	(1)	(39)
Total unallocated corporate items	(15)	(48)
Consolidated gross profit	$ 981	$ 1,665
Gross margin:		
Flash	24.5 %	37.0 %
HDD	28.5 %	30.9 %
Consolidated gross margin	26.3 %	33.0 %

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

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
Revenue by End Market		
Cloud	$ 1,829	$ 2,225
Client	1,229	1,853
Consumer	678	973
Total Revenue	$ 3,736	$ 5,051
Revenue by Geography		
Asia	$ 1,686	$ 2,675
Americas	1,423	1,614
Europe, Middle East and Africa	627	762
Total Revenue	$ 3,736	$ 5,051

Net Revenue

Comparison of Three Months Ended September 30, 2022 to Three Months Ended October 1, 2021

The decrease in consolidated net revenue for the three months ended September 30, 2022 from the comparable period in the prior year reflects decreases in exabytes shipments of Flash and HDD sold as certain customers reduced purchases as they adjusted their production levels and right-sized their inventories. Revenue also declined as a result of lower average selling prices. These items are further discussed below in our discussion by segment.

Flash revenue decreased 31% for the three months ended September 30, 2022 from the comparable period in the prior year, primarily driven by a 26% decline in the average selling price with the remainder driven by a decrease in exabytes sold. The decline in average selling price was primarily due to pricing pressure caused by macroeconomic headwinds and a supply-demand imbalance in the current period. The decrease in exabytes sold reflected customers reducing purchases as they adjusted their production levels and right-sized their inventories.

HDD revenue decreased 21% for the three months ended September 30, 2022 from the comparable period in the prior year, primarily driven by a 12% decrease in exabytes sold with the remainder driven by a decline in the average selling price. The decline in exabytes sold was spread evenly across customers in our cloud, client, and consumer end markets due to the macroeconomic pressures noted earlier and our end customers right-sizing their inventories. The decline in the average selling price largely reflected the shift in mix to higher capacity drives.

The decrease in Cloud revenue for the three months ended September 30, 2022 from the comparable period in the prior year reflected declines in both Flash and HDD capacity enterprise drives as customers reduced purchases to right-size their inventories. In Client, the decrease in revenue for the three months ended September 30, 2022 from the comparable period in the prior year resulted primarily from a decline in Flash revenue as a result of lower pricing, while a reduction in purchases by PC OEMs to adjust their inventories to current production levels also contributed to the revenue decline. In Consumer, the decrease in revenue for the three months ended September 30, 2022 from the comparable period in the prior year reflected lower Flash pricing and lower retail HDD shipments.

The changes in net revenue by geography for the three months ended September 30, 2022 from the comparable period in the prior year reflected a larger decline in Asia from lower Client revenue from OEMs in this region as well as routine variations in the mix of business.

Our top 10 customers accounted for 52% of our net revenue for the three months ended September 30, 2022, compared to 43% of our net revenue for the three months ended October 1, 2021. For each of the three months ended September 30, 2022 and October 1, 2021, no single customer accounted for 10% or more of our net revenue.

Consistent with standard industry practice, we have sales incentive and marketing programs that provide customers with price protection and other incentives or reimbursements that are recorded as a reduction to gross revenue. These programs represented 19% of gross revenue for the three months ended September 30, 2022, and 18% of gross revenue for the three months ended October 1, 2021. The amounts attributed to our sales incentive and marketing programs generally vary according to several factors including industry conditions, list pricing strategies, seasonal demand, competitor actions, channel mix and overall availability of products. Changes in future customer demand and market conditions may require us to adjust our incentive programs as a percentage of gross revenue.

Gross Profit and Gross Margin

Consolidated gross profit decreased by $684 million for the three months ended September 30, 2022 from the comparable period in the prior year, which reflects the decrease in revenue in both Flash and HDD. Consolidated gross margin decreased 6.7 percentage points for the three months ended September 30, 2022 from the comparable period in the prior year, which primarily reflects lower average price per gigabyte in Flash and HDD, partially offset by cost reductions as mix shifted to higher capacity drives. Flash and HDD gross margin decreased by 12.5 and 2.4 percentage points year over year, respectively, each reflecting the lower average price per gigabyte, partially offset by cost reductions as mix shifted to higher capacity drives.

Operating Expenses

Research and development (“R&D”) expense decreased $26 million for the three months ended September 30, 2022 from the comparable period in the prior year. The decrease was primarily due to a reduction in variable compensation expenses.

Selling, general and administrative (“SG&A”) expense decreased $44 million for the three months ended September 30, 2022 from the comparable period in the prior year. The decline was primarily driven by a reduction in expenses related to outside services, compensation and benefits, and material use as we took actions to reduce expenses in the current environment.

Employee termination, asset impairment and other charges of $24 million for the three months ended September 30, 2022 reflects restructuring actions initiated in the current year to adjust our cost structure to align with the current demand environment. For information regarding Employee termination, asset impairment and other charges, see Part I, Item 1, Note 15, *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)

Total interest and other expense, net for the three months ended September 30, 2022 was flat compared to the prior year due to lower interest expense primarily resulting from the pay-down of principal on our debt, offset by higher losses on foreign currency transactions.

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.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which contained significant law changes related to tax, climate, energy, and health care. The tax measures include, among other things, a corporate alternative minimum tax of 15% on corporations with three-year average annual adjusted financial statement income exceeding $1 billion. The corporate alternative minimum tax will not be effective for us until fiscal year 2024. We are currently evaluating the potential effects of these legislative changes.

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

	Three Months Ended	
	September 30, 2022	**October 1, 2021**
	($ in millions)	
Income before taxes	$ 84	$ 704
Income tax expense	57	94
Effective tax rate	68 %	13 %

Beginning in fiscal year 2023, the 2017 Act requires us to capitalize and amortize research and development expenses rather than expensing them in the year incurred. The tax effects related to the capitalization of research and development expenses are included in the effective tax rate for the three months ended September 30, 2022. This impact, together with the relative mix of earnings and losses by jurisdiction, the deduction for foreign derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand that will expire at various dates during fiscal years 2024 through 2031 are the primary drivers of the difference between the effective tax rate for the three months ended September 30, 2022 and the U.S. Federal statutory rate of 21%.

The primary drivers of the difference between the effective tax rate for the three months ended October 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. In addition, the effective tax rate for the three months ended October 1, 2021 included the discrete effect of an increase to unrecognized tax benefits of $16 million as a result of ongoing discussions with various taxing authorities.

Our future effective tax rate is subject to future regulatory developments and changes in the mix of our U.S. earnings compared to foreign earnings. The 2017 Act requires us to capitalize and amortize research and development expenses rather than expensing them in the year incurred, which, as described above, increased our effective tax rate for the three months ended September 30, 2022 and is expected to materially increase our effective tax rate and taxes paid, if not repealed or otherwise modified. In addition, our total tax expense in future years may also vary as a result of discrete items such as excess tax benefits or deficiencies.

For additional information regarding Income tax expense, see Part I, Item 1, Note 13, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Table of Contents

Liquidity and Capital Resources

The following table summarizes our statements of cash flows:

	Three Months Ended	
	September 30, 2022	October 1, 2021
	(in millions)	
Net cash provided by (used in):		
Operating activities	$ 6	$ 521
Investing activities	(224)	(312)
Financing activities	(50)	(289)
Effect of exchange rate changes on cash	(10)	—
Net decrease in cash and cash equivalents	$ (278)	$ (80)

We and the IRS tentatively reached a basis for resolving the statutory notices of deficiency and notices of proposed adjustments with respect to fiscal years 2008 through 2015. We expect to pay tax and interest totaling approximately $600 million to $700 million, which we expect to be partially offset by future reductions to our mandatory deemed repatriation tax obligations and tax savings from interest deductions aggregating to approximately $100 to $150 million. See Part I, Item 1, Note 13, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for further details.

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

We believe our cash, cash equivalents and cash generated from operations as well as our available credit facilities will be sufficient to satisfy our IRS obligation and meet our working capital, debt and capital expenditure needs for at least the next twelve months. We believe we can also access the various debt capital markets to further to supplement our liquidity position. 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 year ended July 1, 2022.

During 2023, 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 to $2.7 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 $1.3 billion during 2023. 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.

A total of $1.53 billion and $2.41 billion of our Cash and cash equivalents was held by our foreign subsidiaries as of September 30, 2022 and October 1, 2021, respectively. There are no material tax consequences that were not previously accrued for on the repatriation of this cash.

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

Operating Activities

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 $329 million for the three months ended September 30, 2022, as compared to $440 million for the three months ended October 1, 2021. 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 (in days):

	Three Months Ended	
	September 30, 2022	**October 1, 2021**
Days sales outstanding	59	44
Days in inventory	128	95
Days payables outstanding	(65)	(61)
Cash conversion cycle	122	78

Changes in days sales outstanding (“DSO”) are generally due to the timing of shipments. Changes in days in inventory (“DIO”) are generally related to the timing of inventory builds, including staging of inventory to meet expected future demand. Changes in days 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 September 30, 2022, DSO increased by 15 days from the comparable period in the prior year, primarily reflecting the timing of shipments and customer collections. DIO increased by 33 days from the comparable period in the prior year primarily reflecting a decline in products shipped. DPO increased by 4 days from the comparable period in the prior year primarily due to routine variations in the timing of purchases and payments during the period. We have seen no significant deterioration in our receivables as a result of COVID-19 or other market conditions.

Investing Activities

Net cash used in investing activities for the three months ended September 30, 2022 primarily consisted of $320 million in capital expenditures partially offset by a $99 million net decrease in notes receivable issuances to Flash Ventures. Net cash used in investing activities for the three months ended October 1, 2021 primarily consisted of $245 million in capital expenditures, partially offset by a $52 million net increase in notes receivable issuances to Flash Ventures.-

Financing Activities

During the three months ended September 30, 2022, cash flows from financing activities primarily consisted of $50 million used for taxes paid on vested stock awards under employee stock plans, while we drew and repaid $300 million under our revolving credit facility within the period. Net cash used in financing activities for the three months ended October 1, 2021 primarily consisted of $213 million for the repayment of our debt, which included a $150 million voluntary prepayment on our Term Loan B-4, and $78 million for taxes paid on vested stock awards under employee stock plans.

Off-Balance Sheet Arrangements

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

Short- and Long-term Liquidity

Material Cash Commitments

The following is a summary of our known material cash commitments, including those for capital expenditures, as of September 30, 2022:

	Total	1 Year (Remaining Nine Months of 2023)	2-3 Years (2024-2025)	4-5 Years (2026-2027)	More than 5 Years (Beyond 2027)
			(in millions)		
Long-term debt, including current portion[1]	$ 7,100	$ —	$ 1,363	$ 4,738	$ 999
Interest on debt	1,157	169	541	341	106
Flash Ventures related commitments[2]	5,048	2,311	1,980	847	(90)
Operating leases	356	36	90	83	147
Purchase obligations and other commitments	3,588	2,380	959	99	150
Mandatory Deemed Repatriation Tax	659	—	404	255	—
Total	$ 17,908	$ 4,896	$ 5,337	$ 6,363	$ 1,312

(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, as of September 30, 2022, we had $2.25 billion available for borrowing under our revolving credit facility until January 2027, subject to customary conditions under the loan agreement. Additional information regarding our indebtedness, including information about principal repayment terms, interest rates, covenants and other key terms of our outstanding indebtedness, is included in Part II, Item 8, Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended July 1, 2022. The loan agreement governing our revolving credit facility and our Term Loan A-2 due 2027 requires us to comply with a leverage ratio financial covenant. As of September 30, 2022, we were in compliance with this financial covenant.

Flash Ventures

Flash Ventures sells to and leases back from a consortium of financial institutions a portion of its tools and has entered into equipment lease agreements of which we guarantee half or all of the outstanding obligations under each lease agreement. The leases are subject to customary covenants and cancellation events that relate to Flash Ventures and each of the guarantors. The occurrence of a cancellation event could result in an acceleration of the lease obligations and a call on our guarantees. As of September 30, 2022, we were in compliance with all covenants under these Japanese lease facilities. See Part I, Item 1, Note 10, *Related Parties and Related Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding Flash Ventures.

Purchase Obligations and Other Commitments

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

Mandatory Deemed Repatriation Tax

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

	September 30, 2022
	(in millions)
2024	$ 199
2025	205
2026	255
Total	$ 659

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 year ended June 28, 2019.

Unrecognized Tax Benefits

As of September 30, 2022, the liability for unrecognized tax benefits (excluding accrued interest and penalties) was $1.03 billion. Accrued interest and penalties related to unrecognized tax benefits are recognized in liabilities for uncertain tax positions and are recorded in the provision for income taxes. Accrued interest and penalties included in our liability related to unrecognized tax benefits as of September 30, 2022 was $264 million. Of these amounts, approximately $1.15 billion could result in potential cash payments.

As previously disclosed, the IRS issued statutory notices of deficiency and notices of proposed adjustments with respect to transfer pricing with our foreign subsidiaries and intercompany payable balances for years 2008 through 2015. In September 2018 and March 2019, we filed petitions with the U.S. Tax Court covering years 2008 through 2012, for which we had received statutory notices of deficiency, while years 2013 through 2015 remain in the jurisdiction of the IRS's Examination function. The IRS has filed various Amendments to Answer with the U.S. Tax Court which, together with the notices of proposed adjustments, would result in additional federal income tax liabilities totaling approximately $1.6 billion and penalties totaling $449 million with respect to years 2008 through 2015. In May 2022, we and the IRS tentatively reached a settlement for resolving the statutory notices of deficiency and notices of proposed adjustments with respect to years 2008 through 2015 subject to the parties entering into final stipulations and a closing agreement. Based on the tentative settlement for resolution, we expect to pay tax and interest totaling approximately $600 million to $700 million, which we expect to be partially offset by future reductions to our mandatory deemed repatriation tax obligations and tax savings from interest deductions aggregating to approximately $100 to $150 million. While we continue to work with the IRS to come to a final agreement on the federal tax and interest calculations, we are uncertain as to when a final agreement will be reached and the exact timing of when any payments will be made. However, we believe it is reasonably likely that these payments may be made within the next twelve months and have classified that portion of these unrecognized tax benefits, including interest in Income taxes payable on our Condensed Consolidated Balance Sheets as of September 30, 2022. This classification and amount may be subject to change in the next twelve months depending on when we are able to reach a final agreement with the IRS.

Mandatory Research and Development Expense Capitalization

Beginning in 2023, the 2017 Act requires us to capitalize and amortize research and development expenses rather than expensing them in the year incurred, which is expected to result in materially higher cash tax payments, if not repealed or otherwise modified.

Interest Rate Swap

We have generally held a balance of fixed and variable rate debt and periodically have used interest rate swaps to hedge a portion of our fixed rate debt. As of September 30, 2022, our only variable rate debt outstanding was our Term Loan A-2 on which we had pay-fixed interest rate swaps of $2 billion notional amount that would mitigate the impact of fluctuations in variable interest rates on this loan through February 2023. See Part I, Item 3, *Quantitative and Qualitative Disclosures About Market Risks* included in this in this Quarterly Report on Form 10-Q for additional information.

Foreign Exchange Contracts

We purchase foreign exchange contracts to hedge the impact of foreign currency fluctuations on certain underlying assets, liabilities and commitments for Operating expenses and product costs denominated in foreign currencies. See Part I, Item 3, *Quantitative and Qualitative Disclosures About Market Risks* included in this Quarterly Report on Form 10-Q for additional information.

Indemnifications

In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements, products or services to be provided by us, environmental compliance or from intellectual property ("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 three months ended September 30, 2022 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 September 30, 2022 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.

Recent Accounting Pronouncements

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

Critical Accounting Policies and Estimates

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

There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended July 1, 2022. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the year ended July 1, 2022 for a discussion of our critical accounting policies and estimates. In addition, as disclosed in Part I, Item 1, Note 3, *Business Segments, Geographic Information, and Concentrations of Risk*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, as of September 30, 2022, our management identified several factors that warranted a quantitative analysis of impairment for both the Flash and HDD reporting units as of that date. Please refer to that disclosure for additional information on the estimates included in our assessment.

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

Except as disclosed below, there have been no material changes to our market risk during the three months ended September 30, 2022. See Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risks* in our Annual Report on Form 10-K for the year ended July 1, 2022 for further information about our exposure to market risk.

Foreign Currency Risk

Due to macroeconomic changes and volatility experienced in the foreign exchange market recently, we believe sensitivity analysis is more informative in representing the potential impact to the portfolio as a result of market movement. Therefore, we have performed sensitivity analyses as of September 30, 2022 and July 1, 2022 using a modeling technique that measures the change in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar, with all other variables held constant. The analyses cover all of our foreign currency derivative contracts used to offset the underlying exposures. The foreign currency exchange rates used in performing the sensitivity analyses were based on market rates in effect at September 30, 2022 and July 1, 2022. The sensitivity analyses indicated that a hypothetical 10% adverse movement in foreign currency exchange rates relative to the U.S. dollar would result in a foreign exchange fair value loss of $303 million and $306 million at September 30, 2022 and July 1, 2022, respectively.

Interest Rate Risk

We have generally held a balance of fixed and variable rate debt. As of September 30, 2022, our only variable rate debt outstanding was our Term Loan A-2, which bears interest, at the Company's option, at a per annum rate equal to either (x) the Adjusted Term Secured Overnight Financing Rate ("SOFR") (as defined in the Loan Agreement) plus an applicable margin varying from 1.125% to 2.000% or (y) a base rate plus an applicable margin varying from 0.125% to 1.000%, in each case depending on the corporate family ratings of the Company from at least two of Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch Ratings, Inc., with an initial interest rate of Adjusted Term SOFR plus 1.375%.

As of September 30, 2022, the outstanding balance on our Term Loan A-2 was $2.7 billion and a one percent increase in the variable rate of interest would increase annual interest expense by $27 million. We currently have pay-fixed interest rate swaps of $2 billion notional amount that would mitigate the impact of fluctuations in variable interest rates through February 2023.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting during the first quarter of 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

See Note 13, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for disclosures regarding statutory notices of deficiency issued by the IRS in June 2018 and December 2018, petitions filed by the Company with the U.S. Tax Court in September 2018 and March 2019, additional penalties asserted by the IRS in March 2021 and further Amendments to Answers filed by the IRS in June 2021 and January 2022, and a tentative resolution with respect to certain matters.

Item 1A. ***Risk Factors***

We have described under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended July 1, 2022 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 year ended July 1, 2022. 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.

Table of Contents

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 February 10, 2021 (Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-08703) with the Securities and Exchange Commission on February 12, 2021)
10.1	Form of Notice of Grant of Performance Stock Units and Performance Stock Unit Award Agreement under the Western Digital Corporation 2021 Long-Term Incentive Plan†*
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document†
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document†
101.LAB	XBRL Taxonomy Extension Label Linkbase Document†
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document†
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document†
104	Cover Page Interactive Data File - formatted in Inline XBRL and contained in Exhibit 101

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

SIGNATURES

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

WESTERN DIGITAL CORPORATION

By: /s/ Gene Zamiska

Gene Zamiska

Senior Vice President, Global Accounting and Chief Accounting Officer

(Principal Accounting Officer)

Dated: November 2, 2022

Exhibit 10.1

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

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

Name of Participant:	
Employee ID	
Grant Date:	
Grant Number	
Target Number of PSUs:	
Vesting Schedule:	The vesting date of the PSUs is [ ] (the "***Vesting Date***"). Vesting shall be subject to Participant's Continuous Service from the Grant Date through the Vesting Date, unless provided otherwise under Section 2 of the Standard Terms and Conditions.
Performance Period and Measurement Periods:	The PSUs shall be eligible to vest based on performance during the three-year Performance Period, which spans the First, Second and Third Measurement Periods (the "Annual Measurement Periods"). The Performance Period begins on the first day of the First Measurement Period and ends on the last day of the Third Measurement Period. • First Measurement Period begins [ ] and ends [ ]. • Second Measurement Period begins [ ] and ends [ ]. • Third Measurement Period begins [ ] and ends [ ]. The actual number of PSUs that may become eligible to vest on the Vesting Date is based on the achievement of financial metrics over each Annual Measurement Period and may range from [0%] to [200%] of the Target Number of PSUs, subject to forfeiture as provided in the Standard Terms and Conditions. The achievement of certain Stock Price Incentive goals at the end of the Performance Period may increase the actual number of PSUs that become eligible to vest on the Vesting Date up to [300%] of the Target Number of PSUs in accordance with Exhibit B.

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

<u>EXHIBIT A</u>

WESTERN DIGITAL CORPORATION
2021 LONG-TERM INCENTIVE PLAN

STANDARD TERMS AND CONDITIONS FOR
PERFORMANCE STOCK UNITS

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

1. TERMS OF PERFORMANCE STOCK UNITS

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

2. VESTING AND SETTLEMENT OF PERFORMANCE STOCK UNITS

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

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

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

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

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

Any Unvested PSUs that do not vest as described above shall be forfeited as of the date of the Participant's termination of Continuous Service. For the avoidance of doubt, the Participant shall not be eligible to vest in additional PSUs due to the achievement of certain Stock Price Incentive goals (as described in Exhibit B) if the Participant is terminated without Cause prior to the end of the Performance Period.

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

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

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

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

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

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

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

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

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

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

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

3. RIGHTS AS STOCKHOLDER; DIVIDEND EQUIVALENTS

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

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

4. RESTRICTIONS ON RESALES OF SHARES

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

5. INCOME TAXES

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

6. NONTRANSFERABILITY OF AWARD

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

7. OTHER AGREEMENTS SUPERSEDED

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

8. NO ADDITIONAL RIGHTS

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

9. GENERAL

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

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

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

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

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

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

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

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

10. ELECTRONIC DELIVERY

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

11. ARBITRATION

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

If, however, Participant has opted out of the DRA, any Covered Claims shall be submitted to arbitration pursuant to this Section 11. Such arbitration shall be held in Orange County, California, U.S.A., before a sole arbitrator selected from Judicial Arbitration and Mediation Services, Inc., Orange, California, or its successor ("***JAMS***"), or if JAMS is no longer able to supply the arbitrator, such arbitrator shall be selected from the American Arbitration Association, and shall be conducted in accordance with the provisions of the Federal Arbitration Act; provided, however, that provisional injunctive relief may, but need not, be sought by either party in a court of law to maintain the status quo while arbitration proceedings are pending, and any provisional injunctive relief granted by such court shall remain effective until the matter is finally determined by the arbitrator. Any such action for provisional injunctive relief shall be subject to the exclusive jurisdiction of the Delaware Chancery Court and each party consents to jurisdiction with respect to any such action in Delaware Chancery Court. To the fullest extent permitted by applicable law, Participant and the Company agree to bring any Covered Claims on an individual basis only, and not on a class, collective, joint, or representative basis. If, however, the preceding sentence be determined invalid or unenforceable by a court of competent jurisdiction and not by an arbitrator with respect to any particular Covered Claim, then that Covered Claim will not proceed in arbitration but rather will be resolved in a court of competent jurisdiction for that Covered Claim only. All other Covered Claims must be resolved in arbitration on an individual basis. Any award or relief granted by the arbitrator shall be final and binding on the Company and the Participant and may be enforced by any court of competent jurisdiction.

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

12. NON-U.S. EMPLOYEES

The Award shall be subject to any additional terms and conditions for non-U.S. employees set forth in Appendix A ("***Appendix A***") and any terms and conditions for the Participant's country set forth in Appendix B ("***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 Company 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 Agreement.

13. ADDITIONAL PARTICIPANT OBLIGATIONS

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

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

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

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

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

(f) The Participant agrees that a breach by the Participant of any of the covenants in this Section 13 would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and that damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, the Participant agrees that in the event of any breach or threatened breach of any provision of this Section 13, the Company (or its applicable Subsidiary, as the case may be) shall be entitled, in addition to and without limitation upon all other remedies the Company (or any of its Subsidiaries) may have under this Award

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

<u>EXHIBIT B</u>

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

[*To be inserted*]

Exhibit B
PERFORMANCE MEASURE AND GOALS

EXHIBIT B-1

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

First Measurement Period

[*To be inserted*]

<u>EXHIBIT B-2</u>

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

Second Measurement Period

[*To be inserted*]

EXHIBIT B-3

PERFORMANCE STOCK UNIT AWARD
Performance Measures and Goals

Third Measurement Period

[*To be inserted*]

* * *

<u>APPENDIX A</u>

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

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

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

2. Withholding Taxes

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

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

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

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

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

3. Nature of Grant

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

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

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

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

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

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

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

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

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

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

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

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

4. Data Privacy

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

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

(m) ***<u>Data Processing and Legal Basis</u>. The Company collects, uses and otherwise processes Personal Data about the Participant for the purposes of allocating shares of Common Stock and implementing, administering and managing the Plan. The Participant understands that this Personal Data may include, without limitation, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport number or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company or its Subsidiaries, details of all PSUs or any other entitlement to shares of stock or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor. The legal basis for the processing of the Participant's Personal Data will be the Participant's consent.***

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

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

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

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

(r) *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 Company holds about the Participant and how it is processed, and to access or request copies of such Personal Data, (ii) request the correction or supplementation of Personal Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Personal Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, does not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request the Company to restrict the processing of the Participant's Personal Data in certain situations where the Participant feels its processing is inappropriate, (v) object, in certain circumstances, to the processing of Personal Data for legitimate interests, and to (vi) request portability of the Participant's Personal Data that the Participant has actively or passively provided to the Company (which does not include data derived or inferred from the collected data), where the processing of such Personal Data is based on consent or the Participant's employment or service contract and is carried out by automated means. In case of concerns, the Participant understands that the Participant may also have the right to lodge a complaint with the competent local data protection authority. Further, to receive clarification of, or to exercise any of, the Participant's rights the Participant understands that the Participant should contact the Participant's local human resources representative.*

(s) *Alternate Basis and Additional Consents. Finally, the Participant understands that the Company may rely on a different basis for the processing or transfer of Personal Data in the future and/or request that the Participant provide another data privacy consent. If applicable, the Participant agrees that upon request of the Company or the Employer, the Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such consent or agreement requested by the Company and/or the Employer.*

5. Electronic Delivery and Acceptance

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

6. Insider Trading/Market Abuse Laws

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

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

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

8. Language

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

Exhibit 31.1

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

I, David V. Goeckeler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Western Digital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David V. Goeckeler

David V. Goeckeler
Chief Executive Officer

Dated: November 2, 2022

Exhibit 31.2

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

I, Wissam Jabre, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Western Digital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Wissam Jabre

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

Dated: November 2, 2022

Exhibit 32.1

The following certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Western Digital Corporation specifically incorporates it by reference.

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Western Digital Corporation, a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David V. Goeckeler

David V. Goeckeler
Chief Executive Officer

Dated: November 2, 2022

Exhibit 32.2

The following certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Western Digital Corporation specifically incorporates it by reference.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Western Digital Corporation, a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wissam Jabre

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

Dated: November 2, 2022