

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 27, 2006

WESTERN DIGITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other
Jurisdiction of
Incorporation)

1-08703
(Commission
File Number)

33-0956711
(IRS Employer
Identification No.)

20511 Lake Forest Drive, Lake Forest, California
(Address of Principal Executive Offices)

92630
(Zip Code)

Registrant's telephone number, including area code: **(949) 672-7000**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On July 27, 2006, Western Digital Corporation (the “Company”) announced financial results for the fourth fiscal quarter and fiscal year ended June 30, 2006. A copy of the press release making this announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of the Company’s Investor Information Summary for the fiscal quarter ended June 30, 2006 is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 7.01 Regulation FD Disclosure.

On July 27, 2006, the Company announced that a Special Committee of its Board of Directors, comprised solely of independent directors, is conducting a company-initiated, voluntary review of its historical stock option grants. A copy of the press release making this announcement is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.3, shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

- 99.1 Press Release issued by Western Digital Corporation on July 27, 2006 announcing financial results for the fourth fiscal quarter and year ended June 30, 2006.
 - 99.2 Fourth Quarter Fiscal Year 2006 Western Digital Corporation Investor Information Summary.
 - 99.3 Press Release issued by Western Digital Corporation on July 27, 2006 announcing a company-initiated, voluntary review of its historical option grants by a Special Committee.
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SIGNATURES

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

WESTERN DIGITAL CORPORATION

Dated: July 27, 2006

By: /s/ Raymond M. Bukaty

Raymond M. Bukaty
*Senior Vice President, Administration,
General Counsel and Secretary*

INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release issued by Western Digital Corporation on July 27, 2006 announcing financial results for the fourth fiscal quarter and fiscal year ended June 30, 2006.
99.2	Fourth Quarter Fiscal Year 2006 Western Digital Corporation Investor Information Summary.
99.3	Press Release issued by Western Digital Corporation on July 27, 2006 announcing a company-initiated, voluntary review of its historical option grants by a Special Committee.

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FOR IMMEDIATE RELEASE:

**WD CAPS STRONG YEAR WITH Q4 REVENUE OF \$1.1 BILLION AND
NET INCOME OF \$.53 PER SHARE, INCLUDING \$35 MILLION
IN FAVORABLE ADJUSTMENTS**

LAKE FOREST, Calif. — Jul. 27, 2006 — Western Digital Corp. (NYSE: WDC) today reported revenue of \$1.1 billion on shipments of approximately 19.2 million hard drives, and net income of \$119.9 million, or \$.53 per share for its fourth fiscal quarter ended June 30, 2006. Net income included approximately \$35 million in favorable adjustments. Revenue increased 15 percent over the fourth quarter of the prior year, and net income, including the favorable adjustments, increased 191 percent, versus revenue of \$940 million and net income of \$41.2 million, respectively. Net income in the prior year fourth quarter was negatively affected by a \$19 million expense for settlement of a lawsuit.

The favorable adjustments in net income in the fourth quarter included a \$13 million benefit to gross margin related to the resolution of certain items that impacted amounts previously recorded as costs, and a \$22 million benefit to income taxes related to an adjustment to the value of the company's deferred tax assets.

Western Digital also announced in a separate press release today that it has appointed a Special Committee of its Board of Directors that is conducting a company-initiated, voluntary review of its historical stock option grants. The Special Committee has hired independent counsel and is reviewing option grants from fiscal year 1998 to the present. While the Special Committee has not completed its review, a preliminary determination has been made that measurement dates for accounting purposes may differ from recorded dates used for certain grants made from fiscal year 1999 through fiscal year 2003. The company does not at present anticipate a material adjustment to the operating results included in this release. However, depending on the results of the Special Committee's review, a material adjustment to the company's financial statements could be required. The company has informed the Securities and Exchange Commission that its historical stock option grants are being reviewed. The company will provide a public statement once its review is complete.

WD also separately announced today that it is in volume production of 2.5-inch mobile hard drives with 80 gigabyte-per-platter perpendicular magnetic recording (PMR) technology and of 3.5-inch desktop hard drives utilizing 160 gigabyte-per-platter technology. Both product families utilize heads designed and manufactured by WD.

"Our results in the June quarter demonstrate WD's ability to post consistently strong financial performance and they represent a noteworthy achievement during the industry's slower season," said Arif Shakeel, chief executive officer of Western Digital. "We performed well in the high volume desktop market and showed significant progress in our two major growth markets—3.5-inch drives for consumer electronics (CE) and 2.5-inch drives for notebook PCs.

"Several years ago, we established revenue diversification as a key strategic objective in order to leverage our resources into an expanding array of hard drive applications and fast-

growing markets,” Shakeel said. “We continued to make excellent progress in addressing these opportunities in the fourth quarter: 34 percent of revenue came from new markets for WD such as CE and mobile drives, while 66 percent came from the desktop PC market. This compares with a mix in the year-ago quarter of 23 percent new market revenue and 77 percent desktop PC revenue.”

Demonstrating this trend, shipments of 3.5-inch hard drives for CE devices such as digital and personal video recorders expanded to 2.2 million units in the June quarter while 2.5-inch mobile hard drive shipments grew to 1.6 million, with both categories showing strong year-over-year and sequential growth.

Commenting on the company’s volume production of 2.5-inch mobile hard drives with 80 gigabyte-per-platter PMR technology and of 3.5-inch desktop hard drives utilizing 160 gigabyte per-platter technology, Shakeel said: “These technology achievements represent a continued return on investment from our substantial technology spending over the last four years. We are deploying both technologies at a time when we can maximize the critical balance of cost, reliability, quality, availability, and our customers’ needs.”

The company’s results for its full year ended June 30, 2006, reflected strong year-over-year performance, with revenue of \$4.3 billion, net income of \$396 million, and earnings per share of \$1.77. Net income for the full year included the \$22 million adjustment related to deferred income taxes. These results represent increases in revenue of 19 percent and in net income of 100 percent, including the favorable adjustment, compared with fiscal 2005. For the prior year, net income was \$198 million, or \$.91 per share.

From a balance sheet perspective, WD generated over \$400 million in cash flow from operations during fiscal 2006, and ended the year with \$699 million of cash and short-term investments, an increase of 17 percent from the prior fiscal year.

“Our fiscal-year performance reflects a sustained track record by WD of executing in all aspects of our operations and of delivering outstanding financial results throughout all seasons in the dynamic hard drive industry,” said Shakeel. “We remain focused on executing to our business model as we address the multiple growth market opportunities for high-volume suppliers in our industry.”

The investment community conference call to discuss these results and the company’s outlook will be broadcast live over the Internet today at 2 p.m. PDT/5 p.m. EDT. The call will be accessible live and on an archived basis via the link below:

Audio Webcast: www.westerndigital.com/investor — click on “Conference Calls”

Telephone Replay: 866-448-2576 (toll-free) or +1-203-369-1172 (international)

About WD

WD, one of the storage industry’s pioneers and long-time leaders, provides products and services for people and organizations that collect, manage and use digital information. The company produces reliable, high-performance hard drives that keep users’ data close-at-hand and secure from loss.

WD was founded in 1970. The company’s storage products are marketed to leading systems manufacturers and selected resellers under the Western Digital and WD brand names. Visit the Investor section of the company’s Web site (www.westerndigital.com) to access a variety of financial and investor information.

This press release contains forward-looking statements, including the statements regarding the company's ability to post consistently strong financial performance; growth market opportunities; and the company's current anticipation that the stock option review will not result in a material adjustment to the operating results reported in this release. These forward-looking statements are based on the company's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements, including risks and uncertainties arising out of the company's ongoing review of its stock option grants and developments in regulatory and legal guidance regarding stock option grants and accounting for such grants. For example, information may be learned and analysis may be undertaken concerning the company's historic stock option grants and accounting that may materially impact the company's financial statements or results. Other potential risks and uncertainties that could cause actual results to differ materially from those expressed in the forward looking statements include pricing trends and fluctuations in average selling prices (ASPs); actions by competitors; changes in the availability and cost of specialized product components, including media; supply and demand conditions in the hard drive industry; changes in product and customer mix; uncertainties related to the development and introduction of products based on new technologies and successful expansion into new hard drive markets, including the 1-inch and other small form factor markets; difficulties in reducing yield losses from complex manufacturing processes; business conditions and growth in the notebook, consumer electronics, enterprise, branded products and desktop markets; and other risks and uncertainties listed in the company's recent Form 10-Q filed with the SEC on May 9, 2006, to which your attention is directed. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

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Western Digital and WD are registered trademarks, and the Western Digital logo is a trademark of Western Digital Technologies, Inc.
1 gigabyte (GB) = 1 billion bytes. Total accessible capacity varies depending on operating environment.

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	Jun. 30, 2006	Jul. 1, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 550.7	\$ 485.2
Short-term investments	148.1	113.2
Accounts receivable, net	481.5	402.9
Inventories	205.1	152.9
Other	106.8	27.0
Total current assets	1,492.2	1,181.2
Property and equipment, net	548.6	395.0
Other assets, net	32.5	12.4
Total assets	<u>\$ 2,073.3</u>	<u>\$ 1,588.6</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 631.8	\$ 569.1
Accrued expenses	128.5	154.1
Accrued warranty	71.6	75.2
Current portion of long-term debt	24.6	20.1
Total current liabilities	856.5	818.5
Long-term debt	19.5	32.6
Other liabilities	37.6	35.4
Total liabilities	913.6	886.5
Shareholders' equity	1,159.7	702.1
Total liabilities and shareholders' equity	<u>\$ 2,073.3</u>	<u>\$ 1,588.6</u>

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)
(unaudited)

	Three Months Ended			Years Ended	
	Jun. 30, 2006	Mar. 31, 2006	Jul. 1, 2005	Jun. 30, 2006	Jul. 1, 2005
Revenue, net	\$ 1,085.5	\$ 1,128.8	\$ 940.4	\$ 4,341.3	\$ 3,638.8
Cost of revenue	881.1	910.9	780.9	3,512.4	3,049.0
Gross margin	204.4	217.9	159.5	828.9	589.8
Operating expenses:					
Research and development	71.6	78.7	64.1	296.5	238.5
Selling, general and administrative	38.8	38.5	57.0	165.4	154.4
Total operating expenses	110.4	117.2	121.1	461.9	392.9
Operating income	94.0	100.7	38.4	367.0	196.9
Net interest and other income	5.7	4.8	2.7	15.8	5.4
Income before income taxes	99.7	105.5	41.1	382.8	202.3
Income tax (benefit) provision	(20.2)	2.6	0.1	(13.1)	3.9
Net income	\$ 119.9	\$ 102.9	\$ 41.2	\$ 395.9	\$ 198.4
Net income per common share:					
Basic	\$.55	\$.47	\$.19	\$ 1.84	\$.96
Diluted	\$.53	\$.45	\$.19	\$ 1.77	\$.91
Common shares used in computing per share amounts:					
Basic	217.6	216.7	211.4	215.0	207.6
Diluted	225.1	226.8	222.6	223.6	216.9

WESTERN DIGITAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	Three Months Ended			Years Ended	
	Jun. 30, 2006	Mar. 31, 2006	Jul. 1, 2005	Jun. 30, 2006	Jul. 1, 2005*
Cash flows from operating activities					
Net income	\$ 119.9	\$ 102.9	\$ 41.2	\$ 395.9	\$ 198.4
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	43.7	41.9	35.8	159.8	131.0
Stock-based compensation	11.8	8.7	1.9	36.3	3.8
Deferred income taxes	(22.3)	—	—	(22.3)	—
Other non-cash items	—	(2.1)	—	4.9	—
Changes in operating assets and liabilities	(26.8)	(32.4)	34.2	(173.1)	127.5
Net cash provided by operating activities	<u>126.3</u>	<u>119.0</u>	<u>113.1</u>	<u>401.5</u>	<u>460.7</u>
Cash flows from investing activities					
Capital expenditures, net	(95.8)	(103.9)	(80.4)	(301.9)	(233.4)
Short-term investments, net	(17.3)	(36.2)	—	(34.8)	(80.9)
Net cash used in investing activities	<u>(113.1)</u>	<u>(140.1)</u>	<u>(80.4)</u>	<u>(336.7)</u>	<u>(314.3)</u>
Cash flows from financing activities					
Issuance of common stock under employee plans	10.1	38.3	18.0	77.6	57.8
Repurchase of common stock	(9.8)	(17.5)	(21.7)	(53.5)	(45.0)
Repayment of long-term debt	(6.2)	(6.5)	(4.9)	(23.4)	(19.5)
Net cash (used in) provided by financing activities	<u>(5.9)</u>	<u>14.3</u>	<u>(8.6)</u>	<u>0.7</u>	<u>(6.7)</u>
Net increase in cash and cash equivalents	7.3	(6.8)	24.1	65.5	139.7
Cash and cash equivalents, beginning of period	543.4	550.2	461.1	485.2	345.5
Cash and cash equivalents, end of period	<u>\$ 550.7</u>	<u>\$ 543.4</u>	<u>\$ 485.2</u>	<u>\$ 550.7</u>	<u>\$ 485.2</u>

* Certain reclassifications have been made to previously reported amounts to conform to the current period presentation.

WESTERN DIGITAL CORPORATION
 INVESTOR INFORMATION SUMMARY
 Q4 FY2006 (All \$ amounts in millions, except ASPs and headcount)

	Q4 FY05	Q1 FY06	Q2 FY06	Q3 FY06	Q4 FY06
HARD DRIVE UNITS (in millions):	15.8	17.1	18.1	18.8	19.2
REVENUE:	\$ 940	\$ 1,010	\$ 1,117	\$ 1,129	\$ 1,086
AVERAGE SELLING PRICE:	\$ 59	\$ 59	\$ 62	\$ 60	\$ 56
GROSS MARGIN %:	17.0%	17.7%	20.4%	19.3%	18.8%
REVENUE BY CHANNEL:					
OEM	57%	55%	56%	53%	54%
DISTRIBUTORS	38%	39%	39%	40%	37%
RETAIL	5%	6%	5%	7%	9%
REVENUE BY GEOGRAPHY:					
AMERICAS	38%	36%	32%	39%	38%
EUROPE	25%	29%	34%	27%	22%
ASIA	37%	35%	34%	34%	40%
WORLDWIDE HEADCOUNT:	23,161	24,211	24,591	24,235	24,750
CASH RELATED INFORMATION:					
CASH FLOW FROM OPERATIONS	\$ 113	\$ 40	\$ 117	\$ 119	\$ 126
CAPITAL INVESTMENTS	\$ 80	\$ 50	\$ 52	\$ 104	\$ 96
DEPRECIATION AND AMORTIZATION	\$ 36	\$ 36	\$ 39	\$ 42	\$ 44
DAYS SALES OUTSTANDING	39	42	35	39	40
INVENTORY METRICS:					
RAW MATERIALS	\$ 14	\$ 14	\$ 18	\$ 16	\$ 23
WORK IN PROCESS	60	54	58	63	62
FINISHED GOODS	79	105	92	99	120
TOTAL INVENTORY, NET	\$ 153	\$ 173	\$ 168	\$ 178	\$ 205
INVENTORY TURNS	20	19	21	21	17

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FOR IMMEDIATE RELEASE:

**WD ANNOUNCES COMPANY-INITIATED, VOLUNTARY REVIEW OF
STOCK OPTION GRANTS BY SPECIAL BOARD COMMITTEE**

LAKE FOREST, Calif. — Jul. 27, 2006 — Western Digital Corp. (NYSE: WDC) announced today that a Special Committee of its Board of Directors, comprised solely of independent directors, is conducting a company-initiated, voluntary review of its historical stock option grants. The Special Committee has retained independent counsel to assist it with this review. The Special Committee is reviewing option grants from fiscal year 1998 to the present. While the Special Committee has not completed its review, a preliminary determination has been made that measurement dates for accounting purposes may differ from recorded dates used for certain grants made from fiscal year 1999 through fiscal year 2003. The company does not at present anticipate a material adjustment to the operating results reported today in its earnings press release. However, depending on the results of the Special Committee's review, a material adjustment to the company's financial statements could be required. The company has informed the Securities and Exchange Commission that its historical stock option grants are being reviewed. The company will provide a public statement once its review is complete.

About WD

WD, one of the storage industry's pioneers and long-time leaders, provides products and services for people and organizations that collect, manage and use digital information. The company produces reliable, high-performance hard drives that keep users' data close-at-hand and secure from loss.

WD was founded in 1970. The company's storage products are marketed to leading systems manufacturers and selected resellers under the Western Digital and WD brand names. Visit the Investor section of the company's Web site (www.westerndigital.com) to access a variety of financial and investor information.

This press release contains a forward-looking statement regarding the company's current anticipation that the stock option review will not result in a material adjustment to the operating results reported by the company today in its separate press release. This forward-looking statement is based on the company's current expectations and is subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statement, including risks and uncertainties arising out of the company's ongoing review of its stock option grants and developments in regulatory and legal guidance regarding stock option grants and accounting for such grants. For example, information may be learned and analysis may be undertaken concerning the company's historic stock option grants and accounting that may materially impact the company's financial statements or results. Readers are cautioned not to place undue reliance on this forward-looking statement, which speaks only as of the date hereof, and the company undertakes no obligation to update this forward-looking statement to reflect subsequent events or circumstances.

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