

---

---

**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): October 28, 2015**

---

**Western Digital Corporation**

(Exact Name of Registrant as Specified in its Charter)

---

**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**001-08703**  
(Commission  
File Number)

**33-0956711**  
(I.R.S. Employer  
Identification No.)

**3355 Michelson Drive, Suite 100**  
**Irvine, California**  
(Address of Principal Executive Offices)

**92612**  
(Zip Code)

**(949) 672-7000**  
(Registrant's Telephone Number, Including Area Code)

**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 240.425)
  - 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))
- 
-

## **Item 2.02 Results of Operations and Financial Condition.**

On October 28, 2015, Western Digital Corporation (“Western Digital”) announced financial results for the first fiscal quarter ended October 2, 2015. 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 Western Digital’s Quarterly Fact Sheet for the first fiscal quarter ended October 2, 2015 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 this Item 2.02, 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.

### ***Forward-Looking Statements***

This document contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements regarding Western Digital’s product and technology positioning, the anticipated benefits and timing of the integration of HGST and WD, the investment in the company by Unisplendour Corporation and Western Digital’s proposed merger with SanDisk (including financing of the proposed transaction and the benefits, results, effects and timing of a transaction), all statements regarding Western Digital’s (and Western Digital’s and SanDisk’s combined) expected future financial position, results of operations, cash flows, dividends, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management, and statements containing the use of forward-looking words, such as “may,” “will,” “could,” “would,” “should,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “potential,” “plan,” “forecast,” “approximate,” “intend,” “upside,” and the like, or the use of future tense. Statements contained herein concerning the business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends or other financial items, and product or services line growth of Western Digital (and the combined businesses of Western Digital and SanDisk), together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting the best judgment of Western Digital based upon currently available information. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from Western Digital’s expectations as a result of a variety of factors, including, without limitation, those discussed below. These forward-looking statements are based upon management’s current expectations and include known and unknown risks, uncertainties and other factors, many of which Western Digital is unable to predict or control, that may cause actual results, performance or plans to differ materially from those expressed or implied by such forward-looking statements, including: volatility in global economic conditions; business conditions and growth in the storage ecosystem; pricing trends and fluctuations in average selling prices; the availability and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; and other risks and uncertainties listed in the company’s filings with the Securities and Exchange Commission (the “SEC”), including Western Digital’s most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and Western Digital undertakes no obligation to update these forward-looking statements to reflect new information or events.

Risks and uncertainties related to the proposed merger include, but are not limited to, the risk that SanDisk’s stockholders do not approve the merger or that Western Digital’s stockholders do not approve the issuance of stock in the merger (to the extent such approval is required), potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the merger, uncertainties as to the timing of the merger, the possibility that the closing conditions to the proposed merger may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary approval, adverse effects on Western Digital’s stock price resulting from the announcement or completion of the merger, competitive responses to the announcement or completion of the merger, costs and difficulties related to the integration of SanDisk’s businesses and operations with Western Digital’s businesses and operations, the inability to obtain, or delays in obtaining, cost savings and synergies from the merger, uncertainties as to whether the completion of the merger or any transaction will have the accretive effect on Western Digital’s earnings or cash flows that it expects, unexpected

costs, liabilities, charges or expenses resulting from the merger, litigation relating to the merger, the inability to retain key personnel, and any changes in general economic and/or industry-specific conditions. In addition to the factors set forth above, other factors that may affect Western Digital's or SanDisk's plans, results or stock price are set forth in Western Digital's and SanDisk's respective filings with the SEC, including Western Digital's and SanDisk's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Many of these factors are beyond Western Digital's and SanDisk's control. Western Digital and SanDisk caution investors that any forward-looking statements made by Western Digital or SanDisk are not guarantees of future performance. Neither Western Digital nor SanDisk intend, or undertake any obligation, to publish revised forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

### ***Important Additional Information and Where to find It***

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication may be deemed to be solicitation material in respect of the proposed merger between Western Digital and SanDisk. In connection with the proposed merger, Western Digital intends to file a registration statement on Form S-4 with the SEC that contains a preliminary joint proxy statement of SanDisk and Western Digital that also constitutes a preliminary prospectus of Western Digital. After the registration statement is declared effective, Western Digital and SanDisk will mail the definitive joint proxy statement/prospectus to their respective stockholders. This material is not a substitute for the joint proxy statement/prospectus or registration statement or for any other document that Western Digital or SanDisk may file with the SEC and send to Western Digital's and/or SanDisk's stockholders in connection with the proposed merger. INVESTORS AND SECURITY HOLDERS OF WESTERN DIGITAL AND SANDISK ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE JOINT PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. Investors and security holders will be able to obtain copies of the joint proxy statement/prospectus (when filed) as well as other filings containing information about Western Digital and SanDisk, without charge, at the SEC's website, <http://www.sec.gov>. Copies of the documents filed with the SEC by Western Digital will be available free of charge on Western Digital's website at <http://www.wdc.com>. Copies of the documents filed with the SEC by SanDisk will be available free of charge on SanDisk's website at <http://www.sandisk.com>.

### ***Participants in Solicitation***

Western Digital, SanDisk and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from their respective stockholders in favor of the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of stockholders in connection with the proposed transaction will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Western Digital's executive officers and directors in Western Digital's definitive proxy statement filed with the SEC on September 23, 2015. You can find information about SanDisk's executive officers and directors in its definitive proxy statement filed with the SEC on April 27, 2015. You can obtain free copies of these documents from Western Digital and SanDisk, respectively, using the contact information above. Investors may obtain additional information regarding the interest of such participants by reading the joint proxy statement/prospectus regarding the proposed merger when it becomes available.

### **Item 9.01 Financial Statements and Exhibits.**

#### **(d) Exhibits**

- 99.1 Press Release issued by Western Digital Corporation on October 28, 2015 announcing financial results for the first fiscal quarter ended October 2, 2015.
- 99.2 First Quarter Fiscal Year 2016 Western Digital Corporation Quarterly Fact Sheet.

**SIGNATURE**

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

**Western Digital Corporation**  
*(Registrant)*

Date: October 28, 2015

By: \_\_\_\_\_  
/s/ Michael C. Ray  
Michael C. Ray  
Senior Vice President, General Counsel  
and Secretary



## Company contacts:

Bob Blair  
Western Digital Investor Relations  
949.672.7834  
robert.blair@wdc.com

Jim Pascoe  
Western Digital Corporation  
408.717.5950  
jim.pascoe@wdc.com

**FOR IMMEDIATE RELEASE:****WESTERN DIGITAL ANNOUNCES FINANCIAL RESULTS FOR  
FIRST QUARTER FISCAL 2016**

IRVINE, Calif. — Oct. 28, 2015 — Western Digital® Corp. (NASDAQ: WDC) today reported revenue of \$3.4 billion and net income of \$283 million, or \$1.21 per share, for its first fiscal quarter ended Oct. 2, 2015. On a non-GAAP basis, net income was \$366 million, or \$1.56 per share. In the year-ago quarter, the company reported revenue of \$3.9 billion and net income of \$423 million, or \$1.76 per share. Non-GAAP net income in the year-ago quarter was \$504 million, or \$2.10 per share.

The company generated \$545 million in cash from operations during the first fiscal quarter, ending with total cash and cash equivalents of \$5.1 billion. It utilized \$60 million to repurchase 0.7 million shares of its common stock. On Aug. 4, the company declared a cash dividend of \$0.50 per share of its common stock, which was paid on Oct. 15.

“I am pleased with our execution and performance in the first fiscal quarter,” said Steve Milligan, chief executive officer of Western Digital. “We continue to benefit from our strong product and technology positioning in today’s storage market. I am very excited about our future and ability to create long term value in the evolving storage ecosystem, especially in light of our three recent announcements regarding the planned investment in our company by Unisplendour, the MOFCOM decision and our planned acquisition of SanDisk.”

The investment community conference call to discuss these results and our current outlook will be broadcast live over the Internet today at 2 p.m. Pacific/5 p.m. Eastern. The live and archived conference call webcast can be accessed online at [investor.wdc.com](http://investor.wdc.com). A quarterly fact sheet including our guidance for the second quarter fiscal 2016 will also be posted on our website at [investor.wdc.com](http://investor.wdc.com). The telephone replay number is 1-800-947-5189 in the U.S. or +1-203-369-3554 for international callers.

### **About Western Digital**

Founded in 1970, Western Digital Corp. (NASDAQ: WDC), Irvine, Calif., is an industry-leading developer and manufacturer of storage solutions that enable people to create, manage, experience and preserve digital content. It is a long-time innovator in the storage industry. Western Digital Corporation is responding to changing market needs by providing a full portfolio of compelling, high-quality storage products with effective technology deployment, high efficiency, flexibility and speed. Its products are marketed under the HGST and WD brands to OEMs, distributors, resellers, cloud infrastructure providers and consumers. Financial and investor information is available on the company's Investor Relations website at [investor.wdc.com](http://investor.wdc.com).

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements include, but are not limited to, statements regarding Western Digital's product and technology positioning, the anticipated benefits and timing of the integration of HGST and WD, the investment in the company by Unisplendour Corporation and Western Digital's proposed merger with SanDisk (including financing of the proposed transaction and the benefits, results, effects and timing of a transaction), all statements regarding Western Digital's (and Western Digital's and SanDisk's combined) expected future financial position, results of operations, cash flows, dividends, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management, and statements containing the use of forward-looking words, such as "may," "will," "could," "would," "should," "project," "believe," "anticipate," "expect," "estimate," "continue,"

“potential,” “plan,” “forecast,” “approximate,” “intend,” “upside,” and the like, or the use of future tense. Statements contained herein concerning the business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends or other financial items, and product or services line growth of Western Digital (and the combined businesses of Western Digital and SanDisk), together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting the best judgment of Western Digital based upon currently available information. Statements concerning current conditions may also be forward-looking if they imply a continuation of current conditions.

Such forward-looking statements are inherently uncertain, and stockholders and other potential investors must recognize that actual results may differ materially from Western Digital’s expectations as a result of a variety of factors, including, without limitation, those discussed below. These forward-looking statements are based upon management’s current expectations and include known and unknown risks, uncertainties and other factors, many of which Western Digital is unable to predict or control, that may cause actual results, performance or plans to differ materially from those expressed or implied by such forward-looking statements, including: volatility in global economic conditions; business conditions and growth in the storage ecosystem; pricing trends and fluctuations in average selling prices; the availability and cost of commodity materials and specialized product components; actions by competitors; unexpected advances in competing technologies; the development and introduction of products based on new technologies and expansion into new data storage markets; and other risks and uncertainties listed in the company’s filings with the Securities and Exchange Commission (the “SEC”), including Western Digital’s most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof, and Western Digital undertakes no obligation to update these forward-looking statements to reflect new information or events.

Risks and uncertainties related to the proposed merger include, but are not limited to, the risk that SanDisk's stockholders do not approve the merger or that Western Digital's stockholders do not approve the issuance of stock in the merger (to the extent such approval is required), potential adverse reactions or changes to business relationships resulting from the announcement, pendency or completion of the merger, uncertainties as to the timing of the merger, the possibility that the closing conditions to the proposed merger may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary approval, adverse effects on Western Digital's stock price resulting from the announcement or completion of the merger, competitive responses to the announcement or completion of the merger, costs and difficulties related to the integration of SanDisk's businesses and operations with Western Digital's businesses and operations, the inability to obtain, or delays in obtaining, cost savings and synergies from the merger, uncertainties as to whether the completion of the merger or any transaction will have the accretive effect on Western Digital's earnings or cash flows that it expects, unexpected costs, liabilities, charges or expenses resulting from the merger, litigation relating to the merger, the inability to retain key personnel, and any changes in general economic and/or industry-specific conditions. In addition to the factors set forth above, other factors that may affect Western Digital's or SanDisk's plans, results or stock price are set forth in Western Digital's and SanDisk's respective filings with the SEC, including Western Digital's and SanDisk's most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Many of these factors are beyond Western Digital's and SanDisk's control. Western Digital and SanDisk caution investors that any forward-looking statements made by Western Digital or SanDisk are not guarantees of future performance. Neither Western Digital nor SanDisk intend, or undertake any obligation, to publish revised forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.



**Important Additional Information and Where to find It**

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication may be deemed to be solicitation material in respect of the proposed merger between Western Digital and SanDisk. In connection with the proposed merger, Western Digital intends to file a registration statement on Form S-4 with the SEC that contains a preliminary joint proxy statement of SanDisk and Western Digital that also constitutes a preliminary prospectus of Western Digital. After the registration statement is declared effective, Western Digital and SanDisk will mail the definitive joint proxy statement/prospectus to their respective stockholders. This material is not a substitute for the joint proxy statement/prospectus or registration statement or for any other document that Western Digital or SanDisk may file with the SEC and send to Western Digital's and/or SanDisk's stockholders in connection with the proposed merger. INVESTORS AND SECURITY HOLDERS OF WESTERN DIGITAL AND SANDISK ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE JOINT PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER. Investors and security holders will be able to obtain copies of the joint proxy statement/prospectus (when filed) as well as other filings containing information about Western Digital and SanDisk, without charge, at the SEC's website, <http://www.sec.gov>. Copies of the documents filed with the SEC by Western Digital will be available free of charge on Western Digital's website at <http://www.wdc.com>. Copies of the documents filed with the SEC by SanDisk will be available free of charge on SanDisk's website at <http://www.sandisk.com>.

**Participants in Solicitation**

Western Digital, SanDisk and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from their respective stockholders in favor of the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of stockholders in connection with the proposed transaction will be set forth in the joint proxy statement/prospectus

when it is filed with the SEC. You can find information about Western Digital's executive officers and directors in Western Digital's definitive proxy statement filed with the SEC on Sept. 23, 2015. You can find information about SanDisk's executive officers and directors in its definitive proxy statement filed with the SEC on April 27, 2015. You can obtain free copies of these documents from Western Digital and SanDisk, respectively, using the contact information above. Investors may obtain additional information regarding the interest of such participants by reading the joint proxy statement/prospectus regarding the proposed merger when it becomes available.

###

Western Digital, WD and the WD logo are registered trademarks in the U.S. and other countries. HGST trademarks are intended and authorized for use only in countries and jurisdictions in which HGST has obtained the rights to use, market and advertise the brand. Other marks may be mentioned herein that belong to other companies.

## WESTERN DIGITAL CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions; unaudited)

	Oct. 2, 2015	July 3, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,081	\$ 5,024
Short-term investments	347	262
Accounts receivable, net	1,616	1,532
Inventories	1,260	1,368
Other current assets	351	331
Total current assets	8,655	8,517
Property, plant and equipment, net	2,890	2,965
Goodwill	2,766	2,766
Other intangible assets, net	319	332
Other non-current assets	631	601
Total assets	<u>\$15,261</u>	<u>\$15,181</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,799	\$ 1,881
Accrued expenses	528	470
Accrued compensation	336	330
Accrued warranty	141	150
Revolving credit facility	255	255
Current portion of long-term debt	172	156
Total current liabilities	3,231	3,242
Long-term debt	2,109	2,156
Other liabilities	585	564
Total liabilities	5,925	5,962
Total shareholders' equity	9,336	9,219
Total liabilities and shareholders' equity	<u>\$15,261</u>	<u>\$15,181</u>

## WESTERN DIGITAL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts; unaudited)

	<u>Three Months Ended</u>	
	<u>Oct. 2, 2015</u>	<u>Oct. 3, 2014</u>
Revenue, net	\$ 3,360	\$ 3,943
Cost of revenue	2,405	2,794
Gross profit	<u>955</u>	<u>1,149</u>
Operating expenses:		
Research and development	385	437
Selling, general and administrative	192	220
Charges related to arbitration award	—	14
Employee termination, asset impairment and other charges	56	9
Total operating expenses	<u>633</u>	<u>680</u>
Operating income	322	469
Net interest and other	(8)	(9)
Income before income taxes	314	460
Income tax provision	31	37
Net income	<u>\$ 283</u>	<u>\$ 423</u>
Income per common share:		
Basic	<u>\$ 1.23</u>	<u>\$ 1.81</u>
Diluted	<u>\$ 1.21</u>	<u>\$ 1.76</u>
Weighted average shares outstanding:		
Basic	<u>231</u>	<u>234</u>
Diluted	<u>234</u>	<u>240</u>

## WESTERN DIGITAL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions; unaudited)

	<u>Three Months Ended</u>	
	<u>Oct. 2, 2015</u>	<u>Oct. 3, 2014</u>
<b>Operating Activities</b>		
Net income	\$ 283	\$ 423
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	236	289
Stock-based compensation	42	39
Deferred income taxes	(7)	10
Loss on disposal of assets	—	4
Non-cash portion of employee termination, asset impairment and other charges	18	1
Changes in operating assets and liabilities, net	(27)	61
Net cash provided by operating activities	<u>545</u>	<u>827</u>
<b>Investing Activities</b>		
Purchases of property, plant and equipment	(151)	(160)
Purchases of investments	(236)	(120)
Proceeds from sales and maturities of investments	124	166
Other investing activities, net	(10)	(12)
Net cash used in investing activities	<u>(273)</u>	<u>(126)</u>
<b>Financing Activities</b>		
Employee stock plans, net	(9)	2
Repurchases of common stock	(60)	(223)
Dividends paid to shareholders	(115)	(94)
Repayment of debt	(31)	(31)
Net cash used in financing activities	<u>(215)</u>	<u>(346)</u>
Net increase in cash and cash equivalents	57	355
Cash and cash equivalents, beginning of period	5,024	4,804
Cash and cash equivalents, end of period	<u>\$ 5,081</u>	<u>\$ 5,159</u>

**WESTERN DIGITAL CORPORATION**

**GAAP TO NON-GAAP NET INCOME RECONCILIATION**

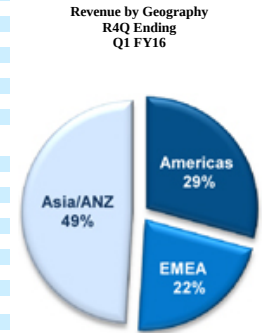
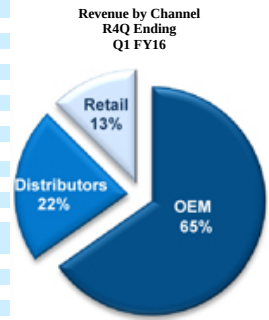
(in millions, except per share amounts; unaudited)

	<u>Three Months Ended</u>	
	<u>Oct. 2, 2015</u>	<u>Oct. 3, 2014</u>
GAAP net income	\$ 283	\$ 423
Non-GAAP adjustments:		
Amortization of intangible assets	25	46
Employee termination, asset impairment and other charges	56	9
Charges related to arbitration award	—	14
Other	2	12
Non-GAAP net income	<u>\$ 366</u>	<u>\$ 504</u>
Diluted net income per common share:		
GAAP	<u>\$ 1.21</u>	<u>\$ 1.76</u>
Non-GAAP	<u>\$ 1.56</u>	<u>\$ 2.10</u>
Weighted average shares outstanding:		
Diluted	<u>234</u>	<u>240</u>

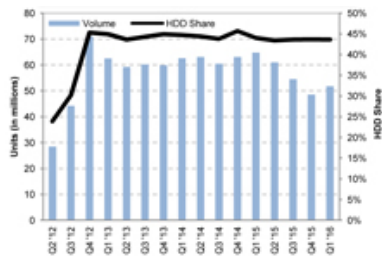
The table above sets forth non-GAAP net income and non-GAAP diluted net income per common share. These non-GAAP net income and diluted net income per common share measures exclude amortization of intangible assets related to acquisitions, certain employee termination, asset impairment and other charges, certain charges related to an arbitration award and other charges that are unusual, non-recurring or may not be indicative of ongoing operations. The company believes that non-GAAP net income and non-GAAP earnings per share are useful measures to investors as an alternative method for measuring the company's earnings performance and comparing it against prior periods. The presentation of these adjusted amounts vary from numbers presented in accordance with U.S. GAAP and therefore may not be comparable to amounts reported by other companies. The tax effect of the aforementioned items was not material to the condensed consolidated statements of income for the three months ended October 2, 2015 and October 3, 2014.

Amounts in millions, except per share amounts, ASP, percentages

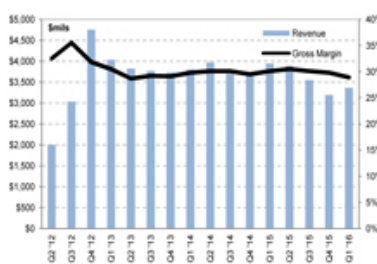
	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16
TAM	119.1	146.4	156.7	139.1	135.8	135.9	133.3	140.2	142.2	138.1	138.0	147.3	140.8	125.0	111.0	118.6
HDD Share	23.9%	30.2%	45.3%	44.9%	43.6%	44.3%	44.9%	44.7%	44.4%	43.8%	45.7%	44.0%	43.4%	43.6%	43.7%	43.6%
Units (HDD) <sup>2</sup>	28.5	44.2	71.0	62.5	59.2	60.2	59.9	62.6	63.1	60.4	63.1	64.7	61.0	54.5	48.5	51.7
ASP (HDD)	\$ 69	\$ 68	\$ 65	\$ 62	\$ 62	\$ 61	\$ 60	\$ 58	\$ 60	\$ 58	\$ 56	\$ 58	\$ 60	\$ 61	\$ 60	\$ 60
Revenue	\$ 1,995	\$ 3,035	\$ 4,754	\$ 4,035	\$ 3,824	\$ 3,764	\$ 3,728	\$ 3,804	\$ 3,972	\$ 3,703	\$ 3,651	\$ 3,943	\$ 3,888	\$ 3,550	\$ 3,191	\$ 3,360
Gross Profit	\$ 648	\$ 977	\$ 1,472	\$ 1,193	\$ 1,059	\$ 1,061	\$ 1,050	\$ 1,099	\$ 1,156	\$ 1,076	\$ 1,029	\$ 1,149	\$ 1,110	\$ 1,032	\$ 930	\$ 955
Gross Margin	32.5%	32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%	28.5%	29.1%	29.1%	28.4%
R&D	\$ 191	\$ 265	\$ 406	\$ 396	\$ 378	\$ 396	\$ 402	\$ 401	\$ 416	\$ 418	\$ 426	\$ 437	\$ 426	\$ 402	\$ 381	\$ 385
SG&A	85	122	178	179	162	185	180	132	226	201	202	220	164	199	190	192
Other	210	48	80	26	41	63	689	24	36	38	49	23	54	10	104	56
Total Operating Expenses	\$ 486	\$ 435	\$ 664	\$ 601	\$ 581	\$ 644	\$ 1,271	\$ 557	\$ 678	\$ 657	\$ 677	\$ 680	\$ 644	\$ 611	\$ 675	\$ 633
Operating Income (Loss)	\$ 162	\$ 542	\$ 808	\$ 592	\$ 478	\$ 417	\$ (221)	\$ 542	\$ 478	\$ 419	\$ 352	\$ 469	\$ 466	\$ 421	\$ 255	\$ 322
Net Income (Loss)	\$ 145	\$ 483	\$ 745	\$ 519	\$ 335	\$ 391	\$ (265)	\$ 495	\$ 430	\$ 375	\$ 317	\$ 423	\$ 438	\$ 384	\$ 220	\$ 283
EPS	\$ 0.61	\$ 1.96	\$ 2.87	\$ 2.06	\$ 1.36	\$ 1.60	\$ (1.12)	\$ 2.05	\$ 1.77	\$ 1.55	\$ 1.32	\$ 1.76	\$ 1.84	\$ 1.63	\$ 0.94	\$ 1.21
Diluted Shares Outstanding	237	246	260	252	246	245	236	242	243	242	241	240	238	236	235	234
<b>Non-GAAP Results</b>																
Gross Profit <sup>10</sup>	\$ 648	\$ 1,077	\$ 1,511	\$ 1,231	\$ 1,097	\$ 1,099	\$ 1,085	\$ 1,135	\$ 1,196	\$ 1,115	\$ 1,078	\$ 1,188	\$ 1,187	\$ 1,069	\$ 951	\$ 972
Gross Margin <sup>10</sup>	32.5%	35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	30.1%	29.8%	28.9%
Operating Expenses <sup>10</sup>	\$ 273	\$ 383	\$ 572	\$ 564	\$ 529	\$ 559	\$ 564	\$ 574	\$ 616	\$ 605	\$ 598	\$ 638	\$ 620	\$ 591	\$ 560	\$ 567
Net Income	\$ 358	\$ 619	\$ 872	\$ 594	\$ 513	\$ 514	\$ 477	\$ 514	\$ 532	\$ 470	\$ 445	\$ 504	\$ 539	\$ 441	\$ 356	\$ 366
EPS <sup>6</sup>	\$ 1.51	\$ 2.52	\$ 3.35	\$ 2.36	\$ 2.09	\$ 2.10	\$ 1.96	\$ 2.12	\$ 2.19	\$ 1.94	\$ 1.85	\$ 2.10	\$ 2.26	\$ 1.87	\$ 1.51	\$ 1.56
<b>Revenue By Channel</b>																
OEM	59%	64%	69%	63%	61%	60%	66%	64%	62%	62%	65%	63%	63%	64%	67%	67%
Distributors	25%	28%	21%	24%	24%	26%	23%	24%	24%	25%	23%	24%	23%	23%	21%	21%
Retail	16%	8%	10%	13%	15%	14%	11%	12%	14%	13%	12%	13%	14%	13%	12%	12%
<b>Revenue by Geography</b>																
Americas	22%	21%	27%	23%	27%	27%	28%	26%	25%	25%	24%	27%	27%	29%	32%	30%
EMEA	21%	18%	18%	18%	23%	22%	19%	20%	23%	21%	20%	21%	24%	21%	21%	21%
Asia/ANZ	57%	61%	55%	59%	50%	51%	53%	54%	52%	54%	56%	52%	49%	50%	47%	49%
<b>Top 10 Customers</b>																
Revenue	51%	53%	53%	44%	45%	45%	48%	48%	42%	44%	45%	45%	44%	43%	44%	48%
Enterprise SSD Revenue	\$ —	\$ 11	\$ 54	\$ 70	\$ 89	\$ 92	\$ 104	\$ 106	\$ 155	\$ 134	\$ 113	\$ 156	\$ 187	\$ 224	\$ 244	\$ 233
Non-PC Revenue <sup>12</sup>	34%	31%	45%	46%	51%	51%	52%	53%	54%	53%	54%	55%	58%	60%	65%	66%
<b>PC Units<sup>5</sup></b>																
Notebook	9,814	18,067	32,773	25,887	21,300	21,547	23,989	22,912	22,662	21,814	22,899	23,396	21,178	18,785	15,513	15,804
Desktop	11,391	15,975	21,211	16,819	17,717	18,383	16,185	17,307	16,825	16,635	16,182	16,320	15,375	13,523	11,601	11,683
<b>Non-PC Units</b>																
Consumer Electronics <sup>4</sup>	2,352	3,643	4,155	8,019	6,452	6,517	6,544	8,474	8,794	8,573	10,906	10,485	9,295	8,610	9,056	11,484
Branded	3,191	2,926	4,986	5,767	7,139	6,517	5,281	6,146	7,018	6,272	6,012	6,780	7,156	6,090	5,151	5,575
Enterprise	1,724	3,616	7,913	5,988	6,633	7,211	7,897	7,771	7,783	7,129	7,098	7,763	8,041	7,519	7,199	7,185
Total HDD	28,472	44,227	71,038	62,480	59,241	60,175	59,896	62,610	63,082	60,423	63,097	64,744	61,045	54,527	48,520	51,731
Average GB Shipped	578	581	668	708	804	805	797	811	874	888	875	1,001	1,088	1,123	1,159	1,228
EB Shipped	16.5	25.7	47.4	44.3	47.6	48.4	47.7	50.8	55.1	53.6	55.2	64.8	66.4	61.3	56.2	63.5
R4Q EB Shipped	114.6	111.5	126.3	133.9	165.1	187.8	188.0	194.5	202.0	207.2	214.7	228.7	240.0	247.7	248.7	247.4



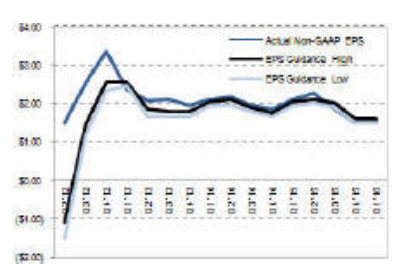
Volume and HDD Share<sup>2</sup>



Revenue and Non-GAAP Gross Margin<sup>10</sup>



Non-GAAP EPS Analysis

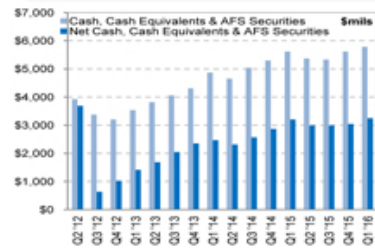


Note: Refer to "Non-GAAP Financial Measures" for information about non-GAAP financial measures included in this quarterly fact sheet.

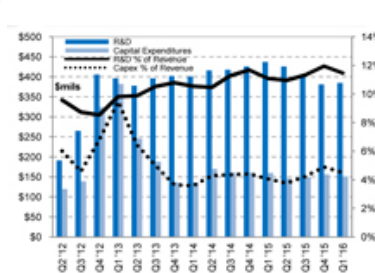
Balance sheet, cash flows, earnings, dividends and share repurchase amounts in millions

	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	
Cash and Cash Equivalents	\$ 3,924	\$ 3,377	\$ 3,208	\$ 3,537	\$ 3,816	\$ 4,060	\$ 4,309	\$ 4,869	\$ 4,655	\$ 4,569	\$ 4,804	\$ 5,159	\$ 4,902	\$ 4,812	\$ 5,024	\$ 5,081	
Available-for-Sale (AFS) Securities																	
Debt	(231)	(2,743)	(2,185)	(2,128)	(2,128)	(2,013)	(1,955)	(2,398)	(2,340)	(2,469)	(2,438)	(2,406)	(2,375)	(2,344)	(2,567)	(2,536)	Business Model (Non-GAAP)
Net Cash, Cash Equivalents & AFS Securities	\$ 3,693	\$ 634	\$ 1,023	\$ 1,409	\$ 1,688	\$ 2,047	\$ 2,354	\$ 2,471	\$ 2,315	\$ 2,570	\$ 2,865	\$ 3,207	\$ 2,992	\$ 2,991	\$ 3,047	\$ 3,249	
Cash Flow From Operations	\$ 378	\$ 1,208	\$ 1,128	\$ 936	\$ 772	\$ 727	\$ 684	\$ 680	\$ 727	\$ 697	\$ 713	\$ 827	\$ 243	\$ 684	\$ 488	\$ 545	Gross Margin* 27%-32%
Free Cash Flow	\$ 258	\$ 1,069	\$ 804	\$ 554	\$ 526	\$ 539	\$ 548	\$ 544	\$ 557	\$ 536	\$ 552	\$ 667	\$ 97	\$ 534	\$ 332	\$ 394	
Capital Expenditures	\$ 120	\$ 139	\$ 324	\$ 382	\$ 246	\$ 188	\$ 136	\$ 136	\$ 170	\$ 161	\$ 161	\$ 160	\$ 146	\$ 150	\$ 156	\$ 151	Operating Expense* 10%-12%
Depreciation and Amortization	\$ 140	\$ 188	\$ 339	\$ 313	\$ 309	\$ 309	\$ 302	\$ 312	\$ 317	\$ 307	\$ 308	\$ 289	\$ 290	\$ 285	\$ 250	\$ 236	
EBITDA	\$ 302	\$ 730	\$ 1,147	\$ 905	\$ 787	\$ 726	\$ 81	\$ 854	\$ 795	\$ 726	\$ 660	\$ 758	\$ 756	\$ 706	\$ 505	\$ 558	
Accounts Receivable, Net	\$ 747	\$ 2,377	\$ 2,364	\$ 1,951	\$ 1,732	\$ 1,700	\$ 1,793	\$ 1,791	\$ 1,959	\$ 1,802	\$ 1,989	\$ 1,915	\$ 1,880	\$ 1,696	\$ 1,532	\$ 1,616	Operating Income* 15%-22%
Inventory																	
Raw Materials	\$ 191	\$ 329	\$ 245	\$ 237	\$ 193	\$ 191	\$ 167	\$ 208	\$ 201	\$ 204	\$ 168	\$ 178	\$ 154	\$ 173	\$ 168	\$ 135	
Work in Process	185	667	552	559	581	583	575	579	581	519	493	509	510	498	500	507	
Finished Goods	90	286	413	508	430	423	446	457	511	554	565	585	618	651	700	618	Tax 7%-10% of Income Before Tax
Total Inventory	\$ 466	\$ 1,282	\$ 1,210	\$ 1,304	\$ 1,204	\$ 1,197	\$ 1,188	\$ 1,244	\$ 1,293	\$ 1,277	\$ 1,226	\$ 1,272	\$ 1,282	\$ 1,322	\$ 1,368	\$ 1,260	
Property, Plant and Equipment, Net	\$ 2,091	\$ 4,171	\$ 4,067	\$ 4,027	\$ 3,938	\$ 3,803	\$ 3,700	\$ 3,638	\$ 3,509	\$ 3,406	\$ 3,293	\$ 3,202	\$ 3,099	\$ 3,051	\$ 2,965	\$ 2,890	
Accounts Payable	\$ 883	\$ 2,774	\$ 2,773	\$ 2,545	\$ 2,185	\$ 2,037	\$ 1,990	\$ 2,061	\$ 2,106	\$ 1,902	\$ 1,971	\$ 2,016	\$ 2,071	\$ 2,020	\$ 1,881	\$ 1,799	Capital Expenditures* 5%-7%
Days Sales Outstanding <sup>11</sup>	34	71	45	44	41	41	44	43	45	44	50	48	44	44	44	44	Conversion Cycle 4-8 Days
Days Inventory Outstanding <sup>11</sup>	31	57	34	42	40	40	40	42	42	44	42	45	42	48	55	48	
Days Payables Outstanding <sup>11</sup>	60	123	77	82	72	69	67	69	68	65	68	71	68	73	76	68	
Cash Conversion Cycle <sup>11</sup>	5	5	2	4	9	12	17	16	19	23	24	22	18	19	23	24	
Inventory Turns <sup>11</sup>	12	6	11	9	9	9	9	9	9	8	9	8	9	8	7	8	
Dividends Paid	\$ —	\$ —	\$ —	\$ —	\$ 121	\$ —	\$ 60	\$ 59	\$ 59	\$ 71	\$ 70	\$ 94	\$ 94	\$ 93	\$ 116	\$ 115	
Shares Repurchased	—	—	16.4	5.2	4.2	5.2	4.4	2.3	2.0	2.8	3.2	2.2	3.2	2.2	2.0	0.7	
Shares Repurchased	\$ —	\$ —	\$ 604	\$ 218	\$ 146	\$ 243	\$ 235	\$ 150	\$ 150	\$ 244	\$ 272	\$ 223	\$ 309	\$ 240	\$ 198	\$ 60	
Remaining Amount Authorized	\$ 416	\$ 416	\$ 1,312	\$ 2,594	\$ 2,448	\$ 2,205	\$ 1,970	\$ 1,820	\$ 1,670	\$ 1,426	\$ 1,154	\$ 931	\$ 622	\$ 2,382	\$ 2,184	\$ 2,124	
R4Q Economic Profit <sup>8</sup>	\$ 15	\$ (83)	\$ 542	\$ 801	\$ 976	\$ 884	\$ (59)	\$ (176)	\$ (109)	\$ (158)	\$ 415	\$ 332	\$ 328	\$ 320	\$ 203	\$ 52	
R4Q ROIC <sup>8</sup>	11.9%	14.8%	20.4%	21.3%	21.0%	20.0%	10.1%	9.7%	10.5%	10.2%	15.1%	14.2%	14.1%	14.1%	13.1%	11.7%	
R4Q ROA <sup>8</sup>	8.5%	10.5%	14.3%	14.9%	14.7%	14.2%	7.0%	6.7%	7.2%	7.0%	10.6%	10.0%	10.1%	10.2%	9.6%	8.7%	
Worldwide Headcount <sup>3</sup>	67,121	106,604	103,111	96,002	93,820	87,565	85,777	87,586	87,976	84,556	84,072	83,277	83,993	80,767	76,449	74,925	

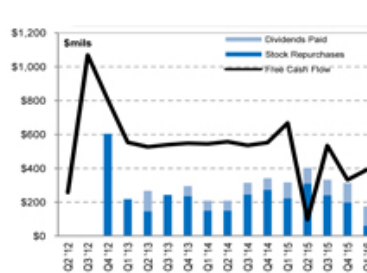
Gross vs. Net Cash, Cash Equivalents & AFS Securities



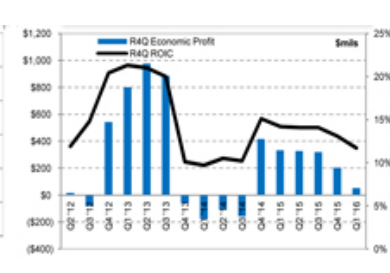
R&D<sup>10</sup> and Capital Expenditures



Free Cash Flow



R4Q ROIC & R4Q Economic Profit<sup>8</sup>



Note: Refer to "Non-GAAP Financial Measures" for information about non-GAAP financial measures included in this quarterly fact sheet.



## Non-GAAP Financial Measures

**Free Cash Flow:** Free cash flow is a non-GAAP financial measure defined as cash flows from operations less capital expenditures. We consider free cash flow to be useful as an indicator of our overall liquidity, as the amount of free cash flow generated in any period is representative of cash that is available for strategic opportunities including, among others, investing in the Company's business, making strategic acquisitions, strengthening the balance sheet, repaying debt, paying dividends and repurchasing stock. We also believe that free cash flow is one of several benchmarks used by investors for comparison of our liquidity with other companies in our industry, although our measure of free cash flow may not be directly comparable to similar measures reported by other companies. Free cash flow should not be construed as an alternative to cash flows from operations or other cash flow measurements determined in accordance with GAAP.

**EBITDA:** EBITDA is a non-GAAP financial measure defined as net income before interest, income tax expense, depreciation and amortization. We include information concerning EBITDA because we believe it is a useful measure to evaluate our operating performance. As a measure of our operating performance, we believe EBITDA provides a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. While EBITDA is a relevant and widely used measure of operating performance, it does not represent net income as defined by GAAP and it should not be considered as an alternative to that measure in evaluating operating performance.

**Non-GAAP Gross Margin and Non-GAAP Gross Profit:** Non-GAAP gross margin is a non-GAAP measure defined as non-GAAP gross profit divided by revenue. Non-GAAP gross profit is a non-GAAP measure defined as gross profit before any charges to cost of goods sold that are unusual, non-recurring, or may not be indicative of ongoing operations. Because we believe some charges may not be indicative of ongoing operations, we believe that non-GAAP gross profit is a useful measure to investors as an alternative method for measuring our operating performance and comparing it against prior periods' performance.

**Non-GAAP Operating Expenses:** Non-GAAP operating expenses is a non-GAAP measure defined as operating expenses before any charges that are unusual, non-recurring, or may not be indicative of ongoing operations. Because we believe some charges may not be indicative of ongoing operations, we believe that non-GAAP operating expenses is a useful measure to investors as an alternative method for measuring our expense management and comparing it against prior periods' performance.

**Non-GAAP Net Income and Non-GAAP EPS:** Non-GAAP net income and non-GAAP EPS are non-GAAP measures defined as net income and EPS, respectively, before any charges that are unusual, non-recurring, or may not be indicative of ongoing operations, or any tax impact related to those charges. Because we believe some charges may not be indicative of ongoing operations, we believe that non-GAAP net income and non-GAAP EPS are useful measures to investors as an alternative method for measuring our earnings performance and comparing it against prior periods' performance.

In millions, except gross margin and per share amounts	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16
<b>Reconciliation of Cash Flows from Operations to Free Cash Flow</b>																
Cash Flows from Operations	\$ 378	\$1,208	\$1,128	\$ 936	\$ 772	\$ 727	\$ 684	\$ 680	\$ 727	\$ 697	\$ 713	\$ 827	\$ 243	\$ 684	\$ 488	\$ 545
Capital Expenditures	(120)	(139)	(324)	(382)	(246)	(188)	(136)	(136)	(170)	(161)	(161)	(160)	(146)	(150)	(156)	(151)
Free Cash Flow	\$ 258	\$1,069	\$ 804	\$ 554	\$ 526	\$ 539	\$ 548	\$ 544	\$ 557	\$ 536	\$ 552	\$ 667	\$ 97	\$ 534	\$ 332	\$ 394
<b>Reconciliation of Net Income to EBITDA</b>																
Net Income (Loss)	\$ 145	\$ 483	\$ 745	\$ 519	\$ 335	\$ 391	\$ (265)	\$ 495	\$ 430	\$ 375	\$ 317	\$ 423	\$ 438	\$ 384	\$ 220	\$ 283
Interest	2	4	7	14	10	11	9	10	11	13	5	9	8	9	8	8
Income Tax Expense	15	55	56	59	133	15	35	37	37	31	30	37	20	28	27	31
Depreciation and Amortization	140	188	339	313	309	309	302	312	317	307	308	289	290	285	250	236
EBITDA	\$ 302	\$ 730	\$1,147	\$ 905	\$ 787	\$ 726	\$ 81	\$ 854	\$ 795	\$ 726	\$ 660	\$ 758	\$ 756	\$ 706	\$ 505	\$ 558
<b>Reconciliation of Gross Margin to Non-GAAP Gross Margin &amp; Gross Profit to Non-GAAP Gross Profit</b>																
Gross Profit <sup>10</sup>	\$ 648	\$ 977	\$1,472	\$1,193	\$1,059	\$1,061	\$1,050	\$1,099	\$1,156	\$1,076	\$1,029	\$1,149	\$1,110	\$1,032	\$ 930	\$ 955
Acquisition-related adjustments	—	91	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	10	—	39	—	1	—
Amortization of Intangibles	—	9	39	38	38	38	35	36	40	39	39	39	38	37	20	17
Non-GAAP Gross Profit <sup>10</sup>	\$ 648	\$1,077	\$1,511	\$1,231	\$1,097	\$1,099	\$1,085	\$1,135	\$1,196	\$1,115	\$1,078	\$1,188	\$1,187	\$1,069	\$ 951	\$ 972
Revenue	\$1,995	\$3,035	\$4,754	\$4,035	\$3,824	\$3,764	\$3,728	\$3,804	\$3,972	\$3,703	\$3,651	\$3,943	\$3,888	\$3,550	\$3,191	\$3,360
Gross Margin <sup>10</sup>	32.5%	32.2%	31.0%	29.6%	27.7%	28.2%	28.2%	28.9%	29.1%	29.1%	28.2%	29.1%	28.5%	29.1%	29.1%	28.4%
Non-GAAP Gross Margin <sup>10</sup>	32.5%	35.5%	31.8%	30.5%	28.7%	29.2%	29.1%	29.8%	30.1%	30.1%	29.5%	30.1%	30.5%	30.1%	29.8%	28.9%
<b>Reconciliation of Operating Expenses to Non-GAAP Operating Expenses</b>																
Total Operating Expenses	\$ 486	\$ 435	\$ 664	\$ 601	\$ 581	\$ 644	\$1,271	\$ 557	\$ 678	\$ 657	\$ 677	\$ 680	\$ 644	\$ 611	\$ 675	\$ 633
Less:																
Amortization of Intangibles	—	(3)	(12)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(8)	(7)	(7)	(7)	(8)	(8)
Employee termination, asset impairment and other charges	—	—	(80)	(26)	(41)	(63)	(8)	(11)	(23)	(25)	(26)	(9)	(36)	(10)	(104)	(56)
Charges related to arbitration award	—	—	—	—	—	—	(681)	(13)	(13)	(13)	(13)	(14)	(1)	—	—	—
Acquisition-related adjustments	(14)	(34)	—	—	—	—	(7)	(13)	—	—	—	—	—	(3)	—	—
Charges and Insurance Recoveries Related to Flooding, Net	(199)	(15)	—	—	—	—	—	65	—	—	—	—	37	—	—	—
Other	—	—	—	—	—	(11)	—	—	(15)	(3)	(32)	(12)	(17)	—	(3)	(2)
Non-GAAP Operating Expenses	273	383	572	564	529	559	564	574	616	605	598	638	620	591	560	567
<b>Reconciliation of Net Income (Loss) to Non-GAAP Net Income</b>																
Net Income (Loss)	\$ 145	\$ 483	\$ 745	\$ 519	\$ 335	\$ 391	\$ (265)	\$ 495	\$ 430	\$ 375	\$ 317	\$ 423	\$ 438	\$ 384	\$ 220	\$ 283
Amortization of Intangibles	—	12	51	49	49	49	46	47	51	50	47	46	45	44	28	25
Employee termination, asset impairment and other charges	—	—	80	26	41	63	8	11	23	25	36	9	53	10	104	56
Charges related to arbitration award	—	—	—	—	—	—	681	13	13	13	13	14	1	—	—	—
Acquisition-related adjustments	14	125	—	—	—	—	7	13	—	—	—	—	—	3	—	—
Charges and Insurance Recoveries Related to Flooding, Net	199	15	—	—	—	—	—	(65)	—	—	—	—	(37)	—	4	—
Other	—	—	—	—	—	11	—	—	15	7	32	12	39	—	4	2
Tax Impact	—	(16)	(4)	—	88	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP Net Income	\$ 358	\$ 619	\$ 872	\$ 594	\$ 513	\$ 514	\$ 477	\$ 514	\$ 532	\$ 470	\$ 445	\$ 504	\$ 539	\$ 441	\$ 356	\$ 366
EPS	\$ 0.61	\$ 1.96	\$ 2.87	\$ 2.06	\$ 1.36	\$ 1.60	\$ (1.12)	\$ 2.05	\$ 1.77	\$ 1.55	\$ 1.32	\$ 1.76	\$ 1.84	\$ 1.63	\$ 0.94	\$ 1.21
Non-GAAP EPS	\$ 1.51	\$ 2.52	\$ 3.35	\$ 2.36	\$ 2.09	\$ 2.10	\$ 1.96	\$ 2.12	\$ 2.19	\$ 1.94	\$ 1.85	\$ 2.10	\$ 2.26	\$ 1.87	\$ 1.51	\$ 1.56
Diluted Shares Outstanding	237	246	260	252	246	245	236	242	243	242	241	240	238	236	235	234
Non-GAAP Diluted Shares Outstanding <sup>6</sup>	237	246	260	252	246	245	243	242	243	242	241	240	238	236	235	234

## Non-GAAP Financial Measures

**Economic Profit:** Economic profit (EP) is a non-GAAP financial measure defined as net operating profit after taxes less the value of invested capital multiplied by the weighted average cost of capital, where net operating profit after taxes is defined as income from operations minus tax expense and invested capital is defined as the sum of current debt, long-term debt and equity. Management uses EP to evaluate business performance and allocate resources, and it is a component in determining management's incentive compensation. Management believes EP provides additional perspective to investors about financial returns generated by the business and represents profit generated over and above the cost of capital used by the business to generate that profit.

In millions	Q3 FY10	Q4 FY10	Q1 FY11	Q2 FY11	Q3 FY11	Q4 FY11	Q1 FY12	Q2 FY12	Q3 FY12	Q4 FY12	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	
<b>Reconciliation of Operating Profit</b>																								
<b>Income (Loss) to R4Q Economic Profit</b>																								
Operating Income (Loss)	\$ 441	\$ 293	\$ 211	\$ 240	\$ 158	\$ 172	\$ 259	\$ 162	\$ 542	\$ 808	\$ 592	\$ 478	\$ 417	\$ (221)	\$ 542	\$ 478	\$ 419	\$ 352	\$ 469	\$ 466	\$ 421	\$ 255	\$ 322	
Income Tax Provision	(40)	(27)	(14)	(14)	(13)	(12)	(19)	(15)	(55)	(56)	(59)	(133)	(15)	(35)	(37)	(37)	(31)	(30)	(37)	(20)	(28)	(27)	(31)	
Net Operating Profit After Taxes	401	266	197	226	145	160	240	147	487	752	533	345	402	(256)	505	441	388	322	432	446	393	228	291	
R4Q Net Operating Profit After Taxes																								
Taxes	1,320	1,388	1,295	1,090	834	728	771	692	1,034	1,626	1,919	2,117	2,032	1,024	996	1,092	1,078	1,656	1,583	1,588	1,593	1,499	1,358	
Invested Capital x WACC	(534)	(562)	(581)	(606)	(621)	(636)	(658)	(677)	(1,117)	(1,084)	(1,118)	(1,141)	(1,148)	(1,083)	(1,172)	(1,201)	(1,236)	(1,241)	(1,251)	(1,260)	(1,273)	(1,296)	(1,306)	
R4Q Economic Profit	\$ 786	\$ 826	\$ 714	\$ 484	\$ 213	\$ 92	\$ 113	\$ 15	\$ (83)	\$ 542	\$ 801	\$ 976	\$ 884	\$ (59)	\$ (176)	\$ (109)	\$ (158)	\$ 415	\$ 332	\$ 328	\$ 320	\$ 203	\$ 52	

### Formulas

Share = Units (HDD) / TAM

ASP = Revenue / Units (HDD)

Free Cash Flow = Cash Flow from Operations – Capital Expenditures

EBITDA = Net Income (Loss) + Interest + Income Tax Expense + Depreciation and Amortization

Days Sales Outstanding (DSO) = Accounts Receivable / (Revenue / 91 days)

Days Inventory Outstanding (DIO) = Inventory / (Cost of Revenue / 91 days)

Days Payables Outstanding (DPO) = Accounts Payable / (Cost of Revenue / 91 days)

Cash Conversion Cycle = DSO + DIO – DPO

Inventory Turns = 364 days / DIO

R4Q Economic Profit = R4Q Net Operating Profit After Taxes – (Invested Capital x WACC)

- Invested Capital = Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity
- WACC = 11%

R4Q ROIC = R4Q (Net Income (Loss) + Interest Expense) / R4Q Average (Short-term debt + Current portion of long-term debt + Long-term debt + Total shareholders' equity)

R4Q ROA = R4Q Net Income (Loss) / R4Q Average Total Assets

### Footnotes

1. ASP, Revenue by Channel and Revenue by Geography exclude external sales of media/substrates.
2. Unit volume excludes WD TV Media Players without hard drives, WD Livewire, SSD and media.
3. Worldwide Headcount excludes temporary and contracted employees.
4. Consumer Electronics includes gaming.
5. PC includes shipments to distributors, second/third tier external HDD manufacturers, and white box manufacturers.
6. Q4 FY13 non-GAAP EPS is calculated using the same number of shares used for Q4 FY13 GAAP EPS plus 7 million dilutive shares. Dilutive shares are not included in the Q4 FY13 GAAP EPS calculation as Q4 FY13 resulted in a net loss.
7. WACC of 11% is an internal assumption.
8. Q2 FY12 includes charges related to the flooding. Q4 FY13 includes charges related to the arbitration award.
9. TAM is preliminary and based on internal information.
10. Certain FY14 prior quarter amounts have been reclassified from gross profit, R&D and SG&A to the other charges line within operating expenses to conform to the annual presentation of FY14 in Part II, Item 8, Note 18 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K.
11. Q1 FY15 cash conversion cycle calculated using 98 days due to a 14 week quarter. Q1 FY15 inventory turns calculated using 371 days due to a 53 week year.
12. Non-PC revenue percentage includes consumer electronics, enterprise applications, branded products, and SSD.

