

**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 March 29, 2024

Or

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

For the transition period from _____ to _____

Commission file number: 1-8703



Western Digital®

WESTERN DIGITAL CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware

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

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

33-0956711

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

95119

(Zip Code)

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

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

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$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 April 22, 2024, 326,524,668 shares of common stock, par value \$0.01 per share, were outstanding.

WESTERN DIGITAL CORPORATION

INDEX

PAGE NO.

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets — As of March 29, 2024 and June 30, 2023	6
	Condensed Consolidated Statements of Operations — Three and Nine Months Ended March 29, 2024 and March 31, 2023	7
	Condensed Consolidated Statements of Comprehensive Loss — Three and Nine Months Ended March 29, 2024 and March 31, 2023	8
	Condensed Consolidated Statements of Cash Flows — Nine Months Ended March 29, 2024 and March 31, 2023	9
	Condensed Consolidated Statements of Convertible Preferred Stock and Shareholders' Equity — Nine Months Ended March 29, 2024 and March 31, 2023	10
	Notes to Condensed Consolidated Financial Statements	12
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	59
Item 4.	Controls and Procedures	59

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	60
Item 1A.	Risk Factors	60
Item 5.	Other Information	60
Item 6.	Exhibits	61

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 our plan to separate our HDD and Flash business units; the global macroeconomic environment; expectations regarding demand trends and market conditions for our products; expectations regarding long-term growth opportunities; expectations related to our agreed sale of a portion of our equity interest in SanDisk Semiconductor (Shanghai) Co. Ltd.; expectations regarding our product development and technology plans; expectations regarding capital expenditure plans and investments, including relating to our Flash Ventures joint venture with Kioxia Corporation (“Kioxia”); expectations regarding our effective tax rate and our unrecognized tax benefits; our ability to improve through-cycle profitability; and our beliefs regarding our capital allocation plans and the sufficiency of our available liquidity and access to capital markets 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 or implied in the forward-looking statements. These risks and uncertainties include, but are not limited to:

- *volatility in global or regional economic conditions and our responsive actions thereto;*
- *operational, financial and legal challenges and difficulties inherent in implementing a separation of the company's HDD and Flash businesses;*
- *the final approval of the separation by the company's board of directors;*
- *dependence on a limited number of suppliers or disruptions in our supply chain;*
- *the outcome, timing and impact of the planned separation of our HDD and Flash business units, including with respect to customer and supplier relationships, contractual restrictions, stock price volatility and the diversion of management’s attention from ongoing business operations and opportunities;*
- *future responses to and effects of public health crises;*
- *the impact of business and market conditions;*
- *damage or disruption to our operations or to those of our suppliers;*
- *hiring and retention of key employees;*
- *compromise, damage or interruption from cybersecurity incidents or other data or system security risks;*
- *product defects;*
- *our reliance on strategic relationships with key partners, including Kioxia;*
- *the competitive environment, including actions by our competitors, and the 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;*
- *changes to our relationships with key customers;*
- *our ability to respond to market and other changes in our distribution channel and retail market;*
- *our level of debt and other financial obligations;*
- *changes in tax laws or unanticipated tax liabilities;*
- *fluctuations in currency exchange rates in connection with our international operations;*
- *risks associated with compliance with changing legal and regulatory requirements and the outcome of legal proceedings;*
- *risks associated with our goals relating to environmental, social and governance matters, including the company’s ability to meet its GHG emissions reduction and other ESG goals;*
- *our reliance on intellectual property and other proprietary information; and*
- *the other risks and uncertainties disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2023 (the “2023 Annual Report on Form 10-K”), as amended, supplemented or superseded in our other reports filed with the Securities and Exchange Commission, including under “Risk Factors” in Item 1A of our subsequent Quarterly Reports on Form 10-Q.*

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 2023 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 2023 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)

	March 29, 2024	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,894	\$ 2,023
Accounts receivable, net	1,800	1,598
Inventories	3,215	3,698
Other current assets	623	567
Total current assets	7,532	7,886
Property, plant and equipment, net	3,253	3,620
Notes receivable and investments in Flash Ventures	1,099	1,410
Goodwill	10,034	10,037
Other intangible assets, net	78	80
Other non-current assets	1,805	1,513
Total assets	\$ 23,801	\$ 24,546
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,400	\$ 1,293
Accounts payable to related parties	310	292
Accrued expenses	972	1,288
Income taxes payable	476	999
Accrued compensation	445	349
Current portion of long-term debt	450	1,213
Total current liabilities	4,053	5,434
Long-term debt	7,318	5,857
Other liabilities	1,433	1,415
Total liabilities	12,804	12,706
Commitments and contingencies (Notes 9, 10, 12 and 16)		
Convertible preferred stock, \$0.01 par value; authorized — 5 shares; issued and outstanding — 1 shares; aggregate liquidation preference of \$968 and \$924, respectively	876	876
Shareholders' equity:		
Common stock, \$0.01 par value; authorized — 450 shares; issued and outstanding — 326 shares and 322 shares, respectively	3	3
Additional paid-in capital	4,018	3,936
Accumulated other comprehensive loss	(636)	(548)
Retained earnings	6,736	7,573
Total shareholders' equity	10,121	10,964
Total liabilities, convertible preferred stock and shareholders' equity	\$ 23,801	\$ 24,546

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		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Revenue, net	\$ 3,457	\$ 2,803	\$ 9,239	\$ 9,646
Cost of revenue	2,456	2,517	7,647	7,851
Gross profit	1,001	286	1,592	1,795
Operating expenses:				
Research and development	494	476	1,369	1,551
Selling, general and administrative	203	242	608	739
Employee termination, asset impairment, and other	8	40	89	140
Business separation costs	23	—	59	—
Total operating expenses	728	758	2,125	2,430
Operating income (loss)	273	(472)	(533)	(635)
Interest and other expense:				
Interest income	10	10	30	15
Interest expense	(108)	(80)	(314)	(223)
Other income, net	3	14	54	27
Total interest and other expense, net	(95)	(56)	(230)	(181)
Income (loss) before taxes	178	(528)	(763)	(816)
Income tax expense	43	43	74	159
Net income (loss)	135	(571)	(837)	(975)
Less: cumulative dividends allocated to preferred shareholders	15	9	44	9
Less: income attributable to preferred shareholders	7	—	—	—
Net income (loss) attributable to common shareholders	\$ 113	\$ (580)	\$ (881)	\$ (984)
Net income (loss) per common share:				
Basic	\$ 0.35	\$ (1.82)	\$ (2.72)	\$ (3.09)
Diluted	\$ 0.34	\$ (1.82)	\$ (2.72)	\$ (3.09)
Weighted average shares outstanding:				
Basic	326	319	324	318
Diluted	335	319	324	318

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

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

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
Net income (loss)	\$ 135	\$ (571)	\$ (837)	\$ (975)
Other comprehensive income (loss), before tax:				
Actuarial pension gain (loss)	—	(1)	—	(1)
Foreign currency translation adjustment	(75)	(8)	(55)	11
Net unrealized gain (loss) on derivative contracts	(86)	21	(45)	233
Total other comprehensive income (loss), before tax	(161)	12	(100)	243
Income tax benefit (expense) related to items of other comprehensive income (loss), before tax	18	(6)	12	(39)
Other comprehensive income (loss), net of tax	(143)	6	(88)	204
Total comprehensive loss	\$ (8)	\$ (565)	\$ (925)	\$ (771)

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)

	Nine Months Ended	
	March 29, 2024	March 31, 2023
Cash flows from operating activities		
Net loss	\$ (837)	\$ (975)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	430	643
Stock-based compensation	226	246
Deferred income taxes	(120)	30
Gain on disposal of assets	(87)	(7)
Non-cash asset impairment	99	18
Gain on repurchase of debt	(4)	—
Amortization of debt issuance costs and discounts	14	9
Other non-cash operating activities, net	24	(8)
Changes in:		
Accounts receivable, net	(202)	1,213
Inventories	483	(341)
Accounts payable	211	(442)
Accounts payable to related parties	18	(54)
Accrued expenses	(310)	(484)
Income taxes payable	(524)	144
Accrued compensation	97	(169)
Other assets and liabilities, net	(178)	(163)
Net cash used in operating activities	(660)	(340)
Cash flows from investing activities		
Purchases of property, plant and equipment	(371)	(702)
Proceeds from the sale of property, plant and equipment	195	14
Notes receivable issuances to Flash Ventures	(184)	(496)
Notes receivable proceeds from Flash Ventures	391	542
Strategic investments and other, net	—	22
Net cash provided by (used in) investing activities	31	(620)
Cash flows from financing activities		
Issuance of stock under employee stock plans	40	49
Taxes paid on vested stock awards under employee stock plans	(66)	(69)
Net proceeds from convertible preferred stock	(5)	882
Purchase of capped calls	(155)	—
Repurchases of debt	(505)	—
Repayments of debt	(1,267)	(1,180)
Proceeds from debt	2,500	1,180
Debt issuance costs	(36)	(6)
Net cash provided by financing activities	506	856
Effect of exchange rate changes on cash	(6)	(3)
Net decrease in cash and cash equivalents	(129)	(107)
Cash and cash equivalents, beginning of year	2,023	2,327
Cash and cash equivalents, end of period	\$ 1,894	\$ 2,220
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 874	\$ 181
Cash paid for interest	\$ 321	\$ 252

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

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY
(in millions)
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at June 30, 2023	1	\$ 876	322	\$ 3	\$ 3,936	\$ (548)	\$ 7,573	\$ 10,964
Net loss	—	—	—	—	—	—	(685)	(685)
Employee stock plans	—	—	2	—	(43)	—	—	(43)
Stock-based compensation	—	—	—	—	77	—	—	77
Foreign currency translation adjustment	—	—	—	—	—	(38)	—	(38)
Net unrealized loss on derivative contracts	—	—	—	—	—	(45)	—	(45)
Balance at September 29, 2023	1	\$ 876	324	\$ 3	\$ 3,970	\$ (631)	\$ 6,888	\$ 10,230
Net loss	—	—	—	—	—	—	(287)	(287)
Employee stock plans	—	—	2	—	33	—	—	33
Stock-based compensation	—	—	—	—	72	—	—	72
Purchase of capped calls related to the issuance of convertible notes, net of tax	—	—	—	—	(118)	—	—	(118)
Foreign currency translation adjustment	—	—	—	—	—	58	—	58
Net unrealized gain on derivative contracts	—	—	—	—	—	80	—	80
Balance at December 29, 2023	1	\$ 876	326	\$ 3	\$ 3,957	\$ (493)	\$ 6,601	\$ 10,068
Net income	—	—	—	—	—	—	135	135
Employee stock plans	—	—	—	—	(16)	—	—	(16)
Stock-based compensation	—	—	—	—	77	—	—	77
Foreign currency translation adjustment	—	—	—	—	—	(75)	—	(75)
Net unrealized loss on derivative contracts	—	—	—	—	—	(68)	—	(68)
Balance at March 29, 2024	1	\$ 876	326	\$ 3	\$ 4,018	\$ (636)	\$ 6,736	\$ 10,121

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

WESTERN DIGITAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY
(in millions)
(Unaudited)

	Convertible Preferred Stock		Common 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	\$ (579)	\$ 9,166	\$ 12,323
Adoption of new accounting standards	—	—	—	—	(128)	—	91	(37)
Net income	—	—	—	—	—	—	47	47
Employee stock plans	—	—	3	—	(50)	—	—	(50)
Stock-based compensation	—	—	—	—	86	—	—	86
Foreign currency translation adjustment	—	—	—	—	—	(87)	—	(87)
Net unrealized loss on derivative contracts	—	—	—	—	—	(60)	—	(60)
Balance at September 30, 2022	—	\$ —	318	\$ 3	\$ 3,641	\$ (726)	\$ 9,304	\$ 12,222
Net loss	—	—	—	—	—	—	(451)	(451)
Employee stock plans	—	—	1	—	43	—	—	43
Stock-based compensation	—	—	—	—	86	—	—	86
Foreign currency translation adjustment	—	—	—	—	—	117	—	117
Net unrealized gain on derivative contracts	—	—	—	—	—	228	—	228
Balance at December 30, 2022	—	\$ —	319	\$ 3	\$ 3,770	\$ (381)	\$ 8,853	\$ 12,245
Net loss	—	—	—	—	—	—	(571)	(571)
Issuance of convertible preferred stock, net of issuance costs	1	876	—	—	—	—	—	—
Employee stock plans	—	—	1	—	(13)	—	—	(13)
Stock-based compensation	—	—	—	—	74	—	—	74
Actuarial pension gain	—	—	—	—	—	(1)	—	(1)
Foreign currency translation adjustment	—	—	—	—	—	(9)	—	(9)
Net unrealized gain on derivative contracts	—	—	—	—	—	16	—	16
Balance at March 31, 2023	1	\$ 876	320	\$ 3	\$ 3,831	\$ (375)	\$ 8,282	\$ 11,741

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 NAND flash and hard disk drive technologies.

The Company’s broad portfolio of technology and products address the following key end markets: Cloud, Client and Consumer. The Company also generates immaterial license and royalty revenue from its extensive intellectual property portfolio, which is included in each of these three end market categories.

The accounting policies followed by the Company are set forth in Part II, Item 8, Note 1, *Organization and Basis of Presentation*, of the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended June 30, 2023. In the opinion of management, all adjustments necessary to fairly state the Condensed Consolidated Financial Statements have been made. Such adjustments consist of items of a normal, recurring nature as well as the revisions discussed further below. 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 June 30, 2023. The results of operations for interim periods are not necessarily indicative of results to be expected for the full year.

Fiscal Year

The Company’s fiscal year ends on the Friday nearest to June 30 and typically consists of 52 weeks. Approximately every five to six years, the Company reports a 53-week fiscal year to align the fiscal year with the foregoing policy. Fiscal year 2024, which will end on June 28, 2024, and fiscal year 2023, which ended on June 30, 2023, 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 United States (“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-based products (“Flash”) and hard disk drives (“HDD”).

The Chief Executive Officer, who is the Company’s Chief Operating Decision Maker (“CODM”), evaluates the performance of the Company and makes decisions regarding the 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 either not available or not used as a basis for the CODM to evaluate the performance of or to allocate resources to the segments.

Business Separation Costs

On October 30, 2023, the Company announced that its Board of Directors had completed its strategic review of its business and, after evaluating a comprehensive range of alternatives, authorized the Company to pursue a plan to separate its Flash and HDD business units to create two independent, public companies. As a result of the plan, the Company incurred separation and transition costs and expects to incur such costs through the completion of the separation of the businesses, which the Company targets in the second half of calendar year 2024. The separation and transition costs are recorded within Business separation costs in the Condensed Consolidated Statements of Operations.

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.

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

Revision of Previously Issued Financial Statements

As previously disclosed in the Company's Quarterly Report on Form 10-Q for the period ended December 28, 2023, in connection with the preparation of its Condensed Consolidated Financial Statements as of and for the three and six months ended December 29, 2023, the Company identified certain errors related to the Company's reporting and recording of its interests in its equity method investments in Flash Partners Ltd., Flash Alliance Ltd., and Flash Forward Ltd. (collectively, "Flash Ventures"). The errors related to unadjusted differences between Flash Ventures' application of Japanese generally accepted accounting principles to certain lease-related transactions compared to the applicable U.S. generally accepted accounting principles. These unadjusted differences resulted in differences in the equity in earnings from these entities recognized by the Company in Other income (expense), net and the carrying value of the Company's equity method investments in Flash Ventures.

Based on an analysis of quantitative and qualitative factors in accordance with SAB No. 99, "Materiality," and SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," and as described further in Note 17, *Revision of Previously Issued Financial Statements*, the Company evaluated the errors and determined the related impacts were not material to its financial statements for the prior periods when they occurred, but that correcting the cumulative errors in the period detected would have been material to the Company's results of operations for that period. Accordingly, the Company has revised previously reported financial information presented herein for such immaterial errors. A summary of revisions to the Condensed Consolidated Financial Statements presented herein is included for comparative purposes in Note 17, *Revision of Previously Issued Financial Statements*.

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

Note 2. Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In September 2022, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update (“ASU”) No. 2022-04, “Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”, which requires annual and interim disclosures for entities that use supplier finance programs in connection with the purchase of goods and services. The ASU requires the Company to provide disclosure of outstanding obligations to such suppliers for all balance sheet dates presented beginning with the Company’s first quarter of 2024 and to provide certain rollforward information related to those obligations beginning in the Company’s first fiscal quarter of 2025. The ASU does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. The Company adopted the guidance on the first day of fiscal year 2024, except for the rollforward information, which the Company is compiling and intends to provide beginning in fiscal year 2025. See Note 15, *Supplier Finance Program*, of the Notes to Condensed Consolidated Financial Statements for information regarding the supplier finance program.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”, which expands on segment reporting requirements primarily through enhanced disclosures surrounding significant segment expenses. The ASU expands on existing segment reporting requirements to require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to an entity's CODM, a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. These incremental disclosures will be required beginning with the Company’s financial statements for the year ending June 27, 2025. The Company expects to provide any required disclosures at that time.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. The ASU calls for enhanced income tax disclosure requirements surrounding the tabular rate reconciliation and income taxes paid. The amendments are effective for the Company’s fiscal year 2026, with early adoption permitted. The Company is currently compiling the information required for these disclosures. These incremental disclosures will be required beginning with the Company’s financial statements for the year ending June 27, 2025. The Company expects to provide any required disclosures at that time.

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		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>\$ in millions</i>			
Revenue, net:				
Flash	\$ 1,705	\$ 1,307	\$ 4,926	\$ 4,686
HDD	1,752	1,496	4,313	4,960
Total net revenue	<u>\$ 3,457</u>	<u>\$ 2,803</u>	<u>\$ 9,239</u>	<u>\$ 9,646</u>
Gross profit:				
Flash	\$ 467	\$ (65)	\$ 437	\$ 597
HDD	545	363	1,157	1,237
Total gross profit for segments	<u>1,012</u>	<u>298</u>	<u>1,594</u>	<u>1,834</u>
Unallocated corporate items:				
Stock-based compensation expense	(11)	(12)	(37)	(38)
Amortization of acquired intangible assets	(1)	—	(2)	(1)
Recovery from contamination incident	1	—	37	—
Total unallocated corporate items	<u>(11)</u>	<u>(12)</u>	<u>(2)</u>	<u>(39)</u>
Consolidated gross profit	<u>\$ 1,001</u>	<u>\$ 286</u>	<u>\$ 1,592</u>	<u>\$ 1,795</u>
Gross margin:				
Flash	27.4 %	(5.0)%	8.9 %	12.7 %
HDD	31.1 %	24.3 %	26.8 %	24.9 %
Consolidated gross margin	29.0 %	10.2 %	17.2 %	18.6 %

Disaggregated Revenue

The Company's broad portfolio of technology and products address multiple end markets. Cloud is comprised primarily of products for public or private cloud environments and end customers. 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		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions)</i>			
Revenue by end market				
Cloud	\$ 1,553	\$ 1,205	\$ 3,496	\$ 4,258
Client	1,174	975	3,443	3,293
Consumer	730	623	2,300	2,095
Total revenue	\$ 3,457	\$ 2,803	\$ 9,239	\$ 9,646
Revenue by geography				
Asia	\$ 1,740	\$ 1,353	\$ 4,990	\$ 4,533
Americas	1,154	935	2,620	3,448
Europe, Middle East and Africa	563	515	1,629	1,665
Total revenue	\$ 3,457	\$ 2,803	\$ 9,239	\$ 9,646

The Company's top 10 customers accounted for 42% and 38% of its net revenue for each of the three and nine months ended March 29, 2024 and 49% and 45% of its net revenue for the three and nine months ended March 31, 2023, respectively. For the three and nine months ended March 29, 2024 and March 31, 2023, no single customer accounted for 10% or more of the Company's net revenue.

Goodwill

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. Management performed goodwill impairment assessments for each segment and concluded that there were no indications of impairment for the periods presented. The following table provides a summary of goodwill activity for the period:

	Flash	HDD	Total
	<i>(in millions)</i>		
Balance at June 30, 2023	\$ 5,716	\$ 4,321	\$ 10,037
Foreign currency translation adjustment	(2)	(1)	(3)
Balance at March 29, 2024	\$ 5,714	\$ 4,320	\$ 10,034

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

Note 4. Supplemental Financial Statement Data*Accounts receivable, net*

From time to time, in connection with factoring agreements, the Company sells trade accounts receivable without recourse to third-party purchasers in exchange for cash. During the nine months ended March 29, 2024 and March 31, 2023, the Company sold trade accounts receivable aggregating \$623 million and \$626 million, respectively. The discounts on the trade accounts receivable sold were not material and were recorded within Other income, net in the Condensed Consolidated Statements of Operations. As of March 29, 2024 and June 30, 2023, the amount of factored receivables that remained outstanding was \$102 million and \$150 million, respectively.

Inventories

	March 29, 2024	June 30, 2023
	(in millions)	
Inventories:		
Raw materials and component parts	\$ 1,666	\$ 2,096
Work-in-process	1,045	979
Finished goods	504	623
Total inventories	\$ 3,215	\$ 3,698

Property, plant and equipment, net

	March 29, 2024	June 30, 2023
	(in millions)	
Property, plant and equipment:		
Land	\$ 235	\$ 269
Buildings and improvements	1,826	1,955
Machinery and equipment	8,655	8,704
Computer equipment and software	473	470
Furniture and fixtures	54	54
Construction-in-process	793	798
Property, plant and equipment, gross	12,036	12,250
Accumulated depreciation	(8,783)	(8,630)
Property, plant and equipment, net	\$ 3,253	\$ 3,620

Other intangible assets, net

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. During the three months ended December 29, 2023, one IPR&D project reached technological feasibility and \$8 million was reclassified from IPR&D to existing technology and commenced amortization over an estimated useful life of three years. As of March 29, 2024 and June 30, 2023, IPR&D included in intangible assets, net was \$72 million and \$80 million, respectively.

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

Product warranty liability

Changes in the warranty accrual were as follows:

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions)</i>			
Warranty accrual, beginning of period	\$ 202	\$ 289	\$ 244	\$ 345
Charges to operations	28	26	76	83
Utilization	(29)	(43)	(112)	(137)
Changes in estimate related to pre-existing warranties	2	—	(5)	(19)
Warranty accrual, end of period	\$ 203	\$ 272	\$ 203	\$ 272

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:

	March 29, 2024	June 30, 2023
		<i>(in millions)</i>
Warranty accrual:		
Current portion (included in Accrued expenses)	\$ 47	\$ 97
Long-term portion (included in Other liabilities)	156	147
Total warranty accrual	\$ 203	\$ 244

Other liabilities

	March 29, 2024	June 30, 2023
		<i>(in millions)</i>
Other liabilities:		
Non-current net tax payable	\$ 201	\$ 464
Non-current portion of unrecognized tax benefits	552	408
Other non-current liabilities	680	543
Total other liabilities	\$ 1,433	\$ 1,415

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

Accumulated other comprehensive loss

Accumulated other comprehensive loss (“AOCL”), 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 AOCL:

	Actuarial Pension Losses	Foreign Currency Translation Adjustment	Unrealized Losses on Derivative Contracts	Total Accumulated Comprehensive Loss
	<i>(in millions)</i>			
Balance at June 30, 2023	\$ (2)	\$ (389)	\$ (157)	\$ (548)
Other comprehensive loss before reclassifications	—	(55)	(196)	(251)
Amounts reclassified from accumulated other comprehensive loss	—	—	151	151
Income tax benefit related to items of other comprehensive loss	—	1	11	12
Net current-period other comprehensive loss	—	(54)	(34)	(88)
Balance at March 29, 2024	<u>\$ (2)</u>	<u>\$ (443)</u>	<u>\$ (191)</u>	<u>\$ (636)</u>

During the three and nine months ended March 29, 2024, the amounts reclassified out of AOCL were losses related to foreign exchange contracts that were substantially charged to Cost of revenue in the Condensed Consolidated Statements of Operations.

As of March 29, 2024, substantially all existing net losses related to cash flow hedges recorded in AOCL are expected to be reclassified to earnings within the next twelve months. In addition, as of March 29, 2024, the Company did not have any foreign exchange forward contracts with credit-risk-related contingent features.

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

Note 5. Fair Value Measurements and Investments
Financial Instruments Carried at Fair Value

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

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

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

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

The following tables present information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis as of March 29, 2024 and June 30, 2023, and indicate the fair value hierarchy of the valuation techniques utilized to determine such values:

	March 29, 2024			
	Level 1	Level 2	Level 3	Total
	<i>(in millions)</i>			
Assets:				
Cash equivalents - Money market funds	\$ 333	\$ —	\$ —	\$ 333
Short-term investments - Certificates of deposit	27	—	—	27
Foreign exchange contracts	—	9	—	9
Total assets at fair value	\$ 360	\$ 9	\$ —	\$ 369
Liabilities:				
Foreign exchange contracts	\$ —	\$ 142	\$ —	\$ 142
Total liabilities at fair value	\$ —	\$ 142	\$ —	\$ 142
	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	<i>(in millions)</i>			
Assets:				
Cash equivalents - Money market funds	\$ 371	\$ —	\$ —	\$ 371
Foreign exchange contracts	—	35	—	35
Total assets at fair value	\$ 371	\$ 35	\$ —	\$ 406
Liabilities:				
Foreign exchange contracts	\$ —	\$ 192	\$ —	\$ 192
Total liabilities at fair value	\$ —	\$ 192	\$ —	\$ 192

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 third quarter of 2024 and the fourth quarter of 2023, respectively.

	March 29, 2024		June 30, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(in millions)</i>			
1.50% convertible notes due 2024	\$ —	\$ —	\$ 1,099	\$ 1,067
Variable interest rate Delayed Draw Term Loan due 2024	300	300	—	—
4.75% senior unsecured notes due 2026	2,295	2,253	2,293	2,193
Variable interest rate Term Loan A-2 maturing 2027	2,615	2,556	2,687	2,661
3.00% convertible notes due 2028	1,566	2,351	—	—
2.85% senior notes due 2029	496	436	496	400
3.10% senior notes due 2032	496	403	495	371
Total	\$ 7,768	\$ 8,299	\$ 7,070	\$ 6,692

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

Note 6. Derivative Instruments and Hedging Activities

As of March 29, 2024, 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. As of March 29, 2024, the Company did not have any derivative contracts with credit-risk-related contingent features.

Changes in fair values of the non-designated foreign exchange contracts are recognized in Other income, net and are largely offset by corresponding changes in the fair values of the foreign currency-denominated monetary assets and liabilities. For each of the three and nine months ended March 29, 2024 and March 31, 2023, 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 AOCL. For more information regarding cash flow hedges, see Note 4, *Supplemental Financial Statement Data – Accumulated other comprehensive loss*.

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 March 29, 2024 and June 30, 2023, 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 7. Debt

Debt consisted of the following:

	March 29, 2024	June 30, 2023
	<i>(in millions)</i>	
1.50% convertible notes due 2024	\$ —	\$ 1,100
Variable interest rate Delayed Draw Term Loan due 2024	300	—
4.75% senior unsecured notes due 2026	2,300	2,300
Variable interest rate Term Loan A-2 maturing 2027	2,625	2,700
3.00% convertible notes due 2028	1,600	—
2.85% senior notes due 2029	500	500
3.10% senior notes due 2032	500	500
Total debt	7,825	7,100
Issuance costs	(57)	(30)
Subtotal	7,768	7,070
Less current portion of long-term debt	(450)	(1,213)
Long-term debt	\$ 7,318	\$ 5,857

In August 2023, the Company drew \$600 million of principal amount (the “Delayed Draw Term Loan”) under a loan agreement entered into in January 2023 and amended in June 2023 (the “Delayed Draw Term Loan Agreement”), which allowed the Company to draw a single loan of up to \$600 million through August 14, 2023. The Delayed Draw Term Loan will mature on June 28, 2024. The Company repaid \$300 million principal amount of the Delayed Draw Term Loan during the nine months ended March 29, 2024.

The Delayed Draw Term Loan bears interest, at the Company’s option, at a per annum rate equal to either (x) the Adjusted Term SOFR Rate (as defined in the Delayed Draw Term Loan Agreement) plus an applicable margin varying from 1.750% to 2.625% or (y) a base rate plus an applicable margin varying from 0.750% to 1.625%, 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. (the “Credit Rating Agencies”). The all-in interest rate for the Delayed Draw Term Loan as of March 29, 2024 was 7.550%.

During the three and nine months ended March 29, 2024, the Company made scheduled repayments of the Term Loan A-2 of \$38 million and \$75 million, respectively. The Term Loan A-2 Loan bears interest, at the Company’s option, at a per annum rate equal to either (x) the Adjusted Term SOFR (as defined in the loan agreement governing the Term Loan A-2) 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 the Credit Rating Agencies, with an initial interest rate of Adjusted Term SOFR plus 1.500%. The all-in interest rate for Term Loan A-2 as of March 29, 2024 was 6.930%.

During the three and nine months ended March 29, 2024, 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”).

On March 25, 2024, the Company issued a standby letter of credit of \$15 million, which reduced the Company’s 2027 Revolving Credit Facility’s capacity by the same amount to \$2.24 billion as of March 29, 2024.

The loan agreements governing the Company’s 2027 Revolving Credit Facility, Term Loan A-2 maturing 2027, and the Delayed Draw Term Loan require the Company to comply with certain financial covenants, consisting of a leverage ratio, and a minimum liquidity requirement. As of March 29, 2024, the Company was in compliance with these financial covenants.

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

On November 3, 2023, the Company issued \$1.60 billion aggregate principal amount of convertible senior notes which bear interest at an annual rate of 3.00% and mature on November 15, 2028, unless earlier repurchased, redeemed or converted (the “2028 Convertible Notes”). The Company is not required to make principal payments on the 2028 Convertible Notes prior to the maturity date. The 2028 Convertible Notes are jointly and severally guaranteed by each of the Company’s wholly-owned subsidiaries that guarantees the 4.75% senior unsecured notes due 2026 (currently, Western Digital Technologies, Inc.).

The 2028 Convertible Notes are convertible at the option of any holder at an initial conversion price of approximately \$52.20 per share of common stock beginning August 15, 2028. Prior to that date, if the trading price of the Company’s common stock remains above 130% of the conversion price for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading-day period prior to the end of a quarter, holders of the 2028 Convertible Notes would have the right to convert the 2028 Convertible Notes during the next succeeding calendar quarter. The 2028 Convertible Notes are also convertible prior to that date upon the occurrence of certain corporate events. Upon any conversion of the 2028 Convertible Notes, the Company will pay cash for the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of the Company’s common stock or a combination thereof, at the Company’s election, in respect of the remainder, if any, of its conversion obligation in excess of the aggregate principal amount of the notes being converted.

Net proceeds from the 2028 Convertible Notes were approximately \$1,563 million after deducting issuance costs of approximately \$37 million. Debt issuance costs are amortized to interest expense over the term of the 2028 Convertible Notes.

Contemporaneously with the issuance of the 2028 Convertible Notes, the Company entered into individually negotiated transactions with certain holders of the Company’s existing 2024 Convertible Notes to repurchase approximately \$508 million aggregate principal amount of such notes at an immaterial discount.

In connection with the issuance of the 2028 Convertible Notes, the Company also entered into privately negotiated capped call transactions with certain counterparties (the “Capped Calls”). The Capped Calls each have a strike price of approximately \$52.20 per share, subject to certain adjustments, which correspond to the initial conversion price of the 2028 Convertible Notes. The Capped Calls have initial cap prices of \$70.26 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 8 million shares of the Company’s common stock. The Company has the option to settle the Capped Calls in either shares, cash or a combination thereof. The Capped Calls are generally intended to reduce or offset the potential dilution to the Company’s common stock upon any conversion of the 2028 Convertible Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. However, if the market price per share of the Company’s common stock, as measured under the terms of the Capped Calls, exceeds the cap prices of the Capped Calls, there would nevertheless be dilution and/or there would not be an offset of such cash payments, in each case, to the extent that such market price exceeds the cap price of the Capped Calls. The Capped Calls are separate transactions, and not part of the terms of the 2028 Convertible Notes. As these transactions meet certain accounting criteria, the Capped Calls are recorded in stockholders’ equity and are not accounted for as derivatives. The cost of the Capped Calls of \$155 million, net of \$37 million in deferred tax assets, was recorded as a decrease to Additional paid-in capital on the Company’s Condensed Consolidated Balance Sheets as of March 29, 2024.

On February 1, 2024, the Company settled all remaining 2024 Convertible Notes in accordance with their original terms for an aggregate cash principal payment of \$592 million plus interest.

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

Note 8. Pension and Other Post-Retirement Benefit Plans

The Company has pension and other post-retirement benefit plans in various countries. The Company's principal pension plans are in Japan, Thailand and the Philippines. All pension and other post-retirement benefit plans outside of the Company's Japan, Thailand and 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:

	March 29, 2024	June 30, 2023
	<i>(in millions)</i>	
Benefit obligation at end of period	\$ 258	\$ 273
Fair value of plan assets at end of period	176	185
Unfunded status	<u>\$ 82</u>	<u>\$ 88</u>

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

	March 29, 2024	June 30, 2023
	<i>(in millions)</i>	
Current liabilities	\$ 1	\$ 1
Non-current liabilities	81	87
Net amount recognized	<u>\$ 82</u>	<u>\$ 88</u>

Net periodic benefit costs were not material for the three and nine months ended March 29, 2024.

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

Note 9. Related Parties and Related Commitments and Contingencies

Flash Ventures

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

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

	March 29, 2024	June 30, 2023
	<i>(in millions)</i>	
Notes receivable, Flash Partners	\$ —	\$ 37
Notes receivable, Flash Alliance	—	48
Notes receivable, Flash Forward	556	709
Investment in Flash Partners	157	161
Investment in Flash Alliance	234	276
Investment in Flash Forward	152	179
Total notes receivable and investments in Flash Ventures	<u>\$ 1,099</u>	<u>\$ 1,410</u>

During the three and nine months ended March 29, 2024 and March 31, 2023, the Company made net payments to Flash Ventures of \$0.7 billion and \$2.5 billion, and \$1.2 billion and \$3.2 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 March 29, 2024 and June 30, 2023, the Company had accounts payable balances due to Flash Ventures of \$310 million and \$292 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 March 29, 2024, 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.

	March 29, 2024
	<i>(in millions)</i>
Notes receivable	\$ 556
Equity investments	543
Operating lease guarantees	1,431
Inventory and prepayments	1,046
Maximum estimable loss exposure	<u>\$ 3,576</u>

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

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.

Flash Ventures has historically operated near 100% of its manufacturing capacity. As a result of flash market conditions, during the second half of 2023 and the first two quarters of 2024, the Company temporarily reduced its utilization of its share of Flash Ventures' manufacturing capacity to an abnormally low level during that period to more closely align the Company's flash-based wafer supply with projected demand. During the nine months ended March 29, 2024, the Company incurred costs of \$249 million associated with the reduction in utilization related to Flash Ventures, which was recorded as a charge to Cost of revenue. No such charges were incurred during the three months ended March 29, 2024 nor the three and nine months ended March 31, 2023.

In February 2022, contamination of certain material used in manufacturing processes occurred at Flash Ventures' fabrication facilities in both Yokkaichi and Kitakami, Japan which resulted in damage to inventory units in production, a temporary disruption to production operations and a reduction in the Company's flash wafer availability. During 2022, the Company incurred charges of \$207 million related to this contamination incident that were recorded in Cost of revenue and primarily consisted of scrapped inventory and rework costs, decontamination and other costs needed to restore the facilities to normal capacity, as well as charges for under absorption of overhead costs. During the three months ended December 29, 2023, the Company received a recovery of \$36 million related to this incident from its insurance carriers, which was recorded in Cost of revenue. The Company continues to pursue recovery of its remaining losses associated with this event; however, the total amount of recovery cannot be estimated at this time.

The Company has facility agreements with Kioxia related to the construction and operation of Kioxia's "K1" 300-millimeter wafer fabrication facility in Kitakami, Japan and a wafer fabrication facility in Yokkaichi, Japan, referred to as "Y7". In connection with the start-up of these facilities, the Company has made prepayments toward future building depreciation. As of March 29, 2024, such prepayments aggregated \$496 million and will 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 March 29, 2024.

	Lease Amounts	
	<i>(Japanese yen, in billions)</i>	<i>(U.S. dollar, in millions)</i>
Total guarantee obligations	¥ 216	\$ 1,431

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

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 March 29, 2024 in U.S. dollars, based upon the Japanese yen to U.S. dollar exchange rate as of March 29, 2024:

Annual Installments	Payment of Principal Amortization	Purchase Option Exercise Price at Final Lease Terms <i>(in millions)</i>	Guarantee Amount
Remaining three months of 2024	\$ 110	\$ 27	\$ 137
2025	290	79	369
2026	359	119	478
2027	154	101	255
2028	50	97	147
2029	6	39	45
Total guarantee obligations	<u>\$ 969</u>	<u>\$ 462</u>	<u>\$ 1,431</u>

The Company and Kioxia have agreed to mutually contribute to, and indemnify each other and Flash Ventures for, environmental remediation costs or liability resulting from Flash Ventures' manufacturing operations in certain circumstances. The Company has not made any indemnification payments, nor recorded any indemnification receivables, under any such agreements. As of March 29, 2024, no amounts had been accrued in the Condensed Consolidated Financial Statements with respect to these indemnification agreements.

Unis Venture

The Company has a joint venture with Unisplendour Corporation Limited and Unissoft (Wuxi) Group Co. Ltd. ("Unis"), referred to as the "Unis Venture", to market and sell the Company's products in China and to develop data storage systems for the Chinese market in the future. The Unis Venture is 49% owned by the Company and 51% owned by Unis. The Company accounts for its investment in the Unis Venture under the equity method of accounting. Revenue on products distributed by the Unis Venture is recognized upon sell through to third-party customers. For both the three and nine months ended March 29, 2024, the Company recognized approximately 4% of its consolidated revenue on products distributed by the Unis Venture. For both the three and nine months ended March 31, 2023, the Company recognized approximately 3% of its consolidated revenue on products distributed by the Unis Venture. The outstanding accounts receivable due from the Unis Venture were 10% and 8% of Accounts receivable, net as of both March 29, 2024 and June 30, 2023, respectively.

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

Note 10. Leases and Other Commitments
Leases

The Company leases certain domestic and international facilities and data center space under long-term, non-cancelable operating leases that expire at various dates through 2039. 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 March 29, 2024:

	Lease Amounts
	<i>(\$ in millions)</i>
Minimum lease payments by year:	
Remaining three months of 2024	\$ 17
2025	67
2026	68
2027	60
2028	52
Thereafter	329
Total future minimum lease payments	593
Less: Imputed interest	164
Present value of lease liabilities	429
Less: Current portion (included in Accrued expenses)	47
Long-term operating lease liabilities (included in Other liabilities)	\$ 382
Operating lease right-of-use assets (included in Other non-current assets)	\$ 408
Weighted average remaining lease term in years	10.0
Weighted average discount rate	6.0 %

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

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions)</i>			
Cost of operating leases	\$ 15	\$ 15	\$ 47	\$ 43
Cash paid for operating leases	17	12	49	38
Operating lease assets obtained in exchange for operating lease liabilities	1	10	178	14

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

Sale-Leaseback

In September 2023, the Company completed a sale and leaseback of its facility in Milpitas, California. The Company received net proceeds of \$191 million in cash and recorded a gain of \$85 million on the sale. In connection with the sale, the Company agreed to lease back the facility at an annual lease rate of \$16 million for the first year, increasing by 3% per year thereafter through January 1, 2039. The lease includes three 5-year renewal options and one 4-year renewal option for the ability to extend through December 2057. The supplemental balance sheet information and supplemental disclosures of operating cost and cash flow information related to the lease are included in the tables above.

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 March 29, 2024, the Company had the following minimum long-term commitments:

	Long-Term Commitments
	<i>(in millions)</i>
Year:	
Remaining three months of 2024	\$ 45
2025	172
2026	96
2027	59
2028	20
Thereafter	130
Total	<u>\$ 522</u>

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

Note 11. Shareholders' Equity and Convertible Preferred Stock
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		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions)</i>			
RSUs and PSUs	\$ 65	\$ 63	\$ 198	\$ 217
ESPP	12	11	28	29
Total	<u>\$ 77</u>	<u>\$ 74</u>	<u>\$ 226</u>	<u>\$ 246</u>

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions)</i>			
Cost of revenue	\$ 11	\$ 12	\$ 37	\$ 38
Research and development	36	37	102	116
Selling, general and administrative	30	25	87	92
Subtotal	77	74	226	246
Tax benefit	(10)	(11)	(30)	(35)
Total	<u>\$ 67</u>	<u>\$ 63</u>	<u>\$ 196</u>	<u>\$ 211</u>

Any shortfalls or excess 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 are generally 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 March 29, 2024:

	Unamortized Compensation Costs	Weighted Average Service Period
	<i>(in millions)</i>	<i>(years)</i>
RSUs and PSUs ⁽¹⁾	\$ 454	2.4
ESPP	33	0.7
Total unamortized compensation cost	<u>\$ 487</u>	

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

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

Plan Activities
Stock Options

The following table summarizes stock option activity under the Company's incentive plans. As of March 29, 2024, there were no remaining outstanding options.

	Number of Shares <i>(in millions)</i>	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life <i>(in years)</i>
Options outstanding at June 30, 2023	0.3	\$ 44.95	0.10
Canceled or expired	(0.3)	44.95	
Options outstanding at March 29, 2024	—	\$ —	

RSUs and PSUs

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

	Number of Shares <i>(in millions)</i>	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value at Vest Date <i>(in millions)</i>
RSUs and PSUs outstanding at June 30, 2023	13.8	\$ 46.56	
Granted	5.7	38.31	
Vested	(4.9)	47.62	\$ 228
Forfeited	(1.4)	45.76	
RSUs and PSUs outstanding at March 29, 2024	13.2	\$ 43.36	

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.

Convertible Preferred Stock

On January 31, 2023, the Board of Directors of the Company authorized the designation of 900,000 shares of Series A Convertible Perpetual Preferred Stock, par value \$0.01 per share (the "Preferred Shares"), from the Company's existing five million authorized but unissued shares of preferred stock and issued the Preferred Shares through a private placement for an aggregate purchase price of \$900 million, less issuance costs of \$24 million. The Preferred Shares accrue a cumulative preferred dividend at an annual rate of 6.25% per annum (increasing to 7.25% per annum on January 31, 2030 and to 8.25% per annum on January 31, 2033) compounded on a quarterly basis. The Preferred Shares also participate in any dividends declared for common shareholders on an as-converted equivalent basis. No dividends have been declared or paid since the issuance of the Preferred Shares. As of March 29, 2024 and June 30, 2023, unpaid and cumulative dividends payable with respect to the Preferred Shares were \$68 million and \$24 million, respectively.

As of March 29, 2024 and June 30, 2023, the Preferred Shares outstanding had an aggregate liquidation preference of \$968 million and \$924 million, respectively, and would have been convertible, if otherwise permitted, into approximately 20 million shares of common stock on each such date.

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

Note 12. 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 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 (“CAMT”) of 15% on corporations with three-year average annual adjusted financial statement income (“AFSI”) exceeding \$1.0 billion. The corporate alternative minimum tax is effective for the Company beginning with fiscal year 2024. The Company is not subject to the CAMT of 15% for fiscal year 2024 as its average annual AFSI did not exceed \$1.0 billion for the preceding three-year period.

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

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(\$ in millions)</i>			
Income (loss) before taxes	\$ 178	(528)	\$ (763)	(816)
Income tax expense	43	43	74	159
Effective tax rate	24 %	(8)%	(10)%	(19)%

Beginning in 2023, the 2017 Act requires the Company to capitalize and amortize R&D expenses rather than expensing them in the year incurred. The tax effects related to the capitalization of R&D expenses are included in the effective tax rate for the three and nine months ended March 29, 2024 and March 31, 2023.

The primary drivers of the difference between the effective tax rate for the three and nine months ended March 29, 2024 and the U.S. Federal statutory rate of 21% are the relative mix of earnings and losses by jurisdiction, the deduction for foreign-derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand that have or will expire at various dates during years 2024 through 2031. On November 1, 2023, one of the Company’s tax holidays in Malaysia expired. The Company has applied for an extension and anticipates this extension, if granted, will be applied retroactively and begin on November 2, 2023. Because the exact terms of the extension are not currently known, the Company is applying the Malaysia corporate statutory tax rate on the expired tax holiday income. If a retroactive extension is granted, the Company will make an adjustment to its effective tax rate in that period. The effective tax rate for the three and nine months ended March 29, 2024 includes the discrete effect of a net increase of \$35 million and \$48 million to the liability for unrecognized tax benefits, which includes interest and offsetting tax benefits, related to transfer pricing matters, withholding taxes and certain tax deductions. This is offset in part by a net decrease of \$7 million and \$34 million to the liability for unrecognized tax benefits for the three and nine months ended March 29, 2024, which includes interest and offsetting tax benefits, as a result of adjustments to align with IRS calculations.

The primary drivers of the difference between the effective tax rate for the three and nine months ended March 31, 2023 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.

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 nine months ended March 29, 2024 (in millions):

Accrual balance at June 30, 2023	\$	1,021
Gross increases related to current year tax positions		23
Gross increases related to prior year tax positions		56
Gross decreases related to prior year tax positions		(28)
Settlements		(363)
Lapse of statute of limitations		(1)
Accrual balance at March 29, 2024	\$	<u>708</u>

In addition to the amounts noted above, 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 March 29, 2024 were \$173 million. Of the aggregate unrecognized tax benefits, including interest and penalties, as of March 29, 2024, approximately \$719 million could result in potential cash payments and the Company believes it is reasonably likely that payments of approximately \$182 million may be made within the next twelve months and has classified that portion of these unrecognized tax benefits, including interest, in Income taxes payable on the Condensed Consolidated Balance Sheets as of March 29, 2024. The remaining payables related to unrecognized tax benefits are included in Other liabilities on the Condensed Consolidated Balance Sheets as of March 29, 2024.

The Company had previously reached a final agreement with the IRS regarding notices of deficiency with respect to years 2008 through 2012 and in February 2024, also reached a final agreement for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the nine months ended March 29, 2024, the Company made payments of \$363 million for tax and \$160 million for interest with respect to years 2008 through 2012 and recorded adjustments to align with IRS calculations, resulting in a remaining liability of \$182 million as of March 29, 2024 related to all years from 2008 through 2015. The Company expects to pay any remaining balance with respect to this matter within the next twelve months.

In connection with settlements for the years 2008 through 2015, the Company expects to realize reductions to its mandatory deemed repatriation tax obligations and tax savings from interest deductions in future years aggregating to approximately \$164 million. Of this amount, \$34 million of the interest savings from the interest paid with respect to years 2008 through 2012 is classified as a deferred tax asset due to interest expense limitation rules.

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. As of March 29, 2024, with the exception of the IRS matter discussed above, it was not possible to estimate the amount of change, if any, in the unrecognized tax benefits that is reasonably possible within the next twelve months. Any significant change in the amount of the Company's liability for unrecognized tax benefits would most likely result from additional information or settlements relating to the examination of the Company's tax returns.

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

Note 13. Net Income (Loss) Per Common Share

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

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions, except per share data)</i>			
Net income (loss)	\$ 135	\$ (571)	\$ (837)	\$ (975)
Less: cumulative dividends on Preferred Stock	15	9	44	9
Less: income attributable to participating securities ⁽¹⁾	7	—	—	—
Net income (loss) attributable to common shareholders	<u>\$ 113</u>	<u>\$ (580)</u>	<u>\$ (881)</u>	<u>\$ (984)</u>
Weighted average shares outstanding:				
Basic	326	319	324	318
RSUs, PSUs, ESPP, and the convertible notes	9	—	—	—
Diluted	<u>335</u>	<u>319</u>	<u>324</u>	<u>318</u>
Net income (loss) per common share				
Basic	\$ 0.35	\$ (1.82)	\$ (2.72)	\$ (3.09)
Diluted	\$ 0.34	\$ (1.82)	\$ (2.72)	\$ (3.09)
Anti-dilutive potential common shares excluded	—	15	13	15

⁽¹⁾ Preferred Stock represents participating securities because they participate in any dividends on shares of common stock on a pari passu, pro rata basis. Preferred Stock does not participate in undistributed net losses.

Basic net income (loss) per share attributable to common shareholders is computed using (i) net income (loss) less (ii) dividends paid to holders of Preferred Shares less (iii) net income (loss) attributable to participating securities divided by (iv) weighted average basic shares outstanding. Diluted net income or loss per share attributable to common shareholders is computed as (i) basic net income (loss) attributable to common shareholders plus (ii) diluted adjustments to income allocable to participating securities divided by (iii) weighted average diluted shares outstanding. The "if-converted" method is used to determine the dilutive impact for the convertible notes and the Preferred Shares. The treasury stock method is used to determine the dilutive impact of unvested equity awards.

Potentially dilutive common shares include dilutive outstanding employee stock options, RSUs and PSUs, rights to purchase shares of common stock under the Company's ESPP, shares issuable in connection with the Company's convertible notes, and the Preferred Shares. For the three months ended March 29, 2024, all common shares subject to outstanding equity awards are included in the calculation of diluted shares based on the Company's average stock price during the period. For the three months ended March 31, 2023 and the nine months ended March 29, 2024 and March 31, 2023, the Company recorded a net loss, and all shares subject to outstanding equity awards were excluded from the calculation of diluted shares for those periods because their impact would have been anti-dilutive.

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

Note 14. Employee Termination, Asset Impairment, and Other

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. In this regard, in the nine months ended March 29, 2024, the Company reassessed existing capacity development plans and made a decision to cancel certain projects, including projects to expand capacity in its Penang, Malaysia facility, resulting in the impairment of existing construction in progress, other assets and the recognition of a liability for certain contract termination costs. The Company has also taken actions to reduce the amount of capital invested in facilities, including the sale-leaseback of its facility in Milpitas, California in September 2023. The Company recorded the following net charges related to these actions for the periods noted below:

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>(in millions)</i>			
Employee termination benefits	\$ 1	\$ 40	\$ 44	\$ 125
Contract termination and other	2	—	31	—
Asset impairments	5	—	99	15
Gain on sale-leaseback of facility	—	—	(85)	—
Total employee termination, asset impairment, and other charges	\$ 8	\$ 40	\$ 89	\$ 140

The following table presents an analysis of the components of these activities against the reserve during the nine months ended March 29, 2024:

	Employee Termination Benefits	Contract Termination and Other	Total
	<i>(in millions)</i>		
Accrual balance at June 30, 2023	\$ 31	\$ 5	\$ 36
Charges	44	31	75
Cash payments	(74)	(9)	(83)
Accrual balance at March 29, 2024	<u>\$ 1</u>	<u>\$ 27</u>	<u>\$ 28</u>

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

Note 15. Supplier Finance Program

The Company maintains a voluntary supplier finance program that provides participating suppliers with enhanced receivable options. The program allows participating suppliers of the Company, at their sole discretion and cost, to sell their receivables due from the Company to a third-party financial institution and receive early payment at terms negotiated between the supplier and the third-party financial institution. The Company's vendor payment terms and amounts are not impacted by a supplier's decision to participate in this program.

The Company's current payment terms with its suppliers under these programs generally range from 60 to 90 days and payment terms that the Company negotiates with its suppliers are not impacted by whether a supplier participates in the program. The Company does not provide any guarantees to any third parties and no assets are pledged in connection with the arrangements.

The Company's outstanding payment obligations to vendors eligible to participate under its supplier finance program were \$37 million and \$38 million as of March 29, 2024 and June 30, 2023, respectively, and are included within Accounts payable on the Company's Condensed Consolidated Balance Sheets.

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

Note 16. Legal Proceedings

Tax

For disclosures regarding the status of statutory notices of deficiency issued by the IRS with regard to tax years 2008 through 2015, see Note 12, *Income Tax Expense*.

Other Matters

In the normal course of business, the Company is subject to legal proceedings, lawsuits and other claims. Although the ultimate aggregate amount of probable monetary liability or financial impact with respect to these other matters is subject to many uncertainties, management believes that any monetary liability or financial impact to the Company from these matters, individually and in the aggregate, would not be material to the Company's financial condition, results of operations or cash flows. However, any monetary liability and financial impact to the Company from these matters could differ materially from the Company's expectations.

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

Note 17. Revision of Previously Issued Financial Statements

As described in Note 1, in connection with the preparation of its Condensed Consolidated Financial Statements as of and for the three and six months ended December 29, 2023, the Company identified certain errors related to the Company's reporting and recording of its interests in its equity method investments in Flash Ventures. These errors related to unadjusted differences between the Flash Ventures' application of Japanese generally accepted accounting principles to certain lease-related transactions compared to the applicable U.S. generally accepted accounting principles. These unadjusted differences resulted in differences in the equity in earnings from these entities recognized by the Company in Other income (expense), net and the carrying value of the Company's equity method investments in Flash Ventures.

The following tables provide a summary of the revisions made to the Company's Condensed Consolidated Financial Statements for the periods presented.

Condensed Consolidated Statement of Operations	Three Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
	<i>(in millions, except per share amounts)</i>		
Operating loss	\$ (472)	\$ —	\$ (472)
Interest and other expense:			
Interest income	10	—	10
Interest expense	(80)	—	(80)
Other income, net	13	1	14
Total interest and other expense, net	(57)	1	(56)
Loss before taxes	(529)	1	(528)
Income tax expense	43	—	43
Net loss	(572)	1	(571)
Less: cumulative dividends allocated to preferred shareholders	9	—	9
Net loss attributable to common shareholders	\$ (581)	\$ 1	\$ (580)
Net loss per common share:			
Basic	\$ (1.82)	\$ —	\$ (1.82)
Diluted	\$ (1.82)	\$ —	\$ (1.82)

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

Condensed Consolidated Statement of Operations	Nine Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
	<i>(in millions, except per share amounts)</i>		
Operating loss	\$ (635)	\$ —	\$ (635)
Interest and other expense:			
Interest income	15	—	15
Interest expense	(223)	—	(223)
Other income, net	13	14	27
Total interest and other expense, net	(195)	14	(181)
Loss before taxes	(830)	14	(816)
Income tax expense	161	(2)	159
Net loss	(991)	16	(975)
Less: cumulative dividends allocated to preferred shareholders	9	—	9
Net loss attributable to common shareholders	\$ (1,000)	\$ 16	\$ (984)
Net loss per common share:			
Basic	\$ (3.14)	\$ 0.05	\$ (3.09)
Diluted	\$ (3.14)	\$ 0.05	\$ (3.09)

Condensed Consolidated Statement of Comprehensive Loss	Three Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
	<i>(in millions)</i>		
Net loss	\$ (572)	\$ 1	\$ (571)
Other comprehensive income, before tax:			
Actuarial pension loss	(1)	—	(1)
Foreign currency translation adjustment	(7)	(1)	(8)
Net unrealized gain on derivative contracts	21	—	21
Total other comprehensive income, before tax	13	(1)	12
Income tax expense related to items of other comprehensive income, before tax	(6)	—	(6)
Other comprehensive income, net of tax	7	(1)	6
Total comprehensive loss	\$ (565)	\$ —	\$ (565)

Condensed Consolidated Statement of Comprehensive Loss	Nine Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
	<i>(in millions)</i>		
Net loss	\$ (991)	\$ 16	\$ (975)
Other comprehensive income, before tax:			
Actuarial pension loss	(1)	—	(1)
Foreign currency translation adjustment	8	3	11
Net unrealized gain on derivative contracts	233	—	233
Total other comprehensive income, before tax	240	3	243
Income tax expense related to items of other comprehensive income, before tax	(48)	9	(39)
Other comprehensive income, net of tax	192	12	204
Total comprehensive loss	\$ (799)	\$ 28	\$ (771)

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

Condensed Consolidated Statement of Cash Flows	Nine Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
	<i>(in millions)</i>		
Cash flows from operating activities			
Net loss	\$ (991)	\$ 16	\$ (975)
Deferred income taxes	34	(4)	30
Other non-cash operating activities, net	6	(14)	(8)
Other assets and liabilities, net	(165)	2	(163)
Net cash used in operating activities	(340)	—	(340)

Condensed Consolidated Statement of Shareholders' Equity	As Previously Reported	Adjustment	As Revised
		<i>(in millions)</i>	
Retained earnings as of March 31, 2023	\$ 8,139	\$ 143	\$ 8,282
Accumulated other comprehensive loss as of March 31, 2023	(362)	(13)	(375)
Foreign currency translation adjustment for the three months ended March 31, 2023	(8)	(1)	(9)

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 June 30, 2023. 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 NAND flash and hard disk drive technologies. With dedicated flash-based products (“Flash”) and hard disk drives (“HDD”) business units driving advancements in storage technologies, our broad and ever-expanding portfolio delivers powerful Flash and HDD storage solutions for everyone from students, gamers, and home offices to the largest enterprises and public clouds to capture, preserve, access, and transform an ever-increasing diversity of data.

Our broad portfolio of technology and products address our multiple end markets: “Cloud”, “Client” and “Consumer”. Cloud represents a large and growing end market comprised primarily of products for public or private cloud environments and enterprise customers. Through the Client end market, we provide our 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 our broad range of retail and other end-user products, which capitalize on the strength of our product brand recognition and vast points of presence around the world.

Our fiscal year ends on the Friday nearest to June 30 and typically consists of 52 weeks. Approximately every five to six years, we report a 53-week fiscal year to align the fiscal year with the foregoing policy. Fiscal year 2024, which will end on June 28, 2024, and fiscal year 2023, which ended on June 30, 2023, are each comprised of 52 weeks, with all quarters presented consisting of 13 weeks.

Key Developments

Separation of Business Units

On October 30, 2023, we announced that our Board of Directors had completed its strategic review of our business and, after evaluating a comprehensive range of alternatives, authorized us to pursue a plan to separate our HDD and Flash business units to create two independent, public companies. We believe the separation will better position each business unit to execute innovative technology and product development, capitalize on unique growth opportunities, extend respective leadership positions, and operate more efficiently with distinct capital structures. The completion of the planned separation is subject to certain conditions, including final approval by our Board of Directors. Significant effort is underway towards completion of the separation of the businesses and we are targeting to complete the separation in the second half of calendar year 2024.

Operational Update

In recent quarters, macroeconomic factors such as inflation, higher interest rates and recession concerns had softened demand for our products, with certain customers reducing purchases as they adjusted their production levels and right-size their inventories. As a result, we and our industry experienced a supply-demand imbalance, which resulted in reduced shipments and negatively impacted pricing, particularly in Flash. To adapt to these conditions, we implemented measures to reduce operating expenses and to proactively manage supply and inventory to align with demand and improve our capital efficiency, while continuing to deploy innovative products. These actions have enabled us to scale back on capital expenditures, consolidate production lines and reduce production bit growth since the beginning of 2023 in order to better align with market demand. These actions resulted in incremental charges for employee termination, asset impairment and other, and manufacturing underutilization charges in Flash and HDD. In the current quarter, we began to see signs of a recovery in supply-demand balance. We believe digital transformation will continue to drive improved market conditions in the near term and long-term growth for data storage in both Flash and HDD.

We will continue to actively monitor developments impacting our business and may take additional responsive actions that we determine to be in the best interest of our business and stakeholders.

See Part I, Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the year ended June 30, 2023 and Part II, Item 1A, *Risk Factors*, of our Quarterly Report on Form 10-Q for the three months ended September 29, 2023 and our Quarterly Report on Form 10-Q for the three months ended December 29, 2023 for more information regarding the risks we face as a result of macroeconomic conditions and supply chain disruptions.

Agreement to Sell a Majority Interest in a Subsidiary

In March 2024, our wholly-owned subsidiary, SanDisk China Limited (“SanDisk China”) entered into an Equity Purchase Agreement to sell 80% of its equity interest in SanDisk Semiconductor (Shanghai) Co. Ltd. (“SDSS”), our indirect wholly-owned subsidiary to JCET Management Co., Ltd. (“JCET”), a wholly-owned subsidiary of JCET Group Co., Ltd., a Chinese publicly listed company, thereby forming a joint venture between SanDisk China and JCET (the “Transaction”). Closing of the transaction is subject to the satisfaction or waiver of certain conditions, after which, JCET will own 80% of the equity interest in SDSS, with SanDisk China owning the remaining 20%. Following the Closing, we expect to enter into various ancillary agreements, including (i) a shareholders agreement governing the joint venture relationships from and after the Closing; (ii) a supply agreement with the joint venture to supply us with certain flash-based products currently produced by SDSS, which may include flash memory cards, embedded flash products, and flash components; and (iii) an intellectual property license agreement granting SDSS certain intellectual property rights on a royalty-free basis for use in manufacturing products on our behalf for the term of and pursuant to the Supply Agreement.

Financing Activities

In August 2023, we drew \$600 million principal amount (the “Delayed Draw Term Loan”) under a loan agreement we entered into in January 2023 and amended in June 2023, which allowed us to draw a single loan of up to \$600 million through August 14, 2023. Proceeds from this loan were primarily used for payments on our tax liability to the Internal Revenue Service (“IRS”) for the years 2008 through 2012. During the nine months ended March 29, 2024, we repaid \$300 million of the principal amount of the Delayed Draw Term Loan. The remaining outstanding borrowings on this loan will mature on June 28, 2024.

On November 3, 2023, we issued \$1.60 billion aggregate principal amount of convertible senior notes, which bear interest at an annual rate of 3.00% and mature on November 15, 2028, unless earlier repurchased, redeemed or converted (the “2028 Convertible Notes”). We received net proceeds of approximately \$1.56 billion after issuance costs. Contemporaneously with the issuance of the 2028 Convertible Notes, we entered into individually negotiated transactions with certain holders of our existing 1.50% convertible senior notes due February 1, 2024 (the “2024 Convertible Notes”) to repurchase approximately \$508 million aggregate principal amount of such notes at an immaterial discount using net proceeds from the offering of the 2028 Convertible Notes. In connection with the issuance of the 2028 Convertible Notes, we also used approximately \$155 million of the net proceeds from the offering to pay the cost of entering into capped call contracts with a cap price of approximately \$70.26 to hedge the potential dilution impact of the conversion feature. On February 1, 2024, we used a portion of the remaining net proceeds from the offering of the 2028 Convertible Notes to settle the remaining 2024 Convertible Notes in accordance with their original terms for an aggregate cash principal payment of \$592 million plus interest.

During the three months ended March 29, 2024, we drew and repaid \$300 million principal amount under our \$2.25 billion revolving credit facility maturing in January 2027.

Additional information regarding our indebtedness, including the 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 in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 and Note 7, *Debt*, of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Sale-Leaseback

In September 2023, we completed a sale and leaseback of our facility in Milpitas, California. We received net proceeds of \$191 million in cash and recorded a gain of \$85 million on the sale. We are leasing back the facility at an annual lease rate of \$16 million for the first year, increasing by 3% per year thereafter through January 1, 2039. The lease includes three 5-year renewal options and one 4-year renewal option for the ability to extend through December 2057.

Asset Impairment and Contract Termination Costs

In connection with the actions described in “*Operational Update*” above, we reassessed our existing capacity development plans and made a decision in the first quarter of 2024 to cancel certain projects, including projects to expand capacity in our Penang, Malaysia facility. This resulted in a \$94 million impairment of existing construction in progress and other assets and recognition of \$29 million for certain contract termination costs during the nine months ended March 29, 2024.

Tax Resolution

As previously disclosed, we had previously reached a final agreement with the IRS and received notices of deficiency with respect to years 2008 through 2012 and in February 2024, also reached a final agreement for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the nine months ended March 29, 2024, we made payments aggregating \$523 million for tax and interest with respect to years 2008 through 2012 and have a remaining liability of \$182 million as of March 29, 2024 related to all years from 2008 through 2015. We expect to pay any remaining balance with respect to this matter within the next twelve months. Additional information regarding these settlements and our assessment of the potential tax and interest payments we expect to pay in connection with the settlements is provided in our discussion of Income tax expense in our “Results of Operations” below, as well as in Part I, Item 1, Note 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements, and in the “Short- and Long-term Liquidity – *Unrecognized Tax Benefits*” section below.

Results of Operations

Third Quarter and Nine Month 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					
	March 29, 2024		March 31, 2023		\$ Change	% Change
	<i>\$ in millions</i>					
Revenue, net	\$ 3,457	100.0 %	\$ 2,803	100.0 %	\$ 654	23 %
Cost of revenue	2,456	71.0	2,517	89.8	(61)	(2)
Gross profit	<u>1,001</u>	29.0	<u>286</u>	10.2	715	250
Operating expenses:						
Research and development	494	14.3	476	17.0	18	4
Selling, general and administrative	203	5.9	242	8.6	(39)	(16)
Employee termination, asset impairment, and other	8	0.2	40	1.4	(32)	(80)
Business separation costs	23	0.7	—	—	23	
Total operating expenses	<u>728</u>	21.1	<u>758</u>	27.0	(30)	(4)
Operating income (loss)	273	7.9	(472)	(16.8)	745	(158)
Interest and other expense:						
Interest income	10	0.3	10	0.4	—	—
Interest expense	(108)	(3.1)	(80)	(2.9)	(28)	35
Other income, net	3	0.1	14	0.5	(11)	(79)
Total interest and other expense, net	<u>(95)</u>	(2.7)	<u>(56)</u>	(2.0)	(39)	70
Income (loss) before taxes	178	5.1	(528)	(18.8)	706	(134)
Income tax expense	43	1.2	43	1.5	—	—
Net income (loss)	135	3.9	(571)	(20.4)	706	(124)
Less: cumulative dividends allocated to preferred shareholders	15	0.4	9	0.3	6	67
Less: income attributable to preferred shareholders	7	0.2	—	—	7	n/a
Net income (loss) attributable to common shareholders	<u>\$ 113</u>	3.3 %	<u>\$ (580)</u>	(20.7)%	\$ 693	(119)%

⁽¹⁾ Percentages may not total due to rounding.

	Nine Months Ended					
	March 29, 2024		March 31, 2023		\$ Change	% Change
	<i>\$ in millions</i>					
Revenue, net	\$ 9,239	100.0 %	\$ 9,646	100.0 %	\$ (407)	(4)%
Cost of revenue	7,647	82.8	7,851	81.4	(204)	(3)
Gross profit	1,592	17.2	1,795	18.6	(203)	(11)
Operating expenses:						
Research and development	1,369	14.8	1,551	16.1	(182)	(12)
Selling, general and administrative	608	6.6	739	7.7	(131)	(18)
Employee termination, asset impairment, and other	89	1.0	140	1.5	(51)	(36)
Business separation costs	59	0.6	—	—	59	
Total operating expenses	2,125	23.0	2,430	25.2	(305)	(13)
Operating loss	(533)	(5.8)	(635)	(6.6)	102	(16)
Interest and other expense:						
Interest income	30	0.3	15	0.2	15	100
Interest expense	(314)	(3.4)	(223)	(2.3)	(91)	41
Other income, net	54	0.6	27	0.3	27	100
Total interest and other expense, net	(230)	(2.5)	(181)	(1.9)	(49)	27
Loss before taxes	(763)	(8.3)	(816)	(8.5)	53	(6)
Income tax expense	74	0.8	159	1.6	(85)	(53)
Net loss	(837)	(9.1)	(975)	(10.1)	138	(14)
Less: cumulative dividends allocated to preferred shareholders	44	0.5	9	0.1	35	389
Less: income attributable to preferred shareholders	—	—	—	—	—	n/a
Net loss attributable to common shareholders	\$ (881)	(9.5)%	\$ (984)	(10.2)%	\$ 103	(10)%

⁽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		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>\$ in millions</i>			
Revenue, net:				
Flash	\$ 1,705	\$ 1,307	\$ 4,926	\$ 4,686
HDD	1,752	1,496	4,313	4,960
Total net revenue	<u>\$ 3,457</u>	<u>\$ 2,803</u>	<u>\$ 9,239</u>	<u>\$ 9,646</u>
Gross profit:				
Flash	\$ 467	\$ (65)	\$ 437	\$ 597
HDD	545	363	1,157	1,237
Unallocated corporate items:				
Stock-based compensation expense	(11)	(12)	(37)	(38)
Amortization of acquired intangible assets	(1)	—	(2)	(1)
Recovery from contamination incident	1	—	37	—
Total unallocated corporate items	<u>(11)</u>	<u>(12)</u>	<u>(2)</u>	<u>(39)</u>
Consolidated gross profit	<u>\$ 1,001</u>	<u>\$ 286</u>	<u>\$ 1,592</u>	<u>\$ 1,795</u>
Gross margin:				
Flash	27.4 %	(5.0)%	8.9 %	12.7 %
HDD	31.1 %	24.3 %	26.8 %	24.9 %
Consolidated gross margin	29.0 %	10.2 %	17.2 %	18.6 %

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

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
<i>(in millions)</i>				
Revenue by end market				
Cloud	\$ 1,553	\$ 1,205	\$ 3,496	\$ 4,258
Client	1,174	975	3,443	3,293
Consumer	730	623	2,300	2,095
Total revenue	\$ 3,457	\$ 2,803	\$ 9,239	\$ 9,646
Revenue by geography				
Asia	\$ 1,740	\$ 1,353	\$ 4,990	\$ 4,533
Americas	1,154	935	2,620	3,448
Europe, Middle East and Africa	563	515	1,629	1,665
Total revenue	\$ 3,457	\$ 2,803	\$ 9,239	\$ 9,646

Net Revenue

Comparison of Three and Nine Months Ended March 29, 2024 to Three and Nine Months Ended March 31, 2023

The increase in consolidated net revenue for the three months ended March 29, 2024 from the comparable period in the prior year reflected growth in revenue shipped and a better pricing environment, resulting from a recent improvement in the supply-demand balance as discussed in the “Key Developments – Operational Update” section above. The decrease in consolidated net revenue for the nine months ended March 29, 2024 from the comparable period in the prior year reflected the impact of the supply-demand imbalance in the first half of the year prior to the recent improvement in supply-demand conditions.

Flash revenue increased 30% for the three months ended March 29, 2024 from the comparable period in the prior year, reflecting a 20% increase in exabytes sold and a 10% increase in average selling prices per gigabyte. The increase in exabytes sold was due to improved demand from our OEM customers in our Client end market and from products across our Consumer and Cloud end market. The increase in average selling prices per gigabyte was due to improved pricing as we started to see demand stabilizing. Flash revenue increased 5% for the nine months ended March 29, 2024 from the comparable period in the prior year, reflecting a 30% increase in exabytes sold, partially offset by a 19% decline in average selling prices per gigabyte. The increase in exabytes sold was attributable to the same factors described above for the three-month period while the decline in average selling prices per gigabyte for the period was due to the supply-demand imbalance in the first half of the year, prior to the recent improvement in supply-demand conditions, as described above.

HDD revenue increased 17% for the three months ended March 29, 2024 from the comparable period in the prior year, as a result of a 25% increase in exabytes sold, partially offset by a 6% decline in average selling prices per gigabyte. The increase in exabytes sold reflected an increase in shipments of our high capacity enterprise drives. The decline in average selling prices per gigabyte was due to a shift in the product mix to larger capacity drives. HDD revenue decreased 13% for the nine months ended March 29, 2024 from the comparable period in the prior year, as a result of a 9% decrease in exabytes sold, which was primarily driven by lower shipments to customers in our Cloud end market in the first half of the year as they adjusted their production levels and right-sized their inventories, and a 5% decline in average selling prices per gigabyte primarily attributable to a shift in product mix.

Cloud revenue increased 29% for the three months ended March 29, 2024 from the comparable period in the prior year, reflecting a 35% increase in exabytes sold, partially offset by a 5% decline in average selling prices per gigabyte. The increase in exabytes sold was driven by higher shipments of our high capacity enterprise HDD products. The decline in average selling prices per gigabyte was primarily due to a shift in the product mix to those larger capacity drives. Cloud revenue decreased 18% for the nine months ended March 29, 2024 from the comparable period in the prior year, which reflected a 9% decrease in exabytes sold and a 10% decline in average selling prices per gigabyte attributable to the supply-demand imbalance in the first half of the year as described above.

Client revenue increased 20% for the three months ended March 29, 2024 from the comparable period in the prior year, reflecting a 24% increase in average selling prices per gigabyte, partially offset by a 3% decrease in exabytes sold. The increase in average selling prices per gigabyte over the prior year period was primarily due to improved pricing in Flash. The decrease in exabytes sold reflected a small lag in recovery in this end market and timing of shipments as many OEMs transition to newer Flash products. Client revenue increased 5% for the nine months ended March 29, 2024 from the comparable period in the prior year, reflecting a 17% increase in exabytes sold, partially offset by an 11% decline in average selling prices per gigabyte. The increase in exabytes sold was primarily driven by an increase in SSD shipments into PC applications and the decline in average selling prices per gigabyte was primarily due to the decline in Flash pricing caused by the supply-demand imbalance in the first half of the year as described above.

Consumer revenue increased 17% for the three months ended March 29, 2024 from the comparable period in the prior year, reflecting an increase in average selling prices per gigabyte while exabytes sold remained relatively consistent overall with a decrease in HDD bit shipments largely offsetting an increase in flash bit shipments. The increase in average selling prices per gigabyte was driven by improved pricing in Flash and more favorable product mix. Consumer revenue increased 10% for the nine months ended March 29, 2024 from the comparable period in the prior year, reflecting an 8% increase in exabytes sold and a 2% increase in average selling prices per gigabyte. The increase in exabytes sold was primarily driven by improved demand across our products in Flash, partially offset by a decline in HDD shipments. The increase in average selling prices per gigabyte was primarily due to a shift in product mix, partially offset by the decline in Flash pricing caused by the supply-demand imbalance in the first half of the year as described above.

The allocation of our net revenue by geography for the three months ended March 29, 2024 was relatively consistent with the comparable period in the prior year. The changes in net revenue by geography for nine months ended March 29, 2024 from the comparable period in the prior year reflected higher revenue in the first half of the year from Cloud customers in the Asia region, particularly in China and a decline in the Americas as certain large customers reduced purchases to align their inventories with current market demand.

Our top 10 customers accounted for 42% of our net revenue for the three months ended March 29, 2024, compared to 49% of our net revenue for the three months ended March 31, 2023. Our top 10 customers accounted for 38% of our net revenue for the nine months ended March 29, 2024, compared to 45% of our net revenue for the nine months ended March 31, 2023. For each of the three and nine months ended March 29, 2024 and March 31, 2023, 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 13% and 17% of gross revenue for the three and nine months ended March 29, 2024, respectively. 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 increased by \$715 million for the three months ended March 29, 2024 from the comparable period in the prior year, which primarily reflected better pricing in Flash as well as lower charges for unabsorbed manufacturing overhead costs in the current period of approximately \$16 million, all in HDD, as a result of the reduced utilization of our manufacturing capacity, compared to \$275 million of such charges in the same period in the prior year (\$213 million in Flash and \$62 million in HDD). Consolidated gross margin increased 19 percentage points year over year, with approximately 9 percentage points of the increase due to the lower underutilization charges in the current period and the remainder driven by better pricing in Flash as noted above. Flash gross margin increased by approximately 32 percentage points year over year, with approximately 16 percentage points of the increase due to the lower underutilization charges in the current period as noted above and the remainder driven by the higher average selling prices per gigabyte. HDD gross margin increased by 7 percentage points year over year, with approximately 3 percentage points of the increase due to the lower underutilization charges in the current period as noted above and the remainder driven by better product mix.

Consolidated gross profit decreased by \$203 million for the nine months ended March 29, 2024 from the comparable period in the prior year, which was primarily driven by the decline in pricing, particularly in Flash as mentioned above. Consolidated gross margin remained flat for the nine months ended March 29, 2024 from the comparable period in the prior year. Flash gross margin decreased by approximately 4 percentage points year over year, primarily driven by the lower average selling prices per gigabyte. HDD gross margin increased by 2 percentage point year over year, primarily driven by better product mix.

Operating Expenses

Research and development (“R&D”) expense increased \$18 million for the three months ended March 29, 2024 from the comparable period in the prior year. The increase was primarily driven by a \$26 million increase in compensation and benefits due to higher variable compensation, partially offset by lower headcount, and a \$9 million decrease due to reductions in R&D project spending. R&D expense decreased \$182 million for the nine months ended March 29, 2024 from the comparable period in the prior year. The decline was primarily driven by an \$88 million decrease in compensation and benefits due to lower headcount, partially offset by higher variable compensation, a \$94 million decrease due to lower depreciation expenses and reductions in R&D project spending as well as other savings as we took actions to reduce expenses in the current environment.

Selling, general and administrative (“SG&A”) expense decreased \$39 million for the three months ended March 29, 2024 from the comparable period in the prior year. The decline was primarily driven by a \$39 million decrease in intangible amortization expense, as certain assets became fully amortized, and a \$15 million decrease in strategic review costs, partially offset by an \$18 million increase in compensation and benefits due to higher variable compensation. SG&A expense decreased \$131 million for the nine months ended March 29, 2024 from the comparable period in the prior year. The decline was primarily driven by a \$116 million decrease in intangible amortization expense, a \$19 million decrease in compensation and benefits due to lower headcount, and a \$13 million decrease in sales and marketing expenses, partially offset by a \$22 million increase in strategic review costs and a \$12 million increase in material purchases.

Employee termination, asset impairment and other charges decreased \$32 million for the three months ended March 29, 2024 from the comparable period in the prior year, reflecting fewer restructuring actions taken in the current period. Employee termination, asset impairment and other charges decreased \$51 million for the nine months ended March 29, 2024 from the comparable period in the prior year. The decrease primarily reflected fewer restructuring actions taken and a gain on the sale-leaseback of our Milpitas, California facility, partially offset by higher contract termination charges and asset impairments caused by project cancellations. For information regarding Employee termination, asset impairment and other, see Part I, Item 1, Note 14, *Employee Termination, Asset Impairment, and Other* of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Business separation costs were \$23 million for the three months ended March 29, 2024, primarily reflecting outside service fees to support the planned separation of our Flash and HDD businesses. Business separation costs were \$59 million for the nine months ended March 29, 2024 primarily reflecting the charges similar to those noted for the three months ended March 29, 2024, as well as \$33 million of charges incurred earlier in the year for stamp duties associated with establishing new legal entities to support the planned separation of our Flash and HDD businesses.

Interest and Other Expense

Total interest and other expense, net increased \$39 million for the three months ended March 29, 2024 from the comparable period in the prior year, primarily reflecting \$28 million of higher interest expense resulting from increases in interest rates and a higher outstanding debt balance. Total interest and other expense, net increased \$49 million for the nine months ended March 29, 2024 from the comparable period in the prior year, primarily reflecting \$91 million of higher interest expense resulting from increases in interest rates and the higher outstanding debt balance, partially offset by higher other income, net, of \$27 million, driven primarily by a net gain on our strategic investments, and \$15 million of higher interest income due to higher interest rates.

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 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 legal changes related to tax, climate, energy, and health care. The tax measures include, among other things, a corporate alternative minimum tax (“CAMT”) of 15% on corporations with three-year average annual adjusted financial statement income (“AFSI”) exceeding \$1.0 billion. The CAMT is effective for us beginning with fiscal year 2024. We are not subject to the CAMT of 15% for fiscal year 2024 as our annual average AFSI did not exceed \$1.0 billion for the preceding three-year period.

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

	Three Months Ended		Nine Months Ended	
	March 29, 2024	March 31, 2023	March 29, 2024	March 31, 2023
	<i>\$ in millions</i>			
Income (loss) before taxes	\$ 178	\$ (528)	\$ (763)	\$ (816)
Income tax expense	43	43	74	159
Effective tax rate	24%	(8)%	(10)%	(19)%

Beginning in 2023, the 2017 Act has required us to capitalize and amortize R&D expenses rather than expensing them in the year incurred. The tax effects related to the capitalization of R&D expenses are included in the effective tax rate for the three and nine months ended March 29, 2024, and March 31, 2023, but did not have a material impact on our effective tax rate. The primary drivers of the difference between the effective tax rate for the three and nine months ended March 29, 2024 and the U.S. Federal statutory rate of 21% are the relative mix of earnings and losses by jurisdiction, the deduction for foreign-derived intangible income, credits, and tax holidays in Malaysia, the Philippines and Thailand that have or will expire at various dates during fiscal years 2024 through 2031. On November 1, 2023, one of our tax holidays in Malaysia expired. We have applied for an extension and anticipate it will apply retroactively and begin on November 2, 2023. Because the exact terms of the extension are not currently known, we are applying the Malaysia corporate statutory tax rate on the expired tax holiday income. If a retroactive extension is granted, we will make an adjustment to our effective tax rate in that period. The effective tax rate for the three and nine months ended March 29, 2024 includes the discrete effect of a net increase of \$35 million and \$48 million, respectively, to the liability for unrecognized tax benefits, which includes interest and offsetting tax benefits, related to transfer pricing matters, withholding taxes and certain tax deductions. This is offset in part by a net decrease of \$7 million and \$34 million, respectively, to the liability for unrecognized tax benefits for the three and nine months ended March 29, 2024, which includes interest and offsetting tax benefits, as a result of adjustments to align with IRS calculations.

The primary drivers of the difference between the effective tax rate for the three and nine months ended March 31, 2023 and the U.S. Federal statutory rate of 21% were 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.

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 R&D expenses rather than expensing them in the year incurred. As described above, these capitalized expenses are included in our effective tax rate for the three and nine months ended March 29, 2024, but did not have a material impact on the effective tax rate in those periods due to our reduced profitability. Mandatory capitalization of R&D is expected to materially increase our effective tax rate and taxes paid in future periods, 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 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

The following table summarizes our statements of cash flows:

	Nine Months Ended	
	March 29, 2024	March 31, 2023
	<i>(in millions)</i>	
Net cash provided by (used in):		
Operating activities	\$ (660)	\$ (340)
Investing activities	31	(620)
Financing activities	506	856
Effect of exchange rate changes on cash	(6)	(3)
Net decrease in cash and cash equivalents	<u>\$ (129)</u>	<u>\$ (107)</u>

We had previously reached a final agreement with the IRS and received notices of deficiency with respect to years 2008 through 2012 and in February 2024, also reached a final agreement for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the nine months ended March 29, 2024, the Company made payments of \$363 million for tax and \$160 million for interest with respect to years 2008 through 2012 and recorded adjustments to align with IRS calculations, resulting in a remaining liability of \$182 million as of March 29, 2024, related to all years from 2008 through 2015. The Company expects to pay any remaining balance with respect to this matter within the next twelve months.

In connection with settlements for the years 2008 through 2015, we expect to realize reductions to our mandatory deemed repatriation tax obligations and tax savings from interest deductions in future years aggregating to \$164 million. Of this amount, \$34 million of interest savings from the interest paid with respect to years 2008 through 2012 is classified as a deferred tax asset due to interest expense limitation rules. See Part I, Item 1, Note 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q 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.

As noted previously, we have been scaling back on capital expenditures, consolidating production lines and reducing bit growth to align with market demand. We reduced our 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 approximately \$1.4 billion in 2023 from approximately \$1.5 billion in 2022. After consideration of the Flash Ventures’ lease financing of its capital expenditures and net operating cash flow, we reduced our net cash used for our purchases of property, plant and equipment and net activity in notes receivable relating to Flash Ventures to \$793 million in 2023 from \$1.2 billion in 2022. We currently expect the capital expenditures for 2024 to be less than 2023.

We believe our Cash and cash equivalents and our available revolving credit facility will be sufficient to meet our working capital, debt and capital expenditure needs for at least the next twelve months and for the foreseeable future thereafter. We believe we can also access the various debt capital markets to further supplement our liquidity position if necessary. Our ability to sustain our working capital position is subject to a number of risks that we discuss in Part II, Item 1A, *Risk Factors*, in this Quarterly Report on Form 10-Q and in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K for the year ended June 30, 2023.

A total of \$1.51 billion and \$1.28 billion of our Cash and cash equivalents was held by our foreign subsidiaries as of March 29, 2024 and June 30, 2023, respectively. There are no material tax consequences that have not been 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

Net cash provided by or used in operating activities primarily consists of net income or loss, adjusted for non-cash charges, plus or minus changes in operating assets and liabilities. Net cash used for changes in operating assets and liabilities was \$405 million for the nine months ended March 29, 2024, as compared to \$296 million for the nine months ended March 31, 2023, which largely reflects payments made on the IRS matter, partially offset by a decrease in net operating assets and liabilities resulting from the reduction in volume of our business, as discussed above. Changes in our operating assets and liabilities are largely affected by our working capital requirements, which are dependent on our volume of business and the effective management of our cash conversion cycle as well as the timing of payments for taxes. During the nine months ended March 29, 2024, the change in operating assets and liabilities included payments to the IRS of \$523 million, including interest, as discussed in “Short- and Long-term Liquidity – *Unrecognized Tax Benefits*” section below. 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	
	March 29, 2024	March 31, 2023
Days sales outstanding	47	52
Days in inventory	119	144
Days payable outstanding	(63)	(57)
Cash conversion cycle	103	139

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 payable 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 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 March 29, 2024, DSO decreased by 5 days from the comparable period in the prior year, primarily reflecting the timing of shipments and customer collections. DIO decreased by 25 days from the comparable period in the prior year, primarily reflecting lower inventory cycle time, which reduces the inventory levels needed to meet customer orders, and an increase in products shipped. DPO increased by 6 days from the comparable period in the prior year primarily due to routine variations in the timing of purchases and payments during the period as well as slightly more favorable payment terms.

Investing Activities

Net cash provided by investing activities for the nine months ended March 29, 2024 primarily consisted of \$207 million in net proceeds from activity related to Flash Ventures, partially offset by \$176 million in capital expenditures, net of proceeds from disposals of assets, which includes the proceeds from the sale-leaseback of our Milpitas, California facility. Net cash used in investing activities for the nine months ended March 31, 2023 primarily consisted of \$688 million in capital expenditures, partially offset by \$46 million in net proceeds from activity related to Flash Ventures.

Financing Activities

During the nine months ended March 29, 2024, net cash provided by financing activities primarily consisted of \$2.50 billion in proceeds from the issuance of the 2028 Convertible Notes, the drawdown of the Delayed Draw Term Loan and draws on the revolving credit facility. These sources were partially offset by \$505 million used to repurchase a portion of the 2024 Convertible Notes; \$1.27 billion used for the repayment of draws on the revolving credit facility, payments on the Delayed Draw Term Loan, scheduled payments on the Term Loan A-2, and settlement of the remaining 2024 Convertible Notes; and \$155 million for the purchase of capped calls to hedge the potential dilution impact of the conversion feature of the 2028 Convertible Notes. During the nine months ended March 31, 2023, cash flows from financing activities primarily consisted of proceeds of \$882 million from the issuance of our convertible preferred stock. In addition, we drew and repaid \$1.18 billion under our revolving credit facility within the prior year period.

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 9, *Related Parties and Related Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Short- and Long-term Liquidity

Material Cash Requirements

In addition to cash requirements for unrecognized tax benefits and dividend rights with respect to the Series A Preferred Stock discussed below, the following is a summary of our known material cash requirements, including those for capital expenditures, as of March 29, 2024:

	Total	1 Year (Remaining Three Months of 2024)	2-3 Years (2025- 2026)	4-5 Years (2027- 2028)	More than 5 Years (Beyond 2028)
	<i>(in millions)</i>				
Long-term debt, including current portion ⁽¹⁾	\$ 7,825	\$ 338	\$ 2,600	\$ 3,887	\$ 1,000
Interest on debt	1,151	79	734	238	100
Flash Ventures related commitments ⁽²⁾	2,463	322	1,576	572	(7)
Operating leases	593	17	135	112	329
Purchase obligations and other commitments	522	45	268	79	130
Mandatory deemed repatriation tax	466	—	466	—	—
Total	\$ 13,020	\$ 801	\$ 5,779	\$ 4,888	\$ 1,552

⁽¹⁾ Principal portion of debt, excluding 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.

Dividend rights

On January 31, 2023, we issued an aggregate of 900,000 shares of Series A Preferred Stock for an aggregate purchase price of \$900 million. These shares are entitled to cumulative preferred dividends. See Part II, Item 8, Note 13, *Shareholders' Equity and Convertible Preferred Stock*, of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended June 30, 2023 and Part I, Item 1, Note 11, *Shareholders' Equity and Convertible Preferred Stock*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information regarding the dividend provisions.

Debt

As described in “Key Developments – *Financing Activities*” above, we undertook several liability-management actions during the second and third quarters of 2024, including the issuance of the 2028 Convertible Notes, the repurchase and/or settlement of our remaining outstanding 2024 Convertible Notes and the partial repayment of the Delayed Term Loan.

The 2028 Convertible Notes are convertible at the option of any holder at an initial conversion price of approximately \$52.20 per share of common stock beginning August 15, 2028. Prior to that date, if the trading price of our common stock remains above 130% of the conversion price for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading-day period prior to the end of a quarter, holders of the 2028 Convertible Notes would have the right to convert the 2028 Convertible Notes during the next succeeding calendar quarter. The 2028 Convertible Notes are also convertible prior to that date upon the occurrence of certain corporate events. Upon any conversion of the 2028 Convertible Notes, we will pay cash for the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of our common stock or a combination thereof, at our election, in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted.

In addition to our existing debt, as of March 29, 2024, we had \$2.24 billion available for borrowing under our revolving credit facility until January 2027, subject to customary conditions under the loan agreement. The agreements governing our credit facilities each include limits on secured indebtedness and certain types of unsecured subsidiary indebtedness and require us and certain of our subsidiaries to provide guarantees and collateral to the extent the conditions providing for such guarantees and collateral are met. Additional information regarding our indebtedness, including information about availability under our revolving credit facility and the principal repayment terms, interest rates, covenants, collateral and other key terms of our outstanding indebtedness, is included in Part II, Item 8, Note 8, *Debt*, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended June 30, 2023 and Note 7, *Debt*, of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The loan agreements governing our revolving credit facility, our Term Loan A-2 maturing 2027, and our Delayed Draw Term Loan require us to comply with certain financial covenants, consisting of a leverage ratio, and a minimum liquidity requirement. As of March 29, 2024, we were in compliance with these financial covenants.

Flash Ventures

Flash Ventures sells to and leases back from a consortium of financial institutions a portion of its tools and has entered into equipment lease agreements of which we guarantee half or all of the outstanding obligations under each lease agreement. The leases are subject to customary covenants and cancellation events that relate to Flash Ventures and each of the guarantors. The occurrence of a cancellation event could result in an acceleration of the lease obligations and a call on our guarantees. As of March 29, 2024, we were in compliance with all covenants under these Japanese lease facilities. See Part I, Item 1, Note 9, *Related Parties and Related Commitments and Contingencies*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for information regarding Flash Ventures.

Purchase Obligations and Other Commitments

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

Mandatory Deemed Repatriation Tax

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

	March 29, 2024
	<i>(in millions)</i>
2025	\$ 265
2026	201
Total	<u>\$ 466</u>

Unrecognized Tax Benefits

As of March 29, 2024, the liability for unrecognized tax benefits (excluding accrued interest and penalties) was \$708 million. 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 March 29, 2024 was \$173 million. Of these amounts, approximately \$719 million could result in potential cash payments.

As noted above, we had previously reached a final agreement with the IRS regarding notices of deficiency with respect to years 2008 through 2012 and in February 2024, also reached a final agreement for resolving the notices of proposed adjustments with respect to years 2013 through 2015. During the nine months ended March 29, 2024, we made payments of \$363 million for tax and \$160 million for interest with respect to years 2008 through 2012 and recorded adjustments to align with IRS calculations, resulting in a remaining liability of \$182 million as of March 29, 2024 related to all years from 2008 through 2015. We expect to pay any remaining balance with respect to this matter within the next twelve months.

In connection with settlements for the years 2008 through 2015, we expect to realize reductions to our mandatory deemed repatriation tax obligations and tax savings from interest deductions in future years aggregating to approximately \$164 million. Of this amount, \$34 million of interest savings from the interest paid with respect to years 2008 through 2012 is classified as a deferred tax asset due to interest expense limitation rules.

Mandatory Research and Development Expense Capitalization

Since the beginning of 2023, the 2017 Act has required us to capitalize and amortize R&D expenses rather than expensing them in the year incurred, which is expected to result in materially higher cash tax payments in future profitable periods, if not repealed or otherwise modified.

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 Risk* 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 infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and certain of our officers that 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.

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 June 30, 2023. Please refer to Part II, Item 7 of our Annual Report on Form 10-K for the year ended June 30, 2023 for a discussion of our critical accounting policies and estimates.

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 nine months ended March 29, 2024. See Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K for the year ended June 30, 2023 for further information about our exposure to market risk.

Foreign Currency Risk

We performed sensitivity analyses as of March 29, 2024 and June 30, 2023 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 March 29, 2024 and June 30, 2023. 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 \$255 million and \$285 million at March 29, 2024 and June 30, 2023, respectively.

Interest Rate Risk

We have generally held a balance of fixed and variable rate debt. As of March 29, 2024, our variable rate debt outstanding consisted of our Term Loan A-2 and Delayed Draw Term Loan, which are based on various index rates as discussed further in Note 7, *Debt*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. As of March 29, 2024, the outstanding balance on our variable rate debt was \$2.9 billion and a one percent increase in the variable rate of interest would increase annual interest expense by \$29 million.

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 third quarter of fiscal year 2024 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 12, *Income Tax Expense*, of the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for disclosures regarding the status of statutory notices of deficiency issued by the IRS with regards to tax years 2008 through 2015, including the reaching of a final agreement for resolving the notices of proposed adjustments with respect to years 2013 through 2015.

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 June 30, 2023 a number of 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. Except as discussed below, there have been no material changes from these risk factors previously described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended June 30, 2023, as updated by the risk factors described in Part II, Item 1A of our Quarterly Reports on Form 10-Q for the quarters ended September 29, 2023, and December 29, 2023. 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 5. *Other Information*

Insider Trading Arrangements

Except as described below, during the third quarter, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a trading arrangement for the purchase or sale of securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act (“Rule 10b5-1 Plan”) or constituted a “non-Rule 10b5-1 trading arrangement”:

- Michael Ray, a former Executive Vice President, Chief Legal Officer and Secretary of the Company who left the Company effective January 12, 2024, terminated a Rule 10b5-1 Plan on February 23, 2024.

Additional Guarantors

On April 26, 2024, SanDisk Corporation (“SDC”) and SanDisk Technologies, Inc. (“SDT” and, together with SDC, the “Additional Guarantors”), each wholly-owned subsidiaries of Western Digital Corporation, entered into agreements (the “Additional Guarantees”) to unconditionally guarantee the obligations under the loan agreements governing our revolving credit facility, our Term Loan A-2 maturing 2027, and our Delayed Draw Term Loan (collectively, the “Credit Facilities”), subject to certain exceptions.

As required under the indenture dated as of February 13, 2019 (the “Senior Notes Indenture”) and pursuant to the second supplemental indenture dated as of April 26, 2024, the Additional Guarantors will also guarantee the obligations under our 4.750% Senior Notes due 2026, for so long as and to the extent required under the terms of the Senior Notes Indenture. As required under the indenture dated as of November 3, 2023 (the “Convertible Notes Indenture”) and pursuant to the first supplemental indenture dated as of April 26, 2024, the Additional Guarantors will also guarantee the obligations under our 2028 Convertible Notes, for so long as and to the extent required under the terms of the Convertible Notes Indenture.

In connection with entering into the Additional Guarantees, the Additional Guarantors also entered into agreements to secure the obligations under the Credit Facilities on a first-priority basis (subject to permitted liens) by a lien on substantially all the assets and properties of the Additional Guarantors (the “Additional Collateral”), subject to certain exceptions. The obligations our 2.850% Senior Notes due 2029 and 3.100% Senior Notes due 2032 will be secured by the Additional Collateral on an equal and ratable basis to the obligations under the Credit Facilities for so long as and to the extent required under the terms of the indenture and first supplemental indenture governing such notes.

Item 6. Exhibits

The exhibits listed in the Exhibit Index below are filed with, or incorporated by reference in, this Quarterly Report on Form 10-Q, as specified in the Exhibit List, from exhibits previously filed with the Securities and Exchange Commission. Certain agreements listed in the Exhibit Index that we have filed or incorporated by reference may contain representations and warranties by us or our subsidiaries. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosures, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe the actual state of affairs at the date hereof and should not be relied upon.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Western Digital Corporation, as amended to date (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (File No. 1-08703) with the Securities and Exchange Commission on February 8, 2006)
3.2	Certificate of Designations, Preferences and Rights of Series A Convertible Perpetual Preferred Stock (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 1, 2023)
3.3	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	Joint Venture Restructure Agreement, dated as of January 29, 2009, by and among SanDisk Corporation, SanDisk (Ireland) Limited, SanDisk (Cayman) Limited, Toshiba Corporation, Flash Partners Limited and Flash Alliance Limited†#
10.2	Equity Purchase Agreement, dated as of March 4, 2024, by and among, SanDisk China Limited and JCET Management Co., Ltd.†
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.

** Furnished with this report.

As permitted by Regulation S-K, Item 601(b)(10)(iv) of the Securities Exchange Act of 1934, as amended, certain confidential portions of this exhibit have been redacted from the publicly filed document.

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 and Duly Authorized
Officer)

Dated: April 29, 2024

CERTAIN CONFIDENTIAL PORTIONS OF THIS EXHIBIT HAVE BEEN REDACTED BECAUSE THEY ARE BOTH (i) NOT MATERIAL AND (ii) THE TYPE OF INFORMATION THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL. INFORMATION THAT HAS BEEN OMITTED HAS BEEN IDENTIFIED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK “[***]”.

Execution Version

JOINT VENTURE RESTRUCTURE AGREEMENT

Dated as of January 29, 2009

by and among

TOSHIBA CORPORATION,
SANDISK (IRELAND) LIMITED,
SANDISK (CAYMAN) LIMITED,
SANDISK CORPORATION,
FLASH PARTNERS LIMITED,

and

FLASH ALLIANCE LIMITED

TABLE OF CONTENTS

	Page
1. Definitions	2
2. Transactions	4
3. Capital Equipment Acquisition Transactions	5
4. Allocation of Capacity to Toshiba	6
5. Modification of Joint Venture Agreements, Future Technology Transaction and Expansion of Capacity	7
6. [***]	9
7. Foundry and [***]	9
8. Representations and Warranties of Each of the Parties	9
9. Additional Matters	10
10. Miscellaneous	11

This **JOINT VENTURE RESTRUCTURE AGREEMENT** (this "Agreement"), dated as of January 29, 2009, is entered into by and among, on one side, TOSHIBA CORPORATION, a Japanese corporation ("Toshiba"), and, on the other side, SANDISK CORPORATION, a Delaware corporation ("SanDisk Corporation"), SANDISK (CAYMAN) LIMITED, a company organized under the laws of the Cayman Islands ("SanDisk Cayman") and SANDISK (IRELAND) LIMITED, a company organized under the laws of the Republic of Ireland ("SanDisk Ireland," and collectively with SanDisk Corporation and SanDisk Cayman, "SanDisk"), FLASH PARTNERS LIMITED, a *tokurei yugen kaisha* organized under the laws of Japan ("FP"), and FLASH ALLIANCE LIMITED, a *tokurei yugen kaisha* organized under the laws of Japan ("FA" and, together with FP, the "JVs" or "Joint Ventures" and the Joint Ventures together with SanDisk and Toshiba, the "Parties").

WHEREAS, pursuant to that certain Flash Partners Master Agreement (the "FP Master Agreement") by and among Toshiba, SanDisk Corporation and SanDisk Cayman, dated as of September 10, 2004 and the agreements referenced therein (the "FP Agreements"), the Parties have had a collaboration for development and manufacture of Y3 NAND Flash Memory Products (as defined in the FP Agreements);

WHEREAS, pursuant to that certain Flash Alliance Master Agreement (the "FA Master Agreement") by and among Toshiba, SanDisk Corporation and SanDisk Ireland, dated as of July 7, 2006 and the agreements referenced therein (the "FA Agreements"), the Parties have had a collaboration for development and manufacture of Y4 NAND Flash Memory Products (as defined in the FA Agreements);

[***];

WHEREAS, pursuant to that certain 3D Collaboration Agreement by and between Toshiba and SanDisk Corporation, dated as of June 13, 2008 (the "3D Collaboration Agreement"), the Parties have expanded the collaboration to include 3D Memory Products as that term is defined in the 3D Collaboration Agreement ("3D Memory Products"), and the Patent Cross License Agreement between Toshiba and SanDisk Corporation, dated as of July 30, 1997, as amended (the "Cross License Agreement") (collectively, the FP Agreements, the FA Agreements, [***], the 3D Collaboration Agreement and the Cross License Agreement, are from time to time referred to herein as the "Joint Venture Agreements");

WHEREAS, the Parties have entered into a non-binding memorandum of understanding dated as of October 20, 2008 to restructure and amend the Joint Venture Agreements in part and to provide for the acquisition by Toshiba of certain capacity and equipment in connection with the production of NAND Flash Memory Products at the Joint Ventures; and

WHEREAS, in order to realize these goals, the Parties desire to consummate or cause to be consummated the Transactions described in this Agreement and an Equipment Purchase Agreement substantially in the form of the attached Exhibit A (the "Equipment Purchase Agreement"), a SanDisk Foundry Agreement substantially in the form of the attached Exhibit B (the "Foundry Agreement") and any other transactions which the Parties may from time to

time consider necessary or appropriate to carry out the intent of the Parties as expressed herein and therein.

NOW, THEREFORE, in consideration of the mutual promises, covenants and conditions set forth herein, the Parties hereby agree as follows:

1. Definitions.

1.1 The following capitalized terms used in this Agreement shall have the respective meanings assigned in this Agreement:

<u>Term</u>	<u>Defined In</u>
3D Collaboration Agreement	Recitals
3D Memory Products	Recitals
[***]	Section 5.4(b)
[***]	Section 7.3
Agreement	Heading
[***]	Section 4.1(d)(iii)
[***]	Section 6.1(a)(iii)
[***]	Section 4.1(d)(ii)
Cross License Agreement	Recitals
Equipment	Section 2.1(a)(i)
Equipment Purchase Agreement	Recitals
FA	Heading
FA Agreements	Recitals
FA Master Agreement	Recitals
[***]	Section 5.4(a)(i)
Foundry Agreement	Recitals
FP	Heading
FP Agreements	Recitals
FP Master Agreement	Recitals
Governmental Authority	Section 8.3
[***]	Schedule 4.1(a)
[***]	Section 4.1(a)
[***]	Schedule 4.1(a)
[***]	Recitals
Joint Venture Agreements	Recitals
Joint Ventures	Heading
JV	Heading
[***] (JV Adjusted Capacity Ratio)	Schedule 4.1(b)(ii)
[***] (JV Capacity Ratio)	Schedule 4.1(b)(i)

[***] (JV Equivalent Lot Capacity)	Schedule 4.1(b)(i)
[***]	Schedule 4.1(b)(ii)
Lien	Section 8.3
[***]	Section 4.1(d)(iv)
Parties	Heading
Person	Section 8.3
SanDisk	Heading
SanDisk Cayman	Heading
SanDisk Corporation	Heading
SanDisk Ireland	Heading
[***] (SanDisk Option)	Section 7.2(a)
[***] (SanDisk Option Exercise Notice)	Section 7.2(b)
[***]	Section 5.6(a)
Toshiba	Heading
[***]	Schedule 4.1(b)(ii)
[***]	Section 5.2(a)
[***]	Schedule 4.1(b)(i)
[***]	Schedule 4.1(b)(i)
[***]	Schedule 4.1(b)(ii)
[***]	Schedule 4.1(b)(i)
[***]	Section 4.1(d)(i)
Transaction Agreements	Section 2.1(a)
Transactions	Section 2.1(a)
[***]	Section 5.4(a)(ii)
[***]	Section 4.1(d)(i)

- 1.2 Interpretation. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed, as the context indicates, to be followed by the words “but (is/are) not limited to.” Wherever in this Agreement words indicating the plural number appear, such words will be considered as words indicating the singular number and vice versa where the context indicates the propriety of such use.
- 1.3 The term “Rules of Construction and Documentary Convention” as used in this Agreement means those certain Rules of Construction and Documentary Convention attached to the FP Master Agreement and the FA Master Agreement, as applicable, commencing from Section 2.1 therein.
- 1.4 The term “R/W” as used in this Agreement refers to certain 3D Memory Products and has the meaning set forth in the 3D Collaboration Agreement.

- 1.5 The term “NAND” as used in this Agreement means NAND Flash Memory Products.
- 1.6 The term [***] as used in this Agreement means (i) the requirements of [***] of the FP Master Agreement, (ii) the requirements of [***] of the FA Master Agreement and (iii) the [***].
- 1.7 The term “Y3 Facility” as used in this Agreement means that facility located at Yokkaichi, Mie, Japan which, following the consummation of the Transactions, shall consist of FP equipment and production and Toshiba equipment and production.
- 1.8 The term “Y4 Facility” as used in this Agreement means that facility located at Yokkaichi, Mie, Japan which, following the consummation of the Transactions, shall consist of FA equipment and production and Toshiba equipment and production.
- 1.9 Capitalized terms not otherwise set forth in this Section 1 shall have the meanings assigned to them in the Equipment Purchase Agreement, the FP Agreements, the FA Agreements and/or the 3D Collaboration Agreement as the context requires.

2. Transactions.

2.1 Transactions and Deliveries.

- (a) Basic Transactions. Subject to and on the terms and conditions set forth in this Agreement, the Equipment Purchase Agreement, the Foundry Agreement, any amendments to the Joint Venture Agreements including any Joint Venture equipment lease agreements and other agreements signed of even date herewith (collectively, the “Transaction Agreements”) the Parties agree to effect the transactions set forth in this Section 2.1 (the “Transactions”), all of which shall be considered binding as of, and to occur on, the date hereof unless the date for actual performance is otherwise stipulated:
 - (i) Committed Capacity Transfer. Toshiba shall acquire approximately [***] of the current production capacity of each of FP and FA for NAND Memory Products as set forth in Article 4 below; and
 - (ii) Toshiba Equipment Purchase. Upon the terms and conditions set forth in the Equipment Purchase Agreement, Toshiba shall acquire owned equipment representing approximately [***] of the capacity of each of FP and FA and leased equipment representing approximately [***] of the capacity of each of FP and FA (the “Equipment”).
 - (iii) Foundry Option. Toshiba and SanDisk shall enter into the Foundry Agreement pursuant to which, until [***], SanDisk will have the right

to purchase NAND Memory Products on the terms and conditions set forth therein.

- (iv) SanDisk Conversion Option. Subject to Toshiba's consent, to be granted or withheld at the time of exercise, SanDisk will have the option to cause FP and FA to reacquire a portion of the production capacity and Equipment being transferred to Toshiba pursuant to this Agreement and the Equipment Purchase Agreement, as set forth in Section 7.2 below.
 - (v) Amendment to Joint Venture Agreements. The Parties agree that the Joint Venture Agreements are hereby amended to the extent necessary to conform to the provisions set forth herein.
 - (vi) Transfer of Additional Capacity to Toshiba. The Parties may, if mutually agreed in [***], effect the transfer to Toshiba of additional capacity and owned equipment as provided in and subject to Section 7.3.
 - (vii) JV Ownership Interest Remains Unchanged. For the avoidance of doubt, nothing in this Agreement shall affect the Parties' equity interests in each of FP and FA (i.e. 50.1% for Toshiba and 49.9% for SanDisk).
- (b) Deliveries. Each of the relevant Parties agrees to make the following deliveries to the other Parties at the time of the execution of this Agreement:
- (i) Counterpart originals of this Agreement duly executed by each of the Parties as of the date hereof concurrently with the execution of this Agreement;
 - (ii) Counterpart originals of the Equipment Purchase Agreement duly executed as of the date hereof concurrently with the execution and delivery of this Agreement; and
 - (iii) Counterpart originals of the Foundry Agreement (as provided for in Section 7.1 below) duly executed by the Parties as of the date hereof concurrently with the execution and delivery of this Agreement.

3. Capital Equipment Acquisition Transactions

- 3.1 Capital Equipment Purchase by Toshiba. Upon the terms and subject to the conditions set forth in the Equipment Purchase Agreement, Toshiba shall acquire the Equipment.
- 3.2 Use of Proceeds by Joint Ventures. The Parties shall cause each of FP and FA upon receipt of proceeds to payoff or pay down (on an equal pro-rata basis) loans from its shareholders with the proceeds realized from the sale of the

Equipment. Subject to further mutual agreement of the Parties, any remaining funds will be retained in FP and FA for technology transitions and capacity expansions, or otherwise used to return equity investments made in FP and FA by the shareholders.

4. Allocation of Capacity to Toshiba

4.1 Allocation of Current Capacity to Toshiba; Allocation of Fab Lot Output.

- (a) Initial Toshiba Capacity. Pursuant to the implementation schedule set forth in Section 4.1(c) below, the Parties shall allocate to Toshiba, and Toshiba shall acquire, approximately [***] of the pre-restructuring production capacity (and related Equipment) from each of FP and FA, [***]. Such initial allocation in the percentages set forth on Schedule 4.1(a) shall be referred to herein as the [***].
- (b) Output Allocation.
 - (i) Except as described in Section 4.1(b)(ii), the actual monthly lot output from each of the Y3 Facility and the Y4 Facility shall be allocated between Toshiba and FP or FA, as applicable, based on [***] and the applicable [***], as set forth in Schedule 4.1(b)(i).
 - (ii) During any month during which the planned production of any of FP, FA or the Toshiba Capacity, as applicable, [***], as defined in Schedule 4.1(b)(i), the Parties (as between the Joint Ventures and Toshiba) shall be [***].
- (c) Implementation Schedule. The capacity associated with each Equipment transfer contemplated by the Equipment Purchase Agreement shall transfer at the time of Toshiba's acquisition of the related Equipment, subject, however, to Section 3.6 of the Equipment Purchase Agreement. Subject to Sections 3.6 and 3.7(a) of the Equipment Purchase Agreement, depreciation and lease costs associated with the transferred equipment or capacity shall be borne by Toshiba immediately after the date of Toshiba's acquisition of the related Equipment.
- (d) Work in Process Inventory. [***].
 - (i) [***].
 - (ii) [***].
 - (iii) [***].
 - (iv) [***].

5. Modification of Joint Venture Agreements, Future Technology Transaction and Expansion of Capacity

5.1 Operations.

(a) No Operational Effects from Toshiba Capacity.

- (i) Except as otherwise provided in or necessary to implement the Transaction Agreements, the FA, FP and Toshiba Capacity equipment in the Y3 and Y4 Facilities will be [***]. There will be no change in the fabs' operating methods, engineering, production control processes, access, financial, investment or operational transparency, or otherwise as a result of the inclusion of the Toshiba Capacity in the Y3 Facility and the Y4 Facility.
- (ii) For the Toshiba Capacity in the Y3 and Y4 Facility, Toshiba will provide to the applicable Joint Venture [***], including but not limited to [***]. Notwithstanding the foregoing, Toshiba shall have sole discretion over the use and disposition of the equipment representing the Toshiba Capacity, provided [***].

(b) Improvements Not Related to Expansion. To the extent practical and commercially feasible, each of the Parties shall use commercially reasonable efforts to enhance the [***] of the Y3 and Y4 Facilities.

(c) Incentives. All governmental incentives (financial or otherwise) received with respect to the Y4 Facility (including any Toshiba Capacity) shall be disclosed and the Parties will discuss such incentives and the sharing thereof based on the type of incentives.

5.2 Expansion and Transition of Capacity.

(a) General Rule; [***] Expansion. Except as provided in this Section, the terms of Section 6.3(c)(iv) of the FP Master Agreement and Section 6.5(c)(iv) of the FA Master Agreement will apply to [***] within FP, FA and other facilities. [***]

(b) Technology Transitions. The Joint Ventures shall be given priority for any technology transition. Should either FP or FA not accept any proposal for a NAND technology transition, the non-rejecting Party (as between SanDisk and Toshiba) shall be able to implement such technology transition on its capacity and [***]. Subject to the foregoing priority granted to the Joint Ventures, nothing in this Agreement shall in any way limit Toshiba's ability to implement NAND technology transitions within the Toshiba Capacity, which shall be made in Toshiba's sole discretion.

5.3 Effect on [***]; Priority; Proprietary Products.

(a) [***].

(b) Priority.

- (i) Section 6.4(a)(ii) of the FP Master Agreement and Section 6.6(a)(ii) of the FA Master Agreement are each hereby amended such that each of

Sub-section 6.4(a)(ii)(B) in the FP Master Agreement and Sub-section 6.6(a)(ii)(C) in the FA Master Agreement shall be replaced with

[***].

- (ii) Section 6.4(a)(i) of the FP Master Agreement and Section 6.6(a)(i) of the FA Master Agreement are each hereby amended such that each of Sub-section 6.4(a)(i)(C) in the FP Master Agreement and Sub-section 6.6(a)(i)(D) in the FA Master Agreement shall be replaced with

[***].

- (c) Proprietary Products. [***].

5.4 Effect on Costs.

- (a) [***] Manufacturing Costs. All costs of manufacturing shall be [***].

- (i) [***].

- (ii) [***].

- (b) [***].

- (c) The Joint Ventures shall not be responsible or invoiced for [***]. Any other [***] shall be subject to mutual good faith discussion and agreement regarding the terms by which [***] shall be borne by the applicable Joint Venture.

- (d) Cost benefits associated with [***] will be discussed by the Parties [***] and mutually agreed by the Parties.

5.5 [***].

- (a) For [***] for the Y3 or Y4 Facility that are owned by the applicable Joint Venture as of the date hereof, [***], within [***] of each Closing under the Equipment Purchase Agreement, [***].

- (b) For [***] for the Y3 or Y4 Facility that will be [***], the Parties agree that:

- (i) For such [***] related to [***]; and

- (ii) Each Party (as between Toshiba and SanDisk) shall be solely responsible for the purchase of [***].

5.6 [***].

- (a) On [***], Toshiba shall sell to the applicable Joint Venture, and such Joint Venture shall purchase from Toshiba, the portion of the then existing [***]. Payment for such [***] shall be made by SanDisk and Toshiba to the applicable

Joint Ventures, pursuant to invoices from the Joint Ventures, no later than [***], and the Joint Ventures [***].

- (b) [***], shall sell to each of the Joint Ventures, and each of the Joint Ventures shall purchase [***] and [***] allocable to such Joint Venture [***]. Payment for such [***] shall be made by SanDisk and Toshiba to the applicable Joint Venture, pursuant to a payment mechanism and schedule to be agreed between the Parties, provided that payment shall occur [***].

6. [***].

7. Foundry and Conversion Options; Additional Capacity Transfer

7.1 Foundry Option. Toshiba and SanDisk shall enter into the Foundry Agreement which shall provide for a foundry arrangement between the Parties until [***].

7.2 Conversion Option.

(a) [***].

(b) [***].

(c) [***].

7.3 [***].

8. Representations and Warranties of Each of the Parties

Each Party, severally and not jointly, represents and warrants to each other Party that the following are true and correct as of the date hereof:

8.1 Organization and Standing. It is duly organized and validly existing and, where applicable, in good standing under the laws of the jurisdiction in which it is organized.

8.2 Authority; Enforceability. It has the requisite corporate or equivalent power and authority to enter into this Agreement, to execute any certificates or other instruments to be executed by it in connection with the Transactions, and otherwise carry out the Transactions. All corporate or equivalent proceedings required to be taken by it to authorize the execution, delivery and performance of this Agreement, and any such certificates and instruments, and the consummation of the Transactions, have been or will be as of the Closing properly taken. This Agreement has been duly and validly executed and delivered by it and constitutes a valid and binding obligation of it, enforceable against it in accordance with its terms.

- 8.3 No Conflict. The execution, delivery and performance of this Agreement by it do not and will not (a) breach, violate or conflict with any provision of its charter documents as amended to date, (b) conflict with or violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award applicable to it, or (c) result in the creation or imposition of any Lien (other than as may result from the actions contemplated by the Equipment Purchase Agreement) on any of the Purchased Assets. No consent, approval or authorization of, or filing with, any Governmental Authority, or any other Person, is required to be made or obtained by it in connection with the execution, delivery and performance by it of this Agreement and the consummation by it of the Transactions. The term “Lien” as used in this Agreement means any lien, pledge, hypothecation, security interest, claim, lease, charge, option, right of first refusal, transfer restriction, encumbrance or any other restriction or limitation whatsoever. The term “Person” as used in this Agreement means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity. The term “Governmental Authority” as used in this Agreement means any court, tribunal, arbitrator or any government or political subdivision thereof, whether foreign, federal, state or county, or any agency, authority, official or instrumentality of such government or political subdivision.
- 8.4 Brokers’ or Finders’ Fees. It has not incurred and will not incur, directly or indirectly, any liability for brokerage or finders’ fees or agents’ commissions or any similar charges in connection with this Agreement or any certificates and instruments executed or contemplated to be executed by the Parties. It has not taken any action or entered into any agreement or understanding that will cause any other Party to incur any of the foregoing liabilities.
- 8.5 Litigation. There is no Action pending, or, to its knowledge, threatened, or directly relating to the Transactions and which, if successful, would materially impair such Party’s ability to consummate the Transactions. There is no judgment, order, writ or decree that substantially restrains its ability to consummate the Transactions.

9. Additional Matters

- 9.1 [***].
- 9.2 Insurance. Toshiba shall continue to maintain insurance policies as contemplated under Section 7.5(d) of the FP Master Agreement and Section 7.5(d) of the FA Master Agreement covering the entire business of the Joint Ventures and the Toshiba Capacity, provided that [***].
- 9.3 Environmental Liabilities. The Environmental Indemnification Agreements with respect to FA and FP in effect shall continue in effect without amendment, except that, beginning on the earlier of [***] (i) Toshiba shall be responsible for

its share of liability for Environmental Costs (as defined in the Environmental Indemnification Agreements) [***]FA and/or FP, as applicable, at the time of the contamination or release, if determinable, and (ii) if the time of such contamination or release is not determinable, the liability for Environmental Costs shall be allocated [***] of NAND Flash production through the time of discovery of such contamination or release.

- 9.4 Further Assurances; Cooperation. Each of the Parties shall from time to time, at the reasonable request of the other Parties, and without further consideration (unless otherwise provided for under this Agreement), execute and deliver such instruments, cooperate and take such actions (as a member of the FP and FA joint ventures or otherwise) as may be reasonably necessary to effectuate the Transactions.

10. Miscellaneous

- 10.1 Entire Agreement. This Agreement, together with the exhibits, schedules, appendices and attachments hereto, the Joint Venture Agreements (as and if amended hereby) and the other Transaction Agreements constitute the entire agreement of the Parties to this Agreement with respect to the subject matter hereof and supersede all prior written and oral agreements and understandings with respect to such subject matter.
- 10.2 Precedence. The terms and provisions of this Agreement are binding on the Parties. To the extent that a provision in this Agreement or another Transaction Agreement expressly conflicts with a Joint Venture Agreement, then the provisions of this Agreement shall control; provided however, that unless otherwise provided herein, the provisions of the Joint Venture Agreements remain in effect.
- 10.3 Governing Law. This Agreement shall in all respects be governed by and construed in accordance with the internal laws of the State of California applicable to agreements made and to be performed entirely within such state without regard to the conflict of laws principles of such state.
- 10.4 Remedies; Rules of Construction and Documentary Convention. The Parties agree that the Rules of Construction and Documentary Convention set forth in each of the Joint Venture Agreements shall apply in the event that a dispute arises out of or relates to this Agreement or a particular Joint Venture Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

“FP”

FLASH PARTNERS LIMITED

By /s/ Yasuo Naruke

Name Yasuo Naruke

Title Representative director

“FA”

FLASH ALLIANCE LIMITED

By /s/ Yasuo Naruke

Name Yasuo Naruke

Title Representative director

“TOSHIBA”

TOSHIBA CORPORATION

By /s/ Shozo Saito

Name Shozo Saito

Title Corporate Senior Vice President

President and CEO

Semiconductor Company

“SANDISK CORPORATION”

SANDISK CORPORATION

By /s/ Sanjay Mehrotra

Name Sanjay Mehrotra

Title President and Chief Operating Officer

“SANDISK CAYMAN”

SANDISK (CAYMAN) LIMITED

By /s/ Judy Bruner

Name Judy Bruner

Title Director

“SANDISK IRELAND”

SANDISK (IRELAND) LIMITED

By /s/ Sanjay Mehrotra

Name Sanjay Mehrotra

Title Director

[Signature page to Joint Venture Restructure Agreement]

Schedule 4.1(a)

[***]

Schedule 4.1(b)(i)

[***]

Schedule 4.1(b)(ii)

[***]

Schedule 5.4(a)(i)

[***]

Schedule 5.4(a)(ii)

[***]

Schedule 5.4(b)-1

[***]

Schedule 5.4(b)-2

[***]

EQUITY PURCHASE AGREEMENT

dated as of

March 4, 2024

by and between

SanDisk China Limited

and

JCET Management Co., Ltd. (长电科技管理有限公司)

TABLE OF CONTENTS

	Page
	<u>1</u>
	<u>1</u>
Section 1.1 Definitions	1
	<u>12</u>
	<u>12</u>
Section 2.1 Purchase and Sale	12
Section 2.2 Purchase Price	12
Section 2.3 Estimated Adjustments at Closing	13
Section 2.4 Post-Closing Adjustment	14
Section 2.5 Completion Accounts	15
Section 2.6 Dispute Resolution Procedure	15
Section 2.7 Deferred Payments	17
Section 2.8 Closing	17
Section 2.9 Deliveries by Seller	18
Section 2.10 Deliveries by Purchaser	18
	<u>19</u>
	<u>19</u>
Section 3.1 Organization and Qualification	19
Section 3.2 Authorization; Enforceability	19
Section 3.3 Consents and Approvals; No Violations	20
Section 3.4 Seller Litigation	20
Section 3.5 Ownership of Purchased Interest	21
Section 3.6 Organization and Qualification	21
Section 3.7 Capitalization and Corporate Structure	21
Section 3.8 Financial Statements	22
Section 3.9 Conduct of Business	22
Section 3.10 Company Litigation	22
Section 3.11 Taxes	23
Section 3.12 Employee Benefit Plans	24
Section 3.13 Labor Matters	25
Section 3.14 Property and Assets	25
Section 3.15 Environmental Matters	27
Section 3.16 No Undisclosed Liabilities	27
Section 3.17 Intellectual Property	27
Section 3.18 Compliance with Laws and Orders	28
Section 3.19 Company Contracts	28
Section 3.20 Suppliers	30
Section 3.21 Permits	31
Section 3.22 Insurance	31
Section 3.23 Transactions with Affiliates	31

Section 3.24	Data Protection	32
Section 3.25	Due Diligence Materials	32
Section 3.26	Solvency	32
Section 3.27	Product Liability	32
Section 3.28	Anti-Corruption Laws and Sanctions	33
Section 3.29	Brokers	33
<u>ARTICLE IV</u>		<u>34</u>
<u>REPRESENTATIONS AND WARRANTIES OF PURCHASER</u>		
Section 4.1	Organization and Qualification	34
Section 4.2	Authorization; Enforceability	34
Section 4.3	Consents and Approvals; No Violations	34
Section 4.4	Litigation	35
Section 4.5	Solvency	35
Section 4.6	Independent Investigation; No Reliance.	35
Section 4.7	Available Funds	36
Section 4.8	Letters of Guarantee	36
Section 4.9	Brokers	36
<u>ARTICLE V</u>		<u>37</u>
<u>COVENANTS</u>		
Section 5.1	Conduct of Business Prior to the Closing	37
Section 5.2	Access to Information; Confidentiality	39
Section 5.3	Regulatory Filings; Reasonable Best Efforts	41
Section 5.4	Closing Conditions	44
Section 5.5	No Amendment to Letters of Guarantee	44
Section 5.6	Employee Benefits	44
Section 5.7	Public Announcements	46
Section 5.8	Further Assurances	46
Section 5.9	Notification of Certain Matters	46
Section 5.10	Taxes	47
Section 5.11	No-Shop	51
Section 5.12	Non-Compete; Non-Solicitation	51
Section 5.13	Working Capital Support	52
<u>ARTICLE VI</u>		<u>54</u>
<u>CONDITIONS PRECEDENT</u>		
Section 6.1	Mutual Closing Conditions	54
Section 6.2	Purchaser's Closing Conditions	54
Section 6.3	Seller's Closing Conditions	55
Section 6.4	Mutual Conditions for AMR Submission	55
Section 6.5	Purchaser's Conditions for AMR Submission	56
Section 6.6	Seller's Conditions for AMR Submission	57
Section 6.7	Frustration of Conditions	58
Section 6.8	Waiver of Conditions	58

	<u>ARTICLE VII</u>	<u>59</u>
	<u>TERMINATION; EXPENSES</u>	
Section 7.1	Termination	59
Section 7.2	Effect of Termination; Procedure	60
Section 7.3	Fees and Expenses	61
Section 7.4	Termination Fee	61
	<u>ARTICLE VIII</u>	<u>63</u>
	<u>INDEMNIFICATION</u>	
Section 8.1	Survival	63
Section 8.2	Indemnification by Seller	63
Section 8.3	Indemnification by Purchaser	64
Section 8.4	Certain Limitations	65
Section 8.5	Indemnification Procedures	66
Section 8.6	Payments	68
Section 8.7	Tax Consequences	68
Section 8.8	Pre-Closing Tax Indemnity	68
Section 8.9	Exclusive Remedy	68
Section 8.10	Determination of Losses	69
	<u>ARTICLE IX</u>	<u>69</u>
	<u>MISCELLANEOUS</u>	
Section 9.1	Release	69
Section 9.2	Disclosure	70
Section 9.3	No Other Representations or Warranties	71
Section 9.4	Amendments; No Waivers	71
Section 9.5	Notices	71
Section 9.6	Successors and Assigns	72
Section 9.7	Governing Law	72
Section 9.8	Dispute Resolution	72
Section 9.9	Privilege; Counsel	73
Section 9.10	Counterparts; Effectiveness	74
Section 9.11	Entire Agreement	74
Section 9.12	Third-Party Beneficiaries	75
Section 9.13	Severability	75
Section 9.14	Specific Performance	75
Section 9.15	No Setoff	76
Section 9.16	Construction	76
Section 9.17	No Recourse	77
Section 9.18	Currency	78

SCHEDULES AND EXHIBITS

Schedule I Example Net Working Capital Calculation

Exhibit A Form of Letters of Guarantee

Exhibit B Knowledge of Purchaser List

Exhibit C Knowledge of Seller

Exhibit D Form of Shareholders Agreement

Exhibit E Terms of Supply Agreement

SELLER DISCLOSURE LETTER

INDEX OF DEFINED TERMS

Defined Term	Page	Defined Term	Page
<u>2023 Balance Sheet</u>	21	<u>Contract</u>	4
<u>Accounting Principles</u>	1	<u>Control</u>	4
<u>Acquisition Proposal</u>	2	<u>Controller Pro Rata Value</u>	49
<u>Action</u>	1	<u>Controller Suppliers</u>	50
<u>Actual Net Debt Amount</u>	1	<u>Controller Transition Period</u>	49
<u>Actual Working Capital Adjustment Amount</u>	2	<u>Controller Working Capital Amount</u>	49
<u>Actual Working Capital Amount</u>	1	<u>Data Protection Laws</u>	30
<u>Adjusted Controller Working Capital Amount</u>	49	<u>Deductible</u>	60
<u>Affiliate</u>	2	<u>Deferred Payment</u>	17
<u>Affiliate Transactions</u>	30	<u>Deferred Payment Date</u>	17
<u>Agreement</u>	1	<u>Determination Date</u>	4
<u>Amended and Restated Articles of Association</u>	2	<u>Direct Claim</u>	61
<u>AMR Approval</u>	2	<u>Dispute</u>	68
<u>AMR Submission Date</u>	2	<u>Dispute Notice</u>	15
<u>Ancillary Agreements</u>	3	<u>Disputed Matters</u>	15
<u>Anti-Corruption Laws</u>	3	<u>Employee Benefit Plan</u>	5
<u>Application Documents</u>	40	<u>Environmental Law</u>	5
<u>Base Purchase Price</u>	3	<u>Estimated Closing Payment</u>	5
<u>Business Day</u>	3	<u>Estimated Net Debt Amount</u>	13
<u>Cash</u>	3	<u>Estimated Working Capital Adjustment Amount</u>	13
<u>Closing</u>	17	<u>Estimated Working Capital Amount</u>	13
<u>Closing Cash</u>	3	<u>Exchange Rate</u>	73
<u>Closing Date</u>	17	<u>Excluded Assets</u>	36
<u>Closing Debt</u>	3	<u>Excluded Employees</u>	37
<u>Company</u>	1	<u>Final Objection Date</u>	15
<u>Company Capital Account Bank</u>	4	<u>Financial Statements</u>	21
<u>Company Contracts</u>	28	<u>Flash Spin-off</u>	5
<u>Company Employees</u>	42	<u>Fraud</u>	5
<u>Company Material Adverse Effect</u>	3	<u>Full Transition</u>	49
<u>Company Real Property</u>	24	<u>General Enforceability Exceptions</u>	5
<u>Company Real Property Leases</u>	4	<u>Government Official</u>	31

<u>Company Transaction Expenses</u>	4	<u>Governmental Authority</u>	5
<u>Completion Accounts</u>	15	<u>Hazardous Materials</u>	6
<u>Condition to Closing</u>	54	<u>HKIAC</u>	68
<u>Confidential Information</u>	38	<u>Hong Kong</u>	6
<u>Consent</u>	4	<u>Indebtedness</u>	6
<u>Indemnification Tax Benefit</u>	60	<u>Response</u>	15
<u>Indemnified Person</u>	59	<u>Restraints</u>	51
<u>Indemnifying Person</u>	59	<u>SAFE Registration Voucher</u>	9
<u>Independent Accountant</u>	15	<u>SAMR</u>	9
<u>Intellectual Property</u>	6	<u>Sanctioned Person</u>	9
<u>Interim Period</u>	6	<u>Sanctions Laws</u>	9
<u>IP License Agreement</u>	6	<u>Second Installment Payment</u>	12
<u>Knowledge of Purchaser</u>	6	<u>Seller</u>	1
<u>Knowledge of Seller</u>	6	<u>Seller Controller Inventory</u>	50
<u>Labor Organization</u>	6	<u>Seller Disclosure Letter</u>	9
<u>Law</u>	7	<u>Seller Fundamental Representations</u>	9
<u>Lease Agreement</u>	7	<u>Seller Material Adverse Effect</u>	9
<u>Letter of Guarantee</u>	7	<u>Seller Releasee</u>	64
<u>Lien</u>	7	<u>Seller Termination Fee</u>	57
<u>Longstop Date</u>	54	<u>Seller's Account</u>	12
<u>Losses</u>	7	<u>Shareholders Agreement</u>	9
<u>Major Suppliers</u>	29	<u>SOFR</u>	10
<u>Major Supply Agreements</u>	29	<u>Solvent</u>	10
<u>Offshore Plans</u>	7	<u>Statement Date</u>	21
<u>Order</u>	7	<u>Straddle Period</u>	44
<u>Organizational Documents</u>	7	<u>Subsidiary</u>	10
<u>Partial Transition</u>	49	<u>Supply Agreement</u>	10
<u>Parties</u>	1	<u>Target Working Capital Amount</u>	10
<u>Party</u>	1	<u>Tax Claim</u>	45
<u>Permits</u>	29	<u>Tax Return</u>	10
<u>Permitted Lien</u>	8	<u>Taxes</u>	10
<u>Person</u>	8	<u>Taxing Authority</u>	10
<u>Post-Closing Bonus Plan</u>	42	<u>Termination Fee</u>	57
<u>PRC</u>	8	<u>Third-Party Claim</u>	62
<u>PRC Anti-Monopoly Law</u>	8	<u>Transaction Deductions</u>	10
<u>PRC Antitrust Clearance</u>	8	<u>Transfer Taxes</u>	47
<u>PRC Withholding Tax</u>	8	<u>Transition of Controller Suppliers</u>	49
<u>Pre-Closing Tax Period</u>	8	<u>Transition Services Agreement</u>	11
<u>Purchase Price</u>	12	<u>U.S.</u>	11
<u>Purchased Interest</u>	12	<u>U.S. Dollar</u>	11
<u>Purchaser</u>	1	<u>United States</u>	11

<u>Purchaser Guarantor</u>	8	<u>Unvested WDC RSU</u>	42
<u>Purchaser Material Adverse Effect</u>	8	<u>US\$</u>	11
<u>Purchaser Releasor</u>	64	<u>VDR</u>	11
<u>Purchaser Termination Fee</u>	57	<u>Vested WDC RSUs</u>	42
<u>Registration ETA</u>	70	<u>WDC RSUs</u>	42
<u>Replacement Cash Awards</u>	42		
<u>Representative</u>	9		

EQUITY PURCHASE AGREEMENT

THIS EQUITY PURCHASE AGREEMENT (this “Agreement”), dated as of March 4, 2024, is entered into by and between SanDisk China Limited, a company organized under the Laws of the Republic of Ireland (“Seller”) and JCET Management Co., Ltd. (长电科技管理有限公司), a limited liability company established under the Laws of the PRC (“Purchaser”). Seller and Purchaser may each be referred to herein as a “Party” or collectively as the “Parties.”

RECITALS

WHEREAS, SanDisk Semiconductor (Shanghai) Co. Ltd. (晟碟半导体 (上海) 有限公司) (the “Company”) is a limited liability company established under the Laws of the PRC;

WHEREAS, Seller owns 100% of all rights and interests in the registered capital of the Company;

WHEREAS, upon the terms and subject to the conditions set forth herein, Seller desires to sell and assign to Purchaser, and Purchaser desires to purchase and assume from Seller, 80% equity interest in the Company; and

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement and for good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions

When used in this Agreement, the following terms shall have the respective meanings set forth below:

“Accounting Principles” means the accounting principles generally accepted in the PRC consistently applied in accordance with the Company’s past practice.

“Action” means any charge, claim, action, complaint, petition, investigation, appeal, suit, arbitration, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority.

“Actual Net Debt Amount” means the amount equal to (a) Closing Debt, *minus* (b) Closing Cash. For the avoidance of doubt, the Actual Net Debt Amount may be a negative number.

“Actual Working Capital Amount” means as of 12:01 a.m. Beijing time on the Closing Date, (a) the current assets of the Company as of such time (excluding Closing Cash), *minus* (b)

the current liabilities of the Company as of such time (excluding Closing Debt), in each case, calculated in accordance with the Accounting Principles on a basis consistent with the illustrative sample calculation set forth on Schedule I attached hereto. For purposes of the calculation of Actual Working Capital Amount, (i) current assets shall include all current Tax assets allocable to the Taxable period that is deemed to end on the Closing Date pursuant to, and in accordance with, Section 5.10(a) and shall expressly exclude all deferred Tax assets; and (ii) current liabilities shall expressly exclude: (w) Indebtedness; (x) Company Transaction Expenses; (y) all deferred Tax liabilities; and (z) all current Tax liabilities not allocable to the Taxable period that is deemed to end on the Closing Date (or any earlier Taxable period) pursuant to Section 5.10(a).

“Actual Working Capital Adjustment Amount” means the amount equal to (a) the Actual Working Capital Amount, *minus* (b) the Target Working Capital Amount. For the avoidance of doubt, the Actual Working Capital Adjustment Amount may be a negative number.

“Acquisition Proposal” means any agreement, offer, proposal or bona fide indication of interest (other than (i) this Agreement or any other offer, proposal or indication of interest by Purchaser or any of its Affiliates, and (ii) any offer, proposal or indication of interest with respect to or as a result of a Flash Spin-off), or any public announcement of intention to enter into any such agreement or of (or intention to make) any such offer, proposal or bona fide indication of interest, relating to, or involving: (a) any acquisition or purchase of the Company or any merger, amalgamation, arrangement, consolidation, business combination or similar transaction involving the Company; (b) any sale, lease, mortgage, pledge, exchange, transfer, license, acquisition, or disposition (other than in the ordinary course of business consistent with past practice) of all or substantially all of the assets or business of the Company in any single transaction or series of related transactions; (c) any liquidation, winding-up, dissolution, recapitalization or other corporate reorganization of the Company, or any extraordinary dividend, whether of cash or other property; or (d) any other transaction undertaken by Seller, the Company or any of their Representatives which would reasonably be expected to prevent, impede or delay the consummation of the transactions contemplated by this Agreement.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly Controls, Controlled by or under common Control with, such first Person.

“Amended and Restated Articles of Association” means the Amended and Restated Articles of Association of the Company, with effect from the date on which the Company submits the application for the AMR Approval.

“AMR Approval” means that SAMR has issued a registration notice (“登记通知书”), together with a new business license for the Company, evidencing that (a) Purchaser is the owner of an 80% equity interest in the Company and Seller is the owner of a 20% equity interest in the Company; and (b) the Amended and Restated Articles of Association of the Company, the appointment of directors, supervisors and legal representative nominated by Purchaser and Seller pursuant to the Shareholders Agreement and the Amended and Restated Articles of Association, and the resignation of such Persons from such positions of the Company as set forth in Section 2.9(a)(iii) have been filed with SAMR.

“AMR Submission Date” means the official acceptance date by SAMR of the application for the AMR Approval.

“Ancillary Agreements” means, collectively, the Shareholders Agreement, the Amended and Restated Articles of Association, the IP License Agreement, the Supply Agreement, the Transition Services Agreement, the Registration ETA and the Lease Agreement, each as defined herein.

“Anti-Corruption Laws” means all applicable PRC and non-PRC Laws for the prevention of public or commercial corruption and bribery.

“Base Purchase Price” means US\$436,800,000.

“Business Day” means any day that is not a Saturday, Sunday, legal holiday, or other day on which commercial banks are required or authorized to be closed for general business in, Shanghai, PRC or the State of California, United States.

“Cash” means, as of a given time, all cash, cash equivalents and other similar deposits at such time, as determined in accordance with the Accounting Principles; provided, however, that “Cash” shall: (a) be calculated net of issued but uncleared checks, wire transfers and drafts written or issued by the Company at such time and (b) include all uncleared checks, wire transfers and drafts deposited or pending deposit for the account of the Company at such time.

“Closing Cash” means, as of 12:01 a.m. Beijing time on the Closing Date, all Cash of the Company.

“Closing Debt” means, as of 12:01 a.m. Beijing time on the Closing Date, all Indebtedness of the Company for borrowed money, together with accrued and unpaid interest thereon, required to be reflected as Indebtedness on the balance sheet of the Company as of such time.

“Company Material Adverse Effect” means any event, development or change that has had or would reasonably be expected to have a material adverse effect on the businesses, assets, liabilities, properties, financial or other conditions or operations, or results of operations of the Company, other than any event, development or change, either alone or in combination, relating to or arising out of: (a) general economic, regulatory or political conditions, global, international, national or regional political, economic, financial or social conditions, or conditions in the financial, credit, debt, currency, capital or securities markets (including changes in interest or currency exchange rates); (b) (i) any acts of God (including weather, meteorological conditions or climate, pandemics, storms, earthquakes, floods, hurricanes, tornadoes, volcanic eruptions, natural disasters or other acts of nature), or (ii) any effect, event, change, development or occurrence resulting from an outbreak, or any escalation, worsening or diminution of, terrorism, hostilities, sabotage, cyber attack, war, military actions, political instability or other regional, national or international calamity, crisis or emergency, or any governmental or other response to any of the foregoing; (c) any event, development or change in any of the industries or markets in which the Company operates, including cyclical fluctuations

and trends; (d) any enactment of, change in, or change in the interpretation of, applicable Law or in the Accounting Principles or other applicable accounting standards, or in each case any change in the interpretation thereof or the adoption or addition of any new Laws or rules, or the rescission, expiration or retirement of any current Law or rule; (e) the announcement, pendency or performance of the transactions contemplated hereby, including by reason of the identity of Purchaser, or any Affiliate of Purchaser, or any communication by Purchaser regarding the plans or intentions of Purchaser with respect to the conduct of the business of the Company, and including the impact of any of the foregoing on any relationships, contractual or otherwise, with customers, suppliers, distributors, collaboration partners, employees or regulators; (f) any action taken, or failure to take any action, in each case, to the extent such action or failure to take action is required by the express terms of this Agreement or to which Purchaser has approved, consented or requested; or (g) any effect, event, change, development, occurrence or circumstance resulting from any breach of this Agreement by Purchaser.

“Company Capital Account Bank” means the Shanghai Municipal branch of Industrial and Commercial Bank of China, where the Company maintains its capital account.

“Company Real Property Leases” means the real property leases, subleases, licenses, and other agreements with respect to the Company Real Property (as defined below), including all amendments, modifications, supplements, extensions, renewals, guaranties or other agreements with respect thereto, pursuant to which the Company is a party.

“Company Transaction Expenses” means, except as otherwise set forth in this Agreement, the aggregate amount of all reasonable out-of-pocket fees and expenses (whether or not yet invoiced), incurred by, or on behalf of, or to be paid by, the Company as of the Closing relating to the performance of the Company’s obligations (including the payments payable to any Company Employee under the Post-Closing Bonus Plan in accordance with Section 5.6(b)(iii)), but excluding any post-Closing liabilities or obligations arising as a result of the occurrence of one or more additional post-Closing events under so-called “double-trigger” severance provisions contained in any Employee Benefit Plan. For the avoidance of doubt, “Company Transaction Expenses” excludes costs and expenses incurred by the Company in connection with the termination, transition or transfer of the Excluded Employees.

“Consent” means any consent, approval, authorization, release, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate issued by any Person, including any Governmental Authority.

“Contract” means a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral, but excluding all Employee Benefit Plans.

“Control” of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a

meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms “Controlled” and “Controlling” have meanings correlative to the foregoing.

“Determination Date” means the date on which the Completion Accounts, the Actual Net Debt Amount, the Actual Working Capital Amount and the Actual Working Capital Adjustment Amount become final and binding on Seller and Purchaser pursuant to Section 2.5(c) or Section 2.6(e), as applicable.

“Environmental Law” means any applicable Law relating to environmental impact assessment, environmental related permits/filings, the pollution of the environment or natural resources or the protection of human health and safety from the presence of Hazardous Materials.

“Employee Benefit Plan” means each plan, program, policy, agreement, or arrangement: (a) that is sponsored or maintained by the Company; (b) to which the Company is a party or with respect to which the Company has any present liability; or (c) the Offshore Plans, in each case of clauses (a) and (b), that is (i) an employment, profit-sharing, deferred compensation, bonus, stock option, phantom stock, stock units, stock purchase, performance unit, stock appreciation right, employee stock ownership, equity compensation, pension, retirement, severance, change of control, retention, supplemental unemployment benefits, employee loan, welfare or incentive compensation plan, policy, program, agreement or arrangement; (ii) any plan, policy, program, agreement or arrangement providing for “fringe benefits,” perquisites or “survivor benefits”; and (iii) any plan, policy, program, agreement or arrangement providing for hospitalization, health, welfare, dental, disability, life insurance or other similar payments or benefits; provided, however, that for purposes of this definition, in no event shall an Employee Benefit Plan include any arrangement maintained by a Governmental Authority to which the Company is required to contribute under applicable Law.

“Estimated Closing Payment” means US\$218,400,000, *minus* 80% of the Estimated Net Debt Amount, *plus* 80% of the Estimated Working Capital Adjustment Amount.

“Flash Spin-off” means a disposition or spin-off of all, or substantially all, of the flash business of Western Digital Corporation.

“Fraud” means, with respect to a Party, an actual and intentional misrepresentation of a material existing fact pursuant to any representation or warranty in Article III or Article IV given by such Party, where (i) such Party had Knowledge of the falsity of such fact, (ii) the misrepresentation was made for the purpose of inducing the other Party to act, (iii) other Party justifiably relied upon such misrepresentation and suffered resulting Losses, and (iv) such misrepresentation would entitle the other Party to revocation of this Agreement (or the transactions contemplated under this Agreement) under Article 148 and/or Article 149 of the Civil Code of the People’s Republic of China. For the avoidance of doubt, Fraud shall not include any claim for negligent misrepresentations or any tort based on negligence or any theory of fraud otherwise not recognized by Article 148 or Article 149 of the Civil Code of the People’s Republic of China.

“General Enforceability Exceptions” means, collectively, (a) applicable bankruptcy, reorganization, insolvency, moratorium or other similar Laws affecting the enforcement of creditors’ rights generally from time to time in effect; and (b) the availability of specific performance, injunctive relief, protective order or similar remedies.

“Governmental Authority” means any government of any nation, federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality of the PRC or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization.

“Hazardous Materials” means any substance regulated or classified as hazardous, toxic, radioactive, dangerous, a pollutant, a contaminant, petroleum, oil or words of similar meaning or effect under any Law relating to pollution, waste or the environment.

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“IP License Agreement” means the IP License Agreement to be entered into by and between the Company and Seller as of the Closing.

“Indebtedness” means, with respect to the Company, without duplication: (a) indebtedness for borrowed money; (b) obligations evidenced by bonds, notes, debentures or other similar instruments or, in each case and only to the extent drawn by the counterparty thereto, letters of credit or performance bonds; (c) obligations under derivative financial instruments, including interest rate swaps; (d) obligations for any deferred purchase price of property, services, stocks or assets with respect to which the Company is liable (but excluding trade payables, accrued expenses and accruals incurred in the ordinary course of business and earn-outs not yet earned); (e) that portion of any obligations under any capitalized lease that is classified, in conformity with the Accounting Principles, as a liability on the balance sheet of the Company; (f) accrued and unpaid interest, if any, on and all make-whole amounts, prepayment penalties, breakage fees and other exit fees paid or payable in the event that any of the foregoing is to be repaid or otherwise discharged; and (g) all guarantees of the obligations of other Persons described in the immediately precedent clauses (a) through (f). For purposes of this Agreement, “Indebtedness” shall expressly exclude: (i) all current liabilities, calculated in accordance with the Accounting Principles; (ii) Company Transaction Expenses; (iii) all Tax liabilities; and (iv) all Purchaser fees and expenses.

“Intellectual Property” means all intellectual property, including all: (a) patents, patent applications, invention disclosures and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof; (b) trademarks, service marks, domain names, logos, business name, slogans, trade dress, design rights and other similar designations of source or origin; (c) copyrights; (d) trade secrets; and know-how; and (e) all applications and registrations for any of the foregoing.

“Interim Period” means the period from and after the date hereof until the earlier to occur of (a) the Closing and (b) the date this Agreement is otherwise terminated pursuant to Article VII.

“Knowledge of Purchaser” has the meaning set forth in Exhibit B attached hereto.

“Knowledge of Seller” has the meaning set forth in Exhibit C attached hereto.

“Labor Organization” means any labor union, labor organization, workers’ association or works council.

“Law” means any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule, or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Orders.

“Lease Agreement” means the Lease Agreement to be entered into by and between the Company and Seller as of the Closing.

“Letter of Guarantee” means each Letter of Guarantee issued by the Purchaser Guarantor in favor of Seller, to guarantee the payment obligations of Purchaser with respect to each of the Estimated Closing Payment, any adjustment to the Estimated Closing Payment payable to Seller, the Second Installment Payment and, each Deferred Payment, pursuant to the terms of this Agreement, substantially in the form as set forth in Exhibit A hereto.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, hypothecation, claim, encroachment, easement, adverse claim, option, security interest or encumbrance of any kind with respect to such asset. For the avoidance of doubt, the license or other grant of rights with respect to Intellectual Property as explicitly set out in the Seller Disclosure Letter, in and of itself, shall not be deemed to be a Lien.

“Losses” means, with respect to a breach of any representation or warranty or any breach or non-fulfillment by a Party of any of its covenants or agreements under this Agreement, all costs, expenses, damages, obligations, liabilities, assessments, judgments, losses, settlements, awards and fees (including any reasonable legal fees and other reasonable expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened Action) actually suffered, sustained, incurred or paid by the relevant Person(s) to be indemnified, to the extent directly arising out of or resulting from the breach of any such representation, warranty, covenant or agreement (as the case may be).

“Order” means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

“Organizational Documents” with respect to a particular legal entity, the articles of incorporation, certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

“Offshore Plans” means, all material benefit or compensation plans, policies or programs that are sponsored or maintained by Seller or its offshore Affiliates and covering all or part of the employees of the Company, including, without limitation, the Western Digital Corporation Amended and Restated 2017 Performance Incentive Plan, amended and restated as of August 11, 2020, and Western Digital Corporation Amended and Restated 2021 Long-Term Incentive Plan, amended and restated as of August 22, 2023.

“Permitted Lien” means all: (a) Liens for Taxes or other governmental charges not yet due or payable or that are being contested in good faith; (b) statutory mechanics’, carriers’, workers’, repairers’ and similar statutory Liens incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances or other, similar encumbrances, as identified in real property ownership certificates or title reports or compulsorily permitted by applicable Laws, affecting the Company Real Property; (d) Liens that shall be released prior to or as of the Closing; (e) Liens with respect to any obligations as lessee under capitalized leases as disclosed in the VDR; (f) rights, interests, Liens or titles of, a licensor, sublicensor, licensee, sublicensee, lessor or sublessor under any license, lease or other similar agreement or in the property being leased or licensed to the Company incurred in the ordinary course of business; and (g) Liens (if any) set forth in Section 1.1 of the Seller Disclosure Letter.

“Person” means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

“PRC” means the People’s Republic of China, solely for purposes of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and the region of Taiwan.

“PRC Anti-Monopoly Law” means the Anti-Monopoly Law of the PRC promulgated on August 30, 2007, amended on June 24, 2022 and effective as so amended as of August 1, 2022, and any amendment thereto.

“PRC Antitrust Clearance” means (i) a decision or other document issued by SAMR approving the transactions contemplated hereby pursuant to the PRC Anti-Monopoly Law or (ii) the relevant statutory periods for a decision by SAMR prescribed by the PRC Anti-Monopoly Law, including any extensions thereof, having expired and no Restraint having been raised or imposed by SAMR with respect to the transactions contemplated hereby.

“PRC Withholding Tax” means the amount of any withholding Tax imposed on the transfer of the Purchased Interest by Seller to Purchaser pursuant to this Agreement (including

any Tax imposed on the payment of any contingent or deferred payments relating thereto) as assessed and finally determined by a competent PRC Taxing Authority.

“Pre-Closing Tax Period” shall mean any taxable period ending on or before the Closing Date, and, with respect to any taxable period beginning on or before and ending after the Closing Date, the portion of such taxable period ending at the end of the Closing Date.

“Purchaser Guarantor” means Bank of Communications, Ltd., Singapore Branch.

“Purchaser Material Adverse Effect” means any event, development or change that has had, or would reasonably be expected to have, a material adverse effect on the ability of Purchaser to perform its obligations under this Agreement, or that would prevent or materially impede, interfere with, hinder or delay the consummation by Purchaser of the transactions contemplated hereby.

“Representative” means, with respect to any Person, its officers, directors, employees, Affiliates, financial advisors, attorneys, accountants, actuaries, consultants and other agents, advisors and representatives.

“SAFE Registration Voucher” means the registration voucher (“业务登记凭证”) affixed with the seal of the Company Capital Account Bank acknowledging completion of the registration of the updated shareholder information for the Company as a result of the Purchaser’s acquisition of the Purchased Interest pursuant hereto.

“SAMR” means the State Administration for Market Regulation of the PRC, or, with respect to the issuance of any business license or filing or registration to be effected by or with the Administration for Market Regulation of the PRC, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the Laws of the PRC.

“Sanctioned Person” means any individual or entity that is the subject or target of sanctions or restrictions under Sanctions Laws, including: (i) any individual or entity listed on any applicable U.S. or non-U.S. sanctions- or export-related restricted party list, including, without limitation, OFAC’s Specially Designated Nationals and Blocked Persons List and the EU Consolidated List; or (ii) any entity that is, in the aggregate, fifty percent (50%) or greater owned, directly or indirectly, or otherwise Controlled by a person or persons described in clause (i) above.

“Sanctions Laws” means all applicable U.S. and non-U.S. Laws relating to economic or trade sanctions, including, without limitation, the Laws administered or enforced by the United States (including by OFAC or the U.S. Department of State), those promulgated by the European Union as required to be enforced by its member states and as promulgated by the United Nations as required to be enforced by its member states.

“Seller Disclosure Letter” means the written disclosure letter, dated as of the date hereof, delivered by Seller to Purchaser in connection with the execution and delivery of this Agreement.

“Seller Fundamental Representations” means the representations and warranties of Seller contained in Section 3.1 (Organization and Qualification), Section 3.2 (Authorization; Enforceability), Section 3.3(a) (solely with respect to clause (i) thereof) and Section 3.3(b) (Consents and Approvals; No Violations), Section 3.5 (Ownership of Equity Interests), Section 3.6(a) (Organization and Qualification), Section 3.7 (Capitalization and Corporate Structure), and Section 3.29 (Brokers).

“Seller Material Adverse Effect” means any event, development or change that has had, or would reasonably be expected to have, a material adverse effect on (i) the ability of Seller to perform its obligations under this Agreement, or that would prevent or materially impede, interfere with, hinder or delay the consummation by Seller of the transactions contemplated hereby; and/or (ii) the ability of Western Digital Technologies, Inc. to assume joint and several liability with Seller for any amounts payable by Seller to Purchaser under this Agreement.

“Shareholders Agreement” means the Shareholders Agreement, substantially in the form of Exhibit D hereto.

“SOFR” means the one (1)-month CME Term SOFR published by CME Group Inc..

“Solvent” when used with respect to any Person, means that, as of any date of determination: (a) the amount of the “fair saleable value” of the assets of such Person shall, as of such date, exceed: (i) the value of all “liabilities of such Person, including contingent and other liabilities,” as of such date, as such quoted terms are generally determined in accordance with applicable Laws governing determinations of the insolvency of debtors; and (ii) the amount that shall be required to pay the probable liabilities of such Person on its existing debts (including contingent liabilities) as such debts become absolute and matured; (b) such Person shall not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged following such date; and (c) such Person shall be able to pay its liabilities, including contingent and other liabilities, as they mature. For the purpose of this definition, “not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged” and “able to pay its liabilities, including contingent and other liabilities, as they mature” means that such Person shall be able to generate enough cash from operations, asset dispositions or refinancing, or a combination thereof, to meet its obligations as they become due.

“Subsidiary” means, with respect to any specified Person, any other Person that is Controlled directly or indirectly by such given Person.

“Supply Agreement” means the Supply Agreement to be entered into by and between the Company and Seller as of the Closing, which shall, among other terms, include the provisions set forth in Exhibit E.

“Target Working Capital Amount” means US\$72,205,000.

“Tax Return” means any return, declaration, report, claim for refund or information return, certificate, bill, statement or other written information required to be filed with any

Taxing Authority relating to Taxes, including any supplement, schedule or attachment thereto, and including any amendment thereof.

“Taxes” means any and all taxes, fees, levies, duties, tariffs, imposts, and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Taxing Authority, including taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers’ compensation, unemployment compensation, or net worth; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs’ duties, tariffs, and similar charges. The term “Taxable” has meanings correlative to the foregoing.

“Taxing Authority” means the State Taxation Administration of the PRC and its local counterparts, and any other Governmental Authority in China and/or other countries and jurisdictions responsible for the collection or enforcement of any Taxes.

“Transaction Deductions” means all Tax losses, deductions, expenses or similar items incurred or deductible by the Company as a result of, in connection with or in anticipation of the transactions contemplated by this Agreement, including losses, deductions and expenses related to: (i) the payment of any change in control or stay bonuses, or similar compensatory amounts, to employees or other service providers to the Company; (ii) the acceleration of deferred financing fees related to the repayment of Indebtedness; and (iii) the payment of any fees or other expenses associated with the transactions contemplated by this Agreement that are not required to be capitalized, including fees, costs, expenses, brokerage fees, commissions, finders’ fees and disbursements of financial advisors, investment banks, data room administrators, attorneys, accountants and other advisors, service providers and third-party fees and expenses paid or payable by the Company (whether or not billed or accrued for) as a result of or in connection with the negotiation, documentation and consummation of the transactions contemplated by this Agreement.

“Transition Services Agreement” means the Transition Services Agreement to be entered into by and between the Company and Seller as of the Closing.

“U.S.” or “United States” means the United States of America.

“US\$” or “U.S. Dollar” means the legal tender of the United States.

“VDR” means Intralinks virtual data site entitled “Project Visage” maintained by Seller.

ARTICLE II
PURCHASE AND SALE; CLOSING

Section 2.1 Purchase and Sale

(a) Subject to the terms and conditions of this Agreement, at the Closing, Seller agrees to sell, transfer and assign to Purchaser, and Purchaser agrees to purchase, acquire and accept from Seller, legal and beneficial title and ownership to an 80% equity interest in the Company (the “Purchased Interest”), for the consideration specified in Section 2.2.

(b) As of the Closing, subject in all cases to the Purchaser’s obligation to pay the Purchase Price (as defined below) hereunder: (i) Purchaser shall be deemed to have acquired the ownership of the Purchased Interest and shall assume all of the rights, responsibilities and obligations of Seller with respect to the Purchased Interest under applicable Laws and as set forth in the Organizational Documents of the Company; (ii) Seller shall cease to hold any interest in the Purchased Interest and shall cease to have any obligations attached thereto; and (iii) Purchaser will hold an 80% equity interest in the Company, and Seller will hold the remaining 20% equity interest in the Company.

Section 2.2 Purchase Price

(a) The consideration payable for the Purchased Interest shall be the “Purchase Price”, which shall be an amount equal to (i) the Base Purchase Price, *minus* (ii) 80% of the Actual Net Debt Amount (as finally determined pursuant to Section 2.5(c) or Section 2.6(e), as applicable), *plus* (iii) 80% of the Actual Working Capital Adjustment Amount (as finally determined pursuant to Section 2.5(c) or Section 2.6(e), as applicable), *plus* (iv) the Deferred Payments.

(b) The Purchase Price shall be paid by Purchaser to Seller by wire transfer of immediately available funds in U.S. Dollar to a bank account designated by Seller, which account shall be designated by Seller no less than ten (10) Business Days prior to the date for payment thereof (the “Seller’s Account”), as follows:

(i) the Estimated Closing Payment, net of applicable Taxes in accordance with Section 5.10(f), shall be paid promptly, but in no event later than five (5) Business Days, following the Closing;

(ii) subject to Section 2.4(d), any adjustment to the Estimated Closing Payment (if is a positive number) payable to Seller, net of applicable Taxes in accordance with Section 5.10(f), shall be paid promptly, but in no event later than the payment date of the Second Installment Payment (as set forth below), following the Determination Date; provided however, that if the adjustment to the Estimated Closing Payment is a negative number, then subject to Section 2.4(d), Seller shall pay such amount to Purchaser promptly, but in no

event later than the payment date of the Second Installment Payment (as set forth below), following the Determination Date;

(iii) US\$218,400,000 (the “Second Installment Payment”), net of applicable Taxes in accordance with Section 5.10(f) and, to the extent any, the Controller Working Capital Amount (or the Adjusted Controller Working Capital Amount, as applicable) in accordance with Section 5.13, shall be paid promptly, but in no event later than three (3) Business Days, following the earlier to occur of (x) the date six (6) months following the Closing Date and (y) January 1, 2025;

(iv) each Deferred Payment, net of applicable Taxes in accordance with Section 5.10(f), shall be paid promptly, but in no event later than three (3) Business Days, following the applicable Deferred Payment Date; and

(c) If Purchaser fails to pay any amount payable under the preceding clauses, Purchaser shall pay Seller interest thereon at the rate of 1% above SOFR for the relevant days compounding annually, accruing daily from the payment due date under Section 2.2(b) (i.e., after expiration of such five (5) or three (3) Business Days, as applicable, as provided for in Section 2.2(b) with respect to such payment) and continuing until such amount, together with the interest payable thereon, has been paid in full.

(d) In the event that (A) the Estimated Closing Payment has not been paid as of the seventh (7th) Business Day following the AMR Approval and/or (B) any adjustment to the Estimated Closing Payment payable to Seller, the Second Installment Payment or any Deferred Payment has not been paid as of the third (3rd) Business Day following the date when such amount first becomes due pursuant to Section 2.2(b)(ii), Section 2.2(b)(iii) or Section 2.2(b)(iv), as applicable, then, in each case, Seller shall have the right to, upon written notice to Purchaser, immediately thereafter enforce the applicable Letter of Guarantee for the outstanding unpaid amount of such payment according to the terms of such Letter of Guarantee. For the avoidance of doubt, the payments for which Seller is entitled to enforce against the Purchaser Guarantor under the applicable Letter of Guarantee shall not include any interest accrued on such payments; provided, however, Purchaser shall remain liable for any and all interest accrued and payable on such payments as provided for in Section 2.2(c), notwithstanding Seller’s recovery of any such payments following enforcement of the applicable Letter of Guarantee.

Section 2.3 Estimated Adjustments at Closing

(a) At least five (5) Business Days before the Closing Date, Seller shall deliver to Purchaser a written notice setting forth Seller’s good faith estimates of the Actual Net Debt Amount, the Actual Working Capital Amount and the Actual Working Capital Adjustment Amount (such estimates, the “Estimated Net Debt Amount”, the “Estimated

Working Capital Amount” and the “Estimated Working Capital Adjustment Amount”, respectively), together with reasonably detailed supporting information.

(b) The Estimated Net Debt Amount, the Estimated Working Capital Amount and the Estimated Working Capital Adjustment Amount shall be used to calculate the Estimated Closing Payment.

Section 2.4 Post-Closing Adjustment

(a) Net Debt Adjustment. If 80% of the Actual Net Debt Amount (as finally determined pursuant to Section 2.5(c) or Section 2.6(e), as applicable) is:

(i) less than 80% of the Estimated Net Debt Amount then, Purchaser shall promptly, but in no event later than the date of the Second Installment Payment, pay an amount equal to such difference to Seller and the Purchase Price shall be deemed increased accordingly; or

(ii) greater than 80% of the Estimated Net Debt Amount then, Seller shall promptly, but in no event later than the date of the Second Installment Payment pay an amount equal to such difference to Purchaser and the Purchase Price shall be deemed reduced accordingly.

(b) Working Capital Adjustment. If 80% of the Actual Working Capital Adjustment Amount (as finally determined pursuant to Section 2.5(c) or Section 2.6(e), as applicable) is:

(i) less than 80 % of the Estimated Working Capital Adjustment Amount then, Seller shall promptly, but in no event later than the date of the Second Installment Payment, pay an amount equal to such difference to Purchaser and the Purchase Price shall be deemed reduced accordingly; or

(ii) greater than 80% of the Estimated Working Capital Adjustment Amount then, Purchaser shall promptly, but in no event later than the date of the Second Installment Payment, pay an amount equal to such difference to Seller and the Purchase Price shall be deemed increased accordingly.

(c) For the avoidance of doubt, if and to the extent that an item could be taken into account in one or more of the adjustments under this Section 2.4, an adjustment will only be made once for that item.

(d) The Parties agree that, to the extent any payments to be made between the Parties pursuant to this Section 2.4 are due at the same time, they shall be netted so that only one payment of the aggregate adjustments described herein will be payable by the relevant Party(ies).

(e) Each of Purchaser and Seller acknowledges and agrees that the Purchase Price adjustment provisions set forth in this Section 2.4 shall be the sole and exclusive

remedy of Purchaser and Seller with respect to (i) determining whether or not any adjustment would be made to the Purchase Price pursuant to this Section 2.4 (whether or not any such adjustment was, in fact, made), (ii) determining the amount of any such adjustment and/or (iii) any other claims relating to any of the components of the Purchase Price.

Section 2.5 Completion Accounts

(a) As promptly as practicable, but in any event within sixty (60) calendar days after the Closing Date, Purchaser shall prepare and deliver to Seller a balance sheet of the Company as of 12:01 a.m. Beijing time on the Closing Date, together with Purchaser's calculations of the Actual Net Debt Amount, the Actual Working Capital Amount and the Actual Working Capital Adjustment Amount, in each case, which shall be prepared and calculated in accordance with the Accounting Principles (such deliverable, the "Completion Accounts").

(b) Upon delivery of the Completion Accounts, Purchaser shall ensure that all information and assistance reasonably requested by Seller is given to Seller to review Purchaser's draft Completion Accounts and shall permit Representatives of Seller to have reasonable access to the books, records and other materials of the Company and the facilities and personnel of the Company, and working papers prepared by or for Purchaser and the Company, and take extracts from, or make copies of, the records, for the sole purposes of reviewing Purchaser's draft Completion Accounts. If Purchaser breaches its obligations under this Section 2.5(b), the dispute period set forth in Section 2.5(c) shall automatically be extended until such breach is cured by the breaching Party.

(c) If Seller does not dispute the draft Completion Accounts within twenty (20) Business Days after the date on which Seller receives Purchaser's draft Completion Accounts pursuant to Section 2.5(a) (the "Final Objection Date"), Purchaser's draft Completion Accounts will be deemed to be the final Completion Accounts and the Actual Net Debt Amount, the Actual Working Capital Amount and the Actual Working Capital Adjustment Amount set forth therein will be final and binding on the Parties.

(d) If Seller provides Purchaser with written notice of dispute with respect to any aspect of Purchaser's draft Completion Accounts prior to the Final Objection Date (a "Dispute Notice"), setting forth in reasonable detail each item so disputed (all such items, the "Disputed Matters"), then such Disputed Matters will be resolved in accordance with Section 2.6. Any item or matter that is not a Disputed Matter shall become final and binding, unless the resolution of any item or matter objected to in the Dispute Notice affects any such aspect, or presupposes the inaccuracy of any such aspect, in which case such aspect shall, notwithstanding the failure to specifically dispute such aspect in the Dispute Notice, be considered disputed in the Dispute Notice.

Section 2.6 Dispute Resolution Procedure

(a) If Seller delivers to Purchaser a Dispute Notice pursuant to Section 2.5(d), then within fifteen (15) Business Days of such delivery, Purchaser shall deliver to Seller a

written response with respect to each Disputed Matter (the “Response”). Upon Seller’s receipt of the Response, the Parties shall work together in good faith to resolve all Disputed Matters.

(b) If Seller and Purchaser have not resolved the Disputed Matters within ten (10) Business Days of Purchaser’s delivery of the Response to Seller (or such longer period as mutually agreed by Seller and Purchaser), the Disputed Matters shall promptly be submitted for resolution to an Independent Accountant.

(c) The “Independent Accountant” shall be an accounting firm of international repute and standing mutually agreed upon by Seller and Purchaser; provided, that, if Seller and Purchaser are unable to jointly select such independent accounting firm within ten (10) Business Days after Seller delivers a Dispute Notice to Purchaser, Seller, on the one hand, and Purchaser, on the other hand, will each select an accounting firm of international repute and standing, and such accounting firms will agree a third accounting firm of international repute and standing. In the event that no accounting firm has been designated as the Independent Accountant within twenty (20) Business Days after Seller delivers a Dispute Notice to Purchaser, then either Party may apply to the Council of the HKIAC to appoint an accounting firm of international repute and standing to act as the Independent Accountant, which firm shall not be the regular auditing firm for any of the Parties or the Company.

(d) The Disputed Matters shall be referred to the Independent Accountant by written submission which shall include Purchaser’s draft Completion Accounts, the Dispute Notice, the Response and an extract of the relevant provisions of this Agreement. The Independent Accountant shall be instructed to finish its determination no later than ten (10) Business Days after its appointment (or such other period as agreed in writing by Purchaser and Seller). The Parties shall promptly supply the Independent Accountant with any information, assistance and cooperation requested by the Independent Accountant in connection with its determination. All correspondence between the Independent Accountant and any Party must be copied to the other Party.

(e) The Independent Accountant shall (i) act as an expert and not as an arbitrator, (ii) base its determination on the written submissions of the Parties and shall not conduct an independent investigation; and (iii) be instructed by Purchaser and Seller to resolve any Disputed Matters by determining in favor of either (A) Purchaser for its calculation thereof as set forth in the Completion Accounts or the Response, as applicable, or (B) Seller for its calculation thereof as set forth in the Dispute Notice, and in each case the resulting calculations of the Actual Net Debt Amount, the Actual Working Capital Amount and the Actual Working Capital Adjustment Amount, and the Party whose calculation that is numerically closer to the result in accordance with the Accounting Principles shall prevail. The Independent Accountant’s written determination in respect of the Disputed Matters shall be final and binding on the Parties in the absence of manifest error, and the Completion Accounts, together with the Actual Net Debt Amount, the Actual Working Capital Amount and the Actual Working Capital Adjustment Amount, shall be deemed to be amended in accordance with the Independent Accountant’s determination, and as so amended, shall be deemed to be final and binding on the Parties for all purposes hereunder. Each of Purchaser and Seller agrees that it shall not have any right to, and

shall not, institute any Action of any kind challenging such determination by the Independent Accountant, except that the foregoing shall not preclude an Action to enforce such determination or to challenge the Independent Accountant's determination on the ground that such determination is inconsistent with the terms of this Agreement.

(f) All costs and expenses of the Independent Accountant shall be borne by the losing Party of the Disputed Matters, taking into account the netted amount of all Disputed Matters as determined by the Independent Accountant pursuant to Section 2.6(e)(iii) above; provided, however, that if requested by the Independent Accountant, the Parties shall initially share such costs and expenses on an equal basis, with the losing Party fully reimbursing the other Party for such initial costs and expenses incurred by such Party upon final resolution of the Disputed Matter.

Section 2.7 Deferred Payments

As additional consideration for the Purchased Interest, Purchaser shall pay to Seller an amount equal to US\$187,200,000, in the aggregate, in the form of five (5) equal deferred payments each in the sum of US\$37,440,000 (each such payment, a "Deferred Payment") to be paid upon each twelve (12) month anniversary of the Closing Date (each, a "Deferred Payment Date") for the five (5) annual periods immediately following the Closing.

Section 2.8 Closing

(a) Closing. The closing of the purchase and sale of the Purchased Interest (the "Closing") shall take place: (i) at the offices of O'Melveny & Myers LLP, JC Plaza, 12th Floor, 1225 Nanjing Road West, Shanghai 200040, the People's Republic of China at 10:00 a.m., Beijing time, on the later of July 1, 2024 and the third (3rd) Business Day following the date on which the last of the conditions required to be satisfied or waived pursuant to Section 6.1, Section 6.2 and Section 6.3 is either satisfied or waived (other than those conditions that by their nature are to be satisfied at the Closing); or (ii) at such other place, time or date as Purchaser and

Seller may agree upon in writing. The date on which the Closing occurs is referred to herein as the “Closing Date.”

Section 2.9 Deliveries by Seller

(a) Pre-Closing Deliveries by Seller. No later than one (1) Business Day prior to the date on which the Company submits the application for the AMR Approval, Seller shall deliver or cause to be delivered to Purchaser each of the following:

(i) a counterpart to each of the Ancillary Agreements, duly executed by an authorized signatory of Seller and/or its Affiliates;

(ii) evidence that Seller has been authorized to execute this Agreement and each Ancillary Agreement to which it is a party and to enter into the transactions contemplated hereunder and thereunder; and

(iii) duly signed letters of resignation of the following Persons from the applicable position(s) of the Company, effective as of the AMR Approval: (i) Bock Kim Lee as Director, Chairman and Legal Representative, (ii) Terry (Hairong) Yao as Director, and (iii) Lucy (Yinye) Shu as Director and duly signed letters of nomination of Persons to be nominated by Seller to the application position(s) of the Company pursuant to the Shareholders Agreement and the Amended and Restated Articles of Association.

(b) Closing Deliveries by Seller. At the Closing, Seller shall deliver or cause to be delivered to Purchaser:

(i) an updated register of shareholders of the Company, certified true, accurate and complete by an officer of the Company, reflecting Purchaser as the owner of an 80% equity interest in the Company;

(ii) the revised business license of the Company issued by SAMR, and the company chop of the Company;

(iii) financial records, all accounting books and records, copies Tax returns filed and related correspondence (if any), and cryptographic keys of all bank accounts of the Company;

(iv) a roster listing all employees of the Company as of the Closing Date, specifying their name, employee ID and position; and

(v) the electronic copy (USB) of the VDR as provided to Purchaser on the date hereof.

Section 2.10 Deliveries by Purchaser

(a) Pre-Closing Deliveries by Purchaser. No later than one (1) Business Day prior to the date on which the Company submits the application for the AMR Approval, Purchaser shall deliver or cause to be delivered to Seller each of the following:

- (i) a counterpart to each of the Ancillary Agreements, duly executed by an authorized signatory of Purchaser and/or its Affiliates;
- (ii) each of the Letters of Guarantee, duly issued by the Purchaser Guarantor in favor of Seller;
- (iii) duly signed letters of nomination of Persons to be nominated by Purchaser to the application position(s) of the Company pursuant to the Shareholders Agreement and the Amended and Restated Articles of Association; and
- (iv) evidence that Purchaser has been authorized to execute this Agreement and each Ancillary Agreement to which it is a party and to enter into the transactions contemplated hereunder and thereunder.

ARTICLE III **REPRESENTATIONS AND WARRANTIES OF SELLER**

Except as qualified or supplemented by the Seller Disclosure Letter and the general disclosure as contemplated by Section 9.2, Seller represents and warrants to Purchaser as follows:

Section 3.1 Organization and Qualification

(a) Seller is duly formed, validly existing and in good standing (to the extent the applicable jurisdiction recognizes such concept) under the Laws of the Republic of Ireland.

(b) Seller is duly qualified to do business and is in good standing (to the extent the applicable jurisdiction recognizes such concept) under the Laws of each jurisdiction in which the conduct of its business, or the character of the properties owned or leased by it, requires it to be so qualified, except where the failure to be so qualified or to be in good standing would not have a Seller Material Adverse Effect.

Section 3.2 Authorization; Enforceability

Seller has the requisite corporate or other similar power, as applicable, and has the authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and such other agreements and documents and the consummation of the transactions contemplated herein and therein have been duly and validly authorized by all requisite corporate, partnership or limited liability company or other similar action, as applicable on the part of Seller. This Agreement has been, and all agreements and documents contemplated hereby to be executed and delivered by it shall

be, duly and validly executed and delivered by Seller and, assuming the due authorization, execution and delivery by the parties hereto and thereto, shall upon such execution and delivery hereof and thereof be the legal, valid and binding obligations of Seller hereunder and thereunder, as applicable, enforceable against Seller in accordance with its terms, except as limited by the General Enforceability Exceptions.

Section 3.3 Consents and Approvals; No Violations

(a) Neither the execution and delivery of this Agreement by Seller, or the other agreements and documents contemplated hereby to be executed and delivered by Seller, nor the consummation by Seller of the transactions contemplated herein or therein, nor compliance by Seller with any of the provisions hereof or thereof, shall: (i) conflict with or result in a breach of any provisions of the Organizational Documents of Seller and the Company; (ii) constitute or result in any material breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to any Company Contract; (iii) result in the creation or imposition of a Lien (other than any Permitted Lien) upon any property or assets of the Company pursuant to any Company Contract; or (iv) subject to receipt by Seller of the requisite Consents described in Section 3.3(a) of the Seller Disclosure Letter and by Purchaser of the approvals contemplated in Section 4.3(b) below, violate any Law or Order applicable to the Company and/or Seller or its properties or assets in any material respect.

(b) No Consent from any Governmental Authority material to the Company or its business is required to be obtained by Seller and/or the Company for the consummation by Seller of the transactions contemplated by this Agreement, except in connection, or in compliance, with the PRC Antitrust Clearance and other approvals from any Governmental Authorities required under Section 5.3 and as set forth in Section 3.3(b) of the Seller Disclosure Letter.

Section 3.4 Seller Litigation

(a) There is no Action pending or, to the Knowledge of Seller, threatened, against Seller or any of its Affiliates by or before any Governmental Authority that, if

determined in a manner adverse to Seller or any of its Affiliates, would have a Seller Material Adverse Effect.

(b) There is no outstanding Order binding on or, to the Knowledge of Seller, threatened, against Seller or any of its Affiliates that would have a Seller Material Adverse Effect.

Section 3.5 Ownership of Purchased Interest

(a) Seller owns as of record and beneficially owns all of the Purchased Interest free and clear of all Liens, except for any restriction on transfer pursuant to applicable Laws.

(b) Except as provided by applicable Laws or the Organizational Documents of the Company, each of Seller and the Company is not party to any option, warrant, purchase right or subscription right, convertible security or other right Contract (other than this Agreement) that could (i) require Seller to sell, transfer or otherwise dispose of or acquire any equity interests of the Company; or (ii) require the Company to issue or distribute to holders of any equity interest of the Company, or authorize any third party to subscribe for any equity interest of the Company.

(c) There are no voting trusts, proxies or another agreements or understandings with respect to the voting of equity interest of the Company, other than the Shareholders Agreement.

Section 3.6 Organization and Qualification

(a) The Company is a limited liability company duly organized, validly existing and in good standing under the Laws of the PRC.

(b) The Company is duly qualified to do business and is in good standing (to the extent the applicable jurisdiction recognizes such concept) under the Laws of each jurisdiction in which the conduct of its business, or the character of the properties owned or leased by it, requires it to be so qualified.

Section 3.7 Capitalization and Corporate Structure

(a) The registered capital of the Company as of the date of this Agreement is US\$272,000,000, all of which has been (or will be) contributed and paid up by Seller prior to the Closing.

(b) The Company does not own or Control, directly or indirectly, any equity interests in any joint venture, partnership or similar arrangement. The Company is not

and will not be obligated to make any investment in or capital contribution to or on behalf of any other Person. The Company does not have any registered or unregistered branch company.

(c) All the registered capital and shareholding changes and other historical entity changes of the Company from its establishment are valid and all requisite filings and other formalities in relation to such registered capital changes, shareholding changes and other historical entity changes required by PRC Laws and any other applicable Laws have been duly submitted, delivered, approved and registered, except for such other historical entity changes of the Company, where the failure to be valid or submitted, delivered, approved and registered would not have a Company Material Adverse Effect. Except as set forth in Section 3.7(c) of the Seller Disclosure Letter, any payments required for the above registered capital changes and shareholding changes of the Company have been fully made and settled without any potential or unsolved disputes.

Section 3.8 Financial Statements

Section 3.8 of the Seller Disclosure Letter includes true and complete copies of the Company's (a) audited balance sheets as of December 31, 2021, December 31, 2022 and unaudited balance sheet as of June 30, 2023 (the last balance sheet, the "2023 Balance Sheet", and the date thereof, the "Statement Date") and (b) audited income statements and statements of cash flows as of and for the fiscal years ended 2021 and 2022 and unaudited income statement and statement of cash flows as of and for the six (6)-month period ended June 30, 2023 ((a) and (b) collectively, the "Financial Statements"). The Financial Statements (i) were prepared in accordance with the Accounting Principles consistently applied for the periods indicated (except as otherwise noted therein) and (ii) the balance sheets present fairly, in all material respects, the financial position of the Company, as of their respective dates, and the income statements and statements of cash flows present fairly, in all material respects, the results of the Company's operations and its cash flows for the periods presented therein, all in accordance with the Accounting Principles.

Section 3.9 Conduct of Business

Except for actions taken in connection with the process of selling the Purchased Interest (including the preparation and implementation of the transactions contemplated hereunder) and except as set forth in Section 3.9 of the Seller Disclosure Letter, since the Statement Date until the date of this Agreement:

(a) the Company has conducted its businesses and operations in the ordinary course of business, consistent with past practice, in all material respects; and

(b) there has not been any Company Material Adverse Effect.

Section 3.10 Company Litigation

(a) There are no Actions pending or, to the Knowledge of Seller, threatened, against the Company or any Person (in his/her capacity as a director, supervisor or

officer of the Company) by or before any Governmental Authority that, if determined in a manner adverse to the Company, either alone or in combination, would have a Company Material Adverse Effect.

(b) There are no outstanding Orders binding on the Company that would have a Company Material Adverse Effect.

(c) The Company is not in material default with respect to any court, administrative or arbitration order, judgment, injunction, decree or other award made by any Governmental Authority, and to the Knowledge of Seller, no circumstance or fact exists which is likely to give rise to a material default of any of the aforementioned.

Section 3.11 Taxes

(a) Except for failures that would not have a Company Material Adverse Effect, since the Statement Date the Company has timely: (i) filed (taking into account any extension of time within which to file) with the appropriate Taxing Authority all Tax Returns required to have been filed by the Company, the failure of which to file would be material to the businesses of the Company, and all such Tax Returns are true, correct and complete in all material respects; and (ii) paid all Taxes shown as due on such Tax Returns, other than Taxes being contested in good faith.

(b) Since the Statement Date the Company is not the subject of any currently pending Tax audit with respect to Taxes the liability for which would be material to the businesses of the Company. As of the date of this Agreement, there are no pending written requests for waivers of the time to assess any such Taxes. Since the Statement Date, the Company has not waived any statute of limitations with respect to any such Taxes, or agreed to any extension of time with respect to an assessment or deficiency with respect to any such Taxes, which waiver or extension has not since expired. Except for Permitted Liens, there are no Liens for Taxes on any of the assets of the Company. Since the Statement Date, no claim has been made in writing by a Taxing Authority of a jurisdiction where the Company has not filed Tax Returns claiming that the Company is subject to taxation by that jurisdiction, the liability for which would be material to the Company. Since the Statement Date, the Company has not received any written notification of any investigation or proceeding currently pending or being conducted against the Company with respect to Taxes, or any proposed adjustment, deficiency or underpayment of material Taxes.

(c) The Company is not a party to, or bound by, any written material Tax allocation, indemnification or sharing agreement; provided, however, that any agreement entered into in the ordinary course of business, including, for example, any Tax gross-up provision in an employee secondment or relocation agreement, a credit arrangement or similar Tax provision in any agreement entered into with third Persons in the ordinary course of business, shall not be considered material.

(d) Notwithstanding anything to the contrary contained in this Agreement, Seller is not making, and shall not be construed to have made, any representation or

warranty as to (i) the amount or utilization of any Tax attribute of the Company or (ii) any position that the Purchaser or its Affiliates (including the Company) may take in a Tax period or portion thereof beginning after the Closing Date. Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties contained in this Section 3.11 constitute the sole representations and warranties made by Seller in this Agreement with respect to Tax matters.

Section 3.12 Employee Benefit Plans

(a) Section 3.12(a) of the Seller Disclosure Letter sets forth a complete and accurate list, as of the date hereof, of each Employee Benefit Plan that would be expected to have a material impact on the Company involving payments by the Company in excess of US\$500,000, individually or in the aggregate, for any calendar year after the Closing. Seller has provided to Purchaser as of the date hereof a true, correct and materially complete copy (in each case, if applicable) of: (i) each such Employee Benefit Plan and any amendment thereto, including the name list of the employees and Persons entitled to such Employee Benefit Plan, and the amount of the WDC RSUs granted to each applicable Company Employee as of the date hereof; (ii) each funding document, including each trust, insurance, annuity or other funding Contract related thereto; and (iii) the most recent financial statements and actuarial or other valuation reports prepared with respect thereto.

(b) Except as would not have a Company Material Adverse Effect, each Employee Benefit Plan listed on Section 3.12(a) of the Seller Disclosure Letter has been established, administered, and operated in compliance with its terms and all applicable Laws.

(c) None of the Employee Benefit Plans listed on Section 3.12(a) of the Seller Disclosure Letter promises or provides post-employment medical or other welfare benefits to any Company Employee, except as required by applicable Law.

(d) Except as would not have a Company Material Adverse Effect, there are no pending or, to the Knowledge of Seller, threatened, Actions or disputes against or with respect to any Employee Benefit Plan listed on Section 3.12(a) of the Seller Disclosure Letter by any employee or beneficiary covered under any such Employee Benefit Plan or otherwise involving any such Employee Benefit Plan (other than routine claims for benefits).

(e) None of the execution and delivery of this Agreement, or the consummation of the transactions contemplated hereby shall, either alone or in combination with another event or events: (i) entitle any Company Employee to severance pay, unemployment compensation, a change of control payment or any other payment or benefit from the Company or Purchaser under any Employee Benefit Plan or (ii) accelerate the time of payment or vesting, or increase the amount of compensation (including funding of compensation or benefits through a trust or otherwise) due any Company Employee from the Company, Seller or any of Seller's Affiliates under any Employee Benefit Plan.

(f) Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties contained in this Section 3.12 constitute the sole

representations and warranties made by Seller in this Agreement with respect to employee benefit matters.

Section 3.13 Labor Matters

(a) There are no (i) labor strikes, slowdowns or stoppages currently pending or, to the Knowledge of Seller, threatened, against or affecting the Company, nor have there been any such labor controversies within the past three (3) years; or (ii) pending or, to the Knowledge of Seller, threatened, representation claims, certification applications or petitions before any Governmental Authority or any organizing efforts or challenges concerning representation with respect to the employees of the Company. There are no collective bargaining agreements of the Company to which any Company Employee is subject.

(b) Except as set forth in Section 3.13(b) of the Seller Disclosure Letter, the Company is in material compliance with all obligations imposed on employers pursuant to applicable Laws of the PRC, including, but not limited to, applicable Laws of the PRC regarding social insurance, housing funds, overtime, retirement fund, labor pension, tax withholding and payments (including severance pay, wages, bonuses, awards and remunerations) required to be made on behalf of or for the account of current or former directors, officers, employees and consultants in the nature of social benefits, except where failure to be in compliance would not have a Company Material Adverse Effect.

(c) Except as set forth in Section 3.13(c) of the Seller Disclosure Letter, to the Knowledge of Seller, there are no pending disputes between the Company and any of its current or former directors, officers, employees and consultants.

(d) The Company Employees include all personnel necessary for the Company to carry out its primary manufacturing business in the ordinary course of business, consistent with past practice, including, without limitation, personnel necessary for product introductions currently contemplated by Seller and its Affiliates that will be subject to the Supply Agreement. As of the Closing, each Company Employee is engaged solely for the business of the Company, and is not related to other businesses of Seller or its Affiliates.

(e) Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties contained in this Section 3.13 constitute the sole representations and warranties made by Seller in this Agreement with respect to labor matters.

Section 3.14 Property and Assets

(a) Except as set forth in Section 3.14(a) of the Seller Disclosure Letter, the Company has good and valid title, validly granted land use rights or building ownership rights, as applicable, or, with respect to leased real property, a valid leasehold interest in, all of the Company Real Property (as defined in Section 3.14(b)) and all tangible personal property and other assets reflected in the 2023 Balance Sheet (except for properties and assets sold or disposed of since the Statement Date in the ordinary course of business, consistent with past practice). All Company Real Property, other than the real properties leased by the

Company, and all such properties and assets are free and clear of all Liens, except for Permitted Liens.

(b) Section 3.14(b) of the Seller Disclosure Letter sets forth a list of all real property or interests in real property owned, leased or subleased by the Company, as of the date hereof (the “Company Real Property”), and the location of such premises. As of the date hereof, Seller has made available to Purchaser true and complete copies of each Company Real Property Lease. Except as set forth in Section 3.14(b) of the Seller Disclosure Letter, neither Seller, Seller’s Affiliates nor any third party is utilizing or occupying or has any right to occupy or utilize or holds any other interests in any of the Company Real Property.

(c) Except as set forth in Section 3.14(c) of the Seller Disclosure Letter, each Company Real Property Lease is a valid and binding obligation of the Company and, the other party thereto, enforceable in accordance with its terms, except as may be limited by the General Enforceability Exceptions. To the Knowledge of Seller, none of the Company nor any other party under any Company Real Property Lease is in material default under any Company Real Property Lease, and no event has occurred that, with notice or lapse of time or both, would constitute a material default under any Company Real Property Lease.

(d) Except as set forth in Section 3.14(d) of the Seller Disclosure Letter, the Company has obtained all certificates and permits, filings or approvals required from any Governmental Authority with respect to the construction, fire safety, use and occupancy of the Company Real Property, except where a failure to obtain any such certificate or permit or approval would not materially and adversely affect, or materially disrupt, the ordinary course operation of the businesses of the Company. Except as set forth in Section 3.14(d) of the Seller Disclosure Letter, the Company has not received any written notice of any: (i) material violations of fire safety or construction related Laws; (ii) existing, pending or threatened claims, investigations or legal proceedings for the Company’s failure to comply with the Laws related to fire safety, construction, occupation and operation of the Company Real Property.

(e) Except as set forth in Section 3.14(e) of the Seller Disclosure Letter, the Company Real Property and all plants, buildings and improvements located thereon conform in all material respects to all applicable building codes and zoning ordinances or other Laws, and the Company has not received any written notice of any: (i) material violations of building codes and/or zoning ordinances or other Laws affecting the Company Real Property; (ii) existing, pending or threatened-in-writing condemnation proceedings affecting the Company Real Property; or (iii) existing, pending or threatened-in-writing zoning, building code or other moratorium proceedings, or similar matters which would materially and adversely affect, or materially disrupt, the Company’s use of the Company Real Property or the ordinary course operation of the businesses of the Company.

(f) The Company has not violated any covenant, condition, restriction, easement, agreement or Order affecting any portion of the Company Real Property, except where any such violation, individually or in the aggregate, would not materially and adversely affect, or

materially disrupt, the Company's use of the Company Real Property or the ordinary course operation of the businesses of the Company.

(g) Section 3.14(g) of the Seller Disclosure Letter sets forth a list of the material equipment and other movables leased by the Company, with a value exceeding US\$1,000,000 individually. Except as set forth in Section 3.14(g) of the Seller Disclosure Letter, the Company solely owns all material equipment and other movables necessary to conduct its business and operations as presently conducted, and has good and valid title to such equipment and movables without any Lien, other than Permitted Liens. With respect to leased equipment and movables, the Company is in compliance in all material respects with all applicable leases.

Section 3.15 Environmental Matters

Except as set forth in Section 3.15 of the Seller Disclosure Letter:

(a) the Company is in compliance with all applicable Environmental Laws (which compliance includes the possession by the Company of all Permits or governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof), except where failure to be in compliance would not have a Company Material Adverse Effect; and

(b) there are no Actions pending or, to the Knowledge of Seller, threatened, against the Company arising out of, based on, resulting from or relating to: (i) the release of, or exposure to, any Hazardous Materials; or (ii) any circumstances that form the basis of any violation of any Environmental Law, except for such Actions that would not have a Company Material Adverse Effect.

(c) Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties contained in this Section 3.15 constitute the sole representations and warranties made by Seller in this Agreement with respect to environmental matters.

Section 3.16 No Undisclosed Liabilities

Except as reflected in the 2023 Balance Sheet, the Company does not have any liabilities (absolute, accrued, contingent or otherwise) that would be required to be reflected in a balance sheet prepared in accordance with the Accounting Principles, other than any liabilities: (a) incurred since the Statement Date in the ordinary course of business, consistent with past practice; and (b) incurred in connection with the transactions contemplated by this Agreement.

Section 3.17 Intellectual Property

(a) Section 3.17(a) of the Seller Disclosure Letter sets forth a true and complete list of patents and patent applications, registered copyrights, registered trademarks (including applications) and Internet domain names, in each case, owned by the Company as of the date hereof. The Intellectual Property listed in Section 3.17(a) of the Seller Disclosure Letter

has not been deemed by any Governmental Authority to be invalid or unenforceable and such has not been cancelled or abandoned.

(b) As of the date hereof and as of the Closing Date:

(i) the Company owns or has a valid and enforceable license or otherwise possesses legally enforceable rights to use all Intellectual Property that is currently used in its business as currently conducted and that is material to the business of the Company;

(ii) to the Knowledge of Seller, (A) the conduct of the businesses of the Company as currently conducted does not infringe in any material respect any Intellectual Property of any third Person; and (B) the Company has not received any written notice since the Statement Date from any third Person alleging, and there are no pending Actions asserting, the infringement of any Intellectual Property by the Company; and

(iii) to the Knowledge of Seller, no third Person is infringing any Intellectual Property that is owned by the Company and that is material to the businesses of the Company.

(c) Notwithstanding anything to the contrary contained in this Agreement, the representations and warranties contained in this Section 3.17 constitute the sole representations and warranties made by Seller in this Agreement with respect to Intellectual Property matters.

Section 3.18 Compliance with Laws and Orders

Except as set forth in Section 3.18 of the Seller Disclosure Letter, since the Statement Date, (i) the Company has been in compliance, in all material respects, with all Laws and Orders applicable to the businesses, properties or assets thereof; and (ii) the Company has not received from any Governmental Authority any written citation, fine or written notification that asserts that the Company has violated or is not in compliance with any such Law or Order in any material manner, and to the Knowledge of Seller, no citation, fine or written notice is threatened.

Section 3.19 Company Contracts

(a) As of the date hereof, except for this Agreement and the Ancillary Agreements, real property leases and Employee Benefit Plans, Section 3.19(a) of the Seller

Disclosure Letter lists each of the following Contracts, which the Company is a party to or bound by, in each case, as of the date of this Agreement:

- (i) any Contract with any third Person that purchases goods or services from the Company for future consideration reasonably expected to be paid to the Company of US\$1,000,000 or more in any fiscal year;
- (ii) any Contract for purchase, sale, lease or disposal of any real property;
- (iii) any Contract for capital expenditures or the acquisition or construction of fixed assets involving future payments in excess of US\$1,000,000, in the aggregate;
- (iv) any Contract for the purchase or lease of goods or services (including equipment, materials, software, hardware, supplies, merchandise, parts or other property, assets or services), other than supplier or vendor Contracts entered into in the ordinary course of business, requiring aggregate future payments in excess of US\$1,000,000 during any twenty (24)-month period following the date hereof;
- (v) any loan agreement, credit agreement, Contract, note, debenture, bond, indenture, mortgage, security agreement, pledge or other similar agreement under which any Indebtedness material to the Company is outstanding or may be incurred;
- (vi) any Contract granting a first refusal, first offer or similar preferential right to purchase or acquire any of the capital stock, equity interests or assets of the Company;
- (vii) any Contract that contains express covenants that materially restrict the Company from competing in any line of business or geographic area or with any third Person or including any provisions providing for exclusivity, and most favored nations, or any material Contract that contains change of control restrictions;
- (viii) any Contract creating or relating to any partnership, joint venture or joint development agreement involving future payments or capital commitments;
- (ix) any Contract, other than customer Contracts entered into in the ordinary course of business or warranties thereunder issued by the Company, containing a covenant or covenants of the Company to expressly indemnify or hold harmless another third Person unless such obligation to indemnify or hold harmless is less than US\$1,000,000, in the aggregate;
- (x) any Contract relating to the disposition or acquisition by the Company, with obligations remaining to be performed or liabilities continuing after the date

of this Agreement, of any business or any amount of material assets other than in the ordinary course of business, including any “deferred” or other contingent payments or obligations;

(xi) any Contract relating to the acquisition by the Company of any operating business or the capital stock or equity interests of any Person (including Contracts under which the Company has an obligation to make an investment in or loan to any such Person); and

(xii) any Contract for licenses granted by or to the Company and material to the business of the Company, but excluding (A) licenses or services Contracts for commercially available software or services (including software as a service) available on standard terms, (B) licenses for open source software, (C) Contracts with current and former employees, contractors, and consultants of the Company, (D) non-exclusive licenses granted in the ordinary course of business, and (E) any Contract entered into by the Company in the ordinary course of business in which the only license to, or right to exploit, Intellectual Property granted in such Contract is incidental to the transaction contemplated in such Contract, the commercial purpose of which is something other than such license or right to exploit.

All Contracts of the type described in this Section 3.19(a) are hereinafter referred to as “Company Contracts.”

(b) Seller has made available to Purchaser, in all material respects, copies of all Company Contracts as in effect on the date hereof and: (i) each of the Company Contracts is in full force and effect and, assuming the due execution by the other parties thereto, is a legal, valid and binding agreement of the Company, as applicable, except to the extent any such Company Contract has expired or has been terminated in accordance with its terms, subject to General Enforceability Exceptions; and (ii) there is no default or breach by the Company or, to the Knowledge of Seller, by any other party thereto, in the timely performance of any obligation to be performed thereunder or any other material provision thereof, except any such breach or default that would not materially and adversely affect the business of the Company.

Section 3.20 Suppliers

(a) Section 3.20 of the Seller Disclosure Letter sets forth a complete and accurate list of the names of the twenty (20) suppliers to whom the Company paid the highest aggregate amounts for supplies, merchandise and other goods during the twelve-month period ended December 31, 2023 (the “Major Suppliers”). Since the Statement Date, to the Knowledge of Seller, there has been no significant adverse change in the business relationship of the Company, on the one hand, and any supplier named in Seller Disclosure Letter, on the other hand. None of the Company or its Affiliates has received any written communication from any supplier named in the Seller Disclosure Letter of any intention to terminate or materially reduce supplies to or its relationship with the Company.

(b) To the extent there are any written supply agreements (including purchase orders) between the Company and any of the Major Suppliers (the “Major Supply Agreements”), such Major Supply Agreements are valid, effective and enforceable, except as

may be limited by the General Enforceability Exceptions, and the Company is not in material breach of any such Major Supply Agreement, nor to the Knowledge of Seller, is any Major Supplier in material breach of any such Major Supply Agreement.

(c) Except as set forth in Section 3.20(c) of the Seller Disclosure Letter, the execution and the performance of this Agreement and the Ancillary Agreements do not entitle any Major Suppliers to unilaterally terminate the Material Supply Agreement or entitle any Major Suppliers to revise the terms and conditions of Material Supply Agreements in a way substantially unfavorable to the Company.

Section 3.21 Permits

The Company is in possession of all Consents from any Governmental Authorities that are material to the businesses of the Company as currently conducted (collectively, the “Permits”). The Company is: (a) in compliance in all material respects with all such Permits, all of which are in full force and effect; (b) to the Knowledge of Seller, no event has occurred or circumstance exists that would reasonably be expected to: (i) constitute or result in a material violation of, or a failure to comply in any material respect with, any term or requirement thereof; or (ii) result in the revocation, withdrawal, suspension, cancellation or termination thereof; and (c) the Company has not received any written notice, and to the Knowledge of Seller, no notice is threatened, from any Governmental Authority regarding: (i) any actual, alleged, possible or potential violation or failure to comply in any material respect with any term or requirement thereof; or (ii) any revocation, withdrawal, suspension, cancellation or termination thereof.

Section 3.22 Insurance

Section 3.22 of the Seller Disclosure Letter sets forth, as of the date of this Agreement, all material insurance policies maintained by the Company covering the Company and its businesses. All such policies of insurance are in full force and effect in all material respects. The Company has not received any written notice of cancellation or any other indication that any such policy of insurance is no longer in full force or effect or that the issuer of any such policy of insurance is not willing or able to perform its obligations thereunder, and, to the Knowledge of Seller, no event has occurred that will result in the cancellation of coverage under any such policy of insurance. All premiums due on all such policies have been paid and the Company is not in default in any material respect with its obligations under such policies.

Section 3.23 Transactions with Affiliates

Section 3.23 of the Seller Disclosure Letter sets forth, as of the date of this Agreement, all Contracts between the Company, on the one hand, and Seller or any of its Affiliates, or any officer, director, employee, stockholder or immediate family member of the foregoing on the other hand, with respect to the business, operation or assets of the Company or pursuant to which any such Affiliate or any officer, director, employee, stockholder or immediate family member of the foregoing has any interest in the property of the Company, excluding (a) any Employee Benefit Plan, (b) agreements explicitly contemplated to be entered into pursuant to this Agreement, (c) agreements with respect to employment relationships and compensation in the

ordinary course of business consistent with past practice, and (d) agreements with respect to transactions conducted on an arm's length basis in the ordinary course of business (collectively, "Affiliate Transactions").

Section 3.24 Data Protection

(a) The Company is in compliance with all applicable Laws regarding personal information, data protection or cyber security ("Data Protection Laws") in all material respects (which compliance includes the possession by the Company of all Permits or governmental authorizations required under applicable Data Protection Laws, and compliance with the terms and conditions thereof).

(b) The Company has not received any written notices, claims or any other communications from any Governmental Authority or other Person, that asserts the Company has violated or is not in compliance with any Data Protection Law, and to the Knowledge of Seller, no citation, fine or written notice is threatened.

(c) To the Knowledge of Seller, during the past three (3) years, the Company has not suffered any data leakage, cybersecurity incidents. The Company is not in material breach of its obligations related to data protection.

Section 3.25 Due Diligence Materials

The materials provided in the VDR are authentic copies of those materials.

Section 3.26 Solvency

At any time during the date hereof and the Closing Date, the Company shall (a) be Solvent, (b) have adequate capital with which to engage in its business as currently conducted consistent with past practices. The Company has neither been declared bankrupt nor found unable to pay any of its debts which are due. There are no pending or to the Knowledge of Seller, threatened, proceedings in relation to any compromise or arrangement with creditors or any winding up, bankruptcy or other insolvency proceedings concerning the Company.

Section 3.27 Product Liability

To the Knowledge of Seller: (a) the Company has not in the past five (5) years manufactured or sold any product, which does not comply with applicable Laws in force at the time of the manufacturing or sale of the product, and (b) no material product liability or similar claims under any applicable Laws or any agreement executed by the Company exist with respect to products tested, assessed or produced by the Company prior to the Closing Date nor do any facts or circumstances exist as of the date of this Agreement that would reasonably be expected to give rise to such a claim after the date of this Agreement.

Section 3.28 Anti-Corruption Laws and Sanctions

(a) None of the Company, and to the Knowledge of Seller, agents or other Persons acting for or on behalf of the Company:

(i) is currently or has been in the past three (3) years, (A) a Sanctioned Person, or (B) engaging in any dealings or transactions in violation of applicable Sanctions Laws.

(ii) has at any time in the past three (3) years made or received any unlawful payment or given, offered, promised, or authorized or agreed to give or receive, any money or thing of value, directly or indirectly, to or from any individual acting for or on behalf of any such Governmental Authority (any such individual, a "Government Official") or any other Person in violation of any applicable Anti-Corruption Laws.

(iii) has in the past three (3) years directly or indirectly offered, in violation of applicable Law, made or promised to make any unlawful contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment or thing of value to any Government Official or other Person regardless of form, whether in money, property, or services, (i) to obtain favorable treatment or any other improper advantage in securing or retaining business, (ii) to pay for favorable treatment for business secured or retained, (iii) to obtain special concessions or for special concessions already obtained for or in respect of the Company or (iv) to unlawfully influence any act or decision of any Person in their official capacity or induce such Person to violate their lawful duties.

(b) As at the date hereof, no Action is pending or, to the Knowledge of Seller, has been threatened by or before any Governmental Authority in relation to the Company in the past three (3) years, with respect to any applicable Anti-Corruption Laws and/or Laws on anti-money laundering and terror financing, or Sanctions Laws.

Section 3.29 Brokers

No broker, finder or similar agent has been employed by, or on behalf of, Seller, and no Person with which Seller has had any dealings or communications, is entitled to any brokerage

commission or finder's fee in connection with this Agreement or the transactions contemplated hereby.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

Section 4.1 Organization and Qualification

(a) Purchaser is a limited liability company duly organized, validly existing and in good standing under the Laws of the PRC.

(b) Purchaser is duly qualified to do business and is in good standing (to the extent the applicable jurisdiction recognizes such concept) under the Laws of each jurisdiction in which the conduct of its business, or the character of the properties owned or leased by it, requires it to be so qualified, except where the failure to be so qualified or to be in good standing would not have a Purchaser Material Adverse Effect.

Section 4.2 Authorization; Enforceability

Purchaser has the requisite corporate or other similar power and authority to execute and deliver this Agreement and all agreements and documents contemplated hereby to be executed and delivered by it, and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and such other agreements and documents and the consummation of the transactions contemplated herein and therein have been duly and validly authorized by all requisite corporate or other similar action on the part of Purchaser. This Agreement has been, and all agreements and documents contemplated hereby to be executed and delivered by it shall be, duly and validly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery by the parties hereto and thereto, shall, upon such execution and delivery hereof and thereof, be the legal, valid and binding obligations of Purchaser hereunder and thereunder, as applicable, enforceable against Purchaser in accordance with its terms, except as limited by the General Enforceability Exceptions.

Section 4.3 Consents and Approvals; No Violations

(a) Neither the execution and delivery of this Agreement by Purchaser, nor the other agreements and documents contemplated hereby to be executed and delivered by Purchaser, nor the consummation by Purchaser of the transactions contemplated herein or therein, nor compliance by Purchaser with any of the provisions hereof or thereof, shall: (i) conflict with or result in a breach of any provisions of the Organizational Documents of Purchaser; or (ii) constitute or result in the breach of any term, condition or provision of, or constitute a default under, or give rise to any right of termination, cancellation or acceleration with respect to, or result in the creation or imposition of a Lien upon any property or assets of Purchaser, excluding any Lien created in connection with the Letter of Guarantee, violate any

Law or Order applicable to Purchaser or any of its properties or assets, except as would not result in a Purchaser Material Adverse Effect.

(b) No Consent by any Governmental Authority is required to be obtained by Purchaser for the consummation by Purchaser of the transactions contemplated by this Agreement that if not obtained would have a Purchaser Material Adverse Effect, except in connection, or in compliance, with the PRC Antitrust Clearance and the other approvals from any Governmental Authorities required under Section 5.3.

Section 4.4 Litigation

(a) There is no Action pending or, to the Knowledge of Purchaser, threatened, against Purchaser or any of its Affiliates by or before any Governmental Authority that, if determined in a manner adverse to Purchaser or any of its Affiliates, would have a Purchaser Material Adverse Effect.

(b) There is no outstanding Order binding on or, to the Knowledge of Purchaser, threatened, against Purchaser or any of its Affiliates that would have a Purchaser Material Adverse Effect.

Section 4.5 Solvency

Assuming (a) the representations and warranties set forth in Article III are true and correct, (b) compliance in all material respects by Seller with its obligations hereunder, (c) the satisfaction of the conditions to Purchaser's obligations to consummate the transactions contemplated by this Agreement set forth in Section 6.4 and Section 6.5 and (d) immediately prior to the Closing, the Company is Solvent, then immediately after giving effect to all of the transactions contemplated by this Agreement, Purchaser and its Subsidiaries shall be Solvent.

Section 4.6 Independent Investigation; No Reliance

In connection with its investment decision, Purchaser expressly acknowledges that it and its Representatives have inspected the business, operations, technology, assets, liabilities, results of operations, financial condition and prospects of the Company and have conducted such independent review, investigation and analysis (financial and otherwise) of the Company as desired by Purchaser. Purchaser hereby expressly acknowledges that Seller has provided Purchaser with access to the personnel, properties, premises and books and records of the Company for this purpose. Purchaser hereby expressly acknowledges that its purchase of the Purchased Interest and the consummation of the transactions contemplated hereby are not done in reliance upon any representation or warranty or omission by, or information from, Seller or any of its Affiliates or Representatives, whether oral or written, express or implied, including any implied warranty of merchantability or of fitness for a particular purpose, except for the representations and warranties specifically and expressly set forth in Article III (as modified by the Seller Disclosure Letter), and Purchaser hereby expressly acknowledges that Seller expressly disclaims any other representations and warranties. Such purchase and consummation are instead done entirely on the basis of Purchaser's own investigation, analysis, judgment and

assessment of the present and potential value and earning power of the Company, as well as those representations and warranties by Seller, as specifically and expressly set forth in Article III (as modified by the Seller Disclosure Letter). Purchaser expressly acknowledges that neither Seller nor any of its Affiliates has made any representation or warranty to Purchaser regarding the probable success or profitability of the Company or its business. Purchaser further expressly acknowledges that neither Seller nor any of its Affiliates nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Company, its businesses or the transactions contemplated by this Agreement, except for the information set forth in Article III (as modified by the Seller Disclosure Letter), and neither Seller nor any of its Affiliates nor any other Person shall have or be subject to any liability to, Purchaser, its Affiliates, their respective Subsidiaries, shareholders, Controlling persons or Representatives or any other Person resulting from the distribution to Purchaser or its Representatives or Purchaser's use of any such information, including the any confidential information memoranda or management presentations distributed by, or on behalf of, the Company relating to its businesses, any such information contained in the VDR or any other data room (including any electronic or "virtual" data room), or any information contained in any publication, document or other form provided or made available, or any omission thereof or therein, to Purchaser or any of its Representatives in connection with the purchase and sale of the Purchased Interest and the transactions contemplated hereby.

Section 4.7 Available Funds

Purchaser has, and will have at the Closing, cash on hand necessary to consummate the transactions contemplated by this Agreement, including (a) making payment of the Purchase Price to Seller when due and (b) paying all related fees and expenses arising from the transactions contemplated by this Agreement.

Section 4.8 Letters of Guarantee

As of the Closing, each Letter of Guarantee shall have been duly issued by the Purchaser Guarantor in favor of Seller, shall be in full force and effect, shall constitute the legal, valid and binding obligation of the Purchaser Guarantor, enforceable in accordance with its terms, and shall not have been amended, withdrawn or rescinded in any respect. As of the Closing, no event shall have occurred which, with or without notice, lapse of time or both, would constitute a default on the part of the Purchaser Guarantor under the Letters of Guarantee. Purchaser has not received any written notice of cancellation or any other indication that any Letter of Guarantee is no longer in full force or effect or that the Purchaser Guarantor is not willing or able to perform its obligations thereunder, and, no event has occurred that will result in the cancellation or termination of such Letter of Guarantee.

Section 4.9 Brokers

No broker, finder or similar agent has been employed by, or on behalf of, Purchaser, and no Person with which Purchaser has had any dealings or communications is entitled to any

brokerage commission or finder's fee in connection with this Agreement or the transactions contemplated hereby.

ARTICLE V **COVENANTS**

Section 5.1 Conduct of Business Prior to the Closing

(a) Except: (w) for the matters set forth in Section 5.1(a) and Section 5.1(b) of the Seller Disclosure Letter; (x) as required by the terms of any Contract set forth in the Seller Disclosure Letter or contained in the VDR or under applicable Law; (y) as otherwise contemplated by this Agreement; or (z) with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), during the Interim Period, Seller shall and shall cause the Company to:

(i) conduct the businesses of the Company in the ordinary course of business and in accordance with past practice in all material respects;

(ii) maintain the premises, facilities and assets owned, operated or used by the Company in substantially the same state of repair, order and conditions as they are on the date hereof, reasonable wear and tear excepted;

(iii) maintain sufficient Cash as required for the business operation of the Company; and

(iv) use commercially reasonable efforts to maintain its relationship with its employees (other than the Excluded Employees) and suppliers in the ordinary course of business in accordance with past practice.

(b) Without limiting the provisions of the foregoing clause (a), except (w) for the matters set forth in Section 5.1(a) and Section 5.1(b) of the Seller Disclosure Letter, (x) as required by the terms of any Contract in existence as of the date of this Agreement or under applicable Law, (y) as otherwise contemplated by this Agreement, or (z) with the prior written consent of Purchaser (which consent shall not be unreasonably withheld, delayed or conditioned), during the Interim Period, the Company shall not, and Seller shall cause the Company not to, other than in the ordinary course of business:

(i) change or amend the Organizational Documents of the Company;

(ii) increase or reduce registered capital, or allot or issue any securities or loan capital convertible into equity interest of the Company, purchase, redeem, dispose of, retire or acquire any such securities, or agree to do so, or sell or give any option, right to purchase or create any Lien over any such securities;

(iii) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or

authorize or undertake a dissolution, consolidation, recapitalization, merger, liquidation, or other reorganization or restructuring of the corporate structure of the Company;

(iv) establish, enter into, adopt, amend, renew, extend, or terminate any Employee Benefit Plan or any plan, program, policy, agreement, or arrangement that would be an Employee Benefit Plan except (1) as required by Section 5.6(b) below, (2) in the ordinary course of business, (3) consistent with past practice, (4) as required pursuant to any plan, program or agreement existing on the date hereof and as disclosed in the Seller Disclosure Letter or applicable PRC Laws or (5) as otherwise permitted pursuant to this Section 5.1(b)(iv); grant or announce to grant to any director, officer, employee or staff of the Company any increase in compensation and/or bonus of over 5%;

(v) make any change in financial accounting methods, principles or practices, except as required by a change in the Accounting Principles, the auditors of the Company or applicable Law;

(vi) form any Subsidiary or directly or indirectly acquire or agree to acquire or invest in any transaction (by merger, consolidation, stock or asset purchase, investment, or otherwise) any equity interest in or business of any firm, corporation, partnership, company, limited liability company, trust, joint venture, association or other entity or division thereof, or enter into any agreement, arrangement or understanding with respect to any such acquisition or investment, including any confidentiality, exclusivity, standstill or similar agreements;

(vii) (A) other than purchases and sales of products, inventory and supplies in the ordinary course of business, consistent with past practice, acquire or agree to acquire, sell, lease, license, assign, exchange, pledge, mortgage, encumber, abandon or otherwise transfer or dispose of any tangible or intangible assets (other than real property) in excess of US\$1,000,000, in the aggregate (including by merger, consolidation, acquisition of stock or assets), except for (x) sales, dispositions or transfers of products, inventory or obsolete or worn-out equipment in the ordinary course of business consistent with past practice and (y) the sales, dispositions or transfers to an Affiliate of Seller of those certain assets as set forth in Section 5.1(b)(vii) of the Seller Disclosure Letter (collectively, the “Excluded Assets”); or (B) sell, lease, mortgage, pledge, encumber, abandon, sell and leaseback or otherwise transfer or dispose of any real properties of Company or any material rights or interests therein;

(viii) other than (A) purchases and sales of products, inventory and supplies in the ordinary course of business, consistent with past practice, (B) transactions contemplated under this Agreement and the Ancillary Agreements and (C) the sales, dispositions or transfers to an Affiliate of Seller of the Excluded Assets, enter into any new Affiliate Transaction or substantially revise the conditions of any Affiliate Transaction;

(ix) change any material Tax election, change an annual Tax accounting period, adopt or change any material method of accounting for Tax purposes, file any material amended Tax Return, enter into any material closing agreement for Tax purposes, settle or compromise any material Tax liability, surrender any right to claim a material refund of

Taxes, or consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment relating to the Company if such action could reasonably be expected to materially increase taxes in any Taxable period beginning on or after the Closing Date;

(x) except in the ordinary course of business, consistent with past practice, grant or acquire, agree to grant to or acquire from any Person, or dispose of or permit to lapse any rights to any Intellectual Property material to the Company (to the extent currently used in the business);

(xi) create, assume, incur, or guarantee any Indebtedness, except for: (A) Indebtedness incurred in the ordinary course of business, consistent with past practice; and (B) Indebtedness incurred under letters of credit entered into in the ordinary course of business, consistent with past practice, and accelerate the repayment of any existing Indebtedness;

(xii) settle, compromise, discharge, waive, release, assign or agree to settle or enter into any waiver, release, assignment, compromise or settlement of any pending or threatened litigation, investigation, arbitration or proceeding other than those that do not involve the payment by the Company of monetary damages in excess of US\$100,000 in any individual instance, or US\$300,000 in the aggregate;

(xiii) cancel, surrender, allow to expire or fail to renew, any Permits material to the Company;

(xiv) conduct any “mass layoff,” as defined in the applicable PRC Laws, but excluding any proposed termination, transition or transfer of certain Company employees according to such name list as shall be agreed between the Parties in writing after the date hereof (collectively, the “Excluded Employees”); or

(xv) agree to take any of the foregoing actions.

Section 5.2 Access to Information; Confidentiality

(a) During the Interim Period, and subject to compliance with applicable Law and this Section 5.2(a), Seller shall give Purchaser and its Representatives reasonable access during regular business hours to the properties, books and records of the Company at the request of Purchaser, with reasonable prior notice to Seller, in connection with the transactions contemplated hereby; provided, however, that Purchaser and its Representatives shall conduct any such activities in such a manner as not to unreasonably interfere with the business or operations of Seller and the Company. All contacts with any employee of the Company must be requested in writing by Purchaser and must first be approved by and coordinated through the executive officers of Seller (or their designee(s)), which approval shall not be unreasonably withheld or delayed. In no event shall Seller be obligated to provide: (i) such access or information if Seller determines, in its reasonable judgment, that doing so may: (A) violate applicable Law, an Order, a Contract or any other obligation of confidentiality or any other obligation owing to a third Person (including those relating to sensitive and personal

information); or (B) jeopardize the protection of the attorney-client privilege or any other privilege or immunity; or (ii) any portion of any Tax Return (or supporting work papers or documents related thereto) of, or with respect to, Seller or any of its Affiliates (other than any Tax Return solely and directly related to the Company). In addition, during the Interim Period, Seller may designate any competitively sensitive information provided to Purchaser or its Representatives pursuant to this Agreement as “outside counsel only” and such information shall be given only to the outside counsel of Purchaser and may not be shared, conveyed, summarized or otherwise disclosed in any manner with Purchaser or any of its Subsidiaries or any of their respective Representatives (other than such outside counsel), except as may be expressly agreed in writing by Seller in advance.

(b) Without limiting the generality of that certain Non-Disclosure Agreement, dated as of May 8, 2020, by and between Western Digital Technologies, Inc. and STATS ChipPAC Semiconductor (Jiangyin) Co., Ltd. (星科金朋半导体(江阴)有限公司), as may be amended, extended or modified from time to time, each Party shall, and shall cause their respective Affiliates to, and shall instruct their respective Representatives to, hold in confidence any and all confidential, proprietary and non-public information and materials, whether in written, verbal, graphic or other form, concerning each other Party, any of their respective Affiliates, the transactions contemplated herein, or any discussion, negotiation or correspondence by any Party or their Affiliates on, prior to or after the date hereof for, relating to or in connection with the transactions contemplated herein (collectively, “Confidential Information”), except as necessary to perform any of the Party’s obligations under this Agreement or under the Ancillary Documents and except that no Party shall have any obligation hereunder with respect to any Confidential Information that: (i) after the date hereof becomes generally available to the public other than through a breach by the applicable Party, any of its Affiliates or Representatives of their respective obligations hereunder; (ii) is provided to the Party or any of its Affiliates by a third party that was not known to the receiving Party to be bound by any duty of confidentiality to the other Party, (iii) is disclosed as a result of requirement by applicable Law (including stock exchange rules) or by any Governmental Authority or under any subpoena, civil investigative demand or other similar process by a court of competent jurisdiction having jurisdiction over such Party; provided, however, that, to the extent legally permissible, the disclosing Party shall give advance written notice of such compelled disclosure to the other Party, and shall cooperate with such other Party in connection with any efforts to prevent or limit the scope of such disclosure; and provided further, that such disclosing Party shall disclose only that portion of such Confidential Information which such disclosing Party is advised by its counsel is legally required to be disclosed; or (iv) is provided by Seller to certain suppliers, as reasonably agreed by Seller and Purchaser, to facilitate the arrangement of material procurement services for the Company. Notwithstanding the foregoing, a Party may disclose Confidential Information without notice to or consent of the other Party in connection with the enforcement of

this Agreement and/or the Ancillary Agreements or the defense of any Action brought by the other Party, any of its Affiliates or any of its Representatives.

Section 5.3 Regulatory Filings; Reasonable Best Efforts

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Parties shall (and to the extent applicable, shall cause their respective Affiliates and equityholders to) take, or cause to be taken, all actions, to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, as promptly as practicable but, in any event, no later than the Longstop Date (as defined below), the transactions contemplated hereby in accordance with the terms of this Agreement, including, without limitation: (i) the obtaining of all necessary Consents under any applicable Laws required to give effect to the terms of this Agreement and consummate the transactions contemplated hereunder; (ii) the taking of all steps as may be necessary to avoid an Action by any Governmental Authority in respect of this Agreement and the consummation of the transactions contemplated hereunder; (iii) the obtaining of all necessary Consents from third parties required to consummate the transactions contemplated hereunder; and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated hereunder in accordance with the terms of this Agreement and to fully carry out the purposes of this Agreement. Unless otherwise expressly agreed herein, neither Seller nor any of its Affiliates shall be obligated to grant any consideration, or pay any fee or other similar payment, to any third Person from whom Consent is required or requested from or by such third Person in connection with the consummation of the transactions contemplated under this Agreement in order to obtain any such Consent. For the avoidance of doubt, Purchaser shall agree or commit to any and all divestitures, licenses, behavioral remedies, hold separate or similar arrangements, or other remedies, restrictions, limitations or commitments, in each case as a condition to obtaining the PRC Antitrust Clearance in order to consummate and make effective, as promptly as practicable and in any event by the Longstop Date, the transactions contemplated hereby, so long as such remedies, restrictions, limitations or commitments required to be taken by Purchaser shall not materially and adversely impact the economic or business benefits to Purchaser of the transactions contemplated by this Agreement. In addition, upon the terms and subject to the conditions herein provided and subject to the Parties' (and to the extent applicable, their respective Affiliates') obligations under applicable Law, none of the Parties hereto shall (and such Parties shall cause, to the extent applicable, their respective Affiliates not to) knowingly take, or cause to be taken, any action that would reasonably be expected to materially delay or prevent the satisfaction by the Longstop Date of the conditions set forth in Section 6.4.

(b) Purchaser (as the filing obligor for the PRC Antitrust Clearance) undertakes and agrees (and to the extent applicable, shall cause its Affiliates and equity holders to undertake and agree) to prepare and file a set of appropriate filing materials pursuant to the PRC Anti-Monopoly Law with respect to the transactions contemplated by this Agreement as soon as reasonably practicable following the date of this Agreement and in no event later than twenty (20) Business Days following the date of this Agreement and to supply as promptly as practicable any additional information and documentary material that may be requested pursuant

to the PRC Anti-Monopoly Law. Purchaser shall have the responsibility for all costs and expenses associated with filings pursuant to the PRC Anti-Monopoly Law, if applicable. Seller shall exercise its best efforts to assist Purchaser in obtaining the PRC Antitrust Clearance.

(c) Each of Purchaser and Seller shall and, to the extent applicable, shall cause their respective Affiliates and equityholders to: (i) respond as promptly as practicable to any inquiries and requests received from SAMR or any other Governmental Authority, as applicable, in connection with the filing in respect of the PRC Antitrust Clearance; and (ii) not extend or cause to be extended any waiting period under the applicable Law or enter into any agreement with SAMR or any other Governmental Authority not to consummate the transactions contemplated by this Agreement, except, in each case, with the prior written consent of the other Party.

(d) In addition and subject to applicable Law, each of Purchaser, on the one hand, and Seller, on the other hand, shall and, to the extent applicable, shall cause their respective Affiliates and equityholders to: (i) promptly notify the other Party of any communication from SAMR or any other Governmental Authority (except with respect to Taxes), as applicable, concerning this Agreement or the transactions contemplated hereby and permit the other Party to review in advance any proposed communication to any of the foregoing; (ii) consult with the other Party prior to participating in any meeting (in-person or virtual), telephonic or video call or discussion with SAMR or any Governmental Authority with respect to any filing, investigation or inquiry concerning this Agreement or the transactions contemplated hereby (except with respect to Taxes), as applicable, and provide the other Party the opportunity to attend and participate in any such meeting (in-person or virtual), telephonic or video call or discussion; (iii) furnish the other Party with copies of all correspondence, filings and written communications (or a reasonably detailed summary of any oral communications) between it and its Representatives, on the one hand, and SAMR or any Governmental Authority, on the other hand, as applicable, with respect to this Agreement or the transactions contemplated hereby (except with respect to Taxes); and (iv) provide a reasonable opportunity to the other Party to review and comment in advance on any filings, letters, presentations, whitepapers and other substantive communications with SAMR or the Governmental Authority in connection with this Agreement or the transactions contemplated hereby and consider, in good faith, any comments on such correspondences, filings and written communications.

(e) As promptly as practicable after the date hereof and in any event prior to the AMR Submission Date, each of Purchaser and Seller shall furnish or cause to be furnished to the Company (for purposes of securing the AMR Approval) and Purchaser (for purposes of securing the SAFE Registration Voucher) all executed application forms and all supporting documents and such other documents as the relevant Governmental Authority may require for obtaining AMR Approval and the SAFE Registration Voucher.

(f) Prior to the AMR Submission Date, (i) the Company (in the presence of Purchaser's Representative (to the extent permitted by SAMR and/or the Company Capital Account Bank), either in person or virtually, shall submit to SAMR and the Company Capital Account Bank for pre-review of the Registration ETA and the relevant application

documents (the “Application Documents”) required to apply for the AMR Approval and the SAFE Registration Voucher, respectively, and (ii) to the extent the Application Documents are amended consistent with this Section 5.3(f), the Company shall further consult with SAMR and the Company Capital Account Bank to confirm that such amendments are sufficient to satisfy the requirements of SAMR and/or the Company Capital Account Bank. If the relevant Governmental Authority and/or the Company Capital Account Bank requires any amendment (including, for purpose of this Section 5.3(f), any supplement) to the Registration ETA and the Application Documents and if, in the reasonable view of Purchaser or Seller, such amendment is materially inconsistent with, or represents substantive terms in addition to, the terms of this Agreement or the Ancillary Agreements, then the Parties shall immediately consult in good faith with each other to determine whether to make the requested amendment (for the avoidance of doubt, neither Party shall be obligated to agree to such amendment). If the Parties agree to make the requested amendment, the Parties shall, as soon as possible, take such steps as are reasonable to amend this Agreement, the Ancillary Agreements and any other documents necessary to give effect to the requested amendment. Otherwise, if the relevant Governmental Authority and/or the Company Capital Account Bank requires any amendment to the Registration ETA and the Application Documents and if, in the reasonable view of Purchaser and Seller, such amendment is not materially inconsistent with, nor represents substantive terms in addition to, the terms of this Agreement or the Ancillary Agreements, then the Parties shall, as soon as possible, take such steps as are reasonable in order to amend the Registration ETA and/or the Application Documents to incorporate the requested amendment.

(g) Subject to Purchaser’s compliance with Section 2.10(a) and Section 5.3(e), within three (3) Business Days following the satisfaction or waiver of the conditions set forth in Section 6.4, Section 6.5 and Section 6.6, Seller shall cause the Company to, as soon as practicable, and the Parties shall, exercise their respective best efforts to, submit to the competent SAMR all executed application forms and all supporting documents and such other documents as the relevant Governmental Authority may require for the purpose of obtaining the AMR Approval.

(h) Within one (1) Business Day after the AMR Approval is obtained, the Parties shall cause the Company to, as soon as practicable, submit to the Company Capital Account Bank all executed application forms and all supporting documents and such other documents as the relevant Governmental Authority may require for the purpose of obtaining the SAFE Registration Voucher.

(i) As promptly as practicable after the PRC Antitrust Clearance has been obtained, but in any event no later than five (5) Business Days after the AMR Approval is obtained, Purchaser shall make the tax filing with competent Taxing Authority for overseas payment for trade in services and other items (服务贸易等项目对外支付税务备案) and, within five (5) Business Days after receipt of such form, provide Seller with a copy of the Tax filing form for overseas payment for trade in services and other items (服务贸易等项目对外支付税务备案表) affixed with the relevant Taxing Authority’s seal (or any equivalent document,

including but not limited to an electronic copy of the Tax Return and settlement certificate generated by the online Tax filing system).

(j) The Parties shall use their best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective the transaction contemplated in this Section, including, without limitation, (i) employing such resources as are necessary or desirable to obtain the AMR Approval and the SAFE Registration Voucher and cause the Purchase Price to be converted into US\$ by a third-party financial institution or Person and paid to the Seller's Account, and (ii) taking any and all steps necessary or desirable to avoid or eliminate each and every impediment under applicable Laws that may be asserted by any Governmental Authority so as to enable the Parties to expeditiously consummate the transactions contemplated by this Agreement.

Section 5.4 Closing Conditions

During the Interim Period, each Party hereto shall, and Seller shall cause the Company to, use commercially reasonable efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in Article VI hereof, including, without limitation, negotiating the Ancillary Agreements in good faith to the extent the form thereof has not been agreed as of the date hereof.

Section 5.5 No Amendment to Letters of Guarantee

Purchaser shall (a) maintain in full force and effect each Letter of Guarantee and (b) satisfy, or cause to be satisfied, on a timely basis all conditions to the funding under the applicable Letter of Guarantee. Without limiting the generality of the foregoing, without the prior written consent of Seller, Purchaser shall not, and shall cause its Affiliates not to, (i) amend, modify, withdraw, waive or terminate the Letters of Guarantee, or (ii) enter into or modify any other Contract relating to the transactions contemplated hereby in a manner that (y) would be inconsistent with the terms of this Agreement and any other agreements relating to the transactions contemplated hereby, or (z) would or would reasonably be expected to prevent or impede, interfere with, hinder or delay (A) the consummation by Purchaser of the transactions contemplated hereby or (B) the compliance by Purchaser of its obligations under this Agreement. Purchaser will, and will cause each of its Affiliates to, deliver to Seller within one (1) Business Day upon receipt, any notification received by Purchaser from the Purchaser Guarantor regarding adjustment to guarantee amount, termination, withdrawal or other material amendments to the Letter of Guarantee.

Section 5.6 Employee Benefits

(a) For the five (5)-year period following the Closing, the Parties shall endeavor in good faith to cause the Company to provide each employee of the Company as of the Closing Date (collectively, the "Company Employees") with: (i) base salary and target bonus opportunities that are substantially similar to or better than each such Company Employee's base salary and target bonus opportunities prior to the Closing; and (ii) all other compensation and

benefits that are, in the aggregate, with respect to each Company Employee, substantially similar to or better than the compensation and benefits provided to such Company Employee under the Employee Benefit Plans immediately prior to the Closing, in each case subject to the satisfaction of the Company's financial target as agreed between Purchaser and Seller, and the performance review of each such Company Employee in normal course in accordance with the written policies of the Company.

(b) The WDC RSUs (as defined below) held by the Company Employees shall be treated as follows:

(i) At or immediately prior to the Closing, each award of Western Digital Corporation restricted stock units (each such unit, a "WDC RSU" and collectively, the "WDC RSUs") held by a Company Employee that is then outstanding and unvested shall automatically be canceled in accordance with the terms and conditions of such WDC RSUs.

(ii) The Parties acknowledge that the Company Employees who hold any WDC RSUs that are outstanding and vested (but not theretofore settled) as of the Closing (the "Vested WDC RSUs") shall be entitled to settlement thereof in accordance with their terms.

(iii) As to any WDC RSU that is outstanding and not vested as of the Closing (an "Unvested WDC RSU"), the Company shall issue new cash-settled awards to the Company Employee (excluding Excluded Employees) (collectively, the "Replacement Cash Awards") pursuant to a post-Closing cash bonus plan mutually acceptable to Seller and Purchaser (the "Post-Closing Bonus Plan") to replace such canceled Unvested WDC RSUs. The Replacement Cash Awards issuable to the relevant Company Employees shall (x) have the equivalent cash value of the Unvested WDC RSUs (as determined in accordance with the Post-Closing Bonus Plan), (y) be subject to the same vesting terms and conditions (whether time or performance based) that applied to the Unvested WDC RSUs immediately prior to the Closing Date (provided that there is no substantial change to the terms and conditions of the Unvested WDC RSU after execution of this Agreement unless otherwise agreed to by the Parties in writing), and (z) be payable by the Company to the Company Employee only if and to the extent such vesting conditions are fully satisfied. For avoidance of doubt, the Replacement Cash Awards issuable to Company Employees shall constitute Company Transaction Expenses.

(c) From and after the Closing, the Parties shall, or shall cause the Company to, honor all obligations to any Labor Organization and, notwithstanding anything in this Agreement to the contrary, the terms and conditions of employment upon and after the Closing for all employees of the Company represented by a Labor Organization shall be governed by any such obligations.

(d) Notwithstanding anything to the contrary in this Agreement, the Company, in its sole discretion, is permitted to: (i) prior to the Closing, pay out bonuses for any completed fiscal year to its employees in the ordinary course of business; and (ii) prior to the Closing, pay to each eligible Excluded Employee a pro rata bonus in respect of its then current

fiscal year through the Closing based on its determination, in good faith, of the amounts earned, based on actual performance through the Closing.

(e) Nothing contained herein, expressed or implied, is intended to confer upon any Company Employee or any other Person any benefits under any benefit plans, programs, policies or other arrangements, and the provisions of this Section 5.6(e) are solely for the benefit of the Parties to this Agreement. No provision of this Agreement shall guarantee any future employment of any Company Employee.

Section 5.7 Public Announcements

No Party shall make, or cause to be made, any press release or public announcement in respect of the negotiations of the Parties or the subject matter or provisions of this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby or otherwise communicate with any news media without the prior written consent of the other Party (which consent shall not be unreasonably withheld, delayed or conditioned) unless otherwise required by Law or applicable stock exchange regulation (based upon the reasonable advice of counsel), and the Parties shall cooperate as to the timing and contents of any such press release, public announcement or communication.

Section 5.8 Further Assurances

At and after the Closing Date, each of Purchaser and Seller shall use its best efforts from time to time to execute and deliver at the reasonable request of the other Party or at the request of any Governmental Authority such additional documents and instruments, and to take, or refrain from taking, such other actions, as may be reasonably required to give effect to this Agreement and the transactions contemplated hereby, which shall include, without limitation, any documents, instruments or actions reasonably required to cause the Purchase Price to be converted into U.S. Dollar and paid to the Seller's Account.

Section 5.9 Notification of Certain Matters

(a) During the Interim Period, Seller shall give prompt notice to Purchaser in writing if:

(i) (A) Seller becomes aware of any representation or warranty contained in this Agreement becoming untrue or inaccurate such that the conditions set forth in either Section 6.5(a) or Section 6.6(a) would not be satisfied or (B) any failure of Seller or the

Company to comply with any covenant or agreement to be complied with by it under this Agreement such that the conditions set forth in Section 6.5(b) would not be satisfied; or

(ii) Seller becomes aware of the occurrence or existence of any event, development or change that has had, or would have a Company Material Adverse Effect.

(b) During the Interim Period, Purchaser shall give prompt notice to Seller in writing if:

(i) (A) Purchaser becomes aware of any representation or warranty contained in this Agreement becoming untrue or inaccurate such that the conditions set forth in Section 6.5(a) or Section 6.6(a) would not be satisfied or (B) any failure of Purchaser to comply with any covenant or agreement to be complied with by it under this Agreement such that the conditions set forth in Section 6.6(b) would not be satisfied; or

(ii) Purchaser becomes aware of the occurrence or existence of any event, development or change that has had, or would have, a Purchaser Material Adverse Effect.

Section 5.10 Taxes

(a) Straddle Period. Taxes of the Company relating to any Taxable period beginning on or before, and ending after the Closing Date (a "Straddle Period"), shall, for purposes of this Agreement, be allocated to the portion of any Tax that is allocable to the Taxable period that is deemed to end on the Closing Date as follows: (i) in the case of property Taxes and other Taxes similarly imposed on a periodic basis, deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of calendar days of such Straddle Period up to and including the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period, and (ii) in the case of all other Taxes (including income and similar Taxes), determined as though the Taxable year of the Company terminated on (and included) the Closing Date; provided that (A) any Taxes that are the result of or that are attributable to any transactions or actions that occur on the Closing Date but falls outside the ordinary course of business after the Closing shall not be allocated to the Taxable period that is deemed to end on the Closing Date; (B) exemptions, allowances or deductions generated by Transaction Expenses shall be treated as allocable to a Taxable period (or portion thereof) ending on or before the Closing Date.

(b) Tax Cooperation. Purchaser and Seller shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, examination, litigation or other proceeding with respect to Taxes. Each of Purchaser and Seller agrees to furnish or cause to be furnished to Purchaser or Seller, as applicable, upon request, as promptly as practicable, such information and assistance relating to the Company as is reasonably necessary for the filing of any Tax Return (including the furnishing or making available during normal business hours of records, personnel (as reasonably required), books of account, powers of attorney and other materials reasonably necessary or helpful for the preparation of such Tax Returns), for the preparation for any audit, and for the

prosecution or defense of any Tax Claim relating to any proposed adjustment. Each of Purchaser, Seller and the Company shall retain all books and records with respect to Taxes of the Company for a period of at least seven (7) years following the Closing Date.

(c) Tax Returns. The Company shall, and the Parties shall procure the Company to, prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company for any taxable year or period that begins on or before the Closing Date that are due (including extensions) after the Closing Date. The Company shall, and the Parties shall procure the Company to, (A) submit such Tax Returns to Seller for review and comment at least thirty (30) days prior to their filing (provided, that if any such Tax Return is due less than sixty (60) days following the end of the taxable period to which such Tax Return relates, such Tax Return shall be submitted to Seller for its review and comment as many days prior to their due date as is reasonably practicable) and (B) make any timely comments reasonably requested by Seller. All Transaction Deductions shall be reported in a Pre-Closing Tax Period to the maximum extent permitted by applicable Law. Without the prior written consent of Seller (which shall not be unreasonably delayed or withheld), the Company shall not amend any Tax Return relating to a Pre-Closing Tax Period, unless so required by the Taxing Authority in connection with a Tax Claim that is conducted in accordance with the terms of this Agreement.

(d) Tax Proceedings. After the Closing Date, Purchaser shall notify Seller within ten (10) days of the commencement of any notice of Tax deficiency, proposed Tax adjustment, Tax assessment, Tax audit, Tax examination or other administrative or court proceeding, suit, dispute or other claim with respect to Taxes of the Company for a Pre-Closing Tax Period (a "Tax Claim"). Thereafter, Purchaser shall deliver to Seller, as promptly as possible but in no event later than ten (10) days after receipt thereof, copies of all relevant notices and documents (including court papers) received by Purchaser or any of its Affiliates (including the Company). In the case of any Tax Claim relating to any Tax period ending on or before the Closing Date that, if determined adversely to the Company would be grounds for a claim for indemnity pursuant to this Agreement, Seller shall have the right to control the conduct of such Tax Claim and shall have the right to settle such Tax Claim after consultation with Purchaser.

(e) Tax Refunds. Purchaser shall pay, or cause its Affiliates (including, after the Closing, the Company) to pay, to Seller, as additional consideration for the Purchased Interest, all Tax refunds that are received by or with respect to the Company after the Closing that are attributable to a Pre-Closing Tax Period within five (5) Business Days of the receipt of such Tax refund other than to the extent such Tax refund was taken into account in the calculation of the Actual Working Capital Amount. Purchaser shall, and shall cause its Affiliates to, take all actions to receive refunds to which Seller is entitled pursuant to this Section 5.10(e), including actions (such as preparing and filing, or causing to be prepared and filed, Tax Returns) reasonably requested by Seller to obtain such refunds. Seller shall control in its sole discretion

any preparation of, and any proceeding with respect to, any Tax Return or claim for refund pursuant to this Section 5.10(e).

(f) PRC Withholding Tax

(i) Purchaser shall be entitled to deduct and withhold, or cause to be deducted and withheld, from the amount of such part of the Purchase Price as is payable by Purchaser to Seller at any given time pursuant to Section 2.2(b) of this Agreement, such amounts as it is required to deduct and withhold, or cause to be deducted and withheld with respect to the amount of such payment, by any competent PRC Taxing Authority, and pay such Tax to such competent Taxing Authority on behalf of Seller, subject to compliance with the following Section 5.10(f)(ii). For avoidance of doubt, Seller shall be solely responsible for making Tax filings/registrations with, and paying Taxes to Taxing Authority outside of China, for any Tax payable by Seller (or its Affiliates) in connection with the transactions contemplated herein.

(ii) Notwithstanding any other provision of this Section 5.10,

(A) Seller shall prepare, or cause to be prepared required Tax Returns and related documentation in connection with the PRC Withholding Taxes as promptly as reasonably practicable to ensure timely filing of such Tax Returns. Seller shall provide Purchaser (and its Representatives with a reasonable opportunity (but Purchaser shall not be obliged) to review and comment on the relevant Tax Returns and filings to be submitted to the competent PRC Taxing Authority in connection with the transfer of Purchased Interest and the calculation of the PRC Withholding Taxes thereon;

(B) to the extent legally permissible, each Party shall notify the other Party as promptly as possible (but no later than four (4) Business Days) after receiving any communication or inquiry from any Taxing Authority relating to the assessment of the PRC Withholding Taxes and not respond to such inquiry unless with prior written consent of the other Party not to be unreasonably withheld, conditioned or delayed;

(C) to the extent practicable, each Party (and its Representatives) shall be permitted to attend any substantive meetings with or other appearances before any Tax officials of the PRC Taxing Authority; provided, that should any Party (or its Representatives) fail to attend such meetings or appearances as duly notified hereunder, the other Party may elect to attend such meetings or appearances without the other Party (or its Representatives) to the extent permissible under applicable Law; and

(D) Purchaser shall, as promptly as practicable, but in no event later than the relevant timeline required by the competent PRC Taxing Authority, pay to the competent PRC Taxing Authority the PRC Withholding Tax as determined pursuant to this Section 5.10(f)(ii) in respect of the transfer of the Purchased Interest to Purchaser, and Purchaser shall provide

Seller evidence of such payments, including the Tax payment certificate(s) within five (5) Business Days following the payment of the PRC Withholding Tax to the competent PRC Taxing Authority.

(E) Seller shall submit the Tax Returns and filings in connection with the PRC Withholding Taxes to the PRC Taxing Authority as soon as practical, but in no event later than the relevant timeline required by applicable Law. Seller shall provide Purchaser with a copy of all Tax Returns and other Tax filing documents submitted to the PRC Taxing Authority, and Seller shall provide Purchaser with a copy of such Tax Returns and Tax Payment Notice, affixed with the chop of the competent PRC Taxing Authority, as soon as practicable and in any event within three (3) Business Days after the relevant submission has been made.

(g) Stamp Duty. Unless otherwise required by applicable Law or the competent Taxing Authority in the PRC, each of Purchaser and Seller shall: (i) submit on its own behalf to the applicable PRC Taxing Authority the stamp duty attributable to it; and (ii) pay the amount of stamp duty attributable to such Party, in each of clause (i) and (ii), as promptly as practicable (and no later than the prescribed deadline set forth by the competent PRC Taxing Authority) following the Closing as required by the applicable Taxing Authority.

(h) Other Transfer Taxes. All transfer, documentary, excise, consumption, sales, use, value added, stamp, conveyance, registration, filing, recordation and other similar Taxes and fees (including any penalties and interest) incurred in connection with this Agreement or the transactions contemplated by this Agreement (other than stamp duty described in Section 5.10(g), "Transfer Taxes") shall be borne and paid by the Parties in accordance with the Law. The Parties shall file, or cause to be filed, all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, if required by applicable Law.

(i) Post-Closing Actions. Purchaser, the Company and each of their Affiliates shall not (i) initiate discussions or examinations with a Taxing Authority or make any voluntary disclosures with respect to Taxes of the Company with respect to a Pre-Closing Tax Period, (ii) extend any statute of limitations with respect to the Company for a Pre-Closing Tax Period, (iii) file any Tax Return with respect to a Pre-Closing Tax Period in any jurisdiction where the Company did not previously file such Tax Return, (iv) make any election with respect to the Company that has any retroactive effect to any Pre-Closing Tax Period, or (v) enter into any closing agreement with a Taxing Authority with respect to the Company for any Pre-Closing

Tax Period, unless any of the above actions is mandatorily required by Law or ordered by the Taxing Authority.

(j) Overlap. To the extent that an obligation or responsibility pursuant to Article VIII may conflict with an obligation or responsibility pursuant to this Section 5.10, the provisions of Section 5.10 shall govern such obligation or responsibility.

Section 5.11 No-Shop

During the Interim Period, Seller shall not, and shall not permit the Company or any of the respective Representatives of the Seller or the Company to, directly or indirectly:

(a) solicit, initiate, encourage, or facilitate the making, submission or announcement of any inquiry, expression of interest, proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;

(b) enter into, participate in, maintain or continue any communications (except solely to provide written notice as to the existence of these provisions) or negotiations regarding, or deliver or make available to any Person any non-public information with respect to, or take any other direct action regarding, any inquiry, expression of interest, proposal or offer that constitutes, or would reasonably be expected to lead to, an Acquisition Proposal;

(c) agree to, accept, approve, endorse or recommend (or publicly propose or announce any intention to agree to, accept, approve, endorse or recommend) any Acquisition Proposal; or

(d) enter into any letter of intent or any other Contract contemplating or otherwise relating to any Acquisition Proposal.

Section 5.12 Non-Compete; Non-Solicitation

(a) For a period of five (5) years commencing from the Closing Date, unless otherwise agreed by Purchaser in writing, Seller will not, and shall procure that none of its Affiliates will, establish or invest in any business operations located in the PRC (whether in the form of buying equity in such company, entering into a joint venture, or other similar transaction) for the purpose of engaging in flash assembly and testing in the PRC of any product identical with or substantially similar to the products being assembled or tested at the Company as of the Closing. Nothing in the foregoing restriction shall limit Seller's or any of its Affiliates' ability to engage with third party suppliers or contract manufacturers to provide flash assembly and test business to support Seller's or any of its Affiliates' business requirements, nor shall it restrict Seller's or any of its Affiliates' ability to acquire, merge with, invest in, form a joint venture with, or otherwise consummate a business combination with, any non-PRC company

where a majority business of such non-PRC company and/or its subsidiaries does not consist of flash testing and assembly in the PRC.

(b) Other than the Excluded Employees and such other Company Employees as agreed by the Parties in writing,

(i) Seller shall not, and shall procure that its Affiliates will not, (x) within three (3) years after the Closing Date, offer employment to any employee of the Company, or attempt to induce any employee to leave the employment of the Company, except pursuant to a general advertisement or public solicitation which is not directed specifically to any such employee, (y) offer employment to or hire any employee of the Company, within one (1) year after his/her voluntary resignation as an employee of the Company, unless otherwise agreed by the Parties in writing, or (z) solicit any customer, any supplier or any third party having cooperative relationship with the Company to do business with any entity directly competing with the Company. Nothing in the foregoing restriction shall prevent Seller or any of its Affiliates from hiring any employee whose employment has been terminated by the Company for any reason.

(ii) Purchaser shall procure that the Company and its Subsidiaries (if any) will not, (x) within three (3) years after the Closing Date, offer employment to any employee of Seller or any Affiliate thereof, or attempt to induce any employee to leave the employment of Seller or such Affiliate, except pursuant to a general advertisement or public solicitation which is not directed specifically to any such employee, or (y) offer employment to or hire any employee of the Seller or such Affiliate, within one (1) year after his/her voluntary resignation as an employee of Seller or such Affiliate, unless otherwise agreed by the Parties in writing. Nothing in the foregoing restriction shall prevent the Company and its Subsidiaries (if any) from hiring any employee whose employment has been terminated by Seller and its Affiliates for any reason.

Section 5.13 Working Capital Support

(a) As soon as reasonably practical following the execution of this Agreement, the Parties shall use commercially reasonable efforts to procure each Controller Supplier (as defined below) to enter into supply agreements directly with the Company (the "Transition of Controller Suppliers") by the later of (i) August 31, 2024, and (ii) the Closing Date (the period from the date of this Agreement through such date, the "Controller Transition Period").

(b) The Company shall commence purchasing controllers directly from the Controller Suppliers starting from September 1, 2024 (or such later date as may be mutually agreed upon in writing between the Parties).

(c) If all of the Controller Suppliers have entered into supply agreements directly with the Company during the Controller Transition Period (a "Full Transition"), in recognition of the additional working capital required to support the Transition of Controller Suppliers, Purchaser shall be entitled to deduct from the Second Installment

Payment payable to Seller an amount equal to 80% of \$41,815,000 (the “Controller Working Capital Amount”), and the Purchase Price shall be deemed to be reduced accordingly.

(d) If less than all of the Controller Suppliers have entered into supply agreements directly with the Company during the Controller Transition Period (a “Partial Transition”), then the Controller Working Capital Amount shall be reduced pro rata (the “Adjusted Controller Working Capital Amount”) based on the (i) value of the controllers supplied by Controller Suppliers who have entered into supply agreements with the Company, as compared to (ii) the value of the controllers supplied by Controller Suppliers who have not entered into supply agreements with the Company (the “Controller Pro Rata Value”). In the event of a Partial Transition, the Parties will negotiate in good faith and agree on the Controller Pro Rata Value prior to the Second Installment Payment), and upon mutual agreement in respect thereof, Purchaser shall be entitled to deduct from the Second Installment Payment payable to Seller 80% of the Adjusted Controller Working Capital Amount, and the Purchase Price shall be deemed to be reduced accordingly.

(e) Starting on September 1, 2024, in the case of a Full Transition, the Company shall purchase all controllers that have been (i) designated for the Company’s use and (ii) comprise Seller’s Affiliate’s controller inventory (including controllers held by Controller Suppliers on behalf of Seller’s Affiliate) (such controllers, the “Seller Controller Inventory”). In the event of Partial Transition, starting on September 1, 2024, the Company shall be obligated to purchase only the controllers within Seller’s Controller Inventory attributable to the Controller Suppliers who entered into supply agreements with the Company. If the Company has insufficient cash to purchase Seller’s Controller Inventory, the Parties will contribute additional working capital in proportion to their respective equity interest in the Company, as is necessary to purchase Seller’s Controller Inventory (or any remaining portion thereof).

(f) For purpose of this Section 5.13, “Controller Suppliers” means the existing suppliers of controllers (excluding any of Seller’s Affiliates) who provide controllers to one or more of Sellers’ Affiliates (including SanDisk Storage Malaysia Sdn. Bhd.) for subsequent consignment sale and use by the Company as of the date hereof.

ARTICLE VI
CONDITIONS PRECEDENT

Section 6.1 Mutual Closing Conditions

The respective obligation of each Party to consummate the transactions contemplated hereby is subject to the satisfaction or waiver, to the extent permitted by applicable Law, on or prior to the Closing Date of the following conditions:

(a) AMR Submission Conditions. All of the conditions set forth in Section 6.4 below shall remain satisfied as of the Closing Date or shall have been waived by both Parties pursuant to Section 6.4, as the case may be.

(b) AMR Approval. The Company shall have obtained the AMR Approval.

Section 6.2 Purchaser's Closing Conditions

The obligation of Purchaser to consummate the transactions contemplated hereby is further subject to the satisfaction (or waiver by Purchaser) on or prior to the Closing Date of the following conditions:

(a) Performance of the Obligations of Seller. Seller shall have performed or complied with in all material respects all obligations and covenants required to be

performed or complied with by it pursuant to this Agreement and Ancillary Agreements at or prior to the Closing Date.

(b) Seller Closing Deliverables. Seller shall have delivered, or caused to be delivered, to Purchaser each of the deliverables described in Section 2.9(b).

(c) Officers' Certificates. Purchaser shall have received a certificate signed on behalf of Seller by their authorized officers (or functional equivalent) certifying as to the matters set forth in Section 6.2(a) as of the Closing Date.

Section 6.3 Seller's Closing Conditions

The obligation of Seller to consummate the transactions contemplated hereby is further subject to the satisfaction (or waiver by Seller) on or prior to the Closing Date of the following conditions:

(a) Performance of the Obligations of Purchaser. Purchaser shall have performed or complied with in all material respects all obligations and covenants required to be performed or complied with by it pursuant to this Agreement at or prior to the Closing Date.

(b) Officers' Certificates. Seller shall have received a certificate signed on behalf of Purchaser by an executive officer of Purchaser certifying as to the matters set forth in Section 6.3(a) as of the Closing Date.

Section 6.4 Mutual Conditions for AMR Submission

The application for AMR Approval shall not be submitted unless and until all of the following conditions have been satisfied or waived by both Parties as of the AMR Submission Date, to the extent permitted by applicable Law:

(a) Antitrust Approval. The waiting period applicable to, or clearance with respect to, the transactions contemplated by this Agreement under the PRC Anti-Monopoly Law shall have terminated, expired or been obtained.

(b) No Injunctions or Restraints. No applicable Order or Law shall be in effect that prohibits or prevents the consummation of the transactions contemplated hereby (collectively, "Restraints").

(c) Transaction Documents. The Ancillary Agreements shall have been duly executed and delivered by the relevant parties, with each Ancillary Agreement (other

than the Amended and Restated Articles of Association and the Registration ETA) to become effective as of the Closing Date.

(d) Excluded Employee. The Parties have reached agreement in writing on the list of the Excluded Employees.

(e) Post-Closing Bonus Plan. The Post-Closing Bonus Plan in form and substance reasonably satisfactory to each of Purchaser and Seller shall have been duly approved by the Company, with such plan to become effective as of the Closing Date.

Section 6.5 Purchaser's Conditions for AMR Submission

The submission of the application for AMR Approval is further subject to the satisfaction (or waiver by Purchaser in writing) of the following conditions as of the AMR Submission Date:

(a) Representations and Warranties of Seller.

(i) The Seller Fundamental Representations and each of the representations and warranties of Seller set forth in Article III that are qualified by materiality (including "Company Material Adverse Effect", "Seller Material Adverse Effect" or similar materiality qualification) shall be true and correct in all respects as of the AMR Submission Date as though made on such date with reference to the facts and circumstances then existing (except those representations and warranties that address matters as of a specified date, which shall be true and correct in all respects as of that specified date), except where the failure of such representations and warranties to be so true and correct is as a result of actions expressly permitted by or approved by Purchaser pursuant to Section 5.1; and

(ii) Each of the representations and warranties of Seller set forth in Article III (other than the Seller Fundamental Representations and such representations and warranties as described in Section 6.5(a)(ii) above) shall be true and correct as of the AMR Submission Date as though made on such date with reference to the facts and circumstances then existing (except those representations and warranties that address matters as of a specified date, which shall be true and correct as of that specified date), except where the failure of such representations and warranties to be so true and correct (1) is as a result of actions expressly permitted by or approved by Purchaser pursuant to Section 5.1, or (2) where such failures to be so true and correct that, individually or in the aggregate, have not had a Seller Material Adverse Effect or a Company Material Adverse Effect, as applicable.

(b) Performance of the Obligations of Seller. Seller shall have performed or complied with in all material respects all obligations and covenants required to be

performed or complied with by it pursuant to this Agreement and Ancillary Agreements at or prior to the AMR Submission Date.

(c) Material Adverse Effect. Since the date hereof, there shall not have occurred and be continuing a Company Material Adverse Effect.

(d) Seller Deliverables. Seller shall have delivered, or caused to be delivered, to Purchaser each of the deliverables described in Section 2.9(a).

(e) Officers' Certificates. Purchaser shall have received a certificate signed on behalf of Seller by their authorized officers (or functional equivalent) certifying as to the matters set forth in Section 6.5(a), Section 6.5(b) and Section 6.5(c) as of the AMR Submission Date.

(f) Unpaid Registered Capital. Seller shall have caused subscribed but unpaid registered capital of the Company in the amount of US\$43,000,000 to be paid up through the recapitalization of the retained earnings of the Company in the same amount, and the Company shall have obtained a capital verification report issued by a qualified accounting firm in the PRC confirming that Seller has paid the registered capital of the Company in full amount (i.e., US\$272,000,000). For avoidance of doubt, Seller bears the sole obligation to (i) pay up such registered capital, (ii) file any applicable Tax returns associated with such recapitalization of such retained earnings, and (iii) pay any applicable taxes associated therewith, and such obligation shall not be transferred to or assumed by Purchaser in any case.

(g) Application Documents for SAFE Registration Voucher. Seller shall have delivered, or caused to be delivered to Purchaser all the documents and materials to be executed and provided by Seller and the Company as Purchaser may reasonably require for the purpose of obtaining the SAFE Registration Voucher, provided that the new business license of the Company (and its photocopies affixed with the company chop of the Company) will be provided to Purchaser within one (1) Business Day following the AMR Approval. For avoidance of doubt, the application forms to be delivered by Seller shall include all information and supporting materials reasonably required of Seller and/or the Company and shall be duly executed by the Company and Seller (if applicable), except for the signature by the legal representative of the Company to be nominated by Purchaser.

(h) Consents. All Consents that are listed on Section 3.3(a) of the Seller Disclosure Letter shall have been received at or prior to the AMR Submission Date.

Section 6.6 Seller's Conditions for AMR Submission

The submission of the application for AMR Approval is further subject to the satisfaction (or waiver by Seller) of the following conditions as of the AMR Submission Date:

(a) Representations and Warranties of Purchaser. The representations and warranties of Purchaser shall be true and correct in all material aspects as of the AMR Submission Date as though made on such date with reference to the facts and circumstances then

existing (except those representations and warranties that address matters only as of a specified date, which shall be true and correct in all respects as of that specified date).

(b) Performance of the Obligations of Purchaser. Purchaser shall have performed or complied with in all material respects all obligations and covenants required to be performed or complied with by it pursuant to this Agreement at or prior to the AMR Submission Date.

(c) Purchaser Deliverables. Purchaser shall have delivered, or cause to be delivered, to Seller each of the deliverables described in Section 2.10(a).

(d) Officer's Certificate. Seller shall have received a certificate signed on behalf of Purchaser by an executive officer of Purchaser certifying as to the matters set forth in Section 6.6(a) and Section 6.6(b) as of the AMR Submission Date.

Section 6.7 Frustration of Conditions

Neither of Purchaser or Seller may rely, either as a basis for not consummating the transactions contemplated by this Agreement or terminating this Agreement, on the failure of any condition set forth in Section 6.1, Section 6.2, Section 6.3, Section 6.4, Section 6.5 or Section 6.6 as the case may be, to be satisfied if such failure was caused by such Party's breach of any provision of this Agreement or failure to use its reasonable best efforts to consummate the transactions contemplated by this Agreement, as required by Section 5.3.

Section 6.8 Waiver of Conditions

Purchaser may, at any time, and in its sole discretion, by written notice to Seller, waive, in whole or in part, any of the conditions set forth in Section 6.2 and Section 6.5 (each a "Condition to Closing"). For the avoidance of doubt, if Purchaser decides to waive any Condition to Closing and to proceed with the transactions contemplated by this Agreement, the waiver of such Condition to Closing shall constitute a full waiver of all rights and remedies with

respect to any breach of any representation or warranty, covenant or other agreement in respect of which such waiver was granted.

ARTICLE VII TERMINATION; EXPENSES

Section 7.1 Termination

This Agreement may be terminated and the transactions contemplated hereby may be terminated and abandoned at any time prior to the Closing:

- (a) by the mutual written consent of Seller and Purchaser;
- (b) by either Seller or Purchaser:

- (i) if the Closing has not occurred on or before December 31, 2024 (the “Longstop Date”); provided, however, that any right of the Party seeking to terminate this Agreement pursuant to this Section 7.1(b)(i) shall not be available to such Party if the failure to consummate the Closing by the Longstop Date arises out of, or results from, any material breach by such Party of any representation, warranty, covenant or obligation contained herein;

- (ii) if any Restraint shall be in effect and shall have become final and non-appealable; provided, however, that any right of the Party seeking to terminate this Agreement under this Section 7.1(b)(ii) shall not be available to such Party if: (A) such Restraint arises out of, or results from, any material breach by such Party of any representation, warranty, covenant or obligation contained herein; or (B) such Party is then in material breach of any representation, warranty, covenant, or obligation contained herein;

- (c) by Purchaser prior to the Closing, by written notice to Seller from Purchaser in accordance with Section 9.5, if

- (i) there shall have been a breach by Seller of any of its representations, warranties, covenants or obligations set forth in this Agreement, which breach would result in the failure to satisfy any condition set forth in Section 6.1, Section 6.2, Section 6.4 or Section 6.5 and, in any such case, such breach (A) shall by its nature be incapable of being cured; or (B) if capable of being cured, shall not have been cured by the earlier of: (1) twenty (20) calendar days after written notice thereof shall have been received by Seller; or (2) the Longstop Date; provided, however, that the right of Purchaser under this Section 7.1(c)(i) shall not be available if Purchaser is then in material breach of any representation, warranty, covenant, or obligation contained herein; or

- (ii) Seller fails to consummate the Closing within five (5) Business Days after the later date of (A) satisfaction or waiver (to the extent waiver is not prohibited by applicable Law) of the conditions set forth in Section 6.1, Section 6.3, Section 6.4 or Section 6.6 (other than those conditions that by their nature are to be satisfied at the Closing) and (B) such other date agreed in accordance with Section 2.8(a); provided, however, that, in the

case of conditions set forth in Section 6.3 or Section 6.6, such conditions are capable of being satisfied if the Closing were to occur in accordance with the terms of this Agreement; and

(d) by Seller prior to the Closing, by written notice to Purchaser from Seller in accordance with Section 9.5, if

(i) there shall have been a breach by Purchaser of any of its representations, warranties, covenants or obligations set forth in this Agreement, which breach would result in the failure to satisfy any condition set forth in Section 6.1, Section 6.3, Section 6.4 or Section 6.6, and, in any such case, such breach (A) shall by its nature be incapable of being cured; or (B) if capable of being cured, shall not have been cured by the earlier of: (1) twenty (20) calendar days after written notice thereof shall have been delivered to Purchaser; or (2) the Longstop Date; provided, however, that the right of Seller under this Section 7.1(d)(i) shall not be available if Seller is then in material breach of any representation, warranty, covenant or obligation contained herein; or

(ii) Purchaser fails to consummate the Closing within five (5) Business Days after the later date of (A) satisfaction or waiver (to the extent waiver is not prohibited by applicable Law) of the conditions set forth in Section 6.1, Section 6.2, Section 6.4 or Section 6.5 (other than those conditions that by their nature are to be satisfied at the Closing) and (B) such other date agreed in accordance with Section 2.8(a); provided, however, that, in the case of conditions set forth in Section 6.2 or Section 6.5, such conditions are capable of being satisfied if the Closing were to occur in accordance with the terms of this Agreement.

(e) Notwithstanding anything to the contrary contained herein, this Agreement may be terminated and the transactions contemplated hereby may be terminated and abandoned by Seller, by written notice to Purchaser from Seller in accordance with Section 9.5, if Seller has not received the Estimated Closing Payment, together with any interest thereon, within twenty (20) Business Days following the Closing either due to Purchaser's failure to pay the Estimated Closing Payment, together with any interest thereon in accordance with Section 2.2(c) or as a result of Seller's failure to enforce and receive the Estimated Closing Payment under the applicable Letter of Guarantee.

(f) For the avoidance of doubt, the failure of the Parties (or the applicable parties thereto) to agree on the terms, conditions and provisions of any of the Ancillary Agreements shall not entitle any Party to terminate this Agreement or the transactions contemplated hereby before the Longstop Date.

Section 7.2 Effect of Termination; Procedure

Except as set forth in this Section 7.2, if, and in the event, this Agreement is terminated pursuant to Section 7.1,

(a) this Agreement shall become void and of no effect with no liability or further obligation on the part of any Party hereto arising under or out of this Agreement, except that: (i) the provisions of Section 5.2(b) (Access to Information; Confidentiality), this

Section 7.2 (Effect of Termination; Procedure), Section 7.3 (Fees and Expenses), Section 7.4 (Termination Fee), and Article IX (Miscellaneous), shall each survive the termination hereof; and (ii) no such termination shall relieve any Party of any liability for losses, costs and damages incurred by the other Party on account of breach by any Party hereto; and

(b) all filings, applications and other submissions made by any Party to any Person, including any Governmental Authority, in connection with the transactions contemplated by this Agreement shall, to the extent practicable and not legally prohibited, be withdrawn from such Person by such Party and any transfer of the Purchased Interest prior to payment of the Estimated Closing Payment, together with any interest thereon, in full hereunder shall be unwound. Without limiting the generality of the foregoing, in such case, Seller shall be entitled to require that Purchaser transfer the Purchased Interest back to Seller or to any other Person designated by Seller, and Purchaser agrees to take or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable (in each case, subject to applicable Laws) to transfer the Purchased Interest back to Seller or its designee as promptly as practicable, including (i) the preparation and filing of all forms, registrations and notices required to be submitted to SAMR and any other competent Governmental Authority, (ii) the taking of all reasonable actions necessary to obtain (and with cooperation with Seller and the Company in obtaining) any Consent, clearance, expiration or termination of waiting periods or other confirmation of, any Governmental Authority required to be obtained or made by Purchaser, the Company, Seller or any of Seller's designees in connection with the transfer of the Purchased Interest. The cost (including Taxes) for such unwinding transfer shall be borne (w) equally by Purchaser and Seller, if this Agreement is terminated pursuant to Section 7.1(a); (x) equally by Purchaser and Seller, if this Agreement is terminated pursuant to Section 7.1(b); provided, however, to the extent such termination arises out of, or results from, any material breach by any Party of any representation, warranty, covenant or obligation contained herein, such cost shall be borne entirely by such breaching Party, (y) by Seller if this Agreement is terminated pursuant to Section 7.1(c), or (z) by Purchaser if this Agreement is terminated pursuant to Section 7.1(d) or Section 7.1(e).

Section 7.3 Fees and Expenses

Other than as expressly provided in this Agreement, including as specifically set forth in Section 2.6(f), Section 5.10 and this Section 7.3, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs or expenses, whether or not the transactions contemplated by this Agreement are consummated.

Section 7.4 Termination Fee

(a) Purchaser Termination Fee. Purchaser shall pay to Seller US\$10,000,000 by wire transfer of immediately available funds in U.S. Dollar to Seller's

Account (such amount, the “Purchaser Termination Fee”, together with the Seller Termination Fee, the “Termination Fee”) within five (5) Business Days after termination:

(i) if this Agreement is terminated by Seller pursuant to Section 7.1(d);

(ii) if this Agreement is terminated by Seller pursuant to Section 7.1(e);

(iii) if this Agreement is terminated by Seller or Purchaser pursuant to Section 7.1(b)(i) and Seller would have been entitled to terminate this Agreement pursuant to Section 7.1(d) but for (A) such termination pursuant to Section 7.1(b)(i) or (B) the fact that the expiration of the three(3)-Business Day period described in Section 2.8(a) occurs after the Longstop Date; or

(iv) if this Agreement is terminated by Seller or Purchaser pursuant to Section 7.1(b)(ii) to the extent such Restraint arises under the PRC Anti-Monopoly Law.

(b) Seller Termination Fee. Seller shall pay to Purchaser US\$10,000,000 by wire transfer of immediately available funds in U.S. Dollar to a bank account located in PRC as designated by Purchaser (such amount, the “Seller Termination Fee”) within three (3) Business Days after termination:

(i) if this Agreement is terminated by Purchaser pursuant to Section 7.1(c); or

(ii) if this Agreement is terminated by Seller or Purchaser pursuant to Section 7.1(b)(i) and Purchaser would have been entitled to terminate this Agreement pursuant to Section 7.1(c) but for (A) such termination pursuant to Section 7.1(b)(i) or (B) the fact that the expiration of the three (3)-Business Day period described in Section 2.8(a) occurs after the Longstop Date.

(c) If any Party fails to pay such Termination Fee when due, such Party shall also pay to the other Party all of such other Party’s costs and expenses (including attorneys’ fees) in connection with all actions to collect such Termination Fee.

(d) Purchaser and Seller acknowledge that, if the Termination Fee is required to be paid as a result of a termination of this Agreement, Seller’s or Purchaser’s, as the case may be, right to receive such Termination Fee shall be in addition to any other remedy to which it is entitled according to the Law, and Seller’s or Purchaser’s, as the case may be, collection of the Termination Fee pursuant to this Section 7.4 shall not restrict, impair or

otherwise limit Seller or Purchaser, as the case may be, from pursuing any other remedy to which it is entitled at Law or in equity.

ARTICLE VIII **INDEMNIFICATION**

Section 8.1 Survival

(a) Subject to the limitations and other provisions of this Agreement, the representations and warranties of Seller on the Company contained in this Agreement shall survive the Closing and remain in full force and effect until the date that is eighteen (18) months following the Closing Date; provided, however, that (i) the Seller Fundamental Representations, shall survive until the third (3rd) anniversary of the Closing Date, and (ii) the representations and warranties with respect to Tax matters as set forth in Section 5.10 hereof shall survive until the fifth (5th) anniversary of the Closing Date.

(b) Subject to the limitations and other provisions of this Agreement, the representations and warranties of Purchaser contained in this Agreement shall survive the Closing and remain in full force and effect until the until the third (3rd) anniversary of the Closing Date.

(c) The covenants and agreements of the Seller and the Purchaser that by their terms apply or are to be performed in whole or in part after the Closing Date shall survive the Closing for the period provided in such covenants and agreements, if any, or until fully performed.

(d) Subject to the limitations and other provisions of this Agreement, the matters contained in Section 8.8 shall survive the Closing until the fifth (5th) anniversary of the Closing Date; provided, that any indemnification obligation arising pursuant to Section 8.8 solely to the extent attributable to any failure of the Company to comply with applicable Laws relating to transfer pricing shall survive the Closing until the ten (10th) anniversary of the Closing Date.

(e) No claim for the recovery of any Losses may be asserted against Seller under this Article VIII unless a written notice is received by Indemnifying Person pursuant to Section 8.5 on or prior to the date on which the representation and warranty or covenant upon which such claim is based ceases to survive as set forth in this Section 8.1, in which case such representation and warranty or covenant shall survive as to such claim until such claim has been finally resolved.

Section 8.2 Indemnification by Seller

Subject to the other terms and conditions of this Article VIII, from and after the Closing, Seller shall indemnify Purchaser (and its Representatives) against, and shall hold Purchaser (and its Representatives) harmless from and against, any and all Losses incurred or sustained by, or

imposed upon, Purchaser (and its Representatives) as a result of or in connection with any of the following:

(a) any breach of or inaccuracy in any representation and warranty made by Seller in this Agreement as of the date of this Agreement or as of the Closing Date (as though such representation and warranty was made as of the Closing Date rather than the date of this Agreement, except in the case of any individual representation and warranty that by its terms speaks only as of a specific date or dates); and

(b) any breach of any covenant or agreement to be performed by the Company (to the extent and only to the extent such covenant or agreement is to be performed at or before the Closing) or Seller (before, at or after the Closing).

(c) any failure or delay by Seller to make any payments (including Seller's payment obligations under Section 7.4 and Section 8.2 and refund of any adjustment to the Estimated Closing Payment under the provisions in Section 2.2(b)(ii) and under Section 2.4(a)(ii), and Section 2.4(b)(i)), whereby Seller shall pay Purchaser interest thereon at the rate of 1% above SOFR per annum for the relevant days, compounding annually, accruing daily from the date that such amount first becomes payable and continuing until such amount, together with the interest payable thereon, has been paid in full.

Section 8.3 Indemnification by Purchaser

Subject to the other terms and conditions of this Article VIII, from and after the Closing, Purchaser shall indemnify Seller against, and shall hold Seller harmless from and against, any and all Losses incurred or sustained by, or imposed upon, Seller as a result of or in connection with any of the following:

(a) any breach of or inaccuracy in any representation and warranty made by Purchaser in this Agreement as of the date of this Agreement or as of the Closing Date (as though such representation and warranty was made as of the Closing Date rather than the date of this Agreement, except in the case of any individual representation and warranty that by its terms speaks only as of a specific date or dates); and

(b) any breach of any covenant or agreement to be performed by Purchaser (before, at or after the Closing).

(c) any failure or delay by Purchaser to make any payments under this Section 8.3, whereby Purchaser shall pay Seller interest thereon at the rate of 1% above SOFR per annum for the relevant days, compounding annually, accruing daily from the date that such

amount first becomes payable and continuing until such amount, together with the interest payable thereon, has been paid in full.

Section 8.4 Certain Limitations

The Party making a claim under this Article VIII, together with its Representatives, are referred to as the “Indemnified Person,” and the Party against whom such claims are asserted under this Article VIII is referred to as the “Indemnifying Person.” The indemnification provided for in Section 8.2, Section 8.3 and Section 8.8 shall be subject to the following limitations:

(a) The Indemnifying Person shall not be liable to the Indemnified Person for indemnification under Section 8.2 or Section 8.3 (but not Section 8.8), as the case may be, until the aggregate amount of all Losses indemnifiable to the Indemnified Person under Section 8.2 or Section 8.3 exceeds two percent (2%) of the Base Purchase Price (the “Deductible”), in which event the Indemnifying Person shall only be required to pay or be liable for Losses in excess of the Deductible. With respect to any claim as to which the Indemnified Person may be entitled to indemnification under Section 8.2 or Section 8.3 (but not Section 8.8) as the case may be, the Indemnifying Person shall not be liable for any individual or series of related Losses which do not exceed one tenth of a percent (0.1%) of the Base Purchase Price (which Losses shall not be counted toward the Deductible).

(b) The aggregate amount of all Losses for which an Indemnifying Person shall be liable pursuant to Section 8.2, Section 8.3 in respect of Fraud and/or a breach of the Seller Fundamental Representations and Section 8.8 shall not in any event exceed an amount that is equal to the portion of the Base Purchase Price. Except as otherwise provided in the preceding sentence, the aggregate amount of all Losses for which an Indemnifying Person shall be liable pursuant to Section 8.2(a) or Section 8.3(a) shall not exceed an amount that is equal to twelve and a half percent (12.5%) of the Base Purchase Price.

(c) Payments by an Indemnifying Person pursuant to Section 8.2 or Section 8.3 in respect of any Loss shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received by the Indemnified Person (or the Company) in respect of any such claim. The Indemnified Person shall use its commercially reasonable efforts to recover under insurance policies (if any) or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement. If the Indemnified Person receives any additional compensation from third parties after recovery from the Indemnifying Person in respect of an indemnification claim made by the Indemnified Person hereunder, the Indemnified Party shall return the corresponding amount (deducting Taxes) to the Indemnifying Person.

(d) To the extent an Indemnified Person recognizes any net Indemnification Tax Benefits as a result of any Losses for the Taxable year in which the indemnity payment is made, such Indemnified Person shall pay the amount of such Indemnification Tax Benefits by (i) reducing the amount of Losses by the amount of Indemnification Tax Benefits actually recognized (if such benefits are actually recognized prior to the date on which the indemnity payment is made) or (ii) making a payment to Seller equal to

the Indemnification Tax Benefit within thirty (30) days after such benefit is actually recognized if such benefit is actually recognized after the indemnity payment is made. For this purpose, the Indemnified Person shall be deemed to recognize a Tax benefit (“Indemnification Tax Benefit”) with respect to a Taxable year if, and to the extent that, the Indemnified Person’s liability for Taxes for such Taxable year, calculated by excluding any Tax items attributed to the Losses, exceeds the Indemnified Person’s actual liability for Taxes for such Taxable year, calculated by taking into account any Tax items attributed to the Losses.

(e) In no event shall any Indemnifying Person be liable to any Indemnified Person for any punitive, incidental, consequential, special, or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement, or diminution of value or any damages based on any type of multiple.

(f) No Indemnified Person shall be entitled to recover from the Indemnifying Person under this Agreement more than once in respect of the same claim or the same Losses. Any liability of the Indemnifying Person under this Agreement shall be determined without duplication of recovery by reason of the state of facts giving rise to such liability constituting a breach of more than one representation, warranty, covenant or agreement.

(g) The Indemnified Person shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss.

(h) Seller shall not be liable under this Article VIII for any Losses based upon or arising out of any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement if Purchaser had Knowledge of such inaccuracy or breach prior to the date hereof.

(i) No Indemnifying Person shall be liable for any Losses arising from: (A) any Taxes of the Company incurred on the Closing Date after the Closing that are outside the ordinary course of business of the Company or inconsistent with past practices; (B) any Taxes of Purchaser (including the Company) attributable to a Tax period other than a Pre-Closing Tax Period; or (C) the amount, value or condition of, or any limitations on, any Tax asset or attribute of the Company (e.g., net operating loss or net operating carryforward), to the extent such assets or attributes are relevant to the ability of Seller or any of its Affiliates (including the Company) to utilize such Tax assets or Tax attributes in any Tax period other than a Pre-Closing Tax Period.

Section 8.5 Indemnification Procedures

(a) Any claim by an Indemnified Person on account of any Losses which does not result from a Third-Party Claim (a “Direct Claim”) shall be asserted (and may only be asserted) by the Indemnified Person by giving the Indemnifying Person prompt written notice thereof. Such notice by the Indemnified Person shall describe the Direct Claim in

reasonable detail, shall include copies of all written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Losses that have been or may be sustained by the Indemnified Person. The Indemnifying Person shall have fifteen (15) Business Days after its receipt of such notice to respond in writing to such Direct Claim. During such fifteen (15) Business Day-period, the Indemnified Person shall allow the Indemnifying Person and its advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Person shall reasonably assist the Indemnifying Person's investigation by giving such information and assistance (including access to their premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Person, or any of its advisors, may reasonably request. If the Indemnifying Person does not so respond within such fifteen (15) Business Day-period, the Indemnifying Person shall be deemed to have rejected such Direct Claim, in which case the Indemnified Person may pursue such other remedies as may be available for the benefit of the Indemnified Person on the terms and subject to the provisions of this Agreement.

(b) If the Indemnified Person receives notice of the assertion or commencement of any action, suit, claim or other legal proceeding made or brought by any Person who is not a Party to this Agreement or an Affiliate of a Party to this Agreement or a Representative of the foregoing (a "Third-Party Claim") against such Indemnified Person with respect to which the Indemnifying Person is obligated to provide indemnification under this Agreement, the Indemnified Person shall give the Indemnifying Person prompt written notice thereof. The failure to give such prompt written notice shall not, in and of itself, however, relieve the Indemnifying Person of its indemnification obligations, except and only to the extent that the Indemnifying Person forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Person shall describe the Third-Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Losses that have been or may be sustained by the Indemnified Person. The Indemnifying Person shall have the right to participate in, or by giving written notice to the Indemnified Person, to assume the defense of any Third-Party Claim (to the extent permitted by applicable Law) at the Indemnifying Person's expense and by the Indemnifying Person's own counsel, and the Indemnified Person shall cooperate in good faith in such defense. In the event that the Indemnifying Person assumes the defense of any Third-Party Claim, it shall promptly notify the Indemnified Person, and the Indemnifying Person shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Person. If the Indemnifying Person elects not to compromise or defend such Third-Party Claim or fails to promptly notify the Indemnified Person in writing of its election to defend as provided in this Agreement, the Indemnified Person may pay, compromise, defend such Third-Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third-Party Claim and for which the Indemnifying Person would otherwise be liable for under this Agreement. So long as one Party controls the defense of a Third-Party Claim, the other Party shall have the right, at its own cost and expense, to participate in the defense of the Third-Party Claim with counsel selected by such other Party. The Indemnifying Person and the Indemnified Person shall cooperate with each other in all reasonable respects in connection with the defense

of any Third-Party Claim, including making available records relating to such Third-Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third-Party Claim.

(c) Notwithstanding any other provision of this Agreement, the Indemnifying Person shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnified Person, which shall not be unreasonably withheld.

Section 8.6 Payments

Once a Loss is agreed to by the Indemnifying Person or finally adjudicated to be payable pursuant to this Article VIII, the Indemnifying Person shall satisfy its obligations within fifteen (15) Business Days of such final, non-appealable adjudication by wire transfer of immediately available funds.

Section 8.7 Tax Consequences

All payments (if any) made pursuant to any indemnification obligations under this Article VIII will be treated as an adjustment to the Purchase Price for Tax purposes and such agreed treatment will govern for purposes of this Agreement, unless otherwise required by applicable Law. Seller shall be responsible for any application or filing with the competent Taxing Authority for any Tax deduction or return due to such adjustment to the Purchase Price, and Purchaser shall provide reasonable assistance.

Section 8.8 Pre-Closing Tax Indemnity

Without limiting the generality of Section 8.2 and regardless of whether there is any breach of the representations, warranties, agreement or covenants of any Seller, and whether disclosed or not, Seller shall indemnify Purchaser (and its Representatives) against, and shall hold Purchaser (and its Representatives) harmless from and against, any and all Losses incurred or sustained by, or imposed upon, Purchaser (and its Representatives) for:

- (a) any Taxes of the Company for any Pre-Closing Tax Period;
- (b) any PRC Withholding Taxes owed with respect to the transactions contemplated by this Agreement to the extent such PRC Withholding Taxes are not withheld from amounts otherwise payable pursuant to this Agreement.

Notwithstanding the foregoing, Seller shall not be required to indemnify Purchaser (or its Representatives) for any Taxes taken into account in the calculation of the Actual Working Capital Amount.

Section 8.9 Exclusive Remedy

Subject to Section 9.14, the Parties acknowledge and agree that from and after Closing their sole and exclusive remedy with respect to any and all claims (other than claims arising from

Fraud) for Losses for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article VIII. In furtherance of the foregoing, except with respect to Section 9.14, each Party hereby waives, from and after Closing, to the fullest extent permitted under Law, any and all rights, claims and causes of action for Losses for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other Party and their Affiliates and each of their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this Article VIII. Nothing in this Section 8.8 shall limit any Person's right to seek and obtain any remedy in the nature of specific performance, injunctive relief or protective order to which any Person shall be entitled pursuant to Section 9.14 or to seek any remedy on account of Fraud by any Party hereto.

Section 8.10 Determination of Losses

Solely for purposes of determining the amount of any Losses arising out of, relating to or resulting from any failure of any representation or warranty to be true and correct (but not for purposes of whether or not any representation or warranty is true and correct), such representations and warranties shall be considered without giving effect to "materiality," "material," "Company Material Adverse Effect," "in all material respects" or similar qualification (but not including Knowledge of Seller).

ARTICLE IX **MISCELLANEOUS**

Section 9.1 Release

Effective as of the Closing, Purchaser, for itself and the Company, and their respective Affiliates and their respective successors, assigns, executors, heirs, officers, directors, managers, partners and employees (each a "Purchaser Releasor"), hereby irrevocably, knowingly and voluntarily releases, discharges and forever waives and relinquishes all claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, Actions and causes of action of whatever kind or nature, whether known or unknown, which any of Purchaser Releasors has, might have or might assert now or in the future, against Seller and any of its Affiliates and their respective successors, assigns, officers, directors, managers, partners and employees or any of their respective heirs or executors (in each case in their capacity as such) (each, a "Seller Releasee"), arising out of, based upon or resulting from any Contract, transaction, event, circumstance, action, failure to act or occurrence of any sort or type, whether known or unknown, and which occurred, existed or was taken or permitted at or prior to the Closing; provided, however, that nothing contained in this Section 9.1 shall release, waive, discharge, relinquish or otherwise affect the rights or obligations of any party to the extent arising out of: (a) this Agreement and the Ancillary Agreements; or (b) any Contracts or other claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, Actions and causes of action as set forth in Section 9.1 of the Seller Disclosure Letter. Purchaser shall, and shall cause the Company to, refrain from, directly or indirectly, asserting any claim or

demand, or commencing, instituting or causing to be commenced any legal proceeding, of any kind against a Seller Releasee based upon any matter released pursuant to this Section 9.1.

Section 9.2 Disclosure

(a) Seller Disclosure Letter. The Seller Disclosure Letter and the Exhibits attached hereto and thereto shall be construed with, and as an integral part of, this Agreement. Each capitalized term used in any Exhibit or Seller Disclosure Letter but not otherwise defined therein shall be defined as set forth in this Agreement. The Seller Disclosure Letter has been arranged in numbered and lettered sections and subsections corresponding to the applicable numbered and lettered sections and subsections contained in this Agreement. Each item disclosed in the Seller Disclosure Letter shall constitute an exception to, or as applicable, disclosure for the purposes of, the representations and warranties (or covenants, as applicable) to which it makes reference and shall also be deemed to be constructively disclosed or set forth in any other section in the Seller Disclosure Letter relating to other sections of this Agreement to the extent a cross-reference is expressly made to such other section in the Seller Disclosure Letter or to the extent that the relevance of such item as an exception to, or as applicable, disclosure for the purposes of, another section of this Agreement is reasonably apparent from the face of such disclosure that such disclosure also qualifies or applies to, or is disclosed for the purposes of, such other section of this Agreement. The fact that any item of information is disclosed in the Seller Disclosure Letter shall not be construed to mean that such information is required to be disclosed by this Agreement. Such information and the dollar thresholds set forth herein shall not be used as a basis for interpreting the terms “material” or “Company Material Adverse Effect,” “Seller Material Adverse Effect,” “Purchaser Material Adverse Effect” or other similar terms in this Agreement. The inclusion of any item on the Seller Disclosure Letter shall not constitute an admission by the Company, Seller or Purchaser, as applicable, that such item is or is not material. No disclosure in the Seller Disclosure Letter relating to any possible breach or violation of any Contract, Law or Order shall be construed as an admission or indication that any such breach or violation exists or has actually occurred. The Seller Disclosure Letter and the information contained in the Seller Disclosure Letter are intended only to qualify or provide disclosure for the purposes of the applicable representations, warranties and covenants contained in this Agreement and shall not be deemed to expand in any way the scope or effect of any of such representations, warranties or covenants.

(b) General Disclosure. By way of general disclosure, the following matters are disclosed or deemed disclosed to Purchaser and shall be deemed to qualify in their entirety the representations and warranties given by Seller hereunder: (i) all circumstances, facts and matters that are described or provided for in this Agreement and the Ancillary Agreements; (ii) all documents and information contained in the VDR and made available to Purchaser or its Representatives no later than two (2) Business Days immediately prior to the date hereof in connection with the purchase and sale of the Purchased Interest and the transactions contemplated hereby; and (iii) all circumstances, facts and matters that would be revealed by an

online search of the files of the Company at the websites maintained by the PRC Governmental Authorities at the date of this Agreement.

Section 9.3 No Other Representations or Warranties

Except as expressly set forth herein, no Party makes any representation or warranty, express or implied, at law or in equity, with respect to itself, the Company or the assets, liabilities or operations of the foregoing, including with respect to merchantability or fitness for any particular purpose, and any such other representations or warranties are hereby expressly disclaimed and, in any event, any such other representations or warranties may not be relied upon by the other Party or any of its Affiliates and Representatives. No Person has been authorized by any Party to make any representation or warranty on its behalf and to the extent of any such purported representation and warranty it cannot be relied upon in any manner.

Section 9.4 Amendments; No Waivers

(a) Any provision of this Agreement may be amended or waived prior to the Closing Date, if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Seller and Purchaser, or in the case of a waiver, by the Party against whom the waiver is to be effective.

(b) No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided at Law or in equity.

Section 9.5 Notices

All notices, consents, requests, demands or other communications required or permitted hereunder shall be: (a) in writing and (b) sent by email or by overnight courier or delivered by hand to the addresses set forth below (or at such other address as such Party may designate by fifteen (15) days' advance written notice to the other Party to this Agreement given in accordance with this Section 9.5). Where a notice is sent by overnight courier service, service of the notice shall be deemed to have been effected by properly addressing, pre-paying and sending the notice by an overnight service through an internationally-recognized courier upon the earlier of (i) delivery and (ii) (or when delivery is refused) expiration of two (2) Business Days after the notice is sent as aforesaid. Where a notice is sent by electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, upon the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Notwithstanding the foregoing, to the extent a "with a copy to" address

is designated, notice must also be given to such address in the manner above for such notice, request, consent or other communication hereunder to be effective.

(a) if to Purchaser, or, following the Closing, to the Company, to:

with a copy (which shall not constitute notice) to:

and

(b) if to Seller, or, prior to the Closing, to the Company, to:

and

Section 9.6 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that no Party may assign, delegate or otherwise transfer any of its rights or obligations pursuant to this Agreement without the prior written consent of the other Party. Any attempted assignment of this Agreement not in accordance with the terms of this Section 9.6 shall be void *ab initio*.

Section 9.7 Governing Law

This Agreement, and any and all claims arising directly or indirectly out of or otherwise concerning this Agreement (whether based in contract, tort or otherwise) shall be governed by, and construed and enforced in accordance with, the Laws of the PRC, except as set forth in Section 9.8(b).

Section 9.8 Dispute Resolution

(a) Any dispute, controversy, difference or claim (each, a “Dispute”) arising out of or relating to this Agreement, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (“HKIAC”) under the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted in accordance with the HKIAC Administered Arbitration Rules.

(b) The Law of this arbitration clause shall be Hong Kong Law. The seat of arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in English.

(c) Each party to the arbitration shall cooperate with each other party to the arbitration in making full disclosure of and providing complete access to all information

and documents requested by such other party in connection with such arbitral proceedings, subject only to any confidentiality obligations binding on such party.

(d) Seller (and together with WDT, if applicable) shall be entitled to (jointly) appoint one (1) arbitrator, Purchaser (and together with STATS ChipPAC) shall be entitled to (jointly) appoint one (1) arbitrator, while the third (3rd) arbitrator who shall be the presiding arbitrator, shall be jointly appointed the first two arbitrators and shall be qualified to practice Law in Hong Kong and the PRC. If the third (3rd) arbitrator has not been appointed within thirty (30) days after the Notice of Arbitration is given, the relevant appointment shall be made by the Secretary General of HKIAC.

(e) The award of the arbitral tribunal shall be final and binding upon the parties thereto, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

(f) The arbitral tribunal shall decide any Dispute submitted by the parties to the arbitration strictly in accordance with the substantive Laws of the PRC (without regard to principles of conflict of Laws thereunder) and shall not apply any other substantive Law.

(g) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(h) During the course of the arbitral tribunal's adjudication of the Dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

(i) If any Action is commenced or threatened by any Party to enforce its rights under this Agreement against any other Person, the prevailing Party in such Action shall be reimbursed by the non-prevailing Party for all fees, costs and expenses, including reasonable attorneys' fees, arbitration and court costs, incurred by the prevailing Party in such Action. If a Party prevails in part, and loses in part, in such Action, the court, arbitrator or other adjudicator presiding over such Action will award a reimbursement of the fees, costs and expenses incurred by the prevailing Party on an equitable basis.

Section 9.9 Privilege; Counsel

O'Melveny & Myers LLP has been engaged by Seller to represent it in connection with the transactions contemplated hereby. Purchaser (on its behalf and on behalf of its Affiliates) hereby: (a) agrees that, in the event that a dispute arises after the Closing between Purchaser and/or any of its Affiliates, on the one hand, and Seller and/or any of its Affiliates, on the other hand, O'Melveny & Myers LLP may represent Seller or such Affiliate(s) in such dispute even though the interests of Seller or such Affiliate(s) may be directly adverse to Purchaser, the Company or any of their Affiliates and even though O'Melveny & Myers LLP may have represented the Company in a matter substantially related to such dispute, or may be handling

ongoing matters for Purchaser or the Company; and (b) waives any conflict in connection therewith. Purchaser (on its behalf and on behalf of its Affiliates) further agrees that, notwithstanding anything in this Agreement to the contrary, as to all communications among O'Melveny & Myers LLP, Seller and/or the Company (including any of their respective directors, officers, managers, employees or agents) that relate in any way to this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby or the negotiation of the same, the attorney-client privilege and the expectation of client confidence belongs to Seller and shall be controlled by Seller and shall not pass to or be claimed by Purchaser, the Company or any of their Affiliates after the Closing. Purchaser (on its behalf and on behalf of its Affiliates) further understands and agrees that the Parties have each undertaken reasonable efforts to prevent the disclosure of confidential or attorney-client privileged information. Notwithstanding those efforts, Purchaser (on its behalf and on behalf of its Affiliates) further understands and agrees that the consummation of the transactions contemplated by this Agreement may result in the inadvertent disclosure of information that may be confidential and/or subject to a claim of privilege. Purchaser (on its behalf and on behalf of its Affiliates) further understands and agrees that any disclosure of information that may be confidential and/or subject to a claim of privilege shall not prejudice or otherwise constitute a waiver of any claim of privilege. Purchaser (on its behalf and on behalf of its Affiliates) agrees to use reasonable best efforts to return promptly any inadvertently disclosed information to the appropriate Person upon becoming aware of its existence. Notwithstanding the foregoing, in the event that a dispute arises after the Closing between Purchaser, the Company or any of their Affiliates and a third Person other than a Party to this Agreement, the Company may assert the attorney-client privilege to prevent disclosure of confidential communications by O'Melveny & Myers LLP to such third Person; provided, however, that the Company may not waive such privilege without the prior written consent of Seller. O'Melveny & Myers LLP shall be a third-party beneficiary for the purposes of this Section 9.9.

Section 9.10 Counterparts; Effectiveness

This Agreement may be executed in five (5) or more counterparts, each of which together shall be deemed an original, and all of which together shall constitute one and the same instrument.

Section 9.11 Entire Agreement

(a) This Agreement (including, without limitation, the Seller Disclosure Letter and the Exhibits, schedules, and annexes hereto and thereto) and the Ancillary Agreements constitute the entire agreement among the Parties with respect to the subject matter of this Agreement and supersede and cancel all prior agreements, negotiations, correspondence, undertakings, understandings and communications of the Parties, whether oral or written, with respect to the subject matter hereof and thereof.

(b) Following the execution of this Agreement and prior to the AMR Submission Date, Seller and Purchaser agree to execute the Equity Interest Transfer Agreement summarizing the material terms of this Agreement in the form agreed by the Parties (the "Registration ETA"), which will be submitted to the appropriate PRC Governmental Authority

for the purpose of obtaining the AMR Approval and SAFE Registration Voucher and completing the required Tax reporting and filing. For the avoidance of doubt, should any provision of the Registration ETA conflict with the provisions under this Agreement, this Agreement shall prevail.

Section 9.12 Third-Party Beneficiaries

Except as expressly provided herein, this Agreement is for the sole benefit of the Parties and their successors and permitted assigns and nothing herein expressed or implied shall give or be construed to give any Person, other than the Parties and such successors and permitted assigns, any legal or equitable rights hereunder; provided, however, that the Parties hereto specifically acknowledge and agree that: (a) the provisions of Section 9.1 are intended to be for the benefit of, and shall be enforceable by, each Seller Releasee; and (b) the provisions of Section 9.9 are intended to be for the benefit of, and shall be enforceable by, O'Melveny & Myers LLP.

Section 9.13 Severability

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible and in a manner so as to as closely as possible provide the Parties with the intended benefits, net of the intended burdens, set forth in any such invalid, void or unenforceable provision.

Section 9.14 Specific Performance

(a) The Parties agree that irreparable damage, for which monetary damages (even if available) would not be an adequate remedy, shall occur in the event that the Parties do not perform the provisions of this Agreement (including failing to take such actions as are required of them hereunder to consummate the transactions contemplated hereby) in accordance with its specified terms or otherwise breach such provisions. Accordingly, subject to Section 9.14(b), the Parties acknowledge and agree that the Parties shall be entitled to an injunction, specific performance or other similar relief to prevent breaches or threatened breaches of this Agreement, or to enforce compliance with, the Parties' covenants and obligations under this Agreement, and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which they are entitled at Law or in equity. Each of the Parties agrees that it shall not raise any objections to the availability of the remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement, and to specifically enforce the terms and provisions of this Agreement, and shall not oppose the granting of an injunction, specific performance and/or other similar relief on any basis, including the basis that any other

Party has an adequate remedy at Law or that any award of an injunction, specific performance and/or other similar relief is not an appropriate remedy for any reason at Law or in equity. Any Party seeking: (i) an injunction or injunctions to prevent or restrain breaches or threatened breaches of this Agreement; (ii) to enforce specifically the terms and provisions of this Agreement; and/or (iii) other similar relief, shall not be required to show proof of actual damages or to provide any bond or other security in connection with any such remedy.

(b) Notwithstanding anything in this Agreement to the contrary, however, the Parties hereby acknowledge and agree that Seller shall be entitled to specific performance to cause Purchaser to effect the Closing in accordance with Section 2.2(c) only if all conditions in Section 6.1 and Section 6.2 have been satisfied (other than any condition the failure of which to be satisfied is attributable, in whole or in substantial part, to a breach by Purchaser of its representations, warranties, covenants or agreements contained in this Agreement and other than conditions that, by their nature, are to be satisfied at the Closing and which were, at the time Seller is seeking specific performance, capable of being satisfied).

(c) The remedies available to either Party pursuant to this Section 9.14 shall be in addition to any other remedy to collect the Termination Fee pursuant to Section 7.4 or any other remedy to which it is entitled at Law or in equity, and the election to pursue an injunction or specific performance shall not restrict, impair or otherwise limit Seller from seeking to collect or collecting the Termination Fee pursuant to Section 7.4 or any other remedy to which it is entitled at Law or in equity.

Section 9.15 No Setoff

Each of the Parties hereto acknowledges and agrees (on its own behalf and on behalf of its Affiliates) that, except as provided under Section 2.4(d), it and its Affiliates shall have no right hereunder, under any Ancillary Agreement or pursuant to applicable Law to, and shall not, offset any amounts due and owing (or that becomes due and owing) pursuant to this Agreement or any Ancillary Agreement to any other party hereto or thereto or such other party's Affiliates against any amounts due and owing to such party or such party's Affiliates pursuant to this Agreement, the Ancillary Agreements or any other Contract.

Section 9.16 Construction

(a) The headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement: (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires; (ii) the words "hereof," "herein," and "herewith" and words of similar import shall, unless the context otherwise states or requires, refer to this Agreement as a whole (including the Seller Disclosure Letter and the Exhibits, schedules and annexes hereto and thereto) and not to any particular provision of this Agreement, and all references to the preamble, recitals, Sections, Articles, Exhibits or Seller Disclosure Letter are to the preamble, recitals, Sections, Articles, Exhibits or Seller Disclosure Letter of, or to, this Agreement; (iii) the word "or" shall not be exclusive; (iv) the words "date hereof" shall

mean the date of this Agreement, as set forth in the preamble hereto; (v) Purchaser and Seller shall be referred to herein individually as a “Party” and collectively as “Parties” (except where the context otherwise requires); (vi) any reference to any federal, state, local or non-U.S. statute or other Law shall be deemed also to refer to all rules and regulations promulgated thereunder; (vii) when calculating the number of days before which, within which or following which, any act is to be done or step is to be taken pursuant to this Agreement, the date from which such period is to be calculated shall be excluded from such count; provided, however, that, if the last calendar day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day; (viii) the measure of a period of one (1) month or year for the purposes of this Agreement shall be the date of the following month or year corresponding to the starting date; provided, however, that, if no corresponding date exists, then the end date of such period being measured shall be the next actual date of the following month or year (for example, one (1) month following February 18 is March 18 and one (1) month following March 31 is May 1); provided, further, that, if the last calendar day of such period is a non-Business Day, then the period in question shall end on the next succeeding Business Day; and (ix) for the purposes of this Agreement, references to the term “delivered by Seller,” “delivered to Purchaser,” “furnished to Purchaser,” “made available to Purchaser” or similar expressions in Article III shall mean that Seller has: (A) posted such materials to the VDR, in a manner that enables viewing of such materials by Purchaser and its Representatives no later than two (2) Business Days immediately prior to the date of this Agreement or (B) set forth a copy of such materials in the Seller Disclosure Letter.

(b) The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

Section 9.17 No Recourse

Purchaser acknowledges and agrees that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement (including, without limitation, the Ancillary Agreements) shall be had against any past, present or future director, officer, agent, employee, member, partner, shareholder, Affiliate or Representative of Seller or of any of its Affiliate or assignee thereof, as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any past, present or future director, officer, agent, employee, member, partner, shareholder, Affiliate or Representative of Seller or of any of its Affiliate or assignee thereof, as such, for any obligation of Seller under this Agreement or any

documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

Section 9.18 Currency

Whenever conversion of values to or from any foreign currency for a particular date or period shall be required pursuant to this Agreement, such conversion shall be made using the closing mid-point rate for exchanges between those currencies quoted on the website of the People's Bank of China (e.g., for conversion between RMB and USD) for (a) the nearest Business Day for which that rate is so quoted on or prior to the Business Day of the conversion for all amounts (the "Exchange Rate").

When calculating whether or not a Loss exceeds the thresholds in Section 8.4, Losses shall be converted into U.S. Dollar by applying the Exchange Rate as of the date that the applicable indemnification claim is being made by a Party pursuant to Article VIII.

[Signature page follows]

IN WITNESS WHEREOF, each Party hereto has caused this Agreement to be duly executed by its authorized signatory as of the date first written above.

SanDisk China Limited

By: /s/ Brandi Steege

Name: Brandi Steege

Title: Director and Secretary

[Signature Page to Equity Purchase Agreement]

IN WITNESS WHEREOF, each Party hereto has caused this Agreement to be duly executed by its authorized signatory as of the date first written above.

JCET Management Co., Ltd.
(长电科技管理有限公司)

(Company Chop)

By: /s/ Li Zheng__
Name: Li Zheng (郑力)
Title: Legal Representative

[Signature Page to Equity Purchase Agreement]

Without becoming a party to this Agreement, Western Digital Technologies, Inc. ("WDT") hereby assumes joint and several liability with Seller for any amounts payable by Seller to Purchaser hereunder (the "Seller Payment Guarantee"); provided, however, WDT shall be permitted to assign and transfer the Seller Payment Guarantee to the proposed successor in interest of the flash business in connection with the Flash Spin-off (the "Flash Spin-off Successor") so long as such assignee has credibility for performing such undertaking and has consolidated net assets of no less than One Billion U.S. Dollars (US\$1,000,000,000). In connection with such assignment, the Flash Spin-off Successor shall execute and deliver a written undertaking to Purchaser expressly assuming the Seller Payment Guarantee and upon delivery thereof, WDT shall be fully relieved of the Seller Payment Guarantee and have no continuing obligations hereunder.

WDT warrants and undertakes to Purchaser as below:

WDT has the requisite corporate or other similar power, as applicable, and has the authority to execute and deliver this Agreement, and to provide the Seller Payment Guarantee. The execution and delivery of this undertaking and the consummation of the obligation contemplated herein has been duly and validly authorized by all requisite corporate, partnership or limited liability company or other similar action, as applicable on the part of WDT. This undertaking shall upon such execution and delivery by WDT to Purchaser, be the legal, valid and binding obligations of WDT, enforceable against WDT in accordance with its terms.

WDT acknowledges and accepts Section 9.7 (Governing Law) and Section 9.8 (Dispute Resolution), and such provisions are binding and enforceable against WDT as if it were a party thereto.

Western Digital Technologies, Inc.

By: /s/ Brandi Steege

Name: Brandi Steege

Title: Vice President and Assistant Secretary

[Signature Page to Equity Purchase Agreement]

Without becoming a party to this Agreement, STATS ChipPAC Pte. Ltd. (“STATS ChipPAC”) hereby assumes joint and several liability with Purchaser for the Purchaser Termination Fee payable by Purchaser to Seller hereunder (the “Purchaser Corporate Guarantee”).

STATS ChipPAC warrants and undertakes to Seller as below:

STATS ChipPAC has the requisite corporate or other similar power, as applicable, and has the authority to execute and deliver this guarantee, and to provide the Purchaser Corporate Guarantee. The execution and delivery of this undertaking and the consummation of the obligation contemplated herein has been duly and validly authorized by all requisite corporate, partnership or limited liability company or other similar action, as applicable on the part of STATS ChipPAC. This undertaking shall upon such execution and delivery by STATS ChipPAC to Seller, be the legal, valid and binding obligations of STATS ChipPAC, enforceable against STATS ChipPAC in accordance with its terms.

STATS ChipPAC acknowledges and accepts Section 9.7 (Governing Law) and Section 9.8 (Dispute Resolution), and such provisions are binding and enforceable against STATS ChipPAC as if it were a party thereto.

STATS ChipPAC Pte. Ltd.

By: /s/ Li Zheng

Name: Li Zheng

Title: Director and Chief Executive Officer

[Signature Page to Equity Purchase Agreement]

**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: April 29, 2024

**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: April 29, 2024

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 March 29, 2024 (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: April 29, 2024

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 March 29, 2024 (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: April 29, 2024