The Company

Western Digital Corporation is a leader in information storage management. The Company makes hard disk drives for the world's leading makers of personal computers, and serves consumer markets for replacement and add-on data storage. The Company is using proven technology and production methods as it begins the manufacture of high-performance, high-capacity hard drives for use in workstations, servers and other network applications. Storage connectivity is provided by Western Digital's high-performance hard drive controllers and its family of host bus controllers for SCSI, Fibre Channel and PCI interfaces. These products enhance data communication between processors, storage units and peripherals.

(in millions, except per share and employee data)	Years ended July 1, 1995	June 30, 1994	June 30, 1993	June 30, 1992	June 30, 1991
Revenues, net	$ 2,130.9	$1,539.7	$1,225.2	$ 938.3	$ 986.2
Gross profit	394.1	317.9	182.0	110.6	173.2
Operating income (loss)	133.0	91.9	(10.0)	(67.0)	(117.8)
Net income (loss)	123.3	73.1	(25.1)	(72.9)	(134.2)
Earnings (loss) per share:					
Primary	2.56	1.77	(.79)	(2.49)	(4.59)
Fully diluted	$ 2.47	$ 1.70	$ (.79)	$ (2.49)	$ (4.59)
Working capital	$ 360.5	$ 261.7	$ 111.5	$ 138.9	$ 167.3
Total assets	858.8	640.5	531.2	532.5	620.4
Total long-term debt	—	58.6	182.6	243.0	234.9
Shareholders' equity	$ 473.4	$ 288.2	$ 131.0	$ 112.3	$ 185.1
Number of employees	7,647	6,593	7,322	6,906	6,740

Charles A. Haggerty

WESTERN DIGITAL HAD ANOTHER EXCELLENT YEAR. Revenues and earnings grew to record levels in fiscal 1995 even though competition remained intense, particularly in our core hard drive business. We were able to gain hard drive market share, improve our financial position and earn an important quality distinction last year, thanks to the dedication and hard work of more than seven thousand Western Digital employees worldwide.

Our Microcomputer Products Group posted very satisfying results, operating profitably throughout the year for the first time. This improvement was made in concert with the conversion of the Group's integrated circuit packaging and test plant in Malaysia to hard drive production, which required a shift to complete reliance on external sources for components. We have ambitious long-term growth goals for this operation.

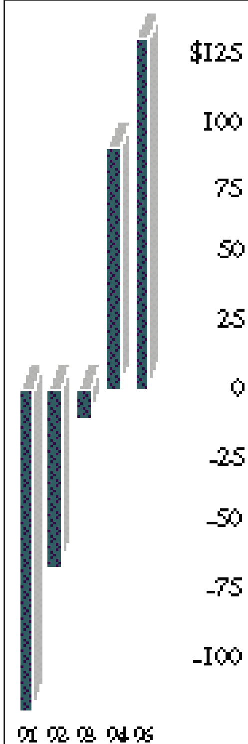
The Company's Personal Storage Group again set records in unit shipments and revenues. Competition remains very tough in this part of our business, which has settled into a cluster of five principal competitors. Western Digital ranks among the top producers of 3.5-inch hard drives for personal computers, and indications are that our Personal Storage Group was a leader in market share gains last year.

This very profitable and responsive operation, by far our largest, is regularly first to market and first to volume in its industry's unending product-development marathon. Its facilities are being expanded, and its prospects are bright.

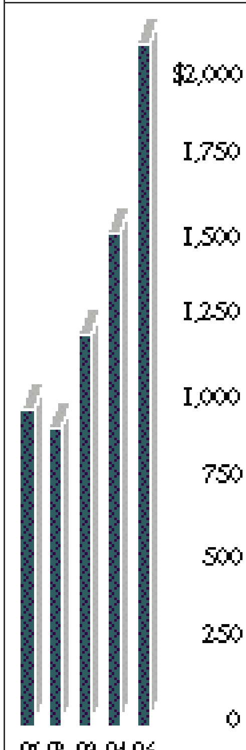
A third product group has been created to design and produce high-performance, high-capacity hard drives. The market for these drives, currently with capacities of two gigabytes or more, is being driven by strong demand from producers of workstations and servers. These segments account for roughly 22 percent of the hard drive industry's revenue and a greater portion of its operating earnings. We are certain that Western Digital's reputation for quality, reliability, responsiveness and customer satisfaction will help our new product line take hold quickly. This is an extremely important strategic step for our Company. A manufacturing facility for this activity is now being prepared in Singapore and is scheduled to be in production by the end of fiscal 1996.

The amount and quality of the competition in all our product lines require that the Company maintain a regular flow of fresh, innovative products. With a goal of keeping

Operating Income
(in millions)



Revenues
(in millions)



Western Digital first in quality market, first to market and first to volume, we have committed to invest more than $1 billion in research and development over the next five years.

Western Digital's strong financial performance last year enabled us to reduce the Company's long-term debt to zero. The last debt issue, about $40 million of convertible subordinated debentures, was called for redemption in June 1995.

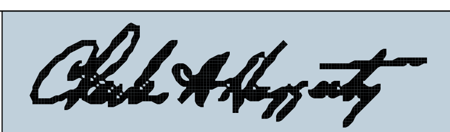
The Company's share-repurchase program, extended by the Board of Directors until September 1996, was interrupted by the call of our convertible debenture issue. As of the fiscal year's end, our treasury had completed the purchase of about one and a half percent of the Company's shares. The Board's authorization is for as much as 10 percent. We will continue to monitor stock price movements and act when appropriate in order to build value for our shareholders.

During the 1995 fiscal year, Western Digital earned company-wide ISO 9001 registration, becoming the first of the then-member companies of the *FORTUNE 500* to be so recognized. The award of this registration honors the establishment of quality-assurance processes throughout Western Digital, from manufacturing and marketing to such enterprise-wide services as human resources and finance, and in locations from Singapore and Malaysia to Irvine and Munich. We take it as a challenge to further improve our commitment to excellence in high-technology products, processes and communication.

We have many opportunities: continued rapid market growth in PC hard drives; the leverage of our Company's expertise in semiconductor devices, input/output links, software and board designs into the development of fibre channel fabric products; and the great promise offered by markets for our exciting new high-performance, high-capacity hard drives. So, we are optimistic about the future of our markets and of Western Digital. We aim to take advantage of the opportunities before us.

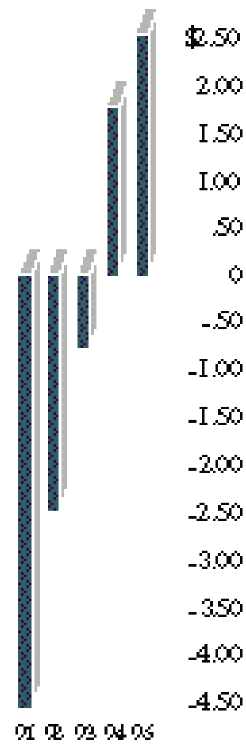
Sincerely,

September 21, 1995

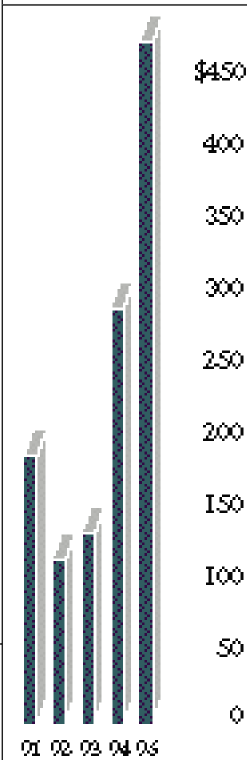


Charles A. Haggerty
Chairman of the Board,
President and Chief Executive Officer

Earnings per Share



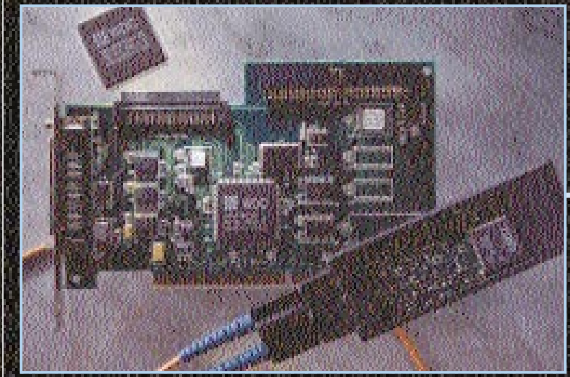
Shareholders' Equity
(in millions)



Western Digital Products

Personal Storage

High Performance Storage

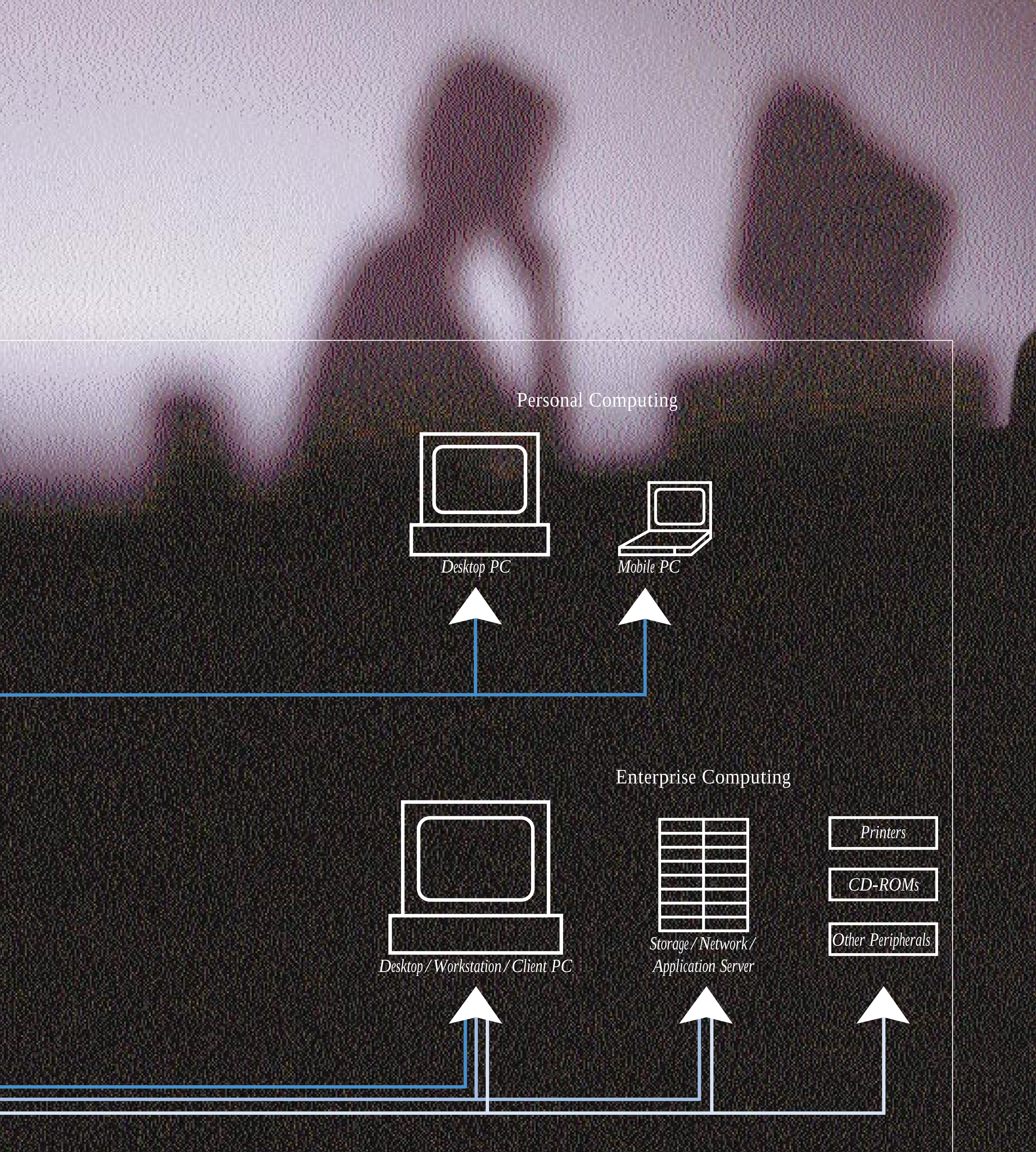


Input/Output

Data Storage

Data Storage

Connectivity



A leader in information storage management, Western Digital makes possible the most effective individual and enterprise uses of computers by offering products that provide high-efficiency data storage and connectivity.

Kathryn A. Braun

PERSONAL COMPUTERS FOR USE IN HOMES, home offices and small businesses continued to dominate computer-industry sales over the past year. These fast-growing segments propelled the computer industry to record shipments of 52 million desktop and mobile units, and with them, record shipments of hard drives. Once again, our market grew faster than expected.

Western Digital shipped 10.2 million drives last year, 49 percent more than in the preceding fiscal year. Industry analysts tell us our unit-shipment growth in calendar year 1994 yielded a three-point increase in share of the global hard drive market, the industry's largest.

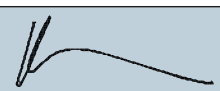
We benefited in fiscal 1995 from numerous industry awards, and widespread market recognition and acceptance of our Caviar hard drives, the industry's best known brand. Of every ten drives we make, three are marketed through resellers for system integration, storage capacity additions, and to meet the upgrade demand from the PC installed base.

The industry outlook is bright. International economies are growing stronger. While U.S. consumer demand drove the growth last year, a strong consumer market is emerging in Europe and Asia. As PC microprocessor technology continues its fast pace and new, capacity-hungry software applications and operating systems such as Windows 95 enter the market, the demand for bigger, better, faster storage systems will continue to be met by our world-class team.

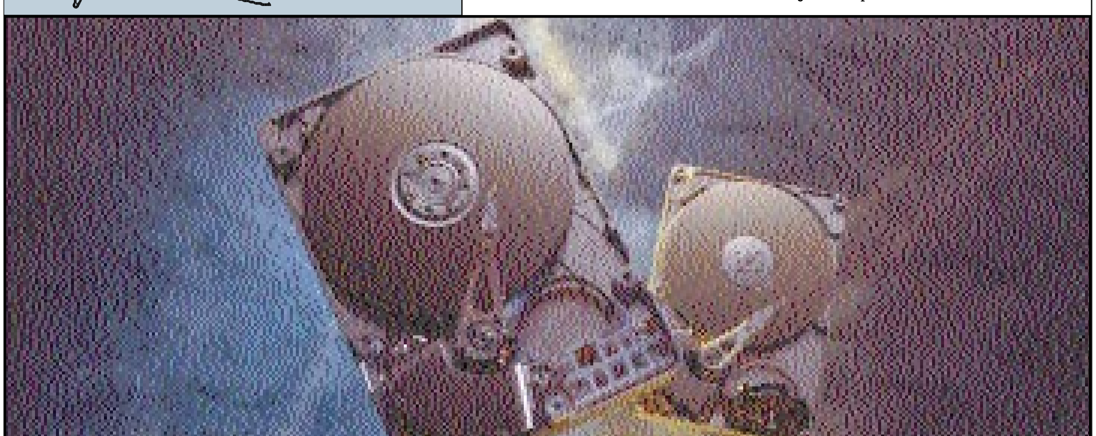
The Personal Storage Group's production capacity grew 50 percent over the past year, from 1.9 million units per quarter to 2.85 million. Additions and improvements now under way could raise our capacity to four million units per quarter by the end of the current calendar year.

Component and material scarcities that plagued our industry during its recent rapid growth were made known to us early because of Western Digital's first-to-market, first-to-volume product introduction techniques. As we saw shortages developing, we were able to make changes to improve the availability of adequate supplies of most materials. In the case of disk media, we changed manufacturing methods and added a line to increase capacity by one third. Two more lines will be added this year. We now make about a third of our own media.

For the future, we will continue to focus aggressively on the quality and reliability that built the Caviar drive line's great reputation. We will continue our cost leadership under Western Digital's "virtual vertical integration" style of production management. We'll continue to leverage the Company's electronic design expertise into every new product. And, we will continue our effort to lead the fast growing retail market as consumers increasingly prefer our widely recognized Caviar drives.



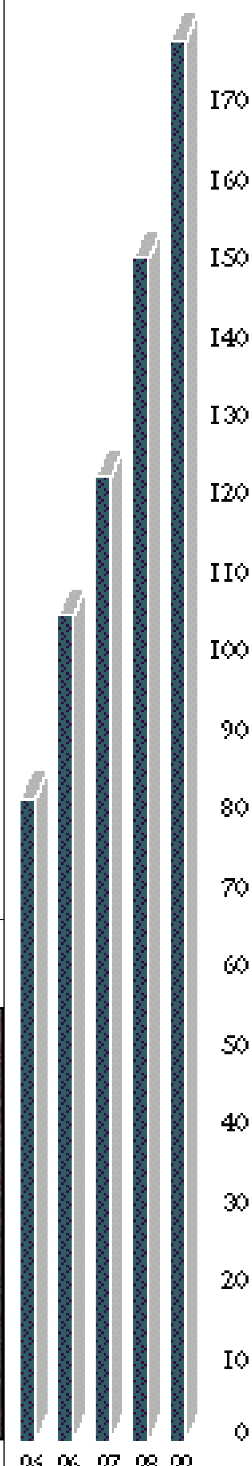
Kathryn A. Braun,
Executive Vice President, Personal Storage Group

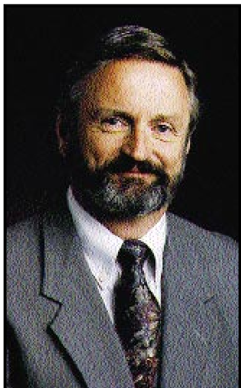


Personal Storage Products

Worldwide Desktop (3.5-Inch) and Mobile (2.5-Inch) Hard Drive Market Forecast *(units in millions)*

Source: IDC, August 1995





Kenneth E. Hendrickson

THE MICROCOMPUTER PRODUCTS GROUP BECAME PROFITABLE in late fiscal 1994, and contributed to the Company's bottom line throughout fiscal 1995. The Group improved its financial predictability as our team met or exceeded its plan in revenue and gross profit.

Fiscal 1995 was our Group's first full year without a fabrication facility. On that new basis we were able to show shorter cycle times and lower costs as we enlarged our set of dependable supply partners. More suppliers will be added in the current year.

Markets for the Group's input/output products offer outstanding growth opportunities. They are highly competitive, but these markets offer opportunities for exciting technological advancements in the high-speed links between computing, storage and peripherals.

Microcomputer Products last year began shipping exciting new products that were leveraged from earlier technological developments. We announced and shipped three host controller products based on our highly successful SCSI device controllers—products that provide access to high-performance Small Computer System Interface capabilities for personal computers using the familiar Peripheral Component Interconnect bus.

Developments in fiscal 1995 proved Western Digital's Modulinc acquisition to be a sound strategic move, as it improved our capabilities in the exciting business of high-speed, fibre channel fabric communications. This remarkable technology permits better and faster enterprise-wide communication of data across the campus of a university, a medical center or a large corporation.

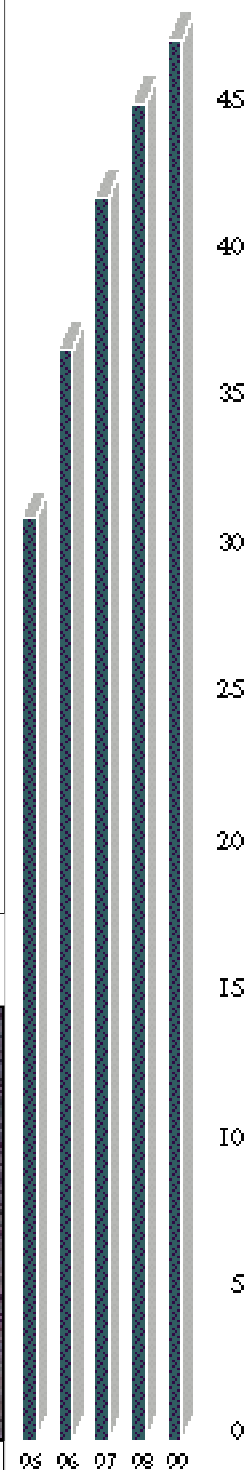
Western Digital's leadership position in information storage management is further enhanced by the addition of these new products. With the Company's background in highly integrated semiconductor devices, input/output links, software and board designs, our team is set to leverage its knowledge into a much broader line of products for high-performance data communication channels.

Kenneth E. Hendrickson,
Executive Vice President, Microcomputer Products Group

Input/Output Products

Worldwide Enterprise Computer Market Forecast (Clients, Servers, Workstations, and Multi-user Systems) *(units in millions)*

Source: IDC, 1995



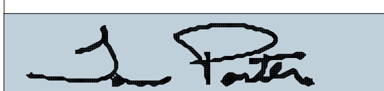
Townsend H. Porter, Jr.

Paul A. Penney

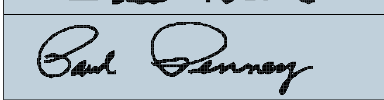
THE MARKET FOR HIGH-PERFORMANCE HARD DRIVES—those with storage capacities of two gigabytes and higher—represents a tremendous growth opportunity for Western Digital Corporation. Industry shipments of this class of drive totaled two million units in 1994, and industry estimates are that seven million units will be shipped in 1995. This growth is expected to continue at an annual compound growth rate of 22 percent over the next three years. With the explosion of the LAN server market and moderate increases in workstation and multi-user market segments, demand in this industry will continue to be strong.

Western Digital entered this business with the creation of the High Performance Storage Group in November 1994, which will produce its first drives before the end of the current fiscal year. The Group, headquartered in Rochester, Minnesota, has made significant strides to meet these goals. Our staff of experienced drive managers and engineers has constructed a research and development center, pilot production line and Functional Integrity Testing Laboratory (FIT Lab), and is well along in the development of our first product. Prototypes currently being tested have exceeded the requirements set for them.

We are preparing a production facility in Singapore, near many of Western Digital's trusted, long-term suppliers. In that plant, we plan to leverage the manufacturing processes, technology and superior production yields in which Western Digital is a recognized leader. As we commence production later this fiscal year, we are certain that customer satisfaction, reliability, manufacturing yields and cost will meet Western Digital's high standards.



Townsend H. Porter, Jr.,
Vice President, Research and Development, High Performance Storage Group

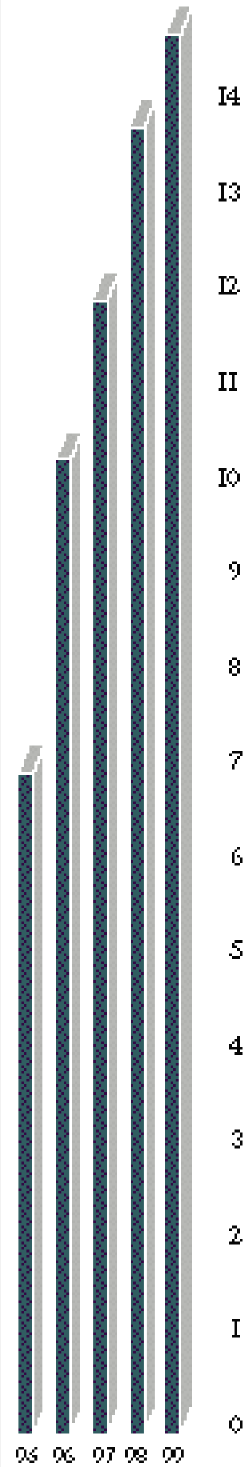


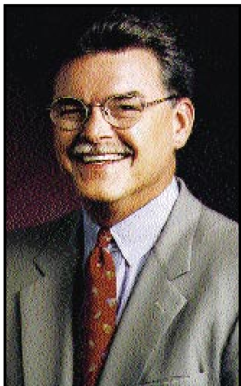
Paul A. Penney,
Vice President, Operations, High Performance Storage Group

High Performance Storage Products

Worldwide High Capacity (2 GB+) 3.5-Inch Hard Drive Market Forecast
(units in millions)

Source: IDC, August 1995





D. Scott Mercer

THE COMPANY MET OR EXCEEDED all its fiscal 1995 goals for financial performance, and led its industry in the key measurements we consider most important for a manufacturing company in a brutally competitive industry.

We maintained our high-velocity employment of assets, and led in the turnover of inventory, operating assets and total assets. Our finished goods inventory of hard drives, for example, was equal to three days' production at year's end. Our cash conversion cycle, which measures the elapsed time from the outlay of cash for inventories to the receipt of cash, was reduced further to 19 days.

Reflecting our "virtual vertical integration" manufacturing strategy, Western Digital produced $26 in sales per dollar of property, plant and equipment last year, more than twice the average for our industry. The Company also doubled the merchant hard drive industry's averages with its 28 percent operating return on operating assets and with returns of 16 percent on total assets and 32 percent on shareholders' equity.

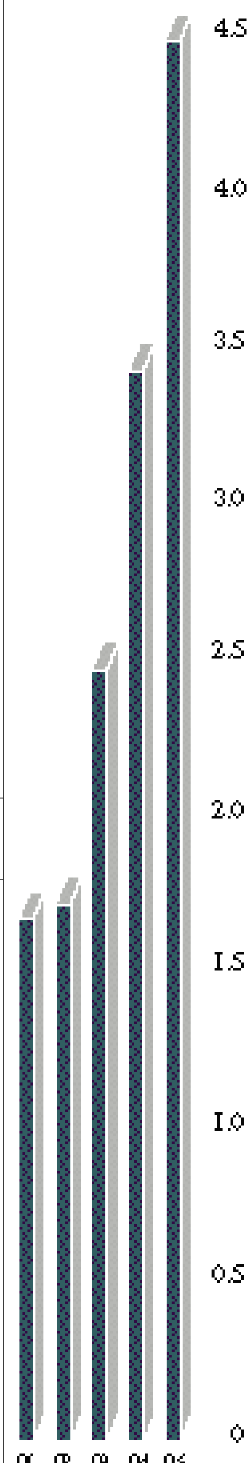
Western Digital's balance sheet, already the industry's strongest, improved further as the last of our long-term debt was extinguished. Especially satisfying was the growth of our cash position to $308 million, and the 64 percent growth in shareholders' equity to a record $473 million.

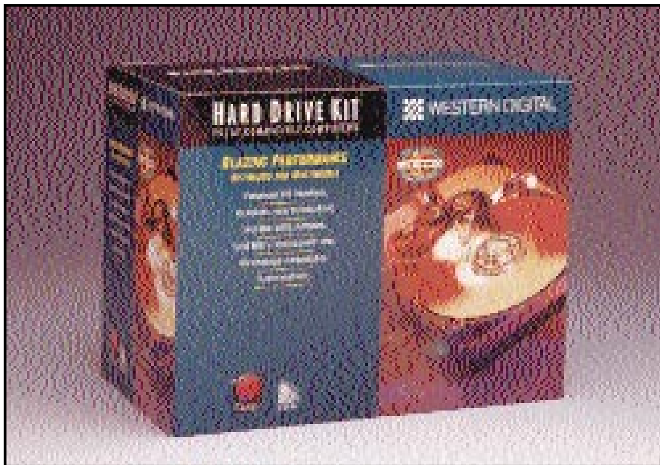
Last year's $55 million in capital expenditures was directed mainly to the expansion of hard drive media production and to the retooling of our Malaysian facility into a drive manufacturing site. This year, spending will be increased to about $125 million as we expand the Singapore manufacturing operation, increase the size of the Malaysian facility, and make preparations for high-performance drive production.

Western Digital's financial disciplines have enabled the Company to grow rapidly and profitably. We will continue to adhere to them as we extend the Western Digital record of proven performance.

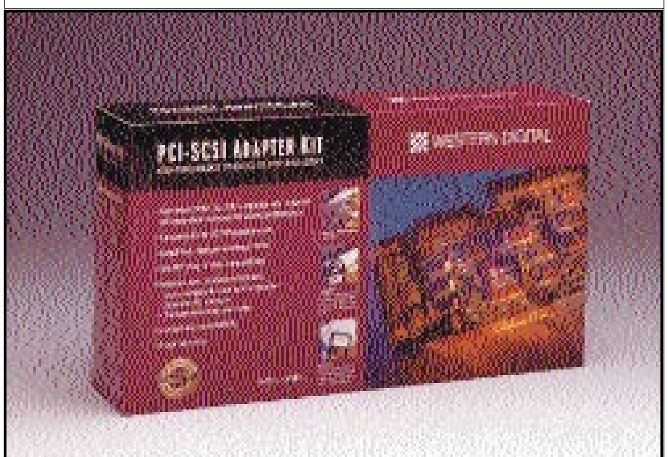
D. Scott Mercer,
Executive Vice President, Chief Financial and Administrative Officer

Average Operating Asset Turns





Hard Drive Products



Input/Output Products

AWARD-WINNING WESTERN DIGITAL PRODUCTS have rapidly gained retail recognition and acceptance as customers increasingly reach for these products to answer needs for greater efficiency in data storage management.

Caviar hard drive kits marketed through retail channels help consumers upgrade and enlarge their data storage capacities as the larger "footprints" of software programs and operating systems, such as Windows 95, consume ever-greater amounts of storage capacity.

Western Digital's PCI-SCSI adapter kit makes available the increased performance of the Small Computer System Interface (SCSI) to users of personal computers and workstations employing the Peripheral Component Interconnect (PCI) bus.

Index to Consolidated Financial Statements

OVERVIEW

Western Digital operates in an extremely competitive industry characterized by short product life cycles, dependence upon a limited number of suppliers for certain component parts, dependence upon highly skilled engineering and other personnel and significant expenditures for product development. The hard drive market is also subject to recurring periods of severe price competition, the most recent of which occurred during the fourth quarter of fiscal 1993 and the first quarter of fiscal 1994.

The Company's hard drive product strategy is to be the first to market with the highest capacity per platter hard drives at competitive prices. The successful implementation of this strategy during the last three fiscal years has resulted in significant increases in unit shipments of hard drives, with attendant improvements in factory utilization and manufacturing efficiencies, lower component costs and overall reductions in per unit manufacturing costs. During fiscal 1994 the Company also implemented a "fabless" manufacturing strategy for its microcomputer products business by selling its silicon wafer manufacturing facility and entering into supply agreements with several suppliers of integrated circuits. This resulted in an immediate reduction in manufacturing costs, which significantly improved microcomputer products gross profit margins during fiscal 1994 and 1995.

These factors, combined with stabilizing industry conditions, resulted in Western Digital improving operating earnings to $133.0 and $91.9 million in fiscal 1995 and 1994, respectively, after incurring an operating loss of $10.0 million in fiscal 1993. Although microcomputer product operations improved significantly from fiscal 1993 to fiscal 1994, hard drive product operations accounted for the majority of the increase in operating income during this period. During fiscal 1995, hard drive product operations improved modestly, while continuing improvement in microcomputer products operations, although at a reduced rate from fiscal 1994, provided most of the increase in operating income from fiscal 1994.

Western Digital's continuing focus on asset management, combined with the improvement in operating income, has resulted in the Company strengthening its financial position during each of the last three years. Key measures of these improvements are as follows (dollar amounts in millions):

	1995	1994	1993
Cash and short-term investments	$ 307.7	$ 243.5	$ 33.8
Cash flows from operating activities	121.3	178.8	55.9
Long-term debt	—	58.6	182.6
Net interest and other income (expense)	$ 12.0	$ (5.8)	$ (15.1)
Average:			
Inventory turns	19.5	12.7	9.5
Operating asset turns	4.5	3.4	2.5
Asset turns	2.8	2.6	2.3

Unless otherwise indicated, references hereinafter to specific years and quarters are to the Company's fiscal years and to fiscal quarters.

Results of Operations:
Comparison of 1995, 1994 and 1993

The Company reported net income of $123.3 million for 1995 compared with net income of $73.1 million for 1994 and a net loss of $25.1 million for 1993. The increase in net income in 1995 over 1994 resulted from a 38% increase in revenues, a reduction in operating expenses as a percentage of revenues, and higher net interest and other income. Partially offsetting these improvements was an approximately two percentage point decline in gross profit margin. The improved operating results from 1993 to 1994 resulted from a 26% increase in revenues and an improvement in gross margin of approximately six percentage points.

Sales of hard drive products were $1.9, $1.4, and $1.0 billion in 1995, 1994 and 1993, respectively. During 1995, unit shipments increased 49% which, combined with a modest decline in average selling prices ("ASPs"), resulted in hard drive revenues increasing 41% from 1994. Increased business with original equipment manufacturers ("OEMs") during 1995 accounted for the majority of the increase in unit shipments. During 1994, unit shipments increased 56% from 1993, but declining ASPs reduced the 1993 to 1994 hard drive revenue growth rate to 32%. The revenue increase in 1994 resulted primarily from increased business in the retail and distribution channels.

Sales of microcomputer products were $191.0, $160.0 and $178.0 million in 1995, 1994 and 1993, respectively. Year-to-year variations in microcomputer product sales were generally attributable to product introduction cycles.

Gross profit margins were as follows:

	1995	1994	1993
Hard drive products	16.2%	19.1%	15.3%
Microcomputer products	41.8%	33.7%	12.5%
Overall	18.5%	20.6%	14.9%

During 1995, the Company increased its shipments of hard drive products to OEMs, which typically require lower prices and a broader product mix (including lower capacity hard drives) in exchange for high volumes. Overall hard drive industry conditions also became more competitive during 1995 as the industry's manufacturing capacity more closely matched demand and competitors continued to shorten product development cycles. These were the primary factors which contributed to the decline in hard drive product gross margin during 1995.

The improvement in hard drive product gross margin from 1993 to 1994 was the result of a significant increase in unit shipments which reduced per unit production costs by lowering component costs and increasing manufacturing efficiencies. As compared to 1993, the Company also increased its relative level of business with retail and distribution customers that typically purchase product in lower volumes, but at higher ASPs.

The improvements in microcomputer products gross margins were generally attributable to lower product costs resulting from the Company's fabless manufacturing strategy implemented in January 1994.

Research and development expense ("R&D") in 1995 increased approximately $18.0 million, or 16%, as compared with the prior year and increased approximately $11.2 million, or 11%, from 1993 to 1994. These increases were primarily attributable to planned expenditures to support new hard drive product introductions.

Selling, general and administrative expenses ("SG&A") increased $17.1 million, or 15%, from the prior year and $22.8 million, or 25%, from 1993 to 1994 primarily as a result of higher selling, marketing and other related expenses in support of higher revenue levels and higher variable compensation plan accruals.

Interest and other income was $12.0 million in 1995, comprising net interest income of $8.9 million and a $3.1 million gain from the sale of stock held for investment. Net interest expense was $5.8 million and $15.1 million in 1994 and 1993, respectively. The improvement from 1994 to 1995 was the result of significantly lower levels of outstanding debt and higher average cash and short-term investment balances. The $9.3 million decline in net interest expense from 1993 to 1994 was due to significant reductions in outstanding debt.

The provision for income taxes in 1995 and 1994 consists primarily of taxes associated with certain of the Company's foreign subsidiaries which had taxable income. The Company's effective tax rate of 15% recorded in 1995 and 1994 results primarily from the earnings of certain subsidiaries which are taxed at substantially lower tax rates as compared with United States statutory rates (see Note 6 to the consolidated financial statements).

Liquidity and Capital Resources

At July 1, 1995, the Company had $307.7 million in cash and short-term investments as compared with $243.5 million at June 30, 1994. During 1995, the Company generated $121.3 million in cash flow from operations, with cash flow from earnings, net of depreciation and amortization, and an increase in current liabilities being offset by cash used to fund increased accounts receivable, inventories and other assets. Capital expenditures totaled $54.8 million and were incurred primarily for the expansion of media production and the retooling of the Company's Malaysian facility into a hard drive manufacturing site. The Company anticipates that capital expenditures in 1996 will total approximately $125.0 million and will relate to increased hard drive capacity and normal replacement of existing assets. Approximately $10.8 million was used to repurchase 805,000 shares of the Company's common stock in the open market in 1995. The Company believes that its current cash and short-term investments and anticipated future cash flow from operations will be sufficient to meet all currently planned expenditures and sustain operations during the next fiscal year.

The Company has an $85.0 million accounts receivable facility with certain financial institutions. The facility consists of a $50.0 million arrangement at Eurodollar or reference rates of the participating banks which expires in 1997 and a $35.0 million committed arrangement at a rate approximating commercial paper rates which expires in 1996. This facility is intended to serve as a source of working capital as may be needed from time to time.

Notwithstanding the significant improvements in financial position realized over the past years, the ability of the Company to sustain its improved working capital management and to continue operating profitably is dependent upon a number of factors including competitive conditions in the marketplace, general economic conditions, the efficiency of the Company's manufacturing operations and the timely development and introductions of new products which address market needs.

Consolidated Statements of Operations

(in thousands, except per share amounts)	Years ended July 1, 1995	June 30, 1994	June 30, 1993
Revenues, net	$ 2,130,867	$ 1,539,680	$ 1,225,231
Costs and expenses:			
Cost of revenues	1,736,761	1,221,749	1,043,184
Research and development	130,789	112,827	101,593
Selling, general and administrative	130,286	113,224	90,470
Total costs and expenses	1,997,836	1,447,800	1,235,247
Operating income (loss)	133,031	91,880	(10,016)
Net interest and other income (expense) (Note 2)	12,002	(5,838)	(15,092)
Income (loss) before income taxes	145,033	86,042	(25,108)
Provision for income taxes (Note 6)	21,731	12,906	—
Net income (loss)	$ 123,302	$ 73,136	$ (25,108)
Earnings (loss) per common and common equivalent share:			
Primary	$ 2.56	$ 1.77	$ (.79)
Fully diluted	$ 2.47	$ 1.70	$ (.79)
Common and common equivalent shares used in computing per share amounts:			
Primary	48,198	41,363	31,813
Fully diluted	51,420	45,680	31,813

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

Consolidated Balance Sheets

(in thousands, except per share amounts)	July 1, 1995	June 30, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 217,531	$ 243,484
Short-term investments	90,177	—
Accounts receivable, less allowance for doubtful accounts of $9,309 in 1995 and $10,825 in 1994 (Note 4)	303,841	201,512
Inventories (Note 2)	98,925	79,575
Prepaid expenses	19,663	12,917
Total current assets	730,137	537,488
Property and equipment at cost, less accumulated depreciation and amortization (Note 2)	88,576	73,417
Intangible and other assets, net (Note 2)	40,127	29,608
Total assets	$ 858,840	$ 640,513
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 250,325	$ 172,730
Accrued compensation	30,064	21,706
Accrued expenses	89,213	81,308
Total current liabilities	369,602	275,744
Convertible subordinated debentures (Note 4)	—	58,646
Deferred income taxes (Note 6)	15,812	17,884
Commitments and contingent liabilities (Note 5)		
Shareholders' equity (Notes 4 and 7):		
Preferred stock, $.10 par value; Authorized-5,000 shares; Outstanding-None		
Common stock, $.10 par value; Authorized-95,000 shares; Outstanding-50,482 shares in 1995 and 44,895 shares in 1994	5,048	4,490
Additional paid-in capital	355,624	283,475
Retained earnings	123,576	274
Treasury stock-common shares at cost; 805 shares in 1995	(10,822)	—
Total shareholders' equity	473,426	288,239
Total liabilities and shareholders' equity	$ 858,840	$ 640,513

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

Three years ended July 1, 1995 (in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Shareholders' Equity
Balance at June 30, 1992	29,212	$2,921	$157,090	$(47,754)	$ —	$112,257
Exercise of stock options	376	38	1,373			1,411
Common stock offering, net (Note 7)	5,750	575	41,815			42,390
Net loss				(25,108)		(25,108)
Balance at June 30, 1993	35,338	3,534	200,278	(72,862)	—	130,950
Exercise of stock options	1,838	184	7,324			7,508
Common stock offering, net (Note 7)	7,619	762	72,531			73,293
Common stock issued upon conversion of debentures	24	2	352			354
Common stock issued in settlement of shareholder lawsuit	76	8	1,031			1,039
Income tax benefit from stock options exercised (Note 6)			1,959			1,959
Net income				73,136		73,136
Balance at June 30, 1994	44,895	4,490	283,475	274	—	288,239
Exercise of stock options	1,076	107	5,583			5,690
ESPP shares issued (Note 7)	484	48	5,557			5,605
Common stock issued upon conversion of debentures (Note 4)	4,027	403	56,987			57,390
Income tax benefit from stock options exercised (Note 6)			4,022			4,022
Purchase of treasury stock (Note 7)					(10,822)	(10,822)
Net income				123,302		123,302
Balance at July 1, 1995	50,482	$5,048	$355,624	$123,576	$(10,822)	$473,426

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

Consolidated Statements of Cash Flows

(in thousands)	Years ended July 1, 1995	June 30, 1994	June 30, 1993
Cash flows from operating activities			
Net income (loss)	$ 123,302	$ 73,136	$ (25,108)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	43,612	46,175	53,741
Changes in current assets and liabilities net of effects from the sale of facility (Note 3):			
Accounts receivable	(102,329)	(42,034)	(6,887)
Inventories	(19,350)	23,793	(5,682)
Prepaid expenses	(6,746)	(2,130)	(3,573)
Accounts payable and accrued expenses	93,858	74,149	47,236
Deferred income taxes	(2,072)	7,133	(3,210)
Other assets	(8,958)	(1,384)	(640)
Net cash provided by operating activities	121,317	178,838	55,877
Cash flows from investing activities			
Capital expenditures, net	(54,774)	(16,282)	(35,565)
Proceeds from sale of facility (Note 3)	—	110,677	—
Increase in short-term investments	(90,177)	—	—
Increase in other assets	(6,287)	—	—
Net cash provided by (used for) investing activities	(151,238)	94,395	(35,565)
Cash flows from financing activities			
Repayment of long-term debt	—	(146,346)	(64,091)
Proceeds from stock offering, net (Note 7)	—	73,293	42,390
Exercise of stock options and warrants, including tax benefit	9,712	9,467	1,411
Proceeds from ESPP shares issued	5,605	—	—
Redemption of convertible debentures (Note 4)	(527)	—	—
Repurchase of common stock (Note 7)	(10,822)	—	—
Net cash provided by (used for) financing activities	3,968	(63,586)	(20,290)
Net increase (decrease) in cash and cash equivalents	(25,953)	209,647	22
Cash and cash equivalents at beginning of year	243,484	33,837	33,815
Cash and cash equivalents at end of year	$ 217,531	$ 243,484	$ 33,837

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

Note 1 – Significant Accounting Policies

Western Digital Corporation ("Western Digital" or the "Company") has prepared its financial statements in accordance with generally accepted accounting principles and has adopted accounting policies and practices which are generally accepted in the industry in which it operates. Following are the Company's significant accounting policies:

Fiscal Year

Effective July 1, 1994, the Company changed its fiscal year end from June 30 to a 52 or 53-week year ending on the Saturday nearest June 30. Accordingly, the 1995 fiscal year ended on July 1, whereas the previous two fiscal years ended on June 30. All general references to years relate to fiscal years unless otherwise noted.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The accounts of foreign subsidiaries have been translated using the U.S. dollar as the functional currency. As such, foreign exchange gains or losses resulting from remeasurement of these accounts are reflected in the results of operations. Monetary and non-monetary asset and liability accounts have been translated at the exchange rate in effect at each year end and at historical rates, respectively. Operating statement accounts have been translated at average monthly exchange rates.

Cash Equivalents and Short-Term Investments

The Company's cash equivalents represent highly liquid investments, primarily money market funds and commercial paper, with original maturities of three months or less. Short-term investments represent investments in U. S. Treasury Bills with original maturities beyond three months and less than twelve months. These investments are considered held to maturity and valued at amortized cost, which approximates fair market value.

Concentration of Credit Risk

The Company designs, manufactures and sells hard drives and microcomputer products to personal computer manufacturers and resellers throughout the world. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral. The Company maintains reserves for potential credit losses, and such losses have historically been within management's expectations. The Company also has cash equivalent and short-term investment policies that limit the amount of credit exposure to any one financial institution or investment instrument and restrict placement of these investments with financial institutions or investment instruments evaluated as highly credit-worthy.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable value. Cost is on a first-in, first-out basis for raw materials and is computed on a currently adjusted standard basis (which approximates first-in, first-out) for work in process and finished goods.

Depreciation and Amortization

The cost of property and equipment is depreciated over the estimated useful lives of the respective assets. Depreciation is computed on a straight-line basis for financial reporting purposes and on an accelerated basis for income tax purposes. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the related lease terms. Goodwill and purchased technology, the recoverability of which are subject to periodic evaluation, are capitalized at cost and amortized on a straight-line basis over their estimated lives which are fifteen and five to fifteen years, respectively.

Revenue Recognition

The Company recognizes revenue at time of shipment and records a reserve for price adjustments and estimated sales returns. The Company has agreements with its resellers to provide price protection for inventories held by the resellers at the time of published list price reductions and, under certain circumstances, stock rotation for slow-moving items. These agreements may be terminated upon written notice by either party. In the event of termination, the Company may be obligated to repurchase a certain portion of the resellers' inventory.

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 generally provides that deferred tax assets and liabilities be recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss ("NOL") carryforwards. The Company records a valuation allowance for certain temporary differences for which it is not certain whether the Company will receive future tax benefits. The impact on deferred taxes of changes in tax rates and laws, if any, are applied to the years during which temporary differences are expected to be settled and reflected in the financial statements in the period of enactment.

Per Share Information

Primary earnings per share amounts are based upon the weighted average number of shares and dilutive common stock equivalents for each period presented. Fully diluted earnings per share additionally reflects dilutive shares assumed to be issued upon conversion of the Company's convertible subordinated debentures.

Loss per share amounts are based upon the weighted average number of shares of common stock outstanding during the period. Common stock equivalents are not included in the computation because their effect would be antidilutive.

Reclassifications

Certain prior years' amounts have been reclassified to conform to the current year presentation.

Note 2 – Supplemental Financial Statement Data

(in thousands)	1995	1994	1993
Net Interest and Other Income (Expense)			
Interest income	$ 12,976	$ 2,942	$ 868
Other income	3,056	—	—
Interest expense	(4,030)	(8,780)	(15,960)
Net interest and other income (expense)	$ 12,002	$ (5,838)	$ (15,092)
Cash paid for interest	$ 4,471	$ 9,035	$ 15,391
Inventories			
Finished goods	$ 31,811	$ 27,847	
Work in process	35,763	32,178	
Raw materials and component parts	31,351	19,550	
	$ 98,925	$ 79,575	
Property and Equipment			
Land and buildings	$ 11,067	$ 6,643	
Machinery and equipment	163,857	151,014	
Furniture and fixtures	11,302	11,702	
Leasehold improvements	30,965	22,980	
	217,191	192,339	
Accumulated depreciation and amortization	(128,615)	(118,922)	
Net property and equipment	$ 88,576	$ 73,417	
Intangible and Other Assets			
Purchased technology	$ 28,700	$ 24,800	
Goodwill	14,036	14,036	
	42,736	38,836	
Accumulated amortization	(19,092)	(16,341)	
Net intangible assets	23,644	22,495	
Other assets	16,483	7,113	
	$ 40,127	$ 29,608	

Note 3 – Sale of Wafer Fabrication Facility

In December 1993, the Company sold its silicon wafer fabrication facility and certain tangible assets to Motorola, Inc. (“Motorola”) for $111.0 million plus certain other considerations, including the assumption by Motorola of equipment leases and certain other liabilities associated with the facility. The gain on the sale of the facility was not material to the financial position or results of operations of the Company. Concurrent with the sale, the Company entered into a supply contract with Motorola under which Motorola is supplying silicon wafers to Western Digital through December 1995.

Note 4 – Debt

Senior Debt

During 1994, the Company entered into an $85.0 million accounts receivable facility with certain financial institutions. The facility consists of a $50.0 million arrangement at Eurodollar or reference rates of the participating banks which expires in 1997 and a $35.0 million one-year committed arrangement at a rate approximating commercial paper rates. During 1995, the Company renewed the $35.0 million one-year committed arrangement with terms similar to the original arrangement. The facility is intended to serve as a source of working capital as may be needed from time to time. The facility, under which there has been no borrowings, requires the Company to maintain certain financial ratios and restricts the payment of dividends.

Subordinated Debt

During 1995, $58.1 million of the Company's 9% convertible subordinated debentures, due 2014, were converted into 4,026,623 shares of the Company's common stock. In connection with this conversion, the Company charged $.7 million of unamortized issue costs to shareholders' equity. The remaining $.5 million of the Company's debentures were redeemed for cash.

Note 5 – Commitments and Contingent Liabilities

Patents and Licenses

Although the Company owns numerous patents and has many patent applications in process, the Company believes that the successful manufacture and marketing of its products generally depends more upon the experience, technical know-how and creative ability of its personnel rather than upon ownership of patents.

The Company pays royalties under several patent licensing agreements which require periodic payments. From time to time, the Company receives claims of alleged patent infringement from patent holders which typically contain an offer to grant the Company a license.

Foreign Exchange Contracts

The Company enters into short-term, forward exchange contracts to hedge the impact of foreign currency fluctuations on certain underlying assets, liabilities and future commitments denominated in foreign currencies. At July 1, 1995 and June 30, 1994, the Company had outstanding $110.0 and $30.5 million, respectively, of forward exchange contracts with commercial banks. These contracts generally have maturity dates that do not exceed twelve months. The realized and unrealized gains and losses on these contracts are deferred and recognized in the results of operations in the year in which the underlying transaction is consummated and are not material for all periods presented. Costs associated with entering into such contracts are amortized over the life of the instrument. At July 1, 1995 and June 30, 1994, the carrying value of the foreign currency contracts approximated their fair market value.

Operating Leases

The Company leases certain facilities and equipment under long-term, noncancelable operating leases which expire at various dates through 2000. Rental expense under these leases, including month-to-month rentals, was $25.5, $26.5 and $29.5 million in 1995, 1994 and 1993, respectively.

Future minimum rental payments under non-cancelable operating leases as of July 1, 1995 are (in thousands):

1996	$ 19,029
1997	13,193
1998	11,334
1999	9,916
2000	8,573
Total future minimum rental payments	$ 62,045

Legal Claims

The Company was sued by Amstrad plc ("Amstrad") in December 1992 under a complaint that alleges that hard drives supplied by the Company in 1988 and 1989 were defective and caused damages to Amstrad of $186.0 million. The Company filed a counterclaim for $3.0 million in actual damages plus exemplary damages in an unspecified amount. The Company believes that it has meritorious defenses to Amstrad's claims and intends to vigorously defend itself against the Amstrad lawsuit.

The Company was sued in March 1993 by Conner Peripherals, Inc. ("Conner"). The suit alleges that the Company infringes five Conner patents and seeks damages (including treble damages) in an unspecified amount and injunctive relief. If Conner were to prevail in its claims, the Company could be enjoined from using any of the Conner patents found to be valid and infringed that are the subject of this action as well as held liable for past infringement damages. The amount of such damages, if any, could be material. The Company believes that it has meritorious defenses to Conner's claims and intends to defend itself against the Conner lawsuit. The Company has also filed a suit alleging that Conner infringes two of the Company's patents.

The Company was sued in December 1994 by Rodime plc ("Rodime"). The suit alleges that the Company infringes one of Rodime's patents which relates to 3.5-inch hard drives. Based on the opinion of patent counsel, the Company believes that the broad claims of the Rodime patent, if scrutinized in court, will not withstand an attack on validity and believes the Company has not infringed any valid claim of the Rodime patent. If Rodime were to prevail on its claim, the Company could be held liable for damages for past infringement. The damages, if any, are uncertain but could be material. The Company believes that it has meritorious defenses to Rodime's claims and intends to vigorously defend itself against the Rodime lawsuit.

The Company is also subject to certain other legal proceedings and claims arising in connection with its business. There can be no assurance that litigation will not be commenced on one or more of these or other future such claims, and that, if commenced, all such litigation would be resolved without any material adverse effect on the Company's business, consolidated financial position or results of operations.

It is management's opinion, however, that none of the above mentioned and other claims will have a material adverse effect on the Company's business, consolidated financial position or results of operations. The costs of defending such litigation can be substantial, regardless of outcome.

NOTE 6 – INCOME TAXES

The domestic and international components of income (loss) before income taxes are as follows:

(in thousands)	1995	1994	1993
United States	$ 26,421	$ (25,140)	$ (63,753)
International	118,612	111,182	38,645
Income (loss) before income taxes	$ 145,033	$ 86,042	$ (25,108)

The components of the provision for income taxes are as follows:

(in thousands)	1995	1994	1993
Current			
United States	$ 342	$ 337	$ —
International	15,941	4,313	1,671
State	310	620	183
	16,593	5,270	1,854
Deferred, net			
United States	1,867	4,857	(1,854)
International	(751)	820	—
	1,116	5,677	(1,854)
Additional paid-in capital from benefit of stock options exercised	4,022	1,959	—
Provision for income taxes	$ 21,731	$ 12,906	$ —
Cash paid for income taxes	$ 4,934	$ 1,067	$ 1,451

Temporary differences and carryforwards which give rise to a significant portion of deferred tax assets and liabilities at July 1, 1995 and June 30, 1994 are as follows:

(in thousands)	1995	1994
Deferred tax assets:		
NOL carryforward	$ 52,648	$ 53,646
Business credit carryforward	18,480	16,204
Reserves not currently deductible	12,479	13,952
Depreciation	1,919	—
All other	10,756	12,839
	96,282	96,641
Valuation allowance	(92,083)	(95,024)
Total deferred tax assets	$ 4,199	$ 1,617
Deferred tax liabilities:		
Depreciation	$ —	$ 995
Leases	3,479	3,458
All other	16,532	12,732
Total deferred tax liabilities	$ 20,011	$ 17,185

The net change in the total valuation allowance for the years ended July 1, 1995, June 30, 1994 and June 30, 1993 was a decrease of $2.9 million, and increases of $14.8 and $18.4 million, respectively.

Reconciliation of the United States Federal statutory rate to the Company's effective tax rate is as follows:

	1995	1994	1993
U.S. Federal statutory rate	35.0 %	35.0 %	(34.0%)
State income taxes, net	0.2	0.7	0.7
Tax rate differential on international income	(19.3)	(34.7)	(53.5)
NOL with no tax benefit realized	—	10.2	78.9
Other	(0.9)	3.8	7.9
Effective tax rate	15.0 %	15.0 %	—%

Certain income of selected subsidiaries is taxed at substantially lower income tax rates as compared with local statutory rates. The lower rates reduced income taxes and increased net earnings by $33.2 million ($.65 per share, fully diluted), $27.4 million ($.60 per share, fully diluted) and $8.6 million ($.27 per share, fully diluted) in 1995, 1994 and 1993, respectively. These lower rates expire periodically through 2005.

At July 1, 1995, the Company had Federal NOL carryforwards of $149.8 million and tax credit carryforwards of $18.5 million, which expire in 1996 through 2009.

Net undistributed earnings from international subsidiaries at July 1, 1995 were $206.5 million. The net undistributed earnings are intended to finance local operating requirements. Accordingly, an additional United States tax provision has not been made.

Note 7 – Shareholders' Equity

The following table summarizes all shares of common stock reserved for issuance as of July 1, 1995 (in thousands):

	Number of Shares
Issuable upon:	
Exercise of stock options, including options available for grant	7,090
Employee stock purchase plan	1,266
	8,356

Common Stock Offerings

In February 1993, the Company issued 5,750,000 shares of its common stock in a public common stock offering. Proceeds from the offering, net of commissions and other related expenses totaling $3.6 million, were $42.4 million.

In February 1994, the Company issued 7,618,711 shares of its common stock in a public common stock offering. Proceeds from the offering, net of commissions, and other related expenses totaling $4.2 million, were $73.3 million.

Stock Option Plans

Western Digital's Employee Stock Option Plan ("Employee Plan") is administered by the Compensation Committee of the Board of Directors which determines the vesting provisions, the form of payment for the shares and all other terms of the options. Terms of the Employee Plan require that the exercise price of options be not less than the fair market value at the date of grant. Options granted vest 25% one year from the date of grant and in twelve quarterly increments thereafter. As of July 1, 1995, 1,252,665 options were exercisable and 2,033,599 options were available for grant. Participants in the Employee Plan are permitted to utilize stock purchased previously as consideration to exercise options. The following table summarizes activity under the Employee Plan (in thousands, except per share amounts):

	Options Outstanding		
	Number of Shares	Price Per Share	Amount
Options outstanding at June 30, 1992	3,920	$ 2.88 – $13.63	$16,092
Granted	1,879	4.38 – 9.00	10,981
Exercised, net of value of redeemed shares	(376)	2.88 – 6.88	(1,411)
Cancelled or expired	(329)	2.88 – 9.88	(1,693)
Options outstanding at June 30, 1993	5,094	2.88 – 13.63	23,969
Granted	1,731	3.88 – 19.13	21,320
Exercised, net of value of redeemed shares	(1,785)	2.88 – 9.00	(7,120)
Cancelled or expired	(664)	2.88 – 19.13	(4,710)
Options outstanding at June 30, 1994	4,376	2.88 – 19.13	33,459
Granted	1,429	13.38 – 18.13	22,210
Exercised, net of value of redeemed shares	(1,036)	2.88 – 13.88	(5,478)
Cancelled or expired	(351)	2.88 – 19.13	(2,979)
Options outstanding at July 1, 1995	4,418	$ 2.88 – $19.13	$47,212

In 1985, the Company adopted the Stock Option Plan for Non-Employee Directors ("Director Plan") and reserved 800,000 shares for issuance thereunder. The Director Plan provides for initial option grants to new directors of 20,000 shares per director and additional grants of up to 30,000 options per director following the exercise of the initial options. Terms of the Director Plan require that the exercise price of options be not less than the fair market value at the date of grant. As of July 1, 1995, 125,250 options were exercisable and 468,188 options were available for grant. The following table summarizes activity under the Director Plan (in thousands, except per share amounts):

	Options Outstanding		
	Number of Shares	Price Per Share	Amount
Options outstanding at June 30, 1992	184	$ 5.25 –$14.63	$ 1,611
Cancelled or expired	(1)	6.88	(9)
Options outstanding at June 30, 1993	183	5.25 – 14.63	1,602
Granted	90	4.25 – 17.13	941
Exercised	(53)	4.25 – 11.50	(388)
Cancelled or expired	(30)	12.88	(386)
Options outstanding at June 30, 1994	190	4.25 – 17.13	1,769
Granted	40	14.00 – 17.75	614
Exercised	(40)	4.25 – 7.44	(212)
Cancelled or expired	(20)	4.25 – 17.75	(279)
Options outstanding at July 1, 1995	170	$ 4.88 –$17.13	$ 1,892

Stock Purchase Rights

In 1989, the Company implemented a plan to protect stockholders' rights in the event of a proposed takeover of the Company. Under the plan, each share of the Company's outstanding common stock carries one Right to Purchase Series "A" Junior Participating Preferred Stock ("the Right"). The Right enables the holder, under certain circumstances, to purchase common stock of Western Digital or of the acquiring company at a substantially discounted price ten days after a person or group publicly announces it has acquired or has tendered an offer for 15% or more of the Company's outstanding common stock. The Rights are redeemable by the Company at $.01 per Right and expire in 1999.

Employee Stock Purchase Plan

During 1994, the Company implemented an employee stock purchase plan ("ESPP") in accordance with Section 423 of the Internal Revenue Code whereby eligible employees may authorize payroll deductions of up to 10% of their salary to purchase shares of the Company's common stock at 85% of the fair market value of common stock on the date of grant or the exercise date, whichever is less. Approximately 1.8 million shares of common stock have been reserved for issuance under this plan. Approximately 484,000 shares were issued under this plan during 1995. No shares were issued during 1994.

Profit Sharing Plan

Effective July 1, 1991, the Company adopted an annual Profit Sharing Plan covering eligible domestic employees. During 1995, 1994 and 1993, the Company authorized 8% of defined pre-tax profits to be allocated to the participants. Payments to participants of the Profit Sharing Plan were $11.3, $7.4 and $1.2 million in 1995, 1994 and 1993, respectively.

Repurchase of Common Stock

During the year ended July 1, 1995, the Company repurchased 805,000 shares of its common stock in the open market at a cost of $10.8 million.

Note 8 – Business Segment and International Operations

Western Digital operates in one industry segment—the design, manufacture and marketing of hard drives, integrated circuits and board-level products to the personal computer industry. During 1995, one customer accounted for 11% of the Company's revenues. During 1994 and 1993, two customers accounted for 24% of the Company's revenues.

The Company's operations outside the United States include manufacturing facilities in Singapore and Malaysia as well as sales offices throughout the world.

The following table summarizes operations by entities located within the indicated geographic areas for the past three years. United States revenues to unaffiliated customers include export sales, principally to Asia, of $399.2, $300.0 and $237.7 million in 1995, 1994, and 1993, respectively.

Transfers between geographic areas are accounted for at prices comparable to normal sales through outside distributors. General and corporate expenses of $49.6, $43.6 and $32.7 million in 1995, 1994 and 1993, respectively, have been excluded in determining operating income (loss) by geographic region.

(in millions)	United States	Europe	Asia	Eliminations	Total
Year ended July 1, 1995					
Sales to unaffiliated customers	$1,596	$ 485	$ 50	$ —	$ 2,131
Transfers between geographic areas	139	57	1,216	(1,412)	—
Revenues, net	$1,735	$ 542	$ 1,266	$ (1,412)	$ 2,131
Operating income (loss)	$ 64	$ 6	$ 117	$ (4)	$ 183
Identifiable assets	$ 597	$ 78	$ 185	$ (1)	$ 859
Year ended June 30, 1994					
Sales to unaffiliated customers	$1,171	$ 321	$ 48	$ —	$ 1,540
Transfers between geographic areas	50	28	874	(952)	—
Revenues, net	$1,221	$ 349	$ 922	$ (952)	$ 1,540
Operating income (loss)	$ 24	$ 6	$ 108	$ (3)	$ 135
Identifiable assets	$ 430	$ 61	$ 150	$ —	$ 641
Year ended June 30, 1993					
Sales to unaffiliated customers	$ 924	$ 274	$ 27	$ —	$ 1,225
Transfers between geographic areas	41	21	793	(855)	—
Revenues, net	$ 965	$ 295	$ 820	$ (855)	$ 1,225
Operating income (loss)	$ (16)	$ 7	$ 38	$ (6)	$ 23
Identifiable assets	$ 336	$ 42	$ 154	$ (1)	$ 531

The Board of Directors
Western Digital Corporation:

We have audited the accompanying consolidated balance sheets of Western Digital Corporation as of July 1, 1995 and June 30, 1994, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended July 1, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Western Digital Corporation as of July 1, 1995 and June 30, 1994, and the results of its operations and its cash flows for each of the years in the three-year period ended July 1, 1995, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Orange County, California
July 17, 1995

(in thousands, except per share amounts)	First	Second	Third	Fourth
1995				
Revenues, net	$ 464,590	$ 551,944	$ 529,297	$ 585,036
Gross profit	97,767	109,040	88,368	98,931
Operating income	37,902	47,330	20,664	27,135
Net income	34,718	42,554	19,650	26,380
Primary earnings per share	$ .73	$ .89	$ .40	$ .54
Fully diluted earnings per share	$ .70	$ .85	$ .40	$ .52
1994				
Revenues, net	$ 285,498	$ 371,072	$ 420,878	$ 462,232
Gross profit	46,419	72,821	93,762	104,929
Operating income (loss)	(2,045)	16,342	34,149	43,434
Net income (loss)	(5,098)	12,487	28,448	37,299
Primary earnings (loss) per share	$ (.14)	$ .32	$ .64	$ .79
Fully diluted earnings (loss) per share	$ (.14)	$ .32	$ .61	$ .75

Common Stock Information

Western Digital's common stock is listed on the New York Stock Exchange ("NYSE"). The approximate number of holders of record of common stock of the Company as of September 1, 1995 was 3,800.

The Company has not paid any cash dividends on its common stock and does not intend to pay any cash dividends in the foreseeable future.

The high and low closing prices of the Company's common stock, as reported by the NYSE, for each quarter of 1995 and 1994 are as follows:

	First	Second	Third	Fourth
1995				
High	$ 16⅛	$ 18¾	$ 19¼	$ 21¼
Low	12⅞	14⅛	13⅜	13½
1994				
High	$ 6⅛	$ 10¼	$ 20⅛	$ 19½
Low	3¾	4⅞	8¾	11⅞

Board of Directors

Charles A. Haggerty
Chairman of the Board,
President and Chief Executive Officer

James A. Abrahamson
Senior Advisor
Galway Partners, L.L.C.
Investment and Merchant Banking

Peter D. Behrendt
Chairman, President
and Chief Executive Officer
Exabyte Corporation
Computer Tape Storage Products

I. M. Booth
Chairman, President
and Chief Executive Officer
Polaroid Corporation
Photographic Equipment

George L. Bragg
Chairman
Markwood Capital Alliance
Management and Investment Consulting

Irwin Federman
General Partner
U.S. Venture Partners
Venture Capital Investments

André R. Horn
Retired, Former Chairman of the Board
Joy Manufacturing Company
Capital Equipment for the Energy Industry

Dr. Anne O. Krueger
Professor of Economics
Department of Economics
Stanford University

Thomas E. Pardun
President and Chief Executive Officer
US WEST Multimedia
Communications Group
Diversified Communications

Corporate Officers

Charles A. Haggerty
Chairman of the Board,
President and Chief Executive Officer

Kathryn A. Braun
Executive Vice President,
Personal Storage Group

Kenneth E. Hendrickson
Executive Vice President,
Microcomputer Products Group

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

Marc H. Nussbaum
Senior Vice President,
Engineering

Michael A. Cornelius
Vice President, Law
and Secretary

Scott T. Hughes
Vice President,
Human Resources

David W. Schafer
Vice President,
Worldwide Sales

Duston M. Williams
Vice President and Treasurer

Domestic Sales Offices
Irvine, California
Mountain View, California
Chicago, Illinois
Baltimore, Maryland
Andover, Massachusetts
Detroit, Michigan
Minneapolis, Minnesota
Princeton, New Jersey
Raleigh, North Carolina
Sioux City, South Dakota
Austin, Texas
Dallas, Texas
Houston, Texas

International Sales Offices
Western Digital
Canada Corporation
Mississauga, Ontario, Canada

Western Digital (Deutschland) GmbH
Munich, Germany
Muenster, Germany

Western Digital (France) SARL
Orsay, France

Western Digital Hong Kong Limited
Tsimshatsui, Kowloon, Hong Kong

Western Digital (I.S.) Limited
Dublin, Ireland

Western Digital Japan Ltd.
Tokyo, Japan

Western Digital (S.E. Asia) Pte Ltd
Singapore

Western Digital Taiwan Co., Ltd.
Taipei, Taiwan R.O.C.

Western Digital (U.K.) Limited
Leatherhead, Surrey, England

Manufacturing Facilities
Santa Clara, California
Kuala Lumpur, Malaysia
Singapore

Transfer Agent and Registrar
American Stock Transfer
& Trust Company
40 Wall Street, 46th Floor
New York, NY 10005
Telephone: (718) 921-8200

Certified Public Accountants
KPMG Peat Marwick LLP

Shareholder Information
Annual Report on Form 10-K

A copy of the Company's Annual Report on Form 10-K, without exhibits, is available to shareholders without charge upon request to Mr. Michael A. Cornelius, Vice President, Law and Secretary, at the Company's headquarters located at 8105 Irvine Center Drive, Irvine, California 92718. Copies of the Company's Quarterly Report on Form 10-Q will be furnished without charge to any shareholder upon written request to the same address. For additional information about the Company, contact Investor Relations at (800) 695-6399 or see our Internet site at http://www.wdc.com.

Stock Exchange Listing
Western Digital common stock is listed on the New York Stock Exchange and traded under the symbol WDC.