Supplemental Information about WD's Acquisition of HGST

March 8, 2012

The New WD Delivers Incremental Value to Customers and Shareholders

Value Driver	Comments	Revenue	Gross Margin	OPEX	Cash Conversion	CAPEX	Volatility
Core Market Growth	2011-2016 CAGR: Volume = 10% / Revenue = 9% (IDC) Key Drivers: Cloud, mobility, emerging markets, digital content growth, back-up	✓					
Geography and Segment Coverage	1. Full product portfolio (TEP, ESSD, automotive, gaming, etc.) 2. New segment mix accretive to ASP 3. Increased footprint in high growth segments (ESSD, Cloud, mobility) 4. Broader customer set (TEP, Cloud, mobility) 5. Better geographical revenue distribution	✓	✓				✓
Adjacent market Opportunities	1. JDA with INTC on Enterprise SSD 2. G-Technology opportunity for SMB 3. Scale enables funding for connected home solutions	✓	✓				✓
Execution track record amplified by scale	1. Best-in-class cost 2. Best-in-class asset turns 3. Recognition for quality as key driver of customer satisfaction and cost	✓	✓		✓	✓	
Technology Leadership	1. Scale and depth to fund projects such as Hybrid, 5mm, etc. 2. Higher probability of technology breakthroughs (SMR, EAMR, mechanical)	✓	✓				
OPEX synergies	1. Shared services 2. Potential beyond two years			✓			
Risk Mitigation	1. Broader supply chain and manufacturing foot print 2. Technology and time-to-market execution risk reduced 3. Expanded customer base						✓

Backgrounder: WD Acquires HGST
March 8, 2012

The HGST Acquisition

With the acquisition of HGST completed, we are very excited about the opportunities for customer and shareholder value creation and continued profitable growth for WD. Today we want to share some initial thoughts to enhance the understanding of our new company and we look forward to regularly communicating with you in the months ahead.

The growth in demand for digital storage continues unabated driven by the expansion of digital content in consumer and commercial applications; mobility and cloud infrastructure trends are stimulating demand in new formats and creating new market segments. These dynamics have created the need for an increasingly diverse set of products and technology capabilities from storage solutions providers. A recently updated HDD forecast by IDC[1] calls for industry unit volume growth of 9.7% per year from 2011 to 2016, with the revenue CAGR[2] pegged at 8.6%—a clear indication of the opportunity at hand for WD.

With our leading technology, expanded manufacturing scale, an extended geographic footprint, greater R&D resources and a broader product portfolio, WD is in a strong position to seize the opportunity in the growth of stored digital content and address these trends with our significantly broadened customer base (see “Complementary Revenue Sources” in today’s Acquisition Financial Summary). We have acquired a strong presence in the traditional enterprise market. We have substantially increased our presence in the industry’s fastest-growing segments – cloud and mobility -- and we have improved our capability to address new market initiatives such as enterprise SSD, storage solutions for small business, and low profile and hybrid drives for Ultrabooks™.

As indicated in our announcement, the new WD will operate WD and HGST as wholly-owned subsidiaries, each with separate brands in the marketplace—WD and HGST—and with their own product lines and marketing, sales, operations and product development teams. At the same

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[1] ”IDC Worldwide Hard Disk Drive 2011-2016 Forecast: The Industry Hits the Reset Button," (IDC Doc # 233547, March 2012)

[2] CAGR: Compound Annual Growth Rate

time, we intend to leverage our resources for enhanced technology innovation and more streamlined and efficient shared services capabilities. Our strategy is to deliver the industry's best customer experience, through leading technology, product breadth and best-in-class execution.

We believe this acquisition will enable us to accomplish great things in a matured yet growing industry, as we operate two very healthy subsidiaries with a remarkable commonality in core values and approach to the business. Having both competing and complementary brands is a model that has worked successfully in other industries when combined with strong executive leadership and crisp execution — attributes demonstrated by both the WD and HGST teams.

Our most important priority is to maintain the high quality of execution at WD and HGST. To that end, in the next 90 days the executive leadership team will be working to develop the organization that will best deliver consistent and compelling customer value, leverage of fundamental technology and the enhancement of efficiency and effectiveness throughout the business, while complying with regulatory conditions related to the acquisition. Our target is to share a clear organization and long-term plan by July of this year.

We have created the Office of the CEO: John Coyne will continue as CEO and lead overall corporate strategy and execution; Steve Milligan rejoins the WD team as President and will focus, initially, on leadership of the HGST business; Tim Leyden, COO, will continue to lead the WD business; and Wolfgang Nickl, CFO, will focus on overall financials. For now, HGST senior executives will continue to operate in their current roles reporting to Steve Milligan; however, the HGST finance, human resources, legal, corporate development, IT and facilities functions will now report directly to the functional leaders at WD.

Business Model

We are pleased with the operating model for WD — a model that has proven successful in other industries, where companies with scale and multiple competing brands deliver strong financial performance by creating customer and shareholder value.

As mentioned previously, industry analyst IDC recently updated its HDD unit shipment forecast to an average of 9.7% per year from 2011 to 2016, with a corresponding revenue CAGR of 8.6%.

The primary focus of our subsidiaries will continue to be profitable revenue growth through outstanding customer satisfaction. By offering separate WD and HGST brands, WD has an outstanding opportunity to broaden its overall appeal to customers and earn an even greater share of the market.

Our improved core technology capabilities coupled with our ability to leverage component manufacturing investments, and the increased scale of our overall procurement budget should deliver COGS[3] synergies beyond what we could have achieved as separate companies.

We anticipate that WD will soon be at a business mix very similar to that of our largest competitor, which, with strong execution, should translate into a higher gross margin range than our original post-acquisition guidance of 19% to 24%.

Our new company also has a better risk profile, with an increased breadth of customers, a more diversified supply chain and manufacturing footprint and a broader set of technology options.

OPEX savings will be less than those originally envisioned in an integrated model.

As we indicated a year ago, our effective tax rate will increase as a result of profit generation in different geographic regions.

During our fiscal third quarter earnings call, we expect to provide a preliminary purchase price allocation. It should be assumed that for several years to come, we will record significant amounts for amortization of intangible assets.

For financial modeling purposes, a diluted share count of approximately 270 million should be assumed starting with our first full quarter.

Our views on cash conversion cycle (4-8 days) and capital expenditures as a percentage of revenue (7-8% of revenue) are expected to remain the same.

We have entered into a new credit agreement that includes a five-year term loan in the amount of $2.3 billion and a revolving credit facility of up to $500 million. The borrower on the term loan is WDI, one of our foreign subsidiaries, and the line of credit can be accessed by either WDI or WDT, our U.S. subsidiary. Interest on the term loan and the revolving line of credit is based on a debt to EBITDA leverage ratio, which currently

[3] COGS: Cost Of Goods Sold

results in an interest rate of LIBOR plus 200 basis points. The financial covenants consist of a leverage ratio and coverage ratio. The term loan requires quarterly principal payments of $57.5 million over 20 quarters, with $1.15 billion due at maturity. There is no penalty for early payment of the term loan. Our pre-existing term loan was repaid at the closing of this transaction.

The consideration paid for the acquisition of HGST consisted of $3.9 billion in cash and 25 million shares of WDC common stock valued at approximately $0.9 billion (based on a closing stock price of $37.87 on March 7, 2012). The parties negotiated and agreed to an amendment to the purchase agreement, dated March 6, 2012, to address contractual issues that arose leading up to the closing. As part of the amendment, the closing date was set for March 8, 2012, and the cash consideration was increased by approximately $392 million to $3.9 billion through adjustments to provisions of the purchase agreement addressing working capital and certain pension obligations of HGST.

The Toshiba Agreements

As previously announced, WD will be divesting certain assets to Toshiba, including manufacturing equipment and intellectual property, to comply with regulatory requirements that will enable Toshiba to enter the 3.5-inch desktop and consumer electronics market segments and expands their capacity in 3.5-inch near-line enterprise. The divestiture will include the product IP for the 1, 2 and 3 platter 3.5-inch 1TB/platter HGST platforms, associated production equipment and a limited set of WD test equipment.

WD has agreed to contract manufacture the transferred products for Toshiba for a period of time to allow for the orderly transfer of the production lines to Toshiba or a designated contract manufacturer, enabling Toshiba to compete immediately in the 3.5-inch desktop/CE HDD market. It is anticipated that the manufacturing transfer can be complete within 6 to 12 months. WD and Toshiba also entered into a supply agreement for heads and media

HGST will continue to build and support all its 3.5-inch desktop and CE products until closure of the divestiture. Post divestiture, HGST will continue to make other existing 3.5 inch desktop and CE products until the end of their production lives to meet customer demand and warranty obligations (i.e. 500GB and 667GB per platter products).

We have not yet made any decisions on the future operation or use of the acquired Toshiba facilities in Thailand. We plan to integrate the workforce into the WD Thailand operations.

Financial terms of the agreements with Toshiba are not being disclosed.

About WD

WD, a storage industry pioneer and long-time leader, provides products and services for people and organizations that collect, manage and use digital information. The company designs and produces reliable, high-performance hard drives and solid state drives that keep users' data accessible and secure from loss. Its storage technologies serve a wide range of host applications including client and enterprise computing, embedded systems and consumer electronics, as well as its own storage systems. Its home entertainment products enable rich engagement with stored digital content.

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

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used, the words "anticipates", "believes", "expects", "may", "should" and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, but are not limited to: statements relating to the anticipated benefits of the HGST acquisition, including the statement that the acquisition should deliver COGS synergies beyond what WD and HGST could have achieved as separate companies; statements concerning growth in demand for digital storage and expectations concerning expected industry unit volume and revenue growth; and statements concerning the effect of the acquisition on WD’s financial results, including with respect to gross margins, operating expenses, effective tax rate and the amortization of intangible assets. These forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including, but not limited to, the possibility that the expected benefits of the HGST acquisition may not materialize as expected; higher than anticipated recovery costs associated with the 2011 Thailand floods; unfavorable changes in the results of the company’s operations which adversely impact its ability to comply with financial covenants in its debt agreement entered into in connection with the acquisition; the commitments made pursuant to the regulatory approvals described below; and other risks and uncertainties listed in the company's filings with the Securities and Exchange Commission (the "SEC"), including the company's recent Form 10-Q filed with the SEC on January 27, 2012, to which your attention is directed. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

Regulatory Approvals: In connection with obtaining the regulatory approvals required to complete the acquisition of HGST, WD agreed, (i) subject to review by regulatory agencies in certain jurisdictions, to divest certain assets to Toshiba Corporation that will enable Toshiba to manufacture and sell 3.5-inch hard drives for the desktop and consumer electronics markets and will enhance Toshiba's ability to manufacture and sell 3.5-inch hard drives for near-line (business critical) applications and (ii) to conditions required by the Chinese Ministry of Commerce ("MOFCOM") including adopting measures to keep HGST as an independent competitor until MOFCOM agrees otherwise (the minimum period is two years). Compliance with these undertakings may limit synergies that could otherwise be achieved and involve significant costs or require changes in business practices that result in reduced revenue.

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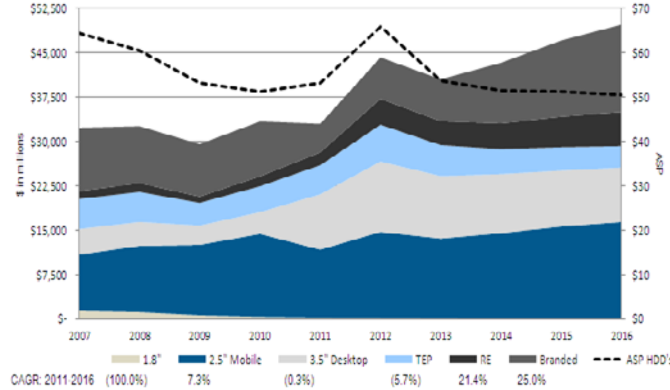
WD-HGST Acquisition Financial Summary

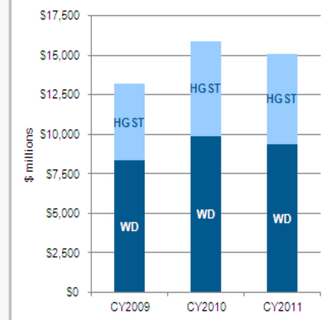
Operating Results [1]

Amounts in millions; except per share amounts, ASPs and percentages	CY2009 WDC	CY2009 HGST	CY2010 WDC	CY2010 HGST	CY2011 WDC	CY2011 HGST
Units (HDD)	165	91	204	114	190	105
ASP	$51	$53	$49	$53	$49	$55
Revenue	$8,347	$4,829	$9,894	$5,987	$9,344	$5,773
Gross Margin	1,824	880	2,112	1,527	2,068	1,427
Gross Margin %	22%	18%	21%	26%	22%	25%
R&D	553	532	650	628	751	682
SG&A	214	252	250	270	296	287
Other	(5)	17	27	6	270	1
Total Operating Expenses	762	801	927	904	1,317	970
Operating Income	1,062	79	1,185	623	751	457
Net Income	963	45	1,087	617	688	435
EPS	$4.21	n/a	$4.63	n/a	$2.90	n/a
Diluted Shares Outstanding	229	n/a	235	n/a	237	n/a
Non-GAAP Results [4]						
Operating Income	1,057	n/a	1,212	n/a	1,021	n/a
Net Income	958	n/a	1,114	n/a	966	n/a
EPS	$4.18	n/a	$4.74	n/a	$4.08	n/a
Cash Flow From Operations	1,695	534	1,846	633	1,490	848
Capital Expenditures	592	188	812	480	582	361
Free Cash Flow [5]	1,103	346	1,034	153	908	487
EBITDA [6]	1,550	478	1,748	1,018	1,350	857
Adjusted EBITDA [6]	1,545	n/a	1,775	n/a	1,620	n/a
Revenue by Channel:						
OEM	51%	82%	49%	82%	54%	84%
Distributors	30%	16%	32%	17%	29%	15%
Retail	19%	2%	19%	1%	17%	1%
Revenue by Geography:						
Americas	24%	17%	24%	17%	21%	23%
Europe	24%	16%	23%	15%	22%	16%
Asia	52%	67%	53%	68%	57%	61%
Unit Shipments:						
Compute Units (Notebook & Desktop)	125	65	151	79	138	66
Non-Compute Units (Consumer Electronics & Branded)	34	17	44	23	43	24
Enterprise Units (Traditional & Non-Traditional)	6	9	9	12	9	15
Total HDD Units	165	91	204	114	190	105

IDC Market Revenue Forecast [3]

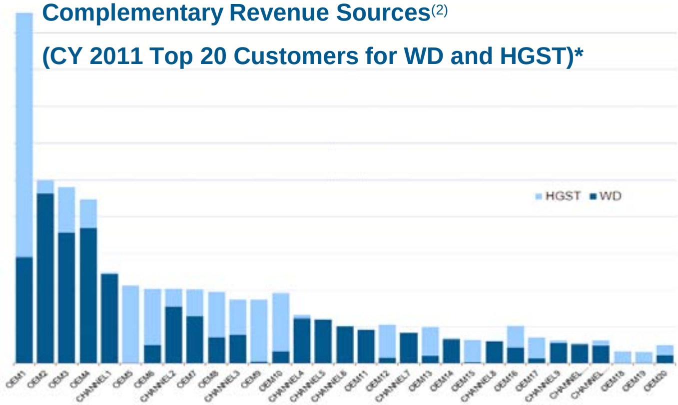


Revenue [1]

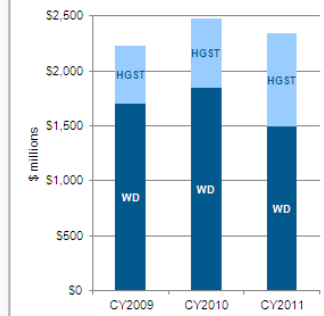


Complementary Revenue Sources [2]

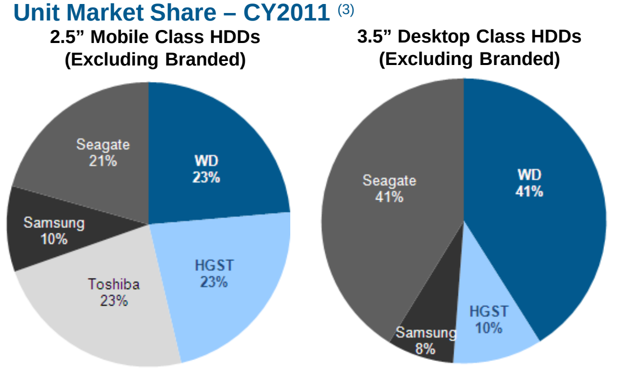
(CY 2011 Top 20 Customers for WD and HGST)*

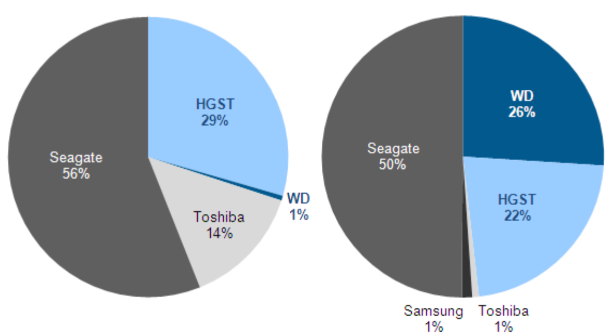


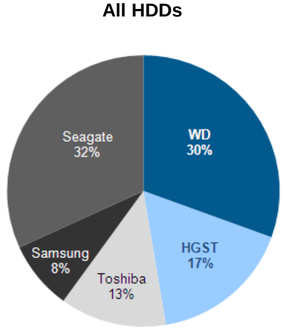
Cash Flow from Operations [1]



Unit Market Share – CY2011 [3]







Notes

Please refer to page two for footnotes and reconciliations

* Reflects aggregated revenue for each company's top 20 customers which may include revenue for customers outside of either company's top 20 customers.

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Footnotes

(1) Sources: Form 10-Q and earnings release for WDC; internal financials for HGST. The financial information about WDC and HGST provided herein reflects the historical results of operations of WDC and HGST for the periods presented and is provided for information purposes only. Such historical financial information is not intended to represent or be indicative of the consolidated results of operations of WDC if the acquisition of HGST had been completed for the periods presented, and should not be taken as a representation of the future consolidated results of operations or financial position of WDC. The effect of the acquisition of HGST on WDC's future consolidated results of operations or financial position will be impacted by a number of factors, including WDC's undertakings made to various regulatory agencies in connection with obtaining required regulatory approvals for the HGST acquisition, including WDC's commitment to divest certain assets to Toshiba Corporation that will enable Toshiba Corporation to manufacture and sell 3.5-inch hard drives, and the conditions required by the Chinese Ministry of Commerce ("MOFCOM"), including adopting measures to keep HGST as an independent competitor until MOFCOM agrees otherwise (the minimum period is two years).

(2) Sources: Internal financials for WDC and HGST

(3) Source: International Data Corporation (IDC) as of February 14, 2012 (Market Revenue Forecast) and February 27, 2012 (Unit Market Share)

(4) Non-GAAP operating income and non-GAAP net income exclude a $14 million in-process research and development charge related to the acquisition of SiliconSystems Inc., an $18 million gain on sale of assets from the company's media substrate manufacturing facility in Sarawak, Malaysia and $1 million of income from the resolution of restructuring accruals in 2009. For 2010, non-GAAP operating income and non-GAAP net income excludes $27 million of expense related to litigation settlements. For 2011, non-GAAP operating income and non-GAAP net income exclude $199 million of charges and expenses related to the Thailand flooding, $39 million of acquisition-related expenses and $32 million of litigation accruals. Non-GAAP net income in 2011 additionally excludes $8 million of acquisition-related expenses.

(5) Free cash flow is a non-GAAP measure defined as cash flow from operations less capital expenditures. A reconciliation of free cash flow to cash flow from operations, the most directly comparable GAAP measure, is provided in the table of Operating Results on page one.

(6) EBITDA is a non-GAAP measure defined as net income before interest, income tax expense, depreciation and amortization. Adjusted EBITDA is EBITDA excluding a $14 million in-process research and development charge related to the acquisition of SiliconSystems Inc., an $18 million gain on sale of assets from the company's media substrate manufacturing facility in Sarawak, Malaysia and $1 million of income from the resolution of restructuring accruals in 2009. For 2010, Adjusted EBITDA is EBITDA excluding $27 million of expense related to litigation settlements. For 2011, Adjusted EBITDA is EBITDA excluding $199 million of charges and expenses related to the Thailand flooding and $39 million of acquisition-related expenses and $32 million of litigation accruals. A reconciliation of EBITDA and Adjusted EBITDA to net income, the most directly comparable GAAP measure, is provided below:

	CY2009		CY2010		CY2011	
	WDC	HGST	WDC	HGST	WDC	HGST
Reconciliation of Net Income to Adjusted EBITDA						
Net Income	$963	$45	$1,087	$617	$688	$435
Interest (Income) Expense	9	6	3	(9)	4	1
Income Tax Expense	90	28	95	15	59	21
Depreciation and Amortization	488	399	563	395	599	400
EBITDA	$1,550	$478	$1,748	$1,018	$1,350	$857
In-Process Research and Development Charge	14					
Gain on Sale of Assets	(18)					
Resolution of Restructuring Accruals	(1)					
Litigation Accruals			27		32	
Acquisition-Related Expense					39	
Thailand Flooding Charges and Expense					199	
Adjusted EBITDA	$1,545	n/a	$1,775	n/a	$1,620	n/a