Seagate Technology plc
Form 10-K
August 04, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2017

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 No. 001-31560

SEAGATE TECHNOLOGY PUBLIC LIMITED COMPANY

(Exact name of registrant as specified in its charter)

Ireland	**98-0648577**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification Number)**

38/39 Fitzwilliam Square

Dublin 2, Ireland

(Address of principal executive offices)

Registrant s telephone number, including area code: (353) (1) 234-3136

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Ordinary Shares, par value $0.00001 per share	**The NASDAQ Global Select Market**

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. YES NO

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	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

The aggregate market value of the voting and non-voting ordinary shares held by non-affiliates of the registrant as of December 30, 2016, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $11.2 billion based upon the closing price reported for such date by the NASDAQ.

The number of outstanding ordinary shares of the registrant as of July 31, 2017 was 291,813,271.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the registrant s Annual General Meeting of Shareholders, to be held on October 18, 2017, will be incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13 and 14 of Part III. The definitive proxy statement will be filed with the SEC no later than 120 days after the registrant s fiscal year ended June 30, 2017.

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SEAGATE TECHNOLOGY PLC

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Annual Report on Form 10-K (the Form 10-K), unless the context indicates otherwise, as used herein, the terms we, us, Seagate, the Company and our refer to Seagate Technology public limited company (plc), an Irish pul limited company, and its subsidiaries. References to $ are to United States dollars.

We have compiled the market size information in this Form 10-K using statistics and other information obtained from several third-party sources.

Various amounts and percentages used in this Form 10-K have been rounded and, accordingly, they may not total 100%.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements and assumptions included in this Annual Report on Form 10-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects, demand for our products, shifts in technology, estimates of industry growth, our ability to effectively manage our debt obligations, our restructuring efforts and the projected costs savings for the fiscal quarter ending September 29, 2017 and the fiscal year ending June 29, 2018 and beyond. These statements identify prospective information and may include words such as expects, intends, plans, anticipates, believes, estimates, predicts, projects, may, will, or ne words, variations of these words and comparable terminology. These forward-looking statements are based on information available to the Company as of the date of this Annual Report on Form 10-K and are based on management s current views and assumptions. These forward-looking statements are conditioned upon and also involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or events to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties and other factors may be beyond our control and may pose a risk to our operating and financial condition. Such risks and uncertainties include, but are not limited to:

- the uncertainty in global economic conditions;
- the impact of variable demand and the adverse pricing environment for disk drives;
- any regulatory, legal, logistical or other impediments to the Company s ability to execute on its restructuring efforts;
- the Company s ability to achieve projected cost savings in connection with its restructuring plans and consolidation of its manufacturing activities;

- the Company s ability to effectively manage its debt obligations and comply with certain covenants in its credit facilities with respect to financial ratios and financial condition tests;

- the Company s ability to successfully qualify, manufacture and sell its disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly the new disk drive products with lower cost structures;

- possible excess industry supply with respect to particular disk drive products;

- disruptions to the Company s supply chain or production capabilities;

- the impact of competitive product announcements and unexpected advances in competing technologies or changes in market trends;

- the development and introduction of products based on new technologies and expansion into new data storage markets;

- consolidation trends in the data storage industry;

- currency fluctuations and fluctuations in interest rates that may impact the Company s margins and international sales;

- the risk of non-compliance with the legal, regulatory, administrative and environmental climate in the international markets where the Company operates; and

- cyber-attacks or other data breaches that disrupt its operations or result in the dissemination of proprietary or confidential information.

Information concerning risks, uncertainties and other factors that could cause results to differ materially from those projected in such forward-looking statements is also set forth in Item 1A. Risk Factors of this Annual Report on Form 10-K, which we encourage you to carefully read. These forward-looking statements should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

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PART I

ITEM 1. BUSINESS

We are a leading provider of data storage technology and solutions. Our principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. In addition to HDDs, we produce a broad range of data storage products including solid state drives (SSD) and their related controllers, solid state hybrid drives (SSHD) and storage subsystems.

Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives continue to be the primary medium of mass data storage due to their performance attributes, high quality and cost effectiveness. Complementing existing data center storage architecture, solid-state storage devices use integrated circuit assemblies as memory to store data, and most SSDs use NAND-based flash memory. In addition to HDDs and SSDs, SSHDs combine the features of SSDs and HDDs in the same unit, containing a large hard disk drive and an SSD cache to improve performance of frequently accessed data.

Our products are designed for mission critical and nearline applications in enterprise servers and storage systems; client compute applications, where our products are designed primarily for desktop and mobile computing; and client non-compute applications, where our products are designed for a wide variety of end user devices such as portable external storage systems, surveillance systems, network-attached storage (NAS), digital video recorders (DVRs) and gaming consoles.

Our cloud systems and solutions extend innovation from the device into the information infrastructure, onsite and in the cloud. Our portfolio includes modular original equipment manufacturer (OEM) storage systems and scale-out storage servers.

Industry Overview

Data Storage Industry

The data storage industry is comprised of companies that manufacture components or subcomponents designed for data storage devices and companies that provide storage solutions, software and services for enterprise cloud, big data and computing platforms.

Markets

The principal markets served by the data storage industry are:

Enterprise Storage. We define enterprise storage as dedicated storage area networks and hyperscale cloud storage environments. Enterprise data centers run solutions which are designed for mission critical performance and nearline high capacity applications.

Mission critical applications are defined as those that are vital to the operation of large-scale enterprise workloads, requiring high performance and high reliability storage solutions. We expect the market for mission critical enterprise storage solutions to continue to be driven by enterprises utilizing dedicated storage area networks. Our storage solutions are comprised principally of high performance enterprise class disk drives with sophisticated firmware and communications technologies.

Nearline applications are defined as those which require high capacity and energy efficient storage solutions. We expect such applications, which include storage for cloud computing, content delivery and backup services, will continue to grow and drive demand for solutions designed with these attributes. With the increased requirements for storage driven by the creation and consumption of media-rich digital content, we expect the increased exabyte demand will require further build-out of data centers by cloud service providers and other enterprises which utilize high capacity nearline devices.

Enterprise serial attached SCSI (SAS) SSDs are designed to deliver superior performance, reliability and enterprise features to meet the demands of I/O-intensive applications, with potential for substantial power savings. Non-Volatile Memory Express (NVMe) SSDs and add-in cards are designed to optimize enterprise applications with a persistent, high-performance, high-capacity memory design. They also leverage flash and software to accelerate any server virtualized deployment and moves any big data to the realm of real time.

Client Compute. We define client compute applications as solutions designed for desktop and mobile compute applications ranging from traditional laptops, tablets and convertible systems. As the storage of digital content in the cloud becomes more prominent and accessible, some client compute applications rely less on built-in storage, which is supplemented by cloud computing solutions and branded external hard drives.

Client Non-Compute. We define client non-compute applications as solutions designed for consumer electronic devices and disk drives used for external storage. Disk drives designed for consumer electronic devices are primarily used in applications such as surveillance systems, NAS and DVRs that require a higher capacity, low cost-per-gigabyte storage solution. Disk drives for external storage is designed for purposes such as portable external storage, and to augment storage capacity in the consumer s current desktop, notebook, tablet or DVR devices. We believe the proliferation and personal creation of media-rich digital content will continue to create increasing consumer demand for higher capacity storage solutions.

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Cloud Systems and Solutions. We define cloud systems and solutions as applications that provide cloud based solutions to businesses for the purpose of scale-out storage solutions and modular systems. Systems can contain HDDs and SSDs and can offer file management systems, software, and even compute power.

Participants in the data storage industry include:

Major subcomponent manufacturers. Companies that manufacture components or subcomponents used in data storage devices or solutions include companies that supply spindle motors, heads and media, application specific integrated circuits (ASICs).

Hardware storage solutions manufacturers. Companies that transform components into storage products include disk drive manufacturers and semiconductor storage manufacturers which include integrating flash memory into storage products such as SSDs.

System integrators. Companies, such as OEMs, that bundle and package storage solutions into client compute, client non-compute or enterprise applications as well as enterprise storage solutions. Distributors that integrate storage hardware and software into end-user applications and Cloud Service Providers (CSP) that provide cloud based solutions to businesses for the purpose of scale-out storage solutions and modular systems that are also included in this category.

Storage services. Companies that provide and host services and solutions, which include storage, backup, archiving, recovery and discovery of data.

Hyperscale Data Centers. Increasingly, large hyperscale data center companies are designing their own storage subsystems and having those built by contract manufacturers for use inside their own data centers. This trend is reshaping the storage system and subsystem market and driving innovation in system design and changes in the competitive landscape of the large storage system vendors.

Demand for Data Storage

The continued advancement of the cloud, the proliferation of a variety of mobile devices globally, development of the Internet of Things (IoT), increasingly pervasive use of video surveillance, evolution of consumer electronic devices, and enterprise use of big data analytics are driving the growth of digital content. Factors contributing to the growth of digital content include:

- Creation, sharing, and consumption of media-rich digital content, such as high-resolution photos, high definition video, and digital music through smart phones, tablets, digital cameras, personal video cameras, DVRs, gaming consoles or other digital devices;

- Creation, aggregation and distribution of digital content through services and other offerings such as Facebook®, Instagram®, iTunes®, Netflix®, Google® and YouTube®;

- New surveillance systems which feature higher resolution digital cameras and thus require larger data storage capacities;

- Creation and collection of data through the evolution of the IoT ecosystem, big data analytics and new technology trends such as self-driving cars and drones;

- Build out of large numbers of cloud data centers by cloud service providers and private companies transitioning on-site data centers into the cloud; and

- Protection of increased digital content through redundant storage on backup devices and externally provided storage services.

As a result of these factors, the nature and volume of content being created requires greater storage, which is more efficiently and economically facilitated by higher capacity storage devices in order to store, manage, distribute, analyze and backup such content. We expect this to support the growth in demand for data storage solutions in developed and emerging economies well into the future.

The amount of data created as well as where and how data is stored continues to evolve with the proliferation of mobile devices, the growth of cloud computing, and the evolving IoT. In addition, the economics of storage infrastructure are also evolving with the utilization of public and private hyper-scale storage and open-source solutions reducing the total cost of ownership of storage while increasing the speed and efficiency with which customers can leverage massive computing and storage devices. Accordingly, we expect these trends will continue to create significant demand for data storage solutions going forward.

Demand Trends for Disk Drives

We believe that continued growth in digital content requires increasingly higher storage capacity in order to store, aggregate, host, distribute, analyze, manage, backup and use such content. We also believe that as architectures evolve to serve the growing commercial and consumer user base throughout the world, the manner in which hard drives are delivered to market and utilized by our customers will evolve as well.

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We believe that in the foreseeable future the traditional enterprise and client compute markets that require high-capacity storage solutions, and the data intensive client non-compute markets will continue to be best served by hard disk drives due to the industry s ability to deliver the most cost effective, reliable and energy efficient mass storage devices although the advance of solid state technology in the above markets is expected to increase as well. Furthermore, the increased use of client non-compute devices that both consume media-rich digital content streamed from the cloud and create rich digital content that is stored in the cloud, increases the demand for high capacity hard disk drives in enterprise nearline applications.

We also believe that as hard disk drive capacities continue to increase, unit demand does not reflect the increase in exabytes demand. In recent years, this trend has resulted in demand for fewer units, but with higher average capacity per drive.

Industry Supply Balance

From time to time the HDD industry has experienced periods of imbalance between supply and demand. To the extent that the disk drive industry builds or maintains capacity based on expectations of demand that do not materialize, price erosion may become more pronounced. Conversely, during periods where demand exceeds supply, price erosion is generally muted.

Our Business

Disk Drive Technology

The design and manufacturing of disk drives depends on highly advanced technology and manufacturing techniques and therefore requires high levels of research and development spending and capital equipment investments. We design, fabricate and assemble a number of the most important components found in our disk drives, including read/write heads and recording media. Our design and manufacturing operations are based on technology platforms that are used to produce various disk drive products that serve multiple data storage applications and markets. Our core technology platforms are focused around the areal density of media and read/write head technologies. Using an integrated platform design and manufacturing leverage approach allows us to deliver a portfolio of disk drive products to service a wide range of data storage applications and industries.

Disk drives that we manufacture are commonly differentiated by the following key characteristics:

- storage capacity, commonly expressed in gigabytes (GB) or terabytes (TB), which is the amount of data that can be stored on the disk drive;
- spindle rotation speed, commonly expressed in revolutions per minute (RPM), which has an effect on speed of access to data;
- interface transfer rate, commonly expressed in megabytes per second, which is the rate at which data moves between the disk drive and the computer controller;

- average seek time, commonly expressed in milliseconds, which is the time needed to position the heads over a selected track on the disk surface;

- data transfer rate, commonly expressed in megabytes per second, which is the rate at which data is transferred to and from the disk drive;

- input/output operations per second (IOPS), commonly expressed in megabytes per second, which is the maximum number of reads and writes to a storage location;

- product quality and reliability, commonly expressed in annualized return rates; and

- energy efficiency, commonly measured by the power output necessary to operate the disk drive.

Areal density is measured by storage capacity per square inch on the recording surface of a disk. The storage capacity of a disk drive is determined by the number of disks it contains as well as the areal density capability of these disks. We have been pursuing, and will continue to pursue, a number of technologies to increase areal densities across the entire range of our products for expanding disk drive capacities and reducing the number of disks and heads per drive to further reduce product costs.

Manufacturing

We design and produce our own read/write heads and recording media, which are critical technologies for disk drives. This integrated approach enables us to lower costs and to improve the functionality of components so that they work together efficiently.

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We believe that because of our vertical design and manufacturing strategy, we are well suited to take advantage of the opportunities to leverage the close interdependence of components for disk drives. Our manufacturing efficiency and flexibility are critical elements of our integrated business strategy. We continuously seek to improve our manufacturing efficiency and reduce manufacturing cost by:

- employing manufacturing automation;
- improving product quality and reliability;
- integrating our supply chain with suppliers and customers to enhance our demand visibility and reduce our working capital requirements;
- coordinating between our manufacturing group and our research and development organization to rapidly achieve volume manufacturing; and
- operating our facilities at optimal capabilities.

A vertically integrated model, however, tends to have less flexibility when demand moderates as it exposes us to higher unit costs as capacity utilization is not optimized.

Components and Raw Materials

Disk drives incorporate certain components, including a head disk assembly and a printed circuit board mounted to the head disk assembly, which are sealed inside a rigid base and top cover containing the recording components in a contamination controlled environment. We maintain a highly integrated approach to our business by designing and manufacturing a significant portion of the components we view as critical to our products, such as recording heads and media.

Read/Write Heads. The function of the read/write head is to scan across the disk as it spins, magnetically recording or reading information. The tolerances of recording heads are extremely demanding and require state-of-the-art equipment and processes. Our read/write heads are manufactured with thin-film and photolithographic processes similar to those used to produce semiconductor integrated circuits, though challenges in magnetic film properties and topographical structures are unique to the disk drive industry. We perform all primary stages of design and manufacture of read/write heads at our facilities. We use a combination of internally manufactured and externally sourced read/write heads, the mix of which varies based on product mix, technology and our internal capacity levels.

Media. Information is written to the media, or disk, as it rotates at very high speeds past the read/write head. The media is made from non-magnetic material, usually aluminum alloy or glass, and is coated with thin layers of magnetic materials. We use a combination of internally manufactured and externally sourced finished media and aluminum substrates, the mix of which varies based on product mix, technology and our internal capacity levels. We purchase all of our glass substrates from third parties.

Printed Circuit Board Assemblies. The printed circuit board assemblies (PCBAs) are comprised of standard and custom ASICs and ancillary electronic control chips. The ASICs control the movement of data to and from the read/write heads and through the internal controller and interface, which communicates with the host computer. The ASICs and control chips form electronic circuitry that delivers instructions to a head positioning mechanism called an actuator to guide the heads to the selected track of a disk where the data is recorded or retrieved. Disk drive manufacturers use one or more industry standard interfaces such as serial advanced technology architecture (SATA); small computer system interface (SCSI); SAS; or Fibre Channel (FC) to communicate to the host systems. We outsource to third parties the manufacture and assembly of the PCBAs used in our disk drives. We do not manufacture any ASICs, but we participate in their proprietary design.

Head Disk Assembly. The head disk assembly consists of one or more disks attached to a spindle assembly powered by a spindle motor that rotates the disks at a high constant speed around a hub. Read/write heads, mounted on an arm assembly, similar in concept to that of a record player, fly extremely close to each disk surface and record data on and retrieve it from concentric tracks in the magnetic layers of the rotating disks. The read/write heads are mounted vertically on an E-shaped assembly (E-block) that is actuated by a voice-coil motor to allow the heads to move from track to track. The E-block and the recording media are mounted inside the head disk assembly. We purchase spindle motors from outside vendors and from time to time participate in the design of the motors that go into our products. We use a combination of internally manufactured and externally sourced head disk assemblies.

Disk Drive Assembly. Following the completion of the head disk assembly, it is mated to the PCBA, and the completed unit goes through extensive defect mapping and testing prior to packaging and shipment. Disk drive assembly and test operations occur primarily at facilities located in China and Thailand. We perform subassembly and component manufacturing operations at our facilities in China, Malaysia, Northern Ireland, Singapore, Thailand and in the United States. In addition, third parties manufacture and assemble components and disk drive assemblies for us in various countries worldwide.

Suppliers of Components and Industry Constraints. There are a limited number of independent suppliers of components, such as recording heads and media, available to disk drive manufacturers. Vertically integrated disk drive manufacturers, who manufacture their own components, are less dependent on external component suppliers than less vertically integrated disk drive manufacturers.

Commodity and Other Manufacturing Costs. The production of disk drives requires rare earth elements, precious metals, scarce alloys and industrial commodities, which are subject to fluctuations in prices and the supply of which has at times been constrained. In addition to increased costs of components and commodities, volatility in fuel costs may also increase our costs related to commodities, manufacturing and freight. As a result, we may increase our use of ocean shipments to help offset any increase in freight costs.

Products

We offer a broad range of storage solutions for the enterprise, data center, client compute and client non-compute applications. We offer more than one product within each product category and differentiate products on the basis of price, performance, form factor, capacity, interface, power consumption efficiency, security features, and other customer integration requirements. Our industry is characterized by continuous and significant advances in technology which contribute to rapid product life cycles. We list our main current product offerings below.

Enterprise Storage

Enterprise Performance HDDs. Our 10,000 and 15,000 RPM Enterprise Performance disk drives feature increased throughput and improved energy efficiency, targeted at high random performance server application needs. Performance 10,000 RPM HDDs ship in storage capacities ranging from 300GB to 2.4TB, and our 15,000 RPM HDDs ship in storage capacities ranging from 146GB to 900GB.

Enterprise Capacity and Archive HDDs. Our Enterprise Capacity disk drives ship in 2.5-inch and 3.5-inch form factors and in storage capacities of up to 12TB that mainly rotate at a speed of 7,200 RPM. These products are designed for bulk data storage and server environments that require high capacity, enterprise reliability, energy efficiency, integrated security, and SATA and SAS interfaces. Our Archive HDDs provide up to 8TB of low-cost storage designed specifically for active archive storage environments in cloud data centers where very low cost and power are paramount.

Enterprise SSDs. Our SAS SSD are available in capacities up to 3.8TB and feature 12GB per second interface to deliver the speed and consistency needed for demanding enterprise storage and server applications. We also offer a wide range of NVMe and SATA interface SSDs and add-in cards in our Nytro family with capacities up to 7.7TB.

Client Compute

Desktop HDDs and SSHDs. Our 3.5-inch desktop drives ship in both traditional HDD and SSHD configurations and offer up to 10TB of capacity. Desktop drives are designed for applications such as personal computers and workstations.

Mobile HDDs and SSHDs. Our family of 2.5-inch laptop drives ship in a variety of capacities (up to 5TB) and technologies (HDD and SSHD) to support mobile needs. Used in applications ranging from traditional laptops, convertible systems and external storage, our drives are built to address a range of performance needs and sizes for affordable, high capacity storage.

Client Non-Compute

Surveillance HDDs. Our surveillance drives are built to support the high-write workload of an always-on, always-recording video surveillance system. These surveillance optimized drives are built to support the growing needs of the surveillance market with support for multiple hard drive (HD) streams and capacities up to 10TB.

NAS HDDs. Our NAS drives are built to support the performance and reliability demanded by small and medium businesses, and incorporate interface software with custom-built error recovery controls, power settings, and vibration tolerance. Our NAS HDD solutions are available in capacities up to 10TB.

Video HDDs. Our Video HDDs are used in video applications like DVR s and media centers. These disk drives are optimized for video streaming in always-on applications with capacities up to 4TB to support leading-edge digital entertainment.

Gaming HDDs. Gaming HDDs are specifically optimized for console gaming usage. These products are designed to enhance gaming experience during game-load and game-play and are available in capacities up to 2TB.

Branded Solutions. Our external backup storage solutions are shipped under the Backup Plus and Expansion product lines, as well as under the Maxtor and LaCie brand names. These product lines are available in capacities up to 120TB.

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Customers

We sell our products to major OEMs, distributors and retailers.

The following table summarizes our HDD revenue by channel and by geography:

	Fiscal Years Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
Revenues by Channel (%)			
OEM	67%	69%	71%
Distributors	18%	17%	18%
Retail	15%	14%	11%
Revenues by Geography (%) (1)			
Americas	31%	29%	27%
EMEA	17%	17%	16%
Asia Pacific	52%	54%	57%

(1) Revenue is attributed to countries based on the shipping location.

OEM customers typically enter into master purchase agreements with us. These agreements provide for pricing, volume discounts, order lead times, product support obligations and other terms and conditions including sales programs offered to promote selected products. Deliveries are scheduled only after receipt of purchase orders. In addition, with limited lead-time, customers may defer most purchase orders without significant penalty. Anticipated orders from many of our customers have in the past failed to materialize or OEM delivery schedules have been deferred or altered as a result of changes in their business needs.

Our distributors generally enter into non-exclusive agreements for the resale of our products. They typically furnish us with a non-binding indication of their near-term requirements and product deliveries are generally scheduled accordingly. The agreements and related sales programs typically provide the distributors with limited right of return and price protection rights. In addition, we offer sales programs to distributors on a quarterly and periodic basis to promote the sale of selected products in the sales channel.

Our retail channel consists of our branded storage products sold to retailers either by us directly or by our distributors. Retail sales made by us or our distributors typically require greater marketing support, sales incentives and price protection periods.

In fiscal years 2017, 2016 and 2015, Dell Inc. accounted for approximately 10%, 12% and 14% of consolidated revenue, respectively. In fiscal year 2015, Hewlett-Packard Company accounted for approximately 12% of consolidated revenue. In fiscal year 2016, HP Inc., formerly known as Hewlett-Packard Company, completed its separation with Hewlett Packard Enterprise Company, and each company accounted for less than 10% of our consolidated revenue in both fiscal year 2016 and 2017. See Item 1A. Risk Factors Risks Related to Our Business We may be adversely affected by the loss of, or reduced, delayed or canceled purchases by, one or more of our major customers.

Competition

We compete primarily with manufacturers of hard drives used in the enterprise, client compute and client non-compute applications. We are also a supplier of Enterprise SSDs, NVMe add-in cards, cloud storage solutions and storage subsystems through our acquisitions. The markets that we participate in are highly competitive. Disk drive manufacturers compete for a limited number of major disk drive customers but also compete with other companies in the data storage industry that provide SSDs and NVMe add-in technology. Some of the principal factors used by customers to differentiate among data storage solutions manufacturers are storage capacity, product performance, product quality and reliability, price per unit and price per gigabyte, time-to-market and time-to-volume leadership, storage/retrieval access times, data transfer rates, form factor, product warranty and support capabilities, supply continuity and flexibility, power consumption, total cost of ownership, and brand. While different markets and customers place varying levels of emphasis on these factors, we believe that our products are competitive with respect to many of these factors in the markets that we currently address.

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Principal Disk Drive Competitors. There are three companies in the data storage industry that manufacture disk drives:

- Seagate, selling the Seagate, LaCie and Maxtor brands;
- Western Digital Corporation, operating the Western Digital, Hitachi Global Storage Technologies subsidiaries and SanDisk; and
- Toshiba Corporation

Other Competition. We are seeing direct competition from SSD s that is adversely impacting demand for HDD in some markets including Notebook and Enterprise Mission Critical. We expect that this trend will continue although we believe both product types will be required in the market to satisfy the growing demand for data storage.

Price Erosion. Historically, our industry has been characterized by price declines for disk drive products with comparable capacity, performance and feature sets (like-for-like products). Price declines for like-for-like products (price erosion) tend to be more pronounced during periods of:

- economic contraction in which competitors may use discounted pricing to attempt to maintain or gain market share;
- few new product introductions when competitors have comparable or alternative product offerings; and
- industry supply exceeding demand.

Disk drive manufacturers typically attempt to offset price erosion with an improved mix of disk drive products characterized by higher capacity, better performance and additional feature sets and product cost reductions.

We believe the HDD industry experienced modest price erosion in fiscal years 2015, 2016 and 2017.

Product Life Cycles and Changing Technology. Success in our industry has been dependent to a large extent on the ability to balance the introduction and transition of new products with time-to-volume, performance, capacity and quality metrics at a competitive price, level of service and support that our customers expect. Generally, the drive manufacturer that introduces a new product first benefits from improved product mix, favorable profit margins and less pricing pressure until comparable products are introduced. Changing technology also necessitates on-going investments in research and development, which may be difficult to recover due to rapid product life cycles and economic declines. Further, there is a continued need to successfully execute product transitions and new product introductions, as factors such as quality, reliability and manufacturing yields continue to be of significant competitive importance.

Seasonality

The disk drive industry traditionally experiences seasonal variability in demand with higher levels of demand in the second half of the calendar year. This seasonality is driven by consumer spending in the back-to-school season from late summer to fall and the traditional holiday shopping season from fall to winter. We believe fiscal year 2015 reflected seasonality consistent with historical patterns. In fiscal year 2016, beyond traditional seasonality, variability of sales was a reflection of more cyclical demand from CSPs based on the timing of large systems installations and the shift of the underlying technology. We believe fiscal year 2017 reflected seasonality consistent with historical patterns.

Research and Development

We are committed to developing new component technologies, products and alternative storage technologies. Our research and development focus is designed to bring new products to market in high volume, with quality attributes that our customers expect, before our competitors. Part of our product development strategy is to leverage a design platform and/or subsystem within product families to serve different market needs. This platform strategy allows for more efficient resource utilization, leverages best design practices, reduces exposure to changes in demand, and allows for achievement of lower costs through purchasing economies. Our advanced technology integration effort focuses disk drive and component research on recording subsystems, including read/write heads and recording media; market-specific product technology; and technology focused towards new business opportunities. The primary purpose of our advanced technology integration effort is to ensure timely availability of mature component technologies to our product development teams as well as allowing us to leverage and coordinate those technologies in the design centers across our products in order to take advantage of opportunities in the marketplace. During fiscal years 2017, 2016 and 2015, we had product development expenses of approximately $1,232 million, $1,237 million and $1,353 million, respectively, which represented 11%, 11% and 10% of our consolidated revenue, respectively.

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Patents and Licenses

As of June 30, 2017, we had approximately 5,600 U.S. patents and 1,300 patents issued in various foreign jurisdictions as well as approximately 1,100 U.S. and 900 foreign patent applications pending. The number of patents and patent applications will vary at any given time as part of our ongoing patent portfolio management activity. Due to the rapid technological change that characterizes the data storage industry, we believe that, in addition to patent protection, the improvement of existing products, reliance upon trade secrets, protection of unpatented proprietary know-how and development of new products are also important to our business in establishing and maintaining a competitive advantage. Accordingly, we intend to continue our efforts to broadly protect our intellectual property, including obtaining patents, where available, in connection with our research and development program.

We have patent licenses with a number of companies. Additionally, as part of our normal intellectual property practices, we may be engaged in negotiations with other major data storage companies and component manufacturers with respect to patent licenses.

The data storage industry is characterized by significant litigation arising from time to time relating to patent and other intellectual property rights. Because of rapid technological development in the data storage industry, some of our products have been, and in the future could be, alleged to infringe existing patents of third parties. From time to time, we receive claims that our products infringe patents of third parties. Although we have been able to resolve some of those claims or potential claims by obtaining licenses or rights under the patents in question without a material adverse effect on us, other claims have resulted in adverse decisions or settlements. In addition, other claims are pending, which if resolved unfavorably to us could have a material adverse effect on our business and results of operations. For more information on these claims, see Item 8. Financial Statements and Supplementary Data Note 14. Legal, Environmental and Other Contingencies. The costs of engaging in intellectual property litigation in the past have been, and in the future may be, substantial, irrespective of the merits of the claim or the outcome.

Backlog

In view of industry practice, whereby customers may cancel or defer orders with little or no penalty, we believe backlog in the disk drive industry is of limited indicative value in estimating future performance and results.

Environmental Matters

Our operations are subject to U.S. and foreign laws and regulations relating to the protection of the environment, including those governing discharges of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Some of our operations require environmental permits and controls to prevent and reduce air and water pollution, and these permits are subject to modification, renewal and revocation by issuing authorities.

We have established environmental management systems and continually update environmental policies and standard operating procedures for our operations worldwide. We believe that our operations are in material compliance with applicable environmental laws, regulations and permits. We budget for operating and capital costs on an ongoing basis to comply with environmental laws. If additional or more stringent requirements are imposed on us in the future, we could incur additional operating costs and capital expenditures.

Some environmental laws, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980 (as amended, the Superfund law) and its state equivalents, can impose liability for the cost of cleanup of contaminated sites upon any of the current or former site owners or operators or upon parties who sent waste to these sites, regardless of whether the owner or operator owned the site at the time of the release of hazardous substances or the lawfulness of the original disposal activity. We have been identified as a potentially responsible party at several sites. At each of these sites, we have an assigned portion of the financial liability based on the type and amount of hazardous substances disposed of by each party at the site and the number of financially viable parties. We have fulfilled our responsibilities at some of these sites and remain involved in only a few at this time.

While our ultimate costs in connection with these sites is difficult to predict with complete accuracy, based on current estimates of cleanup costs and our expected allocation of these costs, we do not expect costs in connection with these sites to be material.

We may be subject to various state, federal and international laws and regulations governing the environment, including those restricting the presence of certain substances in electronic products. For example, the European Union (EU) enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which prohibits the use of certain substances, including lead, in certain products, including disk drives and server storage products, put on the market after July 1, 2006. Similar legislation has been or may be enacted in other jurisdictions, including in the United States, Canada, Mexico, Taiwan, China, Japan and others. The European Union REACH Directive (Registration, Evaluation, Authorization, and Restriction of Chemicals, EC 1907/2006) also restricts substances of very high concern (SVHCs) in products.

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Employees

At June 30, 2017, we employed approximately 41,000 employees and temporary employees worldwide, of which approximately 33,000 were located in our Asian operations. We believe that our future success will depend in part on our ability to attract and retain qualified employees at all levels. We believe that our employee relations are good.

Financial Information

Financial information for our reportable business segment and about geographic areas is set forth in Item 8. Financial Statements and Supplementary Data Note 13. Business Segment and Geographic Information.

Corporate Information

Seagate Technology public limited company, is a public limited company organized under the laws of Ireland.

Available Information

Availability of Reports. We are a reporting company under the Securities Exchange Act of 1934, as amended (the 1934 Exchange Act), and we file reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the SEC). The public may read and copy any of our filings at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549 from 10:00 a.m. until 3:00 p.m. EST. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330 or (202) 551-6551. Because we make filings to the SEC electronically, the public may access this information at the SEC s website: www.sec.gov. This site contains reports, proxies and information statements and other information regarding issuers that file electronically with the SEC.

Website Access. Our website is www.seagate.com. We make available, free of charge at the Investors section of our website, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the 1934 Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Reports of beneficial ownership filed pursuant to Section 16(a) of the 1934 Exchange Act are also available on our website.

Investors and others should note that we routinely use the Investors section of our website to announce material information to investors and the marketplace. While not all of the information that the Company posts on its corporate website is of a material nature, some information could be deemed to be material. Accordingly, the Company encourages investors, the media and others interested in the Company to review the information that it shares on www.seagate.com. Information in, or that can be accessed through, our website is not incorporated into this Form 10-K.

Executive Officers

On July 25, 2017 the Company s board of directors (the Board of Directors) appointed William D. Mosley to serve as Chief Executive Officer of the Company, effective October 1, 2017. The Board of Directors also appointed Mr. Mosley to serve as a director of the Company, effective July 25, 2017. Mr. Mosley will serve as a director until the Company s next annual general meeting of shareholders when he is expected to stand for election by a vote of the Company s shareholders. On July 25, 2017, the Company also announced that Stephen J. Luczo will step down from his position as Chief Executive Officer, effective October 1, 2017. Mr. Luczo will remain with the Company in the role of Executive Chairman effective October 1, 2017 and will continue to serve as Chairman of the Board of

Directors.

The following sets forth the name, age and positions of each of the persons who were serving as executive officers as of August 4, 2017. There are no family relationships among any of our executive officers.

Name	Age	Positions
Stephen J. Luczo	60	Chairman and Chief Executive Officer
William D. Mosley	50	President and Chief Operating Officer
Philip G. Brace [(a)]	46	President, Cloud Systems and Silicon Group
David H. Morton Jr.	45	Executive Vice President, Finance and Chief Financial Officer
James J. Murphy	58	Executive Vice President, Worldwide Sales and Marketing
Katherine E. Schuelke	54	Senior Vice President, Chief Legal Officer and Corporate Secretary

(a) Mr. Brace is leaving the Company and will remain for an interim transition period until October 2, 2017.
Stephen J. Luczo. Mr. Luczo, 60, has served as our CEO since January 2009 and as Chairman of the Board of Directors since 2002. Mr. Luczo joined Seagate in October 1993 as Senior Vice President of Corporate Development. In September 1997, he was promoted to President and Chief Operating Officer of Seagate Technology (Seagate Technology plc s predecessor) and, in July 1998, he was promoted to CEO at which time he joined the Board of Directors as a director of Seagate Technology. Mr. Luczo resigned as CEO effective as of July 2004, but remained as Chairman of the Board of Directors. He served as non-employee Chairman from October 2006 to January 2009. From October 2006 until he rejoined us in January 2009, Mr. Luczo was a private investor. Prior to joining Seagate in 1993, Mr. Luczo was Senior Managing Director of the Global Technology Group of Bear, Stearns & Co. Inc., an investment banking firm, from February 1992 to October 1993. Mr. Luczo served on the board of directors of Microsoft Corporation from May 2012 to March 2014.

William D. Mosley. Mr. Mosley, 50, has served as our President, Chief Operating Officer since June 2016 and as a member of the Board since July 25, 2017. He was previously our President, Operations and Technology from October 2013 to June 2016 and our Executive Vice President, Operations from March 2011 until October 2013. Prior to that, he served as Executive Vice President, Sales and Marketing from February 2009 through March 2011; Senior Vice President, Global Disk Storage Operations from 2007 to 2009; and Vice President, Research and Development, Engineering from 2002 to 2007. Mr. Mosley joined Seagate in 1996 as a Senior Engineer and served in other positions of increasing responsibility until his promotion to Vice President in 2002.

Philip G. Brace. Mr. Brace, 46, has served as our President, Cloud Systems and Silicon Group since July 2015. On June 2, 2017, we announced that Mr. Brace will leave the Company. Mr. Brace will remain with us for an interim period, ending on October 2, 2017, in order to assist with the transition of his responsibilities. Mr. Brace joined Seagate in September 2014 as Executive Vice President and Chief Technology Officer of Silicon Solutions, and was promoted to Interim President of Cloud Systems and Silicon group on April 30, 2015. He was previously employed by LSI Corporation (LSI) from August 2005 through September 2014. At LSI, he was the Executive Vice President of the Storage Solutions Group from July 2012 to September 2014 and Senior Vice President and General Manager from January 2009 to July 2012.

David H. Morton Jr. Mr. Morton, 45, has served as our Executive Vice President and Chief Financial Officer since 2015 and our Principal Accounting Officer since 2014. He was previously our Senior Vice President, Finance, Treasurer and Principal Accounting Officer from April 2014 to October 2015 and our Vice President, Finance, Treasurer and Principal Accounting Officer from October 2009 to April 2014; Vice President of Finance, Sales and Marketing from March 2009 to October 2009; Vice President of Sales Operations from July 2007 to March 2009; Vice President of Finance, Storage Markets from October 2006 to July 2007; Executive Director of Consumer Electronics Finance from October 2005 to October 2006; and Executive Director of Corporate FP&A from June 2004 to October 2005.

James J. Murphy, 58, has served as our Executive Vice President, Worldwide Sales and Marketing since January 2017. From 2003 to 2016, Mr. Murphy was employed by Western Digital Corporation where he served in a variety of executive leadership roles including President of Western Digital Corporation, Executive Vice President of Worldwide Sales & Sales Operations, and Vice President of Asia Pacific sales. Mr. Murphy began his career with IBM in 1984 in the sales organization, where he held a number of sales roles with increasing responsibilities over a seven-year period.

Katherine E. Schuelke, 54, has served as our Senior Vice President, Chief Legal Officer and Corporate Secretary since June 2017. She was previously employed by Altera Corporation (Altera) from March 1996 through January 2016. At Altera, Ms. Schuelke was the Senior Vice President, General Counsel and Secretary from 2011 through 2016 and Vice President, General Counsel, and Secretary from 2001 to 2011. At Altera, she held other positions of increasing responsibility from 1996 through 2001.

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ITEM 1A. RISK FACTORS

If we fail to predict demand accurately for our products in any quarter, we may not be able to recapture the cost of our investments which may materially adversely affect our financial results and the results of our operations.

Our industry operates primarily on quarterly purchasing cycles, with much of the order flow in any given quarter typically coming at the end of that quarter. Our quarterly results are subject to substantial fluctuations and can be difficult to predict. Our manufacturing process requires us to make significant product-specific investments in inventory in each quarter for that quarter s production. Since we typically receive the bulk of our orders late in a quarter after we have made our investments, there is a risk that our orders will not be sufficient to allow us to recapture the costs of our investment before the products resulting from that investment have become obsolete. We cannot provide any assurance that we will be able to accurately predict demand in the future.

Our revenues in any quarter are substantially dependent upon customer orders in that quarter. We attempt to project future orders based in part on estimates from our major customers. Our customers estimated requirements are not always accurate and we therefore cannot predict our quarterly revenues with any degree of certainty. In addition, we derive a portion of our revenues in each quarter from a number of relatively large orders. If one or more of our major customers decide to defer a purchase order or delays product acceptance in any given quarter, this is likely to result in reduced total revenues for that quarter.

The difficulty in forecasting demand also increases the difficulty in anticipating our inventory requirements, which may cause us to over-produce finished goods, resulting in increased working capital requirements, or under-produce finished goods, adversely affecting our ability to meet customer requirements and maintain our market share. Additionally, the risk of inventory write-offs could increase if we were to continue to hold higher inventory levels. Our uneven sales cycle makes inventory management challenging and future financial results less predictable. We cannot be certain that we will be able to recover the costs associated with increased inventory.

Other factors that may negatively impact our ability to recapture the cost of investments in any given quarter include:

- the impact of variable demand and an aggressive pricing environment for disk drives;

- the impact of competitive product announcements and possible excess industry supply both with respect to particular disk drive products and with respect to competing alternative storage technology solutions such as solid state drives (SSDs) in tablet, notebook and enterprise compute applications;

- our inability to reduce our fixed costs to match sales in any quarter because of our vertical manufacturing strategy may increase our capital expenditures;

- dependence on our ability to successfully qualify, manufacture and sell in increasing volumes on a cost-effective basis and with acceptable quality our disk drive products, particularly the new disk drive products with lower cost structures;

- uncertainty in the amount of purchases from our distributor customers who from time to time constitute a large portion of our total sales;

- our product mix and the related margins of the various products;

- accelerated reduction in the price of our disk drives due to technological advances and/or an oversupply of disk drives in the market and shifting trends in demand which can create supply and demand imbalances;

- manufacturing delays or interruptions, particularly at our manufacturing facilities in China, Malaysia, Northern Ireland, Singapore, Thailand, or the United States;

- limited access to components that we obtain from a single or a limited number of suppliers;

- the impact of changes in foreign currency exchange rates on the cost of producing our products and the effective price of our products to foreign consumers; and

- operational issues arising out of the increasingly automated nature of our manufacturing processes.

In addition, the demand for client non-compute products can be even more volatile and unpredictable than the demand for client compute products. In some cases, our products manufactured for client non-compute applications are uniquely configured for a single customer s application, which creates a risk of unwanted and unsellable inventory if the anticipated volumes are not realized. This potential for unpredictable volatility is increased by the possibility of competing alternative storage technologies like flash memory meeting the customers cost and capacity metrics, resulting in a rapid shift in demand from our products and disk drive technology, generally, to alternative storage technologies. Unpredictable fluctuations in demand for our products or rapid shifts in demand from our products to alternative storage technologies in new client non-compute applications could materially adversely impact our future results of operations.

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Market acceptance of new product introductions cannot be accurately predicted, and our results of operations will suffer if there is less demand for our new products than is anticipated.

The markets for our products are characterized by rapid technological change, frequent new product introductions and technology enhancements, uncertain product life cycles and changes in customer demand. The success of our new product introductions is dependent on a number of factors, including market acceptance, our ability to manage the risks associated with product transitions, the effective management of inventory levels in line with anticipated product demand and the risk that our new products will have quality problems or other defects in the early stages of introduction that were not anticipated in the design of those products. Accordingly, we cannot accurately determine the ultimate effect that our new products will have on our results of operations. Failure to accurately anticipate customers need and accurately identify the shift in technological changes could materially adversely affect our long-term financial results.

Historically, our results of operations have substantially depended upon our ability to be among the first-to-market with new product offerings. We may face technological, operational and financial challenges in developing new products. In addition, our investments directed toward new product development may not yield the anticipated benefits. Our market share and results of operations in the future may be adversely affected if we fail to:

- consistently maintain our time-to-maturity performance with our new products;
- produce these products in sufficient volume;
- qualify these products with key customers on a timely basis by meeting our customers performance and quality specifications; or
- achieve acceptable manufacturing yields, quality and costs with these products.

In addition, the success of our new product introductions is dependent upon our ability to qualify as a primary source of supply with our OEM customers. In order for our products to be considered by our customers for qualification, we must be among the leaders in time-to-market with those new products. Once a product is accepted, any failure or delay in the qualification process or a requirement that we requalify can result in our losing sales to that customer until new products are introduced. The limited number of high-volume OEMs magnifies the effect of missing a product qualification opportunity. These risks are further magnified because we expect competitive pressures to result in declining sales, eroding prices, and declining gross margins on our current generation products. If the delivery of our products is delayed, our OEM customers may use our competitors products to meet their production requirements. We cannot assure that we will be among the leaders in time-to-market with new products or that we will be able to successfully qualify new products with our customers in the future.

We face the related risk that consumers and businesses may wait to make their purchases if they want to buy a new product that has been announced but not yet released. If this were to occur, we may be unable to sell our existing inventory of products that may be less efficient and cost effective compared to new products. As a result, even if we are among the first-to-market with a given product, subsequent introductions or announcements by our competitors of new products could cause us to lose revenue and not achieve a positive return on our investment in existing products and inventory.

If we cannot successfully deliver competitive products, our future results of operations may be adversely affected.

Our industries are highly competitive and our failure to anticipate and respond to technological and market developments could harm our ability to compete.

We operate in markets that are highly competitive and subject to rapid change and that are significantly affected by new product introductions, substantial price erosion and lower prices as part of a strategy to gain or retain market share and customers. Should these practices continue, we may need to continually reduce our prices for existing products to retain our market share, which could adversely affect our results of operations.

Our ability to offset the effect of price erosion through new product introductions at higher average prices is diminished to the extent competitors introduce products into particular markets ahead of our similar, competing products. Our ability to offset the effect of price erosion is also diminished during times when supply exceeds demand for a particular product.

Market share for our products can be negatively affected by our customers diversifying their sources of supply as our competitors enter the market for particular products, as well as by our ability to ramp volume production of new product offerings. When our competitors successfully introduce product offerings that are competitive with our recently introduced products, our customers may quickly diversify their sources of supply. Any significant decline in our market share in any of our principal market applications would adversely affect our results of operations.

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Our principal sources of competition include:

- disk drive manufacturers, such as Western Digital Corporation and Toshiba;
- companies providing storage subsystems and components to OEMs;
- electronic manufacturing services (EMS) companies acquiring the necessary skills and intellectual property to enter the enterprise data storage marketplace; and
- collaborations between in-house development teams of existing and potential customers and a combination of EMS, contract electronic manufacturing (CEM) or emerging technology companies.

We also experience competition from other companies that produce alternative storage technologies like flash memory, where increasing capacity, decreasing cost, energy efficiency and improvements in performance ruggedness have resulted in competition with our lower capacity, smaller form factor disk drives. This competition has traditionally been in the markets for handheld consumer electronics applications and now it also includes SSDs for tablet, notebook and enterprise compute applications. Certain customers for both notebook and enterprise compute applications are adopting SSDs as alternatives to hard drives in certain applications. Further adoption of these alternative storage technologies may impact the competitiveness of our product portfolio and reduce our market share and adversely affect our results of operation.

The markets for our data storage system products are also characterized by technological change driven in part by the adoption of new industry standards. These standards provide mechanisms to ensure technology component interoperability can occur and may reduce our capability for differentiation or innovation and our affected products would revert to commodity status. This could lower the barriers to entry to our market away from our specialist research and development skills and enable entry for the general-purpose design skills found in some large EMS and CEM companies. Commodity markets are driven by extremely low margins and very aggressive competitive pricing. If our market becomes more commoditized and we fail to deliver innovative value-added alternatives to our customers, we will have difficulty competing against the larger EMS and CEM companies. If we are unable to compete successfully against our current and future competitors, we could experience profit margin reductions or loss of market share, which could significantly harm our financial condition.

We may be unable to effectively plan and make strategic changes in our business which may materially adversely affect our financial and business results. Additionally, we may not achieve the intended benefits of our strategic change efforts.

We may not be able to identify suitable strategic alliances, acquisitions, joint ventures or investment opportunities, to successfully acquire and integrate companies that provide complementary products or technologies or to realize the anticipated benefits of such transactions.

Our growth strategy involves pursuing strategic alliances with, making acquisitions of, forming joint ventures with or making investments in other companies that are complementary to our business. There is substantial competition for attractive strategic alliance, acquisition, joint venture and investment candidates. Additionally, the current trend of consolidation in the data storage industry may materially adversely affect our business and financial results and our future growth prospects. Accordingly, we may not be able to identify suitable strategic alliances, acquisition, joint venture, or investment candidates. Even if we can identify them, we cannot assure you that we will be able to partner with, acquire or invest in suitable candidates, or integrate acquired technologies or operations successfully into our existing technologies and operations. Moreover, our ability to finance potential strategic alliances, acquisitions, joint ventures or investments may be limited by our leverage level, the covenants contained in the instruments that govern our outstanding indebtedness, and any agreements governing any other debt we may incur.

If we are successful in forming strategic alliances or acquiring, forming joint ventures or making investments in other companies, any of these transactions may have an adverse effect on our results of operations, particularly while the operations of an acquired business are being integrated. It is also likely that integration of acquired companies would lead to the loss of key employees from those companies or the loss of customers of those companies. In addition, the integration of any acquired companies would require substantial attention from our senior management, which may limit the amount of time available to be devoted to our day-to-day operations or to the execution of our strategy. Growth by strategic alliance, acquisition, joint venture or investment involves an even higher degree of risk to the extent we combine new product offerings and enter new markets in which we have limited experience, and no assurance can be given that acquisitions of entities with new or alternative business models will be successfully integrated or achieve their stated objectives. There can be no assurance that we will realize the anticipated benefits of any strategic alliance, acquisition, joint venture or investment that we make or, if we do, how long it will take to achieve such benefits.

Furthermore, the expansion of our business involves the risk that we might not manage our growth effectively, that we would incur additional debt to finance these acquisitions or investments, that we may have impairment of goodwill or acquired intangible assets associated with these acquisitions and that we would incur substantial charges relating to the write-off of in-process research and development. Each of these items could have a material adverse effect on our financial condition and results of operations.

In addition, we could issue additional ordinary shares in connection with future strategic alliances, acquisitions, joint ventures or investments. Issuing shares in connection with such transactions would have the effect of diluting your ownership percentage of the ordinary shares and could cause the price of our ordinary shares to decline.

If we do not develop products in time to keep pace with technological changes, our results of operations will be adversely affected.

Our customers demand new generations of disk drive products as advances in computer hardware and software have created the need for improved storage products, with features such as increased storage capacity, improved performance and reliability and lower cost. We, and our competitors, have developed improved products, and we will need to continue to do so in the future. Such product development requires significant investments in research and development. We cannot assure you that we will be able to successfully complete the design or introduction of new products in a timely manner, that we will be able to manufacture new products in sufficient volumes with acceptable manufacturing yields, that we will be able to successfully market these new products or that these products will perform to specifications on a long-term basis. In addition, the impact of slowing areal density growth may adversely impact our ability to be successful.

When we develop new products with higher capacity and more advanced technology, our results of operations may decline because the increased difficulty and complexity associated with producing these products increases the likelihood of reliability, quality or operability problems. If our products suffer increases in failures, are of low quality or are not reliable, customers may reduce their purchases of our products and our manufacturing rework and scrap costs and service and warranty costs may increase. In addition, a decline in the reliability of our products may make us less competitive as compared with other disk drive manufacturers or competing technologies.

We may fail to successfully anticipate technological shifts, business opportunities and market demand. Additionally, the barriers to entry in developing NAND flash memory products and SSDs may materially adversely affect our future growth prospects. We may fail to develop new products, identify business strategies and introduce competitive product offerings to meet those technological shifts which may materially adversely affect our ability to compete effectively and may impact our future financial results.

Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

We are leveraged and have significant debt service obligations. Our significant debt and debt service requirements could adversely affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities and reduce our options for capital allocation. For example, our high level of debt presents the following risks:

- we are required to use a substantial portion of our cash flow from operations to pay principal and interest on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, and other general corporate requirements;

- our substantial leverage increases our vulnerability to economic downturns and adverse competitive and industry conditions and could place us at a competitive disadvantage compared to those of our competitors that are less leveraged;

our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and our industry and could limit our ability to pursue other business opportunities, borrow more money for operations or capital in the future and implement our business strategies;

our level of debt may restrict us from raising additional financing on satisfactory terms to fund working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances, and other general corporate requirements; and

covenants in our debt instruments limit our ability to pay future dividends or make other restricted payments and investments.

In the event that we need to refinance all or a portion of our outstanding debt as it matures, we may not be able to obtain terms as favorable as the terms of our existing debt or refinance our existing debt at all. If prevailing interest rates or other factors existing at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to the refinanced debt would increase. Furthermore, if any rating agency changes our credit rating or outlook, our debt and equity securities could be negatively affected, which could adversely affect our ability to refinance existing debt or raise additional capital.

In addition, our business may not generate cash flow in an amount sufficient to enable us to pay the principal of, or interest on, our indebtedness or to fund our other liquidity needs, including working capital, capital expenditures, product development efforts, strategic acquisitions, investments and alliances and other general corporate requirements.

Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that:

- our business will generate sufficient cash flow from operations;
- we will continue to realize the cost savings, revenue growth and operating improvements that result from the execution of our long-term strategic plan; or
- future sources of funding will be available to us in amounts sufficient to enable us to fund our liquidity needs.

If we cannot fund our liquidity needs, we will have to take actions such as reducing or delaying capital expenditures, product development efforts, strategic acquisitions, investments and alliances, and other general corporate requirements. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all, or that they would permit us to meet our scheduled debt service obligations. In addition if we incur additional debt, the risks associated with our substantial leverage, including the risk that we will be unable to service our debt or generate enough cash flow to fund our liquidity needs, could intensify.

Changes in demand for computer systems and storage subsystems may in the future cause a decline in demand for our products.

Our products are components in computers, data storage systems, and consumer electronics devices. The demand for these products has been volatile. Unexpected slowdowns in demand for computer systems, storage subsystems or consumer electronics devices generally cause sharp declines in demand for our products. Declines in consumer spending could have a material adverse effect on demand for our products and services and on our financial condition and results of operations.

While sales to Client Non-Compute and Cloud Systems and Solutions markets are becoming a more significant source of revenue, sales to the Client Compute market remain an important part of our business. The Client Compute market, however, has been, and we expect it to continue to be, adversely affected by the growth of tablet computers, smart phones and similar devices and that perform many of the same capabilities as computers, the lengthening of product life cycles and macroeconomic conditions. We believe that the deterioration of the Client Compute market has accelerated recently, and that this accelerated deterioration may continue or further accelerate, which could cause our operating results to suffer. Additionally, if demand in the Client Compute market is worse than expected as a result of these or other conditions, demand for our products in the Client Compute market may decrease at a faster rate and our operating results may be adversely affected.

The Enterprise Storage market has been adversely affected by the growth of the utilization of NAND flash in mission critical applications. This deterioration of the Enterprise Storage market could cause our operating results to suffer. The potential migration of the Enterprise Storage market to NAND flash memory products and an acceleration of the pace of migration may materially adversely affect our financial results.

Causes of declines in demand for our products in the past have included weakness in macroeconomic environments, announcements or introductions of major new operating systems or semiconductor improvements or changes in consumer preferences, such as the shift to mobile devices. We believe these announcements and introductions have from time to time caused consumers to defer their purchases and made inventory obsolete. Whenever an oversupply of our products causes participants in our industry to have higher than anticipated inventory levels, we experience even more intense price competition from other manufacturers than usual which may materially adversely affect our financial results.

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Increases in the areal density of disk drives may outpace customers demand for storage capacity.

The rate of increase in areal density, or storage capacity per square inch on a disk, may be greater than the increase in our customers demand for aggregate storage capacity, particularly in certain market applications like client compute. As a result, our customers storage capacity needs may be satisfied with lower priced, low capacity disk drives. These factors could decrease our sales, especially when combined with continued price erosion, which could adversely affect our results of operations.

We may not be successful in our efforts to grow our cloud systems and silicon group.

We have made and are continuing to make investments to develop our Cloud Systems and Silicon group. Our Cloud Systems and Silicon group is subject to the following risks:

- the cloud systems and solutions market may develop more slowly than we expect;
- we may be unable to accurately estimate and predict data center capacity and requirements;
- we may not be able to offer compelling solutions to enterprises and consumers;
- our Cloud Systems and Silicon group generally has a long and unpredictable sales cycle, and growth in this business is likely to depend on relatively large customer orders, which may increase the variability of our results of operations and the difficulty of matching revenues with expenses; and
- the current uncertainty surrounding net neutrality may cause the data center and cloud business to grow at a slower rate than expected.

Our results of operations and share price may be adversely affected if we are not successful in our efforts to grow our cloud computing business as anticipated. In addition, our growth in this sector may bring us into closer competition with some of our customers or potential customers, which may decrease their willingness to do business with us.

Changes in the macroeconomic environment have negatively impacted, and may continue to, negatively impact our results of operations.

Due to the continuing uncertainty about current macroeconomic conditions affecting consumer and enterprise spending, we believe our customers may postpone spending in response to volatility in credit and equity markets, negative financial news and/or declines in income or asset values, all of which could have a material adverse effect on the demand for our products. Additionally, enterprise spending continues to remain cautious in many regions around the world. Other factors that could influence demand include conditions in the labor market, healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could have a material adverse effect on demand for our products and on our financial condition and operating results.

Macroeconomic developments like the ongoing withdrawal of the United Kingdom from the European Union, the debt crisis in certain countries in the European Union and slowing economies in parts of Asia and South America could negatively affect our business, operating results or financial condition which, in turn, could adversely affect our stock price. A general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause current or potential customers to reduce their IT budgets or be unable to fund hardware systems, which could cause customers to delay, decrease or cancel purchases of our products or cause customers not to pay us or to delay paying us for previously purchased products and services.

Our quarterly results of operations fluctuate, sometimes significantly, from period to period, and may cause our share price to decline.

Our quarterly revenue and results of operations may fluctuate, sometimes significantly, from period to period. These fluctuations, which we expect to continue, may be occasioned by a variety of factors, including:

- current uncertainty in global economic conditions may pose a risk to the overall economy;
- adverse changes in the level of economic activity in the major regions in which we do business;
- competitive pressures resulting in lower selling prices by our competitors targeted to encourage shifting of customer demand;
- delays or problems in our introduction of new, more cost-effective products, the inability to achieve high production yields or delays in customer qualification or initial product quality issues;
- changes in purchasing patterns by our distributor customers;
- application of new or revised industry standards;
- disruptions in our supply chain;

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increased costs or adverse changes in availability of supplies of raw materials or components;

the impact of corporate restructuring activities that we have and may continue to engage in;

changes in the demand for the computer systems and data storage products that contain our products due to seasonality, economic conditions and other factors;

changes in purchases from period to period by our primary customers;

shifting trends in customer demand which, when combined with overproduction of particular products, particularly when the industry is served by multiple suppliers, results in unfavorable supply/demand imbalances;

our high proportion of fixed costs, including research and development expenses;

any impairments in goodwill or other long-lived assets;

announcements of new products, services or technological innovations by us or our competitors; and

adverse changes in the performance of our products.

As a result, we believe that quarter-to-quarter and year-over-year comparisons of our revenue and results of operations may not be meaningful, and that these comparisons may not be an accurate indicator of our future performance. Our results of operations in one or more future quarters may fail to meet the expectations of investment research analysts or investors, which could cause an immediate and significant decline in the trading price of our ordinary shares.

Because we experience seasonality in the sales of our products, our results of operations will generally be adversely impacted during the second half of our fiscal year.

Sales of computer systems, storage subsystems and consumer electronics tend to be seasonal, and therefore we expect to continue to experience seasonality in our business as we respond to variations in our customers demand for our products. In particular, we anticipate that sales of our products will continue to be lower during the second half of our fiscal year. In the client compute and client non-compute market applications of our disk drive business, this seasonality is partially attributable to the historical trend in our results derived from our customers increased sales of desktop computers, notebook computers, and consumer electronics during the back-to-school and winter holiday season. In the enterprise market our sales are seasonal because of the capital budgeting and purchasing cycles of our end users. Since our working capital needs peak during periods in which we are increasing production in anticipation of orders that have not yet been received, our results of operations will fluctuate seasonally even if the forecasted demand for our products proves accurate. Furthermore, it is difficult for us to evaluate the degree to which this seasonality may affect our business in future periods because of the rate and unpredictability of product transitions and new product introductions, particularly in the client non-compute market, as well as macroeconomic conditions.

We have a long and unpredictable sales cycle for enterprise data storage solutions.

Our enterprise data storage solutions are technically complex and we typically supply them in high quantities to a small number of customers. Many of our products are also tailored to meet the specific requirements of individual customers, and are often integrated by our customers into the systems and products that they sell. Factors that affect the length of our sales cycle include:

- the time required for testing and evaluating our products before they are deployed;
- the size of the deployment; and
- the degree of system configuration necessary to deploy our products.

As a result, our sales cycle for enterprise data storage solutions is often in excess of one year, and the length of our sales cycle is frequently unpredictable. In addition, the emerging and evolving nature of the market for the products that we sell may lead prospective customers to postpone their purchasing decisions. We invest resources and incur costs during this cycle that may not be recovered if we do not successfully conclude sales. These factors lead to difficulty in matching revenues with expenses, and to increased expenditures which together may adversely impact our results of operations.

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We may be adversely affected by the loss of, or reduced, delayed or canceled purchases by, one or more of our major customers.

Some of our key customers account for a large portion of our disk drive revenue. While we have longstanding relationships with many of our customers, if any of our key customers were to significantly reduce their purchases from us, our results of operations would be adversely affected. While sales to major customers may vary from period to period, a major customer that permanently discontinues or significantly reduces its relationship with us could be difficult to replace. In line with industry practice, new customers usually require that we pass a lengthy and rigorous qualification process at the customer s cost. Accordingly, it may be difficult or costly for us to attract new major customers. Additionally, mergers, acquisitions, consolidations or other significant transactions involving our customers generally entail risks to our business. If a significant transaction involving any of our key customers results in the loss of or reduction in purchases by these key customers, it could have a materially adverse effect on our business, results of operations, financial condition and prospects.

We are dependent on sales to distributors and retailers, which may increase price erosion and the volatility of our sales.

A substantial portion of our sales has been to distributors of disk drive products. Certain of our distributors may also market other products that compete with our products. Product qualification programs in this distribution channel are limited, which increases the number of competing products that are available to satisfy demand, particularly in times of lengthening product cycles. As a result, purchasing decisions in this channel are based largely on price, terms and product availability. Sales volumes through this channel are also less predictable and subject to greater volatility than sales to our OEM customers. In addition, deterioration in business and economic conditions could exacerbate price erosion and volatility as distributors lower prices to compensate for lower demand and higher inventory levels. Our distributors ability to access credit for purposes of funding their operations may also affect purchases of our products by these customers.

If distributors reduce their purchases of our products or prices decline significantly in the distribution channel or if distributors experience financial difficulties or terminate their relationships with us, our revenues and results of operations would be adversely affected.

We believe that industry demand for storage products in the long-term is increasing due to the proliferation of media-rich digital content in consumer applications and is fueling increased consumer demand for storage. This has led to the expansion of our branded solutions such as external storage products to provide additional storage capacity and to secure data in case of disaster or system failure, or to provide independent storage solutions for multiple users in home or small business environments. Consumer spending on retail sales of our branded solutions has deteriorated in some markets and may continue to do so if poor global economic conditions continue and higher levels of unemployment persist. This could have a material adverse effect on demand for our products and services and on our financial condition and results of operations.

In addition, such retail sales of our branded solutions traditionally experience seasonal variability in demand with higher levels of demand in the first half of our fiscal year driven by consumer spending in the back-to-school season from late summer to fall and the traditional holiday shopping season from fall to winter. Additionally, our ability to reach such consumers depends on us maintaining effective working relationships with major retailers and distributors. Failure to anticipate consumer demand for our branded solutions as well as an inability to maintain effective working relationships with retail and online distributors may adversely impact our future results of operations.

Our international sales and manufacturing operations subject us to risks related to disruptions in foreign markets, currency exchange fluctuations, longer payment cycles, seasonality, limitations imposed by a variety of legal and regulatory regimes, potential adverse tax consequences, increased costs, our customers credit and access to capital, health-related risks, and access to personnel.

We have significant sales and manufacturing operations in foreign countries, including manufacturing facilities, sales personnel and customer support operations. We have manufacturing facilities in China, Malaysia, Northern Ireland, Singapore and Thailand, in addition to those in the United States. Additionally, the manufacturing of some of our products is concentrated in certain geographical locations. The production of certain drive subassemblies are limited to Thailand and the production of media is limited to Singapore. Disruptions in the economic, environmental, political, legal or regulatory landscape in these countries may have a material adverse impact on our manufacturing operations.

Our international operations are subject to economic risks inherent in doing business in foreign countries, including the following:

Disruptions in Foreign Markets. Disruptions in financial markets and the deterioration of the underlying economic conditions in the past in some countries, including those in Asia, United Kingdom and the European Union have had an impact on our sales to customers located in, or whose end-user customers are located in, these countries.

Fluctuations in Currency Exchange Rates. Prices for our products are denominated predominately in U.S. dollars, even when sold to customers that are located outside the United States. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside of the U.S. where we sell in dollars. This could adversely impact our sales and market share in such areas or increase pressure on us to lower our price, and adversely impact our profit margins. A weakened dollar could increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. Any of these events could have a material adverse effect on our results of operations. We may attempt to manage the impact of foreign currency exchange rate changes by, among other things, entering into foreign currency forward exchange contracts. However, these contracts may not cover our full exposure and subject us to certain counterparty credit risks. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk-Foreign Currency Exchange Risk of this report for additional information about our foreign currency exchange risk.

Longer Payment Cycles. Our customers outside of the United States are sometimes allowed longer time periods for payment than our U.S. customers. This increases the risk of nonpayment due to the possibility that the financial condition of particular customers may worsen during the course of the payment period.

Seasonality. Seasonal reductions in the business activities of our customers during the summer months, particularly in Europe, and the impact of international holidays like the Chinese New Year, typically result in lower earnings during those periods.

Legal and Regulatory Limitations. Our international operations are affected by limitations on imports, tariffs, duties, currency exchange control regulations, price controls, export control laws, antitrust matters including the trade and economic sanctions administered by the Office of Foreign Assets Control, and other restraints on trade. In addition, China, Malaysia, Northern Ireland, Singapore and Thailand, in which we have significant operating assets, and the European Union have exercised and continue to exercise significant influence over many aspects of their domestic economies including, but not limited to, fair competition, tax practices, anti-corruption, antitrust, price controls and international trade. Although we have implemented policies and procedures designed to ensure compliance, there can be no assurance that our employees, contractors, or agents will not violate these or other applicable laws, rules and regulations to which we may be subject. Violations of these laws and regulations could lead to significant penalties, restraints on our export or import privileges, monetary fines, government investigations, disruption of our operating activities, criminal proceedings and regulatory or other actions that could materially adversely affect our results of operations.

Potential Adverse Tax Consequences. Our international operations create a risk of potential adverse tax consequences, including imposition of withholding or other taxes on payments by our subsidiaries. In addition, our taxable income in any jurisdiction is dependent upon acceptance of our operational practices and intercompany transfer pricing by local tax authorities as being on an arm s length basis. Due to inconsistencies in application of the arm s length standard among taxing authorities, as well as a lack of adequate treaty-based protection, transfer pricing challenges by tax authorities could, if successful, substantially increase our income tax expense. We are subject to tax audits around the world, and are under audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax positions are reasonable, the final determination of tax audits could be materially different from our recorded income tax provisions and accruals. The ultimate results of an audit could have a material adverse effect on our operating results or cash flows in the period or periods for which that determination is made and could result in increases to our overall tax expense in subsequent periods. In light of the ongoing fiscal challenges many countries are facing, various levels of government are increasingly focused on tax reform and other legislative action to increase tax revenue. In addition, the Organization for Economic Cooperation and Development s Base Erosion and Profit Shifting recommendations are reshaping international tax rules in numerous countries. These actual and potential changes in the relevant tax laws applicable to corporate multinationals along with potential changes in accounting and other laws, regulations, administrative practices, principles, and interpretations could increase the risk of double taxation, cause increased tax audit activity, and could impact our effective tax rate.

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Increased Costs. The shipping and transportation costs associated with our international operations are typically higher than those associated with our U.S. operations, resulting in decreased operating margins in some foreign countries.

Credit and Access to Capital Risks. Our international customers could have reduced access to working capital due to higher interest rates, reduced bank lending resulting from contractions in the money supply or the deterioration in the customer s or its bank s financial condition, or the inability to access other financing.

Global Health Outbreaks. The occurrence of a pandemic disease may adversely impact our operations, and some of our key customers. Such diseases could also potentially disrupt the timeliness and reliability of the distribution network we rely on.

Tariffs or Other Restrictions on Foreign Imports. The U.S. government could impose tariffs or other restrictions on foreign imports. The implementation of a border tax, tariff or higher customs duties on our products manufactured abroad or components that we import into the U.S., or any potential corresponding actions by other countries in which we do business, could negatively impact our financial performance.

Access to Personnel. There is substantial competition for qualified and capable personnel in certain jurisdictions in which we operate, including China, which may make it difficult for us to recruit and retain qualified employees in sufficient numbers. Increased difficulty in recruiting or retaining sufficient and adequate personnel in our international operations may lead to increased manufacturing and employment compensation costs, which could adversely affect our results of operations.

We could suffer a loss of revenue and increased costs, exposure to significant liability including legal and regulatory consequences, reputational harm, and other serious negative consequences if we encounter cyber-attacks, ransomware or other data security breaches that disrupt our operations or result in the dissemination of proprietary or confidential information about us or our customers or other third-parties.

Our operations are dependent upon our ability to protect our computer equipment and the electronic data stored in our databases from damage by, among other things, earthquake, floods, fire, natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, employee misconduct, physical or electronic break-ins, cyber-attacks, ransomware, system security breaches or similar events or disruptions. We manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, our outsourcing services and cloud computing businesses routinely process, store, and transmit large amounts of data for our customers and vendors, including sensitive and personally identifiable information. As our operations become more automated and increasingly interdependent, our exposure to the risks posed by these types of events will increase. We have been, and will likely continue to be, subject to computer viruses or other malicious codes, cyber-attacks, or other computer-related attempts to breach the information technology (IT) systems we use for these purposes. We may also be subject to IT system failures and network disruptions due to these factors. Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third-parties, create system disruptions, or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third-parties may contain defects in design or manufacture, including bugs and other problems that could unexpectedly interfere with the operation of the system.

The costs to us to eliminate or address the foregoing security problems and security vulnerabilities before or after a cyber-incident could be significant. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Our remediation efforts may not be successful and could result in interruptions, delays, or cessation of service, and loss of existing or potential customers that may impede our sales, manufacturing, distribution, or other critical functions. We could lose existing or potential customers for outsourcing services or other IT solutions in connection with any actual or perceived security vulnerabilities in our products. In addition, breaches of our security measures and the unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or other third-parties, could expose us, our vendors and customers, or other third-parties affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation, or otherwise harm our business. In addition, we rely in certain limited capacities on third-party data management providers whose possible security problems and security vulnerabilities may have similar effects on us.

We are subject to laws, rules, and regulations in the U.S., U.K., European Union and other countries relating to the collection, use, and security of user data. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, and among us, our subsidiaries and other parties with which we have commercial relations. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify vendors, customers or employees of a data security breach. We have incurred, and will continue to incur, significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations. These laws, protocols and standards continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. If we fail to comply with applicable federal, state or international privacy-related or data protection laws we may be subject to proceedings by governmental entities and incur penalties or significant legal liability.

From time to time, we may be subject to litigation, government investigations or governmental proceedings, which may adversely impact our results of operations and financial condition.

From time to time, the Company may be involved in various legal, regulatory or administrative investigations, negotiations or proceedings arising in the normal course of business.

In the event of litigation, government investigations or governmental proceedings, we are subject to the inherent risks and uncertainties that may result if outcomes differ from our expectations. In the event of adverse outcomes in any litigation, investigation or government proceeding, we could be required to pay substantial damages, fines or penalties, and cease certain practices or activities, which could materially harm our business.

The costs associated with litigation and government investigations can also be unpredictable depending on the complexity and length of time devoted to such litigation or investigation. Litigation, investigations or government proceedings may also divert the efforts and attention of our key personnel, which could also harm our business.

If we do not control our fixed costs, we will not be able to compete effectively in our industry.

We continually seek to make our cost structure and business processes more efficient. We are focused on increasing workforce flexibility and scalability, and improving overall competitiveness by leveraging our global capabilities, as well as external talent and skills, worldwide. Our strategy involves, to a substantial degree, increasing revenue and product volume while at the same time controlling operating expenses. If we do not control our operating expenses, our ability to compete in the marketplace may be impaired. In the past, activities to reduce operating costs have included closures and transfers of facilities, significant personnel reductions, restructuring efforts and efforts to increase automation. Our restructuring efforts may not yield the intended benefits and may be unsuccessful or disruptive to our business operations which may materially adversely affect our financial results.

If we experience shortages or delays in the receipt of, or cost increases in, critical components, equipment or raw materials necessary to manufacture our products, we may suffer lower operating margins, production delays and other material adverse effects.

The cost, quality and supply of components, subassemblies, certain equipment and raw materials used to manufacture our products and key components like recording media and heads are critical to our success. The equipment we use to manufacture our products and components is frequently custom made and comes from a few suppliers and the lead times required to obtain manufacturing equipment can be significant. Particularly important for our products include read/write heads, aluminum or glass substrates for recording media, ASICs, spindle motors, printed circuit boards, and suspension assemblies.

We rely on sole suppliers or a limited number of suppliers for some or all of these components that we do not manufacture, including aluminum and glass substrates, read/write heads, ASICs, spindle motors, printed circuit boards, and suspension assemblies. Many of such component suppliers are geographically concentrated which makes our supply chain more vulnerable to regional disruptions such as severe weather, acts of terrorism and unpredictable geo-political climate which may have a material impact on the production and availability of many components. If our vendors for these components are unable to meet our cost, quality, and supply requirements, continue to remain financially viable or fulfill their contractual commitments and obligations, we could experience a shortage in supply or an increase in production costs, which would materially adversely affect our results of operations and our financial results.

Certain rare earth elements are critical in the manufacture of our products. We purchase components that contain rare earth elements from a number of countries, including the People s Republic of China. We cannot predict whether any nation will impose regulations, quotas or embargoes upon the rare earth elements incorporated into our products that would restrict the worldwide supply of such metals or increase their cost. We have experienced increased costs and production delays when we were unable to obtain the necessary equipment or sufficient quantities of some components, and/or have been forced to pay higher prices or make volume purchase commitments or advance deposits for some components, equipment or raw materials that were in short supply in the industry in general. If any major supplier were to restrict the supply available to us or increase the cost of the rare earth elements used in our products, we could experience a shortage in supply or an increase in production costs, which would adversely affect our results of operations.

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Consolidation among component manufacturers has resulted and may continue to result in some component manufacturers exiting the industry or not making sufficient investments in research to develop new components.

If there is a shortage of, or delay in supplying us with, critical components, equipment or raw materials, then:

- it is likely that our suppliers would raise their prices and, if we could not pass these price increases to our customers, our operating margin would decline;
- we might have to reengineer some products, which would likely cause production and shipment delays, make the reengineered products more costly and provide us with a lower rate of return on these products;
- we would likely have to allocate the components we receive to certain of our products and ship less of others, which could reduce our revenues and could cause us to lose sales to customers who could purchase more of their required products from manufacturers that either did not experience these shortages or delays or that made different allocations; and
- we might be late in shipping products, causing potential customers to make purchases from our competitors, thus causing our revenue and operating margin to decline.

We cannot assure you that we will be able to obtain critical components in a timely and economic manner.

We often aim to lead the market in new technology deployments and leverage unique and customized technology from single source suppliers who are early adopters in the emerging market. Our options in supplier selection in these cases are limited and the supplier based technology may consequently be single sourced until wider adoption of the technology occurs and any necessary licenses become available. In such cases any technical issues in the supplier s technology may cause us to delay shipments of our new technology deployments and therefore harm our financial position.

If revenues fall or customer demand decreases significantly, we may not meet all of our purchase commitments to certain suppliers.

From time to time, we enter into long-term, non-cancelable purchase commitments or make large up-front investments with certain suppliers in order to secure certain components or technologies for the production of our products or to supplement our internal manufacturing capacity for certain components. If our actual revenues in the future are lower than our projections or if customer demand decreases significantly below our projections, we may not meet all of our purchase commitments with these suppliers. As a result, it is possible that our revenues will not be sufficient to recoup our up-front investments, in which case we will have to shift output from our internal manufacturing facilities to these suppliers or make penalty-type payments under these contracts.

Conflict minerals regulations may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products.

In August 2012, the SEC adopted rules establishing additional disclosure and reporting requirements regarding the use of specified minerals, or conflict minerals, that are necessary to the functionality or production of products manufactured or contracted to be manufactured. These rules will require us to determine, disclose and report whether or not such conflict minerals originate from the Democratic Republic of the Congo or an adjoining country. These rules could affect our ability to source certain materials used in our products at competitive prices and could impact the availability of certain minerals used in the manufacture of our products, including gold, tantalum, tin and tungsten. As there may be only a limited number of suppliers of conflict free minerals, we cannot be sure that we will be able to obtain necessary conflict free minerals in sufficient quantities or at competitive prices. Our customers, including our OEM customers, may require that our products be free of conflict minerals, and our revenues and margins may be harmed if we are unable to procure conflict free minerals at a reasonable price, or at all, or are unable to pass through any increased costs associated with meeting these demands. Additionally, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins of all minerals used in our products through the due diligence procedures that we implement. We may also face challenges with government regulators and our customers and suppliers if we are unable to sufficiently verify that the metals used in our products are conflict free. We expect that there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs related to possible changes to products, processes, or sources of supply as a consequence of such verification and disclosure requirements. Additionally, the regulatory and compliance framework for conflict minerals may undergo changes which may further increase the cost of compliance. Our stakeholders and customers may place increased demands on our compliance framework which may in turn negatively impact our relationships with our suppliers.

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The loss of key executive officers and employees could negatively impact our business prospects.

Our future performance depends to a significant degree upon the continued service of key members of management as well as marketing, sales and product development personnel. The loss of one or more of our key personnel may have a material adverse effect on our business, results of operations and financial condition. We believe our future success will also depend in large part upon our ability to attract, retain and further motivate highly skilled management, marketing, sales and product development personnel. We have experienced intense competition for personnel, and we cannot assure you that we will be able to retain our key employees or that we will be successful in attracting, assimilating and retaining personnel in the future.

Due to the complexity of our products, some defects may only become detectable after deployment.

Our products are highly complex and are designed to operate in and form part of larger complex networks and storage systems. Defects in our products, or in the networks and systems of which they form a part, directly or indirectly, have resulted in and may in the future result in:

- increased costs and product delays until complex solution level interoperability issues are resolved;
- costs associated with the remediation of any problems attributable to our products;
- loss of or delays in revenues;
- loss of customers;
- failure to achieve market acceptance and loss of market share;
- increased service and warranty costs; and
- increased insurance costs.

Defects in our products could also result in legal actions by our customers for property damage, injury or death. Product liability claims could exceed the level of insurance coverage that we have obtained to cover defects in our products. Any significant uninsured claims could significantly harm our financial condition.

Political events, war, terrorism, natural disasters, public health issues and other circumstances could materially adversely affect our results of operations and financial condition.

War, terrorism, geopolitical uncertainties, natural disasters, public health issues, and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a strong negative effect on our business, our suppliers, logistics providers, manufacturing vendors and customers. Our business operations are subject to interruption by natural disasters such as floods and earthquakes, fires, power shortages, terrorist attacks, other hostile acts, labor disputes, public health issues, and other events beyond our control. Such events could decrease demand for our products, make it difficult or impossible for us to make and deliver products to our customers, or to receive components from our suppliers, and create delays and inefficiencies in our supply chain. In the event of a natural disaster, losses and significant recovery time could be required to resume operations and our financial condition and operating results could be materially adversely affected. Should major public health issues, including pandemics, arise, we could be negatively affected by stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products, and disruptions in our operations and some of our key customers.

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Failure to comply with applicable environmental laws and regulations could have a material adverse effect on our business, results of operations and financial condition.

The sale and manufacturing of products in certain states and countries may subject us and our suppliers to state, federal and international laws and regulations governing protection of the environment, including those governing discharges of pollutants into the air and water, the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites, restrictions on the presence of certain substances in electronic products and the responsibility for environmentally safe disposal or recycling. We endeavor to ensure that we and our suppliers comply with all applicable environmental laws and regulations, however, compliance may increase our operating costs and otherwise impact future financial results. If additional or more stringent requirements are imposed on us in the future, we could incur additional operating costs and capital expenditures. If we fail to comply with applicable environmental laws, regulations, initiatives, or standards of conduct, our customers may refuse to purchase our products and we could be subject to fines, penalties and possible prohibition of sales of our products into one or more states or countries, liability to our customers and damage to our reputation, which could result in a material adverse effect on the financial condition or results of operations.

Any cost reduction initiatives that we undertake may not deliver the results we expect, and these actions may adversely affect our business.

From time to time, we engage in restructuring plans that may result in workforce reduction and consolidation of our real estate facilities and our manufacturing footprint. In addition, management will continue to evaluate our global footprint and cost structure, and additional restructuring plans are expected to be formalized. As a result of our restructuring, we may experience a loss of continuity, loss of accumulated knowledge, disruptions to our operations and/or inefficiency during transitional periods. Any cost-cutting measures could impact employee retention. In addition, we cannot be sure that the cost reduction and global footprint consolidation will be successful in reducing our overall expenses as we expect or that additional costs will not offset any such reductions or global footprint consolidation. If our operating costs are higher than we expect or if we do not maintain adequate control of our costs and expenses, our result of operations may suffer.

Our ability to use our net operating loss and tax credit carryforwards might be limited.

The use of a portion of our U.S. net operating loss and tax credit carryforwards is subject to annual limitations pursuant to U.S. tax law. Section 382 of the U.S. Internal Revenue Code generally imposes an annual limitation on the amount of net operating loss or tax credit carryforwards that might be used to offset taxable income when a corporation has undergone significant changes in ownership. As a result, future changes in ownership could put further limitations on the availability of our net operating loss or tax credit carryforwards.

Deterioration in global credit and financial market conditions could negatively impact the value of our current portfolio of cash equivalents or short-term investments and our ability to meet our financing objectives.

Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. Our short-term investments consist primarily of readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase. Our investment policy has as its principal objectives the preservation of principal and maintenance of liquidity. We mitigate default risk by investing in high-quality investment grade securities, limiting the time to maturity and by monitoring the counter-parties and underlying obligors closely.

While as of the date of this filing, we are not aware of any material downgrades, losses, or other significant deterioration in the fair value of our cash equivalents or short-term investments, no assurance can be given that future deterioration in conditions of the global credit and financial markets would not negatively impact our current portfolio of cash equivalents or short-term investments or our ability to meet our financing objectives.

We are at times subject to intellectual property legal proceedings and claims which could cause us to incur significant additional costs or prevent us from selling our products, and which could adversely affect our results of operations and financial condition.

We are subject from time-to-time to legal proceedings and claims, including claims of alleged infringement of the patents, trademarks and other intellectual property rights of third parties by us, or our customers, in connection with their use of our products. Intellectual property litigation can be expensive and time-consuming, regardless of the merits of any claim, and could divert our management s attention from operating our business. In addition, intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, which may cause actual results to differ materially from our expectations. Patent litigation has increased due to the current uncertainty of the law and the increasing competition and overlap of product functionality in the field. Some of the actions that we face from time-to-time seek injunctions against the sale of our products and/or substantial monetary damages, which if granted or awarded, could materially harm our business, financial condition and operating results.

We cannot be certain that our products do not and will not infringe issued patents or other intellectual property rights of others. We may not be aware of currently filed patent applications that relate to our products or technology. If patents are later issued on these applications, we may be liable for infringement. If our products were found to infringe the intellectual property rights of others, we could be required to pay substantial damages, cease the manufacture, use and sale of infringing products in one or more geographic locations, expend significant resources to develop non-infringing technology, discontinue the use of specific processes or obtain licenses to the technology infringed. We might not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to reengineer our products successfully to avoid infringement. Any of the foregoing could cause us to incur significant costs and prevent us from selling our products, which could adversely affect our results of operations and financial condition. See Item 8. Financial Statements and Supplementary Data-Note 14. Legal, Environmental and Other Contingencies contained in this report for a description of pending intellectual property proceedings.

We may be unable to protect our intellectual property rights, which could adversely affect our business, financial condition and results of operations.

We rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality procedures and licensing arrangements to protect our IP rights. In the past, we have been involved in significant and expensive disputes regarding our IP rights and those of others, including claims that we may be infringing patents, trademarks and other IP rights of third-parties. We expect that we will be involved in similar disputes in the future.

There can be no assurance that:

- any of our existing patents will continue to be held valid, if challenged;
- patents will be issued for any of our pending applications;
- any claims allowed from existing or pending patents will have sufficient scope or strength to protect us;
- our patents will be issued in the primary countries where our products are sold in order to protect our rights and potential commercial advantage;
- we will be able to protect our trade secrets and other proprietary information through confidentiality agreements with our customers, suppliers and employees and through other security measures; and
- others will not gain access to our trade secrets.

In addition, our competitors may be able to design their products around our patents and other proprietary rights. Enforcement of our rights often requires litigation. If we bring a patent infringement action and are not successful, our competitors would be able to use similar technology to compete with us. Moreover, the defendant in such an action may successfully countersue us for infringement of their patents or assert a counterclaim that our patents are invalid or unenforceable.

Furthermore, we have significant operations and sales in foreign countries where intellectual property laws and enforcement policies are often less developed, less stringent or more difficult to enforce than in the United States.

The price of our ordinary shares may be volatile and could decline significantly.

The stock market, in general, and the market for technology stocks in particular, has recently experienced volatility that has often been unrelated to the operating performance of companies. If these market or industry-based fluctuations continue, the trading price of our ordinary shares could decline significantly independent of our actual operating performance, and you could lose all or a substantial part of your investment. The market price of our ordinary shares could fluctuate significantly in response to several factors, including among others:

- general uncertainty in stock market conditions occasioned by global economic conditions, negative financial news and the continued instability of several large financial institutions;
- actual or anticipated variations in our results of operations;
- announcements of innovations, new products or significant price reductions by us or our competitors, including those competitors who offer alternative storage technology solutions;
- our failure to meet the performance estimates of investment research analysts;
- the timing of announcements by us or our competitors of significant contracts or acquisitions;
- general stock market conditions;

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- the occurrence of major catastrophic events;
- changes in financial estimates by investment research analysts;
- changes in the credit ratings of our indebtedness by rating agencies; and
- the sale of our ordinary shares held by certain equity investors or members of management.

Any decision to reduce or discontinue the payment of cash dividends to our shareholders or the repurchase of our ordinary shares pursuant to our previously announced share repurchase program could cause the market price of our ordinary shares to decline significantly.

Although we have announced targeted regular cash dividend amounts and a share repurchase program, we are under no obligation to pay cash dividends to our shareholders in the future at the announced targeted levels or at all or to repurchase our ordinary shares at any particular price or at all. The declaration and payment of any future dividends is at the discretion of our Board of Directors and our previously announced share repurchase program may be suspended or discontinued at any time. Our payment of quarterly cash dividends and the repurchase of our ordinary shares pursuant to our share repurchase program are subject to, among other things, our financial position and results of operations, available cash and cash flow, capital and regulatory requirements, market and economic conditions, our ordinary share price, and other factors. Any reduction or discontinuance by us of the payment of quarterly cash dividends or the repurchase of our ordinary shares pursuant to our share repurchase program could cause the market price of our ordinary shares to decline significantly. Moreover, in the event our payment of quarterly cash dividends or repurchases of our ordinary shares are reduced or discontinued, our failure to resume such activities at historical levels could result in a persistent lower market valuation of our ordinary shares.

Significant fluctuations in the market price of our ordinary shares could result in securities class action claims against us.

Significant price and value fluctuations have occurred with respect to the publicly traded securities of technology companies. The price of our ordinary shares is likely to be volatile in the future. In the past, following periods of decline in the market price of a company s securities, class action lawsuits have often been pursued against that company. If similar litigation were pursued against us, it could result in substantial costs and a diversion of management s attention and resources, which could materially adversely affect our results of operations, financial condition and liquidity.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our company headquarters are located in Ireland, while our U.S. executive offices are located in Cupertino, California. Our principal manufacturing facilities are located in China, Malaysia, Northern Ireland, Singapore, Thailand and the United States. Our principal product development facilities are located in California, Colorado, Minnesota and Singapore. Our leased facilities are occupied under leases that expire at various times through 2082.

Our main material manufacturing, product development and marketing and administrative facilities at June 30, 2017 are as follows:

Location	Building(s) Owned or Leased	Approximate Square Footage	Primary Use
United States			
California	Owned/Leased	642,000	Product development and marketing and administrative
Colorado	Owned/Leased	664,000	Product development
Minnesota	Owned/Leased	1,104,000	Manufacture of recording heads and product development
Europe			
Northern Ireland			
Springtown	Owned	479,000	Manufacture of recording heads
Asia			
China			
Wuxi	Leased	704,000	Manufacture of drives and drive subassemblies
Malaysia			
Johor	Owned (1)	631,000	Manufacture of substrates
Singapore			
Woodlands	Owned/Leased (1)	1,504,000	Manufacture of media
Shugart	Owned (1)	410,000	Product development
Thailand			
Korat	Owned/Leased	2,725,000	Manufacture of drives and drive subassemblies
Teparuk	Owned/Leased	421,000	Manufacture of drive subassemblies

(1) Land leases for these facilities expire at varying dates through 2067.

As of June 30, 2017, we owned or leased a total of approximately 12.4 million square feet of space worldwide. We occupied approximately 6.9 million square feet for the purpose of manufacturing, 2.0 million square feet for product development, 1.1 million square feet for marketing and administrative purposes. Included in the 12.4 million square feet of owned or leased space is a total of 2.4 million square feet that is currently unoccupied. Substantially all of this unoccupied space relates to owned facilities that are being actively marketed for disposition and have been classified as held for sale assets included in Other current assets in the Consolidated Balance Sheet as of June 30, 2017. We believe that our existing properties are in good operating condition and are suitable for the operations for which they are used.

ITEM 3. LEGAL PROCEEDINGS

See Item 8. Financial Statements and Supplementary Data Note 14. Legal, Environmental and Other Contingencies.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our shares trade on the NASDAQ Global Select Market under the symbol STX. The high and low sales prices of our shares, as reported by the NASDAQ Global Select Market, are set forth below for the periods indicated.

	Price Range			
Fiscal Quarter		**High**		**Low**
Quarter ended October 2, 2015	$	52.88	$	41.59
Quarter ended January 1, 2016	$	49.50	$	32.38
Quarter ended April 1, 2016	$	37.45	$	26.25
Quarter ended July 1, 2016	$	35.79	$	18.42
Quarter ended September 30, 2016	$	39.04	$	22.09
Quarter ended December 30, 2016	$	41.45	$	32.45
Quarter ended March 31, 2017	$	49.79	$	35.54
Quarter ended June 30, 2017	$	50.96	$	38.28

As of July 31, 2017 there were approximately 600 holders of record of our ordinary shares. We did not sell any of our equity securities during fiscal year 2017 that were not registered under the Securities Act of 1933, as amended.

Performance Graph

The performance graph below shows the cumulative total shareholder return on our ordinary shares for the period from June 29, 2012 to June 30, 2017. This is compared with the cumulative total return of the Dow Jones US Computer Hardware Index and the Standard & Poor s 500 Stock Index (S&P 500) over the same period. The graph assumes that on June 29, 2012, $100 was invested in our ordinary shares and $100 was invested in each of the other two indices, with dividends reinvested on the date of payment without payment of any commissions. Dollar amounts in the graph are rounded to the nearest whole dollar. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

COMPARISON OF 60 MONTH

CUMULATIVE TOTAL RETURN*

Among Seagate Technology plc, The S&P 500 Index

And The Down Jones US Computer Hardware Index

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	6/29/2012	6/28/2013	6/27/2014	7/3/2015	7/1/2016	6/30/2017
Seagate Technology plc	$ 100.00	$ 186.97	$ 242.71	$ 215.71	$ 128.28	$ 198.37
S&P 500	100.00	120.36	129.42	149.14	160.76	192.94
Dow Jones US Computer Hardware	100.00	79.30	121.57	150.96	124.19	183.03

* $100 invested on 6/29/2012 in stock and in indices, including reinvestment of dividends.

Dividends

Our ability to pay dividends in the future will be subject to, among other things, general business conditions within the disk drive industry, our financial results, the impact of paying dividends on our credit ratings and legal and contractual restrictions on the payment of dividends by our subsidiaries to us or by us to our ordinary shareholders, including restrictions imposed by covenants on our debt instruments.

The following were dividends declared in the last two fiscal years:

Record Date	Paid Date	Dividend per Share
August 11, 2015	August 25, 2015	$ 0.54
November 6, 2015	November 20, 2015	$ 0.63
February 9, 2016	February 23, 2016	$ 0.63
May 10, 2016	May 24, 2016	$ 0.63
September 21, 2016	October 5, 2016	$ 0.63
December 21, 2016	January 4, 2017	$ 0.63
March 22, 2017	April 5, 2017	$ 0.63
June 21, 2017	July 5, 2017	$ 0.63

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In addition, on July 25, 2017, the Board of Directors of the Company declared a quarterly cash dividend of $0.63 per share, which will be payable on October 4, 2017 to shareholders of record as of the close of business on September 20, 2017.

From the closing of our initial public offering in December 2002 through fiscal year 2017, we have paid dividends, pursuant to our dividend policy then in effect, totaling approximately $4.9 billion in the aggregate.

Repurchases of Our Equity Securities

On April 22, 2015, the Board of Directors authorized the company to repurchase an additional $2.5 billion of its outstanding ordinary shares. As of June 30, 2017, $1.3 billion remained available for repurchase under the existing repurchase authorization limits. All repurchases are effected as redemptions in accordance with the Company s Articles of Association. There is no expiration date on these authorizations.

The following table sets forth information with respect to all repurchases of our shares made during the fiscal year ended June 30, 2017, including statutory tax withholdings related to vesting of employee equity awards:

llions, except average price paid per share)	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares Purchased Under the Plans or Programs		Approxi Dollar V of Shar that M Yet B Purcha Under t Plans o Progra
arter through 3rd Quarter of Fiscal Year 2017	8	$	34.80	8	$	273	$	
, 2017 through April 28, 2017			41.89			20		
9, 2017 through May 26, 2017	5		42.67	5		193		
7, 2017 through June 30, 2017			42.62			1		
gh 4th Quarter of Fiscal Year 2017	13		37.84	13	$	487		

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and related notes thereto included in Item 8. Financial Statements and Supplementary Data of this Annual Report on Form 10-K, which are incorporated herein by reference, to fully understand factors that may affect the comparability of the information presented below.

The Consolidated Statements of Operations data for the fiscal years ended June 30, 2017, July 1, 2016 and July 3, 2015, and the Consolidated Balance Sheets data as of June 30, 2017 and July 1, 2016, are derived from our audited Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K. The Consolidated

Statements of Operations data for the fiscal years ended June 27, 2014 and June 28, 2013, and the Consolidated Balance Sheets data at July 3, 2015, June 27, 2014 and June 28, 2013, are derived from our audited Consolidated Financial Statements that are not included in this Annual Report on Form 10-K.

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		Fiscal Years Ended			
llars in millions, except per share data)	June 30, 2017	July 1, 2016	July 3, 2015	June 27, 2014	June 28, 2013
enue	$ 10,771	$ 11,160	$ 13,739	$ 13,724	$ 14,3
ss margin	3,174	2,615	3,809	3,846	3,9
ome from operations	1,054	445	2,058	1,776	2,0
income	772	248	1,742	1,570	1,8
al assets (a)	9,268	8,213	9,801	9,445	9,2
al debt (a)	5,021	4,091	4,111	3,873	2,7
ity	$ 1,364	$ 1,593	$ 3,018	$ 2,832	$ 3,5
income per share:					
ic	$ 2.61	$ 0.83	$ 5.38	$ 4.66	$ 4
ıted	2.58	0.82	5.26	4.52	4
nber of shares used in per share ulations:					
ic	296	299	324	337	3
ıted	299	302	331	347	3
h dividends declared per ordinary share	$ 2.52	$ 2.43	$ 2.05	$ 1.67	$ 1

(a) The Company adopted ASU 2015-03 in the September 2016 quarter on a retrospective basis. The adoption of this guidance resulted in a reduction to Other assets, net and Long-term debt previously disclosed as of the fiscal years ended 2013 through 2016 by $39 million, $47 million, $44 million and $39 million, respectively within the Consolidated Balance Sheets.

Supplementary Financial Data (Unaudited)

Quarterly Data

The Company operated and reported financial results based on a 13-week quarters in fiscal years 2017 and 2016, which ended on the Friday closest to September 30, December 31, March 31 and June 30.

	Fiscal Year 2017 Quarters Ended			
(In millions, except per share data)	June 30, 2017	March 31, 2017	December 30, 2016	September 30, 2016
Revenue	$ 2,406	$ 2,674	$ 2,894	$ 2,797
Gross margin	666	816	891	801
Income from operations	196	266	370	221
Net income	114	194	297	167
Net income per share:				
Basic	$ 0.39	$ 0.66	$ 1.00	$ 0.56
Diluted	0.38	0.65	1.00	0.55

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	Fiscal Year 2016 Quarters Ended			
(In millions, except per share data)	**July 1, 2016**	**April 1, 2016**	**January 1, 2016**	**October 2, 2015**
Revenue	$ 2,654	$ 2,595	$ 2,986	$ 2,925
Gross margin	662	524	741	689
Income from operations	103	27	229	86
Net income (loss)	70	(21)	165	34
Net income (loss) per share:				
Basic	$ 0.23	$ (0.07)	$ 0.55	$ 0.11
Diluted	0.23	(0.07)	0.55	0.11

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the Company s financial condition, changes in financial condition and results of operations for the fiscal years ended June 30, 2017, July 1, 2016 and July 3, 2015.

You should read this discussion in conjunction with Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data included elsewhere in this Annual Report on Form 10-K. Except as noted, references to any fiscal year mean the twelve-month period ending on the Friday closest to June 30 of that year. Accordingly, fiscal year 2017 comprised 52 weeks and ended on June 30, 2017. Fiscal year 2016 comprised 52 weeks and ended on July 1, 2016. Fiscal year 2015 comprised 53 weeks and ended on July 3, 2015. Fiscal year 2018 will be 52 weeks and will end on June 29, 2018.

Some of the statements and assumptions included in this Annual Report on Form 10-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects, demand for our products, shifts in technology, estimates of industry growth, our ability to effectively manage our debt obligations, our restructuring efforts and the projected costs savings for the fiscal quarter ending September 29, 2017 and the fiscal year ending June 29, 2018 and beyond. These statements identify prospective information and may include words such as expects, intends, plans, anticipates, believes, estimates, predicts, projects, may, will, or negative of these words, variations of these words and comparable terminology. These forward-looking statements are based on information available to the Company as of the date of this Annual Report on Form 10-K and are based on management s current views and assumptions. These forward-looking statements are conditioned upon and also involve a number of known and unknown risks, uncertainties and other factors that could cause actual results, performance or events to differ materially from those anticipated by these forward-looking statements. Such risks, uncertainties and other factors may be beyond our control and may pose a risk to our operating and financial condition. Such risks and uncertainties include, but are not limited to: uncertainty in global economic conditions, the impact of the variable demand and adverse pricing environment for disk drives, any regulatory, legal, logistical or other impediments to our ability to execute on our restructuring efforts, our ability to achieve projected cost savings in connection with restructuring plans and consolidation of our manufacturing activities; our ability to successfully qualify, manufacture and sell our disk drive products in increasing volumes on a cost-effective basis and with acceptable quality, particularly the new disk drive products with lower cost structures; the impact of competitive product announcements; possible excess industry supply with respect to particular disk drive products; disruptions to our supply chain or production capabilities; the development and introduction of products based on new technologies and expansion into new data storage markets; the impact of competitive product announcements and unexpected advances in competing technologies or changes in market trends; consolidation trends in the data storage industry; currency fluctuations that may impact the Company s margins and international sales; cyber-attacks or other data breaches that disrupt its operations or results in the dissemination of proprietary or confidential information and cause reputational harm; our ability to comply with certain covenants in our credit facilities with respect to financial ratios and financial condition tests; the risk of non-compliance with the legal, regulatory, administrative and environmental climate in the international markets where we operate; and fluctuations in interest rates. Information concerning risks, uncertainties and other factors that could cause results to differ materially from those projected in such forward-looking statements is also set forth in Item 1A. Risk Factors of this Annual Report on Form 10-K, which we encourage you to carefully read. These forward-looking statements should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date they were made.

Our Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

Our Company. Discussion of our business.

Business Overview. Discussion of industry trends and their impact on our business.

Fiscal Year 2017 Summary. Overview of financial and other highlights affecting us for fiscal year 2017.

Results of Operations. Analysis of our financial results comparing fiscal years 2017 to 2016 and comparing fiscal years 2016 to 2015.

Liquidity and Capital Resources. An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition including the credit quality of our investment portfolio and potential sources of liquidity.

Contractual Obligations and Off-Balance Sheet Arrangements. Overview of contractual obligations and contingent liabilities and commitments outstanding as of June 30, 2017 and an explanation of off-balance sheet arrangements.

Critical Accounting Estimates. Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results.

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Our Company

We are a leading provider of data storage technology and solutions. Our principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. In addition to HDDs, we produce a broad range of data storage products including solid state drives (SSD) and their related controllers, solid state hybrid drives (SSHD) and storage subsystems.

Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives continue to be the primary medium of mass data storage due to their performance attributes, high quality and cost effectiveness. Complementing existing data center storage architecture, solid-state storage devices use integrated circuit assemblies as memory to store data, and most SSDs use NAND-based flash memory. In addition to HDDs and SSDs, SSHDs combine the features of SSDs and HDDs in the same unit, containing a large hard disk drive and an SSD cache to improve performance of frequently accessed data.

Our products are designed for mission critical and nearline applications in enterprise servers and storage systems; client compute applications, where our products are designed primarily for desktop and mobile computing; and client non-compute applications, where our products are designed for a wide variety of end user devices such as portable external storage systems, surveillance systems, network-attached storage (NAS), digital video recorders (DVRs) and gaming consoles.

Our cloud systems and solutions extend innovation from the device into the information infrastructure, onsite and in the cloud. Our portfolio includes modular original equipment manufacturer (OEM) storage systems and scale-out storage servers.

Business Overview

Our industry is characterized by several trends and factors that have a material impact on our strategic planning, financial condition and results of operations.

Demand for Data Storage

The continued advancement of the cloud, the proliferation of a variety of mobile devices globally, development of the Internet of Things (IoT), increasingly pervasive use of video surveillance, evolution of consumer electronic devices, and enterprise use of big data analytics are driving the growth of digital content. Factors contributing to the growth of digital content include:

- Creation, sharing, and consumption of media-rich digital content, such as high-resolution photos, high definition video, and digital music through smart phones, tablets, digital cameras, personal video cameras, DVRs, gaming consoles or other digital devices;

- Creation, aggregation and distribution of digital content through services and other offerings such as Facebook®, Instagram®, iTunes®, Netflix®, Google® and YouTube®;

- New surveillance systems which feature higher resolution digital cameras and thus require larger data storage capacities;
- Creation and collection of data through the evolution of the IoT ecosystem, big data analytics and new technology trends such as self-driving cars and drones;
- Build out of large numbers of cloud data centers by cloud service providers and private companies transitioning on-site data centers into the cloud; and
- Protection of increased digital content through redundant storage on backup devices and externally provided storage services.

As a result of these factors, the nature and volume of content being created requires greater storage, which is more efficiently and economically facilitated by higher capacity storage devices in order to store, manage, distribute, analyze and backup such content. We expect this to support the growth in demand for data storage solutions in developed and emerging economies well into the future.

The amount of data created as well as where and how data is stored continues to evolve with the proliferation of mobile devices, the growth of cloud computing, and the evolving IoT. In addition, the economics of storage infrastructure are also evolving with the utilization of public and private hyper-scale storage and open-source solutions reducing the total cost of ownership of storage while increasing the speed and efficiency with which customers can leverage massive computing and storage devices. Accordingly, we expect these trends will continue to create significant demand for data storage solutions going forward.

Demand Trends for Disk Drives

We believe that continued growth in digital content requires increasingly higher storage capacity in order to store, aggregate, host, distribute, analyze, manage, backup and use such content. We also believe that as architectures evolve to serve the growing commercial and consumer user base throughout the world, the manner in which hard drives are delivered to market and utilized by our customers will evolve as well.

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We believe that in the foreseeable future the traditional enterprise and client compute markets that require high-capacity storage solutions, and the data intensive client non-compute markets will continue to be best served by hard disk drives due to the industry s ability to deliver the most cost effective, reliable and energy efficient mass storage devices although the advance of solid state technology in the above markets is expected to increase as well. Furthermore, the increased use of client non-compute devices that both consume media-rich digital content streamed from the cloud and create rich digital content that is stored in the cloud, increases the demand for high capacity hard disk drives in enterprise nearline applications.

We also believe that as hard disk drive capacities continue to increase, unit demand does not reflect the increase in exabytes demand. In recent years, this trend has resulted in demand for fewer units, but with higher average capacity per drive.

Industry Supply Balance

From time to time the HDD industry has experienced periods of imbalance between supply and demand. To the extent that the disk drive industry builds or maintains capacity based on expectations of demand that do not materialize, price erosion may become more pronounced. Conversely, during periods where demand exceeds supply, price erosion is generally muted.

Price Erosion

Historically, our industry has been characterized by price declines for disk drive products with comparable capacity, performance and feature sets (like-for-like products). Price declines for like-for-like products (price erosion) tend to be more pronounced during periods of:

- economic contraction in which competitors may use discounted pricing to attempt to maintain or gain market share;
- few new product introductions when competitors have comparable or alternative product offerings; and
- industry supply exceeding demand.

Disk drive manufacturers typically attempt to offset price erosion with an improved mix of disk drive products characterized by higher capacity, better performance and additional feature sets and product cost reductions.

We believe the HDD industry experienced modest price erosion in fiscal years 2015, 2016 and 2017.

Product Life Cycles and Changing Technology

Success in our industry has been dependent to a large extent on the ability to balance the introduction and transition of new products with time-to-volume, performance, capacity and quality metrics at a competitive price, level of service and support that our customers expect. Generally, the drive manufacturer that introduces a new product first benefits from improved product mix, favorable profit margins and less pricing pressure until comparable products are introduced. Changing technology also necessitates on-going investments in research and development, which may be difficult to recover due to rapid product life cycles and economic declines. Further, there is a continued need to successfully execute product transitions and new product introductions, as factors such as quality, reliability and manufacturing yields continue to be of significant competitive importance.

Seasonality

The disk drive industry traditionally experiences seasonal variability in demand with higher levels of demand in the second half of the calendar year. This seasonality is driven by consumer spending in the back-to-school season from late summer to fall and the traditional holiday shopping season from fall to winter. We believe fiscal year 2015 reflected seasonality consistent with historical patterns. In fiscal year 2016, beyond traditional seasonality, variability of sales was a reflection of more cyclical demand from CSPs based on the timing of large systems installations and the shift of the underlying technology. We believe fiscal year 2017 reflected seasonality consistent with historical patterns.

Fiscal Year 2017 Summary

During the fiscal year 2017, we shipped 263 exabytes, generating revenue of $10.8 billion and gross margins of 29%. Our operating cash flow was $1.9 billion. We repurchased approximately 12 million of our ordinary shares during the year for approximately $460 million. We issued $750 million of 4.25% Senior Notes due 2022 and $500 million of 4.875% Senior Notes due 2024 and paid $316 million for the redemption and repurchase of our outstanding debt, as well as paid $561 million in dividends in fiscal year 2017.

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Results of Operations

We list in the tables below summarized information from our Consolidated Statements of Operations by dollars and as a percentage of revenue:

(Dollars in millions)	Fiscal Years Ended June 30, 2017	Fiscal Years Ended July 1, 2016	Fiscal Years Ended July 3, 2015
Revenue	$ 10,771	$ 11,160	$ 13,739
Cost of revenue	7,597	8,545	9,930
Gross margin	3,174	2,615	3,809
Product development	1,232	1,237	1,353
Marketing and administrative	606	635	857
Amortization of intangibles	104	123	129
Restructuring and other, net	178	175	32
Gain on arbitration award, net			(620)
Income from operations	1,054	445	2,058
Other expense, net	(239)	(171)	(88)
Income before income taxes	815	274	1,970
Provision for income taxes	43	26	228
Net income	$ 772	$ 248	$ 1,742

	Fiscal Years Ended June 30, 2017	Fiscal Years Ended July 1, 2016	Fiscal Years Ended July 3, 2015
Revenue	100%	100%	100%
Cost of revenue	71	77	72
Gross margin	29	23	28
Product development	11	11	10
Marketing and administrative	5	6	7
Amortization of intangibles	1	1	1
Restructuring and other, net	2	2	
Gain on arbitration award, net			(5)
Income from operations	10	4	15
Other expense, net	(2)	(2)	(1)

Income before income taxes	8	2	14
Provision for income taxes	1		2
Net income	7%	2%	12%

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The following table summarizes HDD information regarding average drive selling prices (ASPs), exabytes shipped, and revenues by channel and geography:

	Fiscal Years Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
ASPs (per unit)	$ 66	$ 61	$ 61
Exabytes Shipped	263	233	228
Revenues by Channel (%)			
OEMs	67%	69%	71%
Distributors	18%	17%	18%
Retailers	15%	14%	11%
Revenues by Geography (%)			
Americas	31%	29%	27%
EMEA	17%	17%	16%
Asia Pacific	52%	54%	57%

Fiscal Year 2017 Compared to Fiscal Year 2016

Revenue

	Fiscal Years Ended			
(Dollars in millions)	June 30, 2017	July 1, 2016	Change	% Change
Revenue	$ 10,771	$ 11,160	$ (389)	(3)%

Revenue in fiscal year 2017 decreased approximately 3% or $0.4 billion, from fiscal year 2016, as a result of price erosion partially offset by an increase in exabytes shipped.

Cost of Revenue and Gross Margin

	Fiscal Years Ended			
(Dollars in millions)	June 30, 2017	July 1, 2016	Change	% Change
Cost of revenue	$ 7,597	$ 8,545	$ (948)	(11)%
Gross margin	$ 3,174	$ 2,615	$ 559	21%
Gross margin percentage	29%	23%		

For fiscal year 2017, gross margin as a percentage of revenue increased by 600 basis points compared to the prior fiscal year due to a favorable product mix and improved factory utilization resulting from cost savings due to our ongoing workforce reductions and manufacturing consolidation activities, partially offset by price erosion.

Operating Expenses

	Fiscal Years Ended			
(Dollars in millions)	**June 30, 2017**	**July 1, 2016**	**Change**	**% Change**
Product development	$ 1,232	$ 1,237	$ (5)	%
Marketing and administrative	606	635	(29)	(5)%
Amortization of intangibles	104	123	(19)	(15)%
Restructuring and other, net	178	175	3	2%
Operating expenses	$ 2,120	$ 2,170	$ (50)	

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Product Development Expense. Product development expenses for fiscal year 2017 decreased from fiscal year 2016 primarily due to a $102 million decrease in salaries and related benefits as a result of an increase in operational efficiencies in our business and the restructuring of our workforce in the prior periods, offset by a $71 million increase in variable compensation and share-based compensation driven by better financial performance and a $26 million increase in impairment charges related to the closure of our Korea design center.

Marketing and Administrative Expense. Marketing and administrative expenses for fiscal year 2017 decreased from fiscal year 2016 primarily due to a decrease in salaries and related benefits of $52 million as a result of the restructuring of our workforce in prior periods, a $28 million cost reduction resulting from an increase in operational efficiencies in our business and the completion of certain promotional and branding activities in fiscal year 2016, partially offset by a $51 million increase in variable compensation and share-based compensation driven by better financial performance.

Amortization of Intangibles. Amortization of intangibles for fiscal year 2017 decreased by $19 million, as compared to fiscal year 2016, due to certain intangible assets reaching the end of their useful life.

Restructuring and Other, net. Restructuring and other, net for fiscal year 2017 was comprised primarily of restructuring charges recorded during the September 2016 quarter and March 2017 quarter to reduce our workforce by approximately 6,800 employees, as we continue to consolidate our global footprint across Asia, EMEA and the Americas.

Restructuring and other, net for fiscal year 2016 comprised of restructuring charges recorded during the September 2015 quarter, March 2016 quarter and June 2016 quarter, to reduce our workforce by approximately 4,600 employees and align our manufacturing footprint with current macroeconomic conditions.

Other expense, net

	Fiscal Years Ended			
(Dollars in millions)	**June 30, 2017**	**July 1, 2016**	**Change**	**% Change**
Other expense, net	$ (239)	$ (171)	$ (68)	40%

Other expense, net for fiscal year 2017 increased by $68 million, as compared to fiscal year 2016 primarily due to the $33 million of other income associated with the final payment of unpaid interest on the arbitration award amount in the Company s case against Western Digital in fiscal year 2016 which did not recur in fiscal year 2017, a $12 million increase from impairment of certain strategic investments and $24 million interest expense on the issuance of $750 million of 4.25% Senior Notes due 2022 and $500 million of 4.875% Senior Notes due 2024.

Income Taxes

	Fiscal Years Ended			
(Dollars in millions)	**June 30, 2017**	**July 1, 2016**	**Change**	**% Change**

Provision for income taxes	$ 43	$ 26	$ 17	65%

We recorded an income tax provision of $43 million for fiscal year 2017 compared to an income tax provision of $26 million for fiscal year 2016. Our fiscal year 2017 income tax provision included approximately $2 million of net tax expense associated with various non-recurring items. Our fiscal year 2016 income tax provision included approximately $22 million of income tax benefits primarily associated with the release of tax reserves due to the expiration of certain statutes of limitation.

Our Irish tax resident parent holding company owns various U.S. and non-U.S. subsidiaries that operate in multiple non-Irish income tax jurisdictions. Our worldwide operating income is either subject to varying rates of income tax or is exempt from income tax due to tax holiday programs we operate under in Malaysia, Singapore and Thailand. These tax holidays are scheduled to expire in whole or in part at various dates through 2024.

Our income tax provision recorded for fiscal year 2017 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland, (ii) a decrease in valuation allowance for certain deferred tax assets, and (iii) permanent differences. Our income tax provision recorded for fiscal year 2016 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland, (ii) tax benefits associated with the reversal of previously recorded taxes, and (iii) a decrease in valuation allowance for certain deferred tax assets. The acquisition of Dot Hill System Corporation did not have a material impact on our effective tax rate.

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Based on our non-U.S. ownership structure and subject to (i) potential future increases in our valuation allowance for deferred tax assets; and (ii) a future change in our intention to indefinitely reinvest earnings from our subsidiaries outside of Ireland, we anticipate that our effective tax rate in future periods will generally be less than the Irish statutory rate.

At June 30, 2017, our deferred tax asset valuation allowance was approximately $966 million.

At June 30, 2017, we had net deferred tax assets of $602 million, excluding $2 million of deferred taxes on intra-entity transactions. The realization of most of these deferred tax assets is primarily dependent on our ability to generate sufficient U.S. and certain non-U.S. taxable income in future periods. Although realization is not assured, we believe that it is more likely than not that these deferred tax assets will be realized. The amount of deferred tax assets considered realizable, however, may increase or decrease in subsequent periods when we re-evaluate the underlying basis for our estimates of future U.S. and certain non-U.S. taxable income.

As of June 30, 2017, approximately $560 million and $101 million of our total U.S. net operating loss and tax credit carryforwards, respectively, are subject to annual limitations from $1 million to $45 million pursuant to U.S. tax law.

We are required to file U.S. federal, U.S. state, and non-U.S income tax returns. We are no longer subject to tax examination of U.S. federal income tax returns for years prior to fiscal year 2014. With respect to U.S. state and non-U.S. income tax returns, we are generally no longer subject to tax examination for years ending prior to fiscal year 2006.

Fiscal Year 2016 Compared to Fiscal Year 2015

Revenue

	Fiscal Years Ended			
(Dollars in millions)	**July 1, 2016**	**July 3, 2015**	**Change**	**% Change**
Revenue	$ 11,160	$ 13,739	$ (2,579)	(19)%

Revenue in fiscal year 2016 decreased approximately 19% or $2.6 billion, from fiscal year 2015, as a result of price erosion, and a decrease in exabytes shipped in the client compute market.

Cost of Revenue and Gross Margin

	Fiscal Years Ended			
(Dollars in millions)	**July 1, 2016**	**July 3, 2015**	**Change**	**% Change**
Cost of revenue	$ 8,545	$ 9,930	$ (1,385)	(14)%
Gross margin	$ 2,615	$ 3,809	$ (1,194)	(31)%
Gross margin percentage	23%	28%		

For fiscal year 2016, gross margin as a percentage of revenue decreased by 500 basis points compared to the prior fiscal year due to price erosion and reduced demand in legacy hard drives resulting in underutilization of certain factories, partially offset by improved product mix in the second half of fiscal year 2016.

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Operating Expenses

	Fiscal Years Ended			
(Dollars in millions)	**July 1, 2016**	**July 3, 2015**	**Change**	**% Change**
Product development	$ 1,237	$ 1,353	$ (116)	(9)%
Marketing and administrative	635	857	(222)	(26)%
Amortization of intangibles	123	129	(6)	(5)%
Restructuring and other, net	175	32	143	447%
Gain on arbitration award, net		(620)	620	(100)%
Operating expenses	$ 2,170	$ 1,751	$ 419	

Product Development Expense. Product development expenses for fiscal year 2016 decreased from fiscal year 2015 due to a decrease in salaries and other employee benefits of $63 million as a result of the restructuring of our workforce beginning in the second half of fiscal year 2015, a $29 million decrease in variable compensation, and other cost reduction efforts, partially offset by the consolidation of Dot Hill in fiscal year 2016 and LSI s Flash Business in fiscal year 2015.

Marketing and Administrative Expense. Marketing and administrative expenses for fiscal year 2016 decreased from fiscal year 2015 primarily due to a decrease in salaries and other employee benefits of $82 million as a result of a restructuring of our workforce beginning in the second half of fiscal year 2015, a $45 million decrease in variable compensation and share-based compensation, a $33 million reduction in advertising due to the completion of certain promotional and branding activities in fiscal year 2016, and increased operational efficiencies in our business.

Amortization of Intangibles. Amortization of intangibles for fiscal year 2016 decreased by $6 million, as compared to fiscal year 2015, as a result of certain intangible assets reaching the end of their useful lives, partially offset by the amortization of intangibles acquired from the Dot Hill acquisition in fiscal 2016.

Restructuring and Other, net. Restructuring and other, net for fiscal year 2016 was comprised of restructuring charges recorded during the September 2015 quarter, March 2016 quarter and June 2016 quarter, to reduce our workforce by approximately 4,600 employees and align our manufacturing footprint with current macroeconomic conditions. Restructuring and other, net for fiscal year 2015 was due to charges to reduce our workforce as a result of our ongoing focus on cost efficiencies in all areas of our business.

Gain on arbitration award, net. Gain on arbitration award, net for fiscal year 2015 was related to the final award amount of $630 million, less litigation and other related costs of $10 million, in the Company s case against Western Digital for the misappropriation of the Company s trade secrets.

Other expense, net

Fiscal Years Ended

(Dollars in millions)	July 1, 2016	July 3, 2015	Change	% Change
Other expense, net	$ (171)	$ (88)	$ (83)	94%

Other expense, net for fiscal year 2016 increased by $83 million, as compared to fiscal year 2015 primarily due to the absence of partial receipt of $143 million for interest accrued on the final arbitration award amount in the Company s case against Western Digital in fiscal year 2015 compared to $33 million in fiscal year 2016, and a $33 million change in foreign currency remeasurement related to net gains and losses from changes in foreign exchange rates, which were more pronounced in the prior year, partially offset by $74 million of losses from the early redemptions and repurchases of debt in fiscal year 2015 compared to a $3 million gain from the early redemptions and repurchases of debt in fiscal year 2016.

Income Taxes

	Fiscal Years Ended			
(Dollars in millions)	July 1, 2016	July 3, 2015	Change	% Change
Provision for income taxes	$ 26	$ 228	$ (202)	(89)%

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We recorded an income tax provision of $26 million for fiscal year 2016 compared to an income tax provision of $228 million for fiscal year 2015. Our fiscal year 2016 income tax provision included approximately $22 million of income tax benefits primarily associated with the release of tax reserves due to the expiration of certain statutes of limitation. Our fiscal year 2015 income tax provision included approximately $193 million of net income tax expense due to the final audit assessment received from the Jiangsu Province State Tax Bureau of the People s Republic of China (China assessment) for calendar years 2007 through 2013.

Our income tax provision recorded for fiscal year 2016 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland, (ii) tax benefits associated with the reversal of previously recorded taxes, and (iii) a decrease in valuation allowance for certain deferred tax assets. The acquisition of Dot Hill System Corporation did not have a material impact on our effective tax rate. Our income tax provision recorded for fiscal year 2015 differed from the provision for income taxes that would be derived by applying the Irish statutory rate of 25% to income before income taxes, primarily due to the net effect of (i) tax benefits related to non-U.S. earnings generated in jurisdictions that are subject to tax holidays or tax incentive programs and are considered indefinitely reinvested outside of Ireland, (ii) tax expense associated with the China assessment recorded during the December 2014 quarter, and (iii) an increase in valuation allowance for certain deferred tax assets. The acquisition of LSI s Flash Business did not have a material impact on our effective tax rate.

On December 18, 2015, the Protecting Americans from Tax Hikes (PATH) Act of 2015 was enacted. Among other provisions, the PATH Act retroactively reinstated and permanently extended the federal Research and Development (R&D) tax credit from December 31, 2014. The permanent extension of the R&D credit had no immediate impact on our income tax provision due to valuation allowances on our U.S. deferred tax assets. None of the other PATH Act changes had a material impact on our income tax provision.

Liquidity and Capital Resources

The following sections discuss our principal liquidity requirements, as well as our sources and uses of cash and our liquidity and capital resources. Our cash and cash equivalents are maintained in investments with remaining maturities of 90 days or less at the time of purchase. Our short-term investments consist primarily of money market funds, time deposits and certificates of deposit. The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We believe our cash equivalents and short-term investments are liquid and accessible. We operate in some countries that have restrictive regulations over the movement of cash and/or foreign exchange across their borders. However, we believe our sources of cash have been and will continue to be sufficient to meet our cash needs for the next 12 months. We are not aware of any downgrades, losses or other significant deterioration in the fair value of our cash equivalents or short-term investments and we do not believe the fair value of our short-term investments has significantly changed from the values reported as of June 30, 2017.

Cash and Cash Equivalents and Short-term Investments

		As of	
(Dollars in millions)	**June 30, 2017**	**July 1, 2016**	**Change**
Cash and cash equivalents	$ 2,539	$ 1,125	$ 1,414

Short-term investments				6		(6)
Total	$	2,539	$	1,131	$	1,408

Our cash and cash equivalents and short-term investments increased by $1,408 million from July 1, 2016 as a result of net cash provided by operating activities and the proceeds from the issuance of $750 million of 4.25% Senior Notes due 2022 and $500 million of 4.875% Senior Notes due 2024. These cash inflows were partially offset by net cash outflows for capital expenditures of $434 million, dividends paid to our shareholders of $561 million, repurchase of our ordinary shares of $460 million and early redemption and repurchase of debt of $316 million. The following table summarizes results from the statement of cash flows for the periods indicated:

	Fiscal Years Ended		
(Dollars in millions)	**June 30, 2017**	**July 1, 2016**	**July 3, 2015**
Net cash flow provided by (used in):			
Operating activities	$ 1,916	$ 1,680	$ 2,650
Investing activities	(459)	(1,211)	(1,287)
Financing activities	(46)	(1,820)	(1,495)
Effect of foreign currency exchange rates		(3)	(20)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 1,411	$ (1,354)	$ (152)

Cash Provided by Operating Activities

Cash provided by operating activities for fiscal year 2017 was approximately $1.9 billion and includes the effects of net income adjusted for non-cash items including depreciation and amortization, share-based compensation, and:

- a decrease of $122 million in accounts receivable, primarily due to a decrease in revenue and improved collections; and
- an increase of $121 million in accounts payable, primarily due to timing of payments of material purchases; offset by
- an increase of $114 million in inventory, primarily due to an increase in units built in connection with our manufacturing footprint consolidating activities.

Cash provided by operating activities for fiscal year 2016 was approximately $1.7 billion and includes the effects of net income adjusted for non-cash items including depreciation and amortization, share-based compensation, and:

- a decrease in revenue accelerated by a reduction in the cash conversion cycle, leading to a decrease in working capital.

Cash provided by operating activities for fiscal year 2015 was approximately $2.7 billion and includes the effects of net income adjusted for non-cash items including depreciation and amortization, share-based compensation, and:

a partial payment of $773 million for the arbitration award and related accrued interest received from Western Digital; and

a $225 million payment related to the final audit assessment received from the Jiangsu Province State Tax Bureau of the People s Republic of China for tax and interest associated with changes to our tax filings for the calendar years 2007 through 2013.

Cash Used in Investing Activities

In fiscal year 2017, we used $459 million for net cash investing activities, which was primarily due to payments for the purchase of property, equipment and leasehold improvements of approximately $434 million.

In fiscal year 2016, we used $1.2 billion for net cash investing activities, which was primarily due to payments for the purchase of property, equipment and leasehold improvements of approximately $587 million and the acquisition of Dot Hill, net of cash acquired for $634 million.

In fiscal year 2015, we used $1.3 billion or net cash investing activities, which was primarily due to payments for the purchase of property, equipment and leasehold improvements of approximately $747 million and the acquisition of LSI s Flash Business for $450 million.

Cash Used in Financing Activities

Net cash used in financing activities of $46 million for fiscal year 2017 was primarily attributable to the following activities:

net proceeds of $1.2 billion received from issuance of $750 million of 4.25% Senior Notes due 2022 and $500 million of 4.875% Senior Notes due 2024;

$86 million in proceeds from the issuance of ordinary shares under employee stock plans, offset by

- $561 million in dividend payments;
- $460 million paid to repurchase 12 million of our ordinary shares;
- $316 million of redemption and repurchase of long-term debt; and
- $27 million paid for taxes related to net share settlement of equity awards.

Net cash used in financing activities of $1.8 billion for fiscal year 2016 was primarily attributable to the following activities:

- $1.1 billion paid to repurchase 24 million of our ordinary shares; and
- $0.7 billion in dividends paid to our shareholders.

Net cash used in financing activities of $1.5 billion for fiscal year 2015 was primarily attributable to the following activities:

- $1.1 billion paid to repurchase 19 million of our ordinary shares;
- $1.0 billion for the repurchase and redemption of long-term debt;
- $0.7 billion in dividends paid to our shareholders; partially offset by
- proceeds of $1.2 billion from aggregate cash generated from the issuance of our 5.75% Senior Notes due 2034 and 4.875% Senior Notes due 2027.

Liquidity Sources

Our primary sources of liquidity as of June 30, 2017, consisted of: (1) approximately $2.5 billion in cash and cash equivalents, (2) a $700 million senior revolving credit facility and (3) cash we expect to generate from operations.

As of June 30, 2017, no borrowings had been drawn under the revolving credit facility or had been utilized for letters of credit issued under this credit facility. The line of credit is available for borrowings through January 15, 2020, subject to compliance with financial covenants, other customary conditions to borrowing and investment grade ratings. If the Company does not have investment grade ratings (as defined in the revolving credit facility) on August 15, 2018, then the maturity date will be August 16, 2018 unless certain extension conditions have been satisfied.

The credit agreement that governs our revolving credit facility, as amended, contains certain covenants that we must satisfy in order to remain in compliance with the credit agreement, as amended. The agreement includes three financial covenants: (1) minimum cash, cash equivalents and marketable securities; (2) a fixed charge coverage ratio; and (3) a net leverage ratio. On April 28, 2016, the Revolving Credit Agreement was amended in order to increase the allowable net leverage ratio to adjust for our current financial liquidity position. We were in compliance with the modified covenants as of June 30, 2017 and expect to be in compliance for the next 12 months.

As of June 30, 2017, cash and cash equivalents held by non-Irish subsidiaries was $2.5 billion. This amount is potentially subject to taxation in Ireland upon repatriation by means of a dividend into our Irish parent. However, it is our intent to indefinitely reinvest earnings of non-Irish subsidiaries outside of Ireland and our current plans do not demonstrate a need to repatriate such earnings by means of a taxable Irish dividend. Should funds be needed in the Irish parent company and should we be unable to fund parent company activities through means other than a taxable Irish dividend, we would be required to accrue and pay Irish taxes on such dividend.

We believe that our sources of cash will be sufficient to fund our operations and meet our cash requirements for at least the next 12 months.

Cash Requirements and Commitments

Our liquidity requirements are primarily to meet our working capital, product development and capital expenditure needs, to fund scheduled payments of principal and interest on our indebtedness, and to fund our quarterly dividend. Our ability to fund these requirements will depend on our future cash flows, which are determined by future operating performance, and therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

On July 25, 2017, our Board of Directors declared a quarterly cash dividend of $0.63 per share, which will be payable on October 4, 2017 to shareholders of record as of the close of business on September 20, 2017.

As of June 30, 2017, we were in compliance with all of the covenants under our debt agreements. Based on our current outlook, we expect to be in compliance with the covenants of our debt agreements over the next 12 months.

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The carrying value of our long-term debt as of June 30, 2017 and July 1, 2016 was 5.0 billion and $4.1 billion, respectively. The table below presents the principal amounts of our outstanding long-term debt:

	As of		
(Dollars in millions)	**June 30, 2017**	**July 1, 2016**	**Change**
3.75% Senior Notes due November 2018	$ 710	$ 800	$ (90)
7.00% Senior Notes due November 2021		158	(158)
4.250% Senior Notes due March 2022	750		750
4.75% Senior Notes due June 2023	951	990	(39)
4.875% Senior Notes due March 2024	500		500
4.75% Senior Notes due January 2025	975	995	(20)
4.875% Senior Notes due June 2027	697	700	(3)
5.75% Senior Notes due December 2034	490	490	
	$ 5,073	$ 4,133	$ 940

From time to time we may repurchase any of our outstanding ordinary shares through private, open market, tender offers, broker assisted purchases or other means. During fiscal year 2017, we repurchased approximately 13 million of our ordinary shares including statutory tax withholdings related to vesting of employee equity awards. See Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities-Repurchases of Our Equity Securities. As of June 30, 2017, $1.3 billion remained available for repurchase under our existing repurchase authorization limit. All repurchases are effected as redemptions in accordance with the Company s Articles of Association.

For fiscal year 2018, we expect capital expenditures to be less than 5% of revenue. We require substantial amounts of cash to fund any increased working capital requirements, future capital expenditures, scheduled payments of principal and interest on our indebtedness and payments of dividends. We will continue to evaluate and manage the retirement and replacement of existing debt and associated obligations, including evaluating the issuance of new debt securities, exchanging existing debt securities for other debt securities and retiring debt pursuant to privately negotiated transactions, open market purchases, tender offers or other means or otherwise. In addition, we may selectively pursue strategic alliances, acquisitions and investments, which may require additional capital.

Contractual Obligations and Commitments

Our contractual cash obligations and commitments as of June 30, 2017, have been summarized in the table below:

		Fiscal Year(s)			
(Dollars in millions)	**Total**	**2018**	**2019-2020**	**2021-2022**	**Thereafter**
Contractual Cash Obligations:					
Long-term debt	$ 5,073	$	$ 710	$ 750	$ 3,613

Interest payments on debt	1,848	241	433	420	754
Purchase obligations (1)	1,484	959	525		
Operating leases (2)	135	19	26	15	75
Capital expenditures	107	107			
Other funding requirements (3)	30	12	18		
Subtotal	8,677	1,338	1,712	1,185	4,442
Commitments:					
Letters of credit or bank guarantees	106	106			
Total	$ 8,783	$ 1,444	$ 1,712	$ 1,185	$ 4,442

(1) Purchase obligations are defined as contractual obligations for the purchase of goods or services, which are enforceable and legally binding on us, and that specify all significant terms.

(2) Includes total future minimum rent expense under non-cancelable leases for both occupied and vacated facilities (rent expense is shown net of sublease income).

(3) Consists of funding requirements related to strategic commitments.

As of June 30, 2017, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling $15 million, none of which is expected to be settled within one year. Outside of one year, we are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

Off-Balance Sheet Arrangements

As of June 30, 2017, we did not have any material off-balance sheet arrangements (as defined in Item 303(a)(4)(ii) of Regulation S-K).

Accounting Policies

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our consolidated financial statements. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of our financial condition and operating results, and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are highly uncertain at the time of estimation. Based on this definition, our most critical policies include: establishment of sales program accruals, establishment of warranty accruals, accounting for income taxes, and the accounting for goodwill and other long-lived assets. Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other accounting policies and accounting estimates relating to uncollectible customer accounts, valuation of inventory, valuation of share-based payments and restructuring. We believe that these other accounting policies and accounting estimates either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported results of operations for a given period.

Establishment of Sales Program Accruals. We establish certain distributor and OEM sales programs aimed at increasing customer demand. For OEM sales, rebates are typically based on an OEM customer s volume of purchases or other agreed upon rebate programs. For the distribution channel, these programs typically involve rebates related to a distributor s level of sales, order size, advertising or point of sale activity and price protection adjustments. We provide for these obligations at the time that revenue is recorded based on estimated requirements. We estimate these contra-revenue rebates and adjustments based on various factors, including price reductions during the period reported, estimated future price erosion, customer orders, distributor sell-through and inventory levels, program participation, customer claim submittals and sales returns. Our estimates reflect contractual arrangements but also our judgment relating to variables such as customer claim rates and attainment of program goals, and inventory and sell-through levels reported by our distribution customers. Currently, our distributors inventories are within the historical range.

While we believe we have sufficient experience and knowledge of the market and customer buying patterns to reasonably estimate such rebates and adjustments, actual market conditions or customer behavior could differ from our expectations. As a result, actual payments under these programs, which may spread over several months after the related sale, may vary from the amount accrued. Accordingly, revenues and margins in the period in which the adjustment occurs may be affected.

Significant actual variations in any of the factors upon which we base our contra-revenue estimates could have a material effect on our operating results. In fiscal year 2017, sales programs were approximately 11% of gross revenue. For fiscal years 2016 and 2015, total sales programs of gross revenues were 13% and 10%, respectively. Adjustments to revenues due to under or over accruals for sales programs related to revenues reported in prior quarterly periods were less than 1% of gross revenue in fiscal years 2017, 2016 and 2015. Any future shifts in the industry supply-demand balance as well as other factors may result in a more competitive pricing environment and may cause sales programs as a percentage of gross revenue to increase from the current or historical levels. If such rebates and incentives trend upwards, revenues and margins may be reduced.

Establishment of Warranty Accruals. We estimate probable product warranty costs at the time revenue is recognized. We generally warrant our products for a period of 1 to 5 years. Our warranty provision considers estimated product failure rates and trends (including the timing of product returns during the warranty periods), and estimated repair or replacement costs related to product quality issues, if any. We also exercise judgment in estimating our ability to sell certain repaired products. Should actual experience in any future period differ significantly from our estimates, our future results of operations could be materially affected. Our judgment is subject to a greater degree of subjectivity with respect to newly introduced products because of limited experience with those products upon which to base our warranty estimates.

The actual results with regard to warranty expenditures could have an adverse or favorable effect on our results of operations if the actual rate of unit failure, the cost to repair a unit, or the actual cost required to satisfy customer claims differs from those estimates we used in determining the warranty accrual. Since we typically outsource our warranty repairs, our repair cost is subject to periodic negotiations with vendors and may vary from our estimates. We also exercise judgment in estimating our ability to sell certain repaired products. To the extent such sales fall below our forecast, warranty cost will be adversely impacted.

We review our warranty accrual quarterly for products shipped in prior periods and which are still under warranty. Any changes in the estimates underlying the accrual may result in adjustments that impact the current period gross margins and net income. In fiscal years 2017, 2016 and 2015 net changes in estimates of prior warranty accruals as a percentage of revenue were immaterial. Our total warranty cost was 1.3%, 1.0% and 1.1% of revenue during fiscal years 2017, 2016 and 2015, respectively, while warranty cost related to new shipments (exclusive of the impact of re-estimates of pre-existing liabilities) were 1.2%, 1.1% and 1.1% respectively, for the same periods. Changes in anticipated failure rates of specific products and significant changes in repair or replacement costs have historically been the major reasons for significant changes in prior estimates. Any future changes in failure rates of certain products, as well as changes in repair costs or the cost of replacement parts, may result in increased or decreased warranty accruals.

Accounting for Income Taxes. We account for income taxes pursuant to Accounting Standards Codification (ASC) Topic 740 (ASC 740), *Income Taxes*. In applying, ASC 740, we make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, recognition of income and deductions and calculation of specific tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as tax liabilities associated with uncertain tax positions. The calculation of tax liabilities involves uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the Internal Revenue Service or other tax jurisdictions. If estimates of these tax liabilities are greater or less than actual results, an additional tax benefit or provision will result. The deferred tax assets we record each period depend primarily on our ability to generate future taxable income in the United States and certain non-U.S. jurisdictions. Each period, we evaluate the need for a valuation allowance for our deferred tax assets and, if necessary, we adjust the valuation allowance so that net deferred tax assets are recorded only to the extent we conclude it is more likely than not that these deferred tax assets will be realized. If our outlook for future taxable income changes significantly, our assessment of the need for a valuation allowance may also change.

Assessing Goodwill and Other Long-lived Assets for Impairment. We account for goodwill in accordance with ASC Topic 350, *Intangibles Goodwill and Other*. As permitted by ASC 350, we perform a qualitative assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if any events or circumstances exist, such as an adverse change in business climate or a decline in the overall industry that would indicate that it would more likely than not reduce the fair value of a reporting unit below its carrying amount. Based on the qualitative assessment, if it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company is not required to perform the quantitative goodwill impairment test. If it is determined in the qualitative assessment that the fair value of a reporting unit is more likely than not below its carrying amount, including goodwill, then we perform a quantitative impairment test. The quantitative goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. Any excess in the carrying value of a reporting unit s goodwill over its fair value is recognized as an impairment loss, limited to the total amount of goodwill allocated to that reporting unit.

In accordance with ASC 360-05-4, *Impairment or Disposal of Long-lived Assets,* we test other long-lived assets, including property, equipment and leasehold improvements and other intangible assets subject to amortization, for recoverability whenever events or changes in circumstances indicate that the carrying values of those assets may not be recoverable. We assess the recoverability of an asset group by determining if the carrying value of the asset group exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the assets over the remaining economic life of the primary asset in the asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, we will estimate the fair value of the asset group and compare it to its carrying value. The excess of the carrying value over the fair value is allocated pro rata to derive the adjusted carrying value of each asset in the asset group. The adjusted carrying value of each asset in the asset group is not reduced below its fair value.

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Recent Accounting Pronouncements

See Item 8. Financial Statements and Supplementary Data Note 1. Basis of Presentation and Summary of Significant Accounting Policies for information regarding the effect of new accounting pronouncements on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risks due to the volatility of interest rates, foreign currency exchange rates, credit rating changes, equity and bond markets. A portion of these risks may be hedged, but fluctuations could impact our results of operations, financial position and cash flows.

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. As of June 30, 2017, the Company had no available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of June 30, 2017. We currently do not use derivative financial instruments in our investment portfolio.

We have fixed rate debt obligations. We enter into debt obligations for general corporate purposes including capital expenditures and working capital needs.

The table below presents principal amounts and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations as of June 30, 2017.

	Fiscal Years Ended						
entages)	2018	2019	2020	2021	2022	Thereafter	
	$ 1,178	$	$	$	$	$	$
	1.21%						
	$ 1,178	$	$	$	$	$	$
	$	$ 710	$	$	$ 750	$ 3,613	$
		3.75%			4.25%	4.93%	

Foreign Currency Exchange Risk. From time to time, we may enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments and anticipated foreign currency denominated expenditures. Our policy prohibits us from entering into derivative financial instruments for speculative or trading purposes. At this time, we have not identified any material exposure associated with the changes as a result of the British vote to exit the European Union.

We hedge portions of our foreign currency denominated balance sheet positions with foreign currency forward exchange contracts to reduce the risk that our earnings will be adversely affected by changes in currency exchange rates. The changes in fair value of these hedges are recognized in earnings in the same period as the gains and losses from the remeasurement of the assets and liabilities. These foreign currency forward exchange contracts are not designated as hedging instruments under ASC 815, *Derivatives and Hedging*. The Company has no outstanding foreign currency forward exchange contracts as of June 30, 2017.

We evaluate hedging effectiveness prospectively and retrospectively and record any ineffective portion of the hedging instruments in Cost of revenue on the Consolidated Statements of Operations. We did not have any material net gains (losses) recognized in Cost of revenue for cash flow hedges due to hedge ineffectiveness or discontinued cash flow hedges during the fiscal years 2017 and 2016.

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Other Market Risks. We have exposure to counterparty credit downgrades in the form of credit risk related to our foreign currency forward exchange contracts and our fixed income portfolio. We monitor and limit our credit exposure for our foreign currency forward exchange contracts by performing ongoing credit evaluations. We also manage the notional amount of contracts entered into with any one counterparty, and we maintain limits on maximum tenor of contracts based on the credit rating of the financial institution. Additionally, the investment portfolio is diversified and structured to minimize credit risk. Changes in our corporate issuer credit ratings have minimal impact on our financial results, but downgrades may negatively impact our future transaction costs and our ability to execute transactions with various counterparties.

We are subject to equity market risks due to changes in the fair value of the notional investments selected by its employees as part of its Non-qualified Deferred Compensation Plan the Seagate Deferred Compensation Plan (the SDCP). In fiscal year 2014, the Company entered into a Total Return Swap (TRS) in order to manage the equity market risks associated with the SDCP liabilities. The Company pays a floating rate, based on LIBOR plus an interest rate spread, on the notional amount of the TRS. The TRS is designed to substantially offset changes in the SDCP liability due to changes in the value of the investment options made by employees. See Item 8. Financial Statements and Supplementary Data Note 8. Derivative Financial Instruments of this Report on Form 10-K.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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SEAGATE TECHNOLOGY PLC

CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

		June 30, 2017		July 1, 2016
ASSETS				
Current assets:				
Cash and cash equivalents	$	2,539	$	1,125
Short-term investments				6
Accounts receivable, net		1,199		1,318
Inventories		982		868
Other current assets		321		216
Total current assets		5,041		3,533
Property, equipment and leasehold improvements, net		1,875		2,160
Goodwill		1,238		1,237
Other intangible assets, net		281		448
Deferred income taxes		609		616
Other assets, net		224		219
Total Assets	$	9,268	$	8,213
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$	1,626	$	1,517
Accrued employee compensation		237		184
Accrued warranty		113		104
Accrued expenses		650		444
Total current liabilities		2,626		2,249
Long-term accrued warranty		120		102
Long-term accrued income taxes		15		14
Other non-current liabilities		122		164
Long-term debt		5,021		4,091
Total Liabilities		7,904		6,620
Commitments and contingencies (See Notes 14 and 15)				
Shareholders Equity:				
Preferred shares, $0.00001 par value per share 100,000,000 authorized; no shares issued or outstanding				
Ordinary shares, $0.00001 par value per share 1,250,000,000 authorized; 291,799,561 issued and outstanding at June 30, 2017 and 298,572,217 issued				

and outstanding at July 1, 2016				
Additional paid-in capital		6,152		5,929
Accumulated other comprehensive loss		(17)		(25)
Accumulated deficit		(4,771)		(4,311)
Total Shareholders Equity		1,364		1,593
Total Liabilities and Equity	$	9,268	$	8,213

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY PLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

	Fiscal Years Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
Revenue	$ 10,771	$ 11,160	$ 13,739
Cost of revenue	7,597	8,545	9,930
Product development	1,232	1,237	1,353
Marketing and administrative	606	635	857
Amortization of intangibles	104	123	129
Restructuring and other, net	178	175	32
Gain on arbitration award, net			(620)
Total operating expenses	9,717	10,715	11,681
Income from operations	1,054	445	2,058
Interest income	12	3	6
Interest expense	(222)	(193)	(207)
Other, net	(29)	19	113
Other expense, net	(239)	(171)	(88)
Income before income taxes	815	274	1,970
Provision for income taxes	43	26	228
Net income	$ 772	$ 248	$ 1,742
Net income per share:			
Basic	$ 2.61	$ 0.83	$ 5.38
Diluted	2.58	0.82	5.26
Number of shares used in per share calculations:			
Basic	296	299	324
Diluted	299	302	331
Cash dividends declared per ordinary share	$ 2.52	$ 2.43	$ 2.05

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY PLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Fiscal Years Ended June 30, 2017	Fiscal Years Ended July 1, 2016	Fiscal Years Ended July 3, 2015
Net income	$ 772	$ 248	$ 1,742
Other comprehensive income (loss), net of tax:			
Cash flow hedges			
Change in net unrealized (loss) gain on cash flow hedges	(3)	(4)	(11)
Less: reclassification for amounts included in net income	4	2	13
Net change	1	(2)	2
Marketable securities			
Change in net unrealized gain (loss) on marketable securities			
Less: reclassification for amounts included in net income			
Net change			
Post-retirement plans			
Change in unrealized gain (loss) on post-retirement plans		8	(5)
Less: reclassification for amounts included in net income	2		
Net change	2	8	(5)
Foreign currency translation adjustments			
Foreign currency translation adjustments	5	(1)	(25)
Total other comprehensive income (loss), net of tax	8	5	(28)
Comprehensive income	$ 780	$ 253	$ 1,714

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY PLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Fiscal Years Ended		
	June 30, 2017	**July 1, 2016**	**July 3, 2015**
OPERATING ACTIVITIES			
Net income	$ 772	$ 248	$ 1,742
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	749	815	841
Share-based compensation	137	120	137
Loss (gain) on redemption and repurchase of debt	7	(3)	74
Loss on sale of property and equipment			2
Impairment of long-lived assets	42	26	
Deferred income taxes	3	(2)	2
Other non-cash operating activities, net	20	12	(9)
Changes in operating assets and liabilities:			
Accounts receivable, net	122	464	(2)
Inventories	(114)	145	29
Accounts payable	121	(24)	(58)
Accrued employee compensation	53	(78)	(40)
Accrued expenses, income taxes and warranty	47	(42)	(112)
Other assets and liabilities	(43)	(1)	44
Net cash provided by operating activities	1,916	1,680	2,650
INVESTING ACTIVITIES			
Acquisition of property, equipment and leasehold improvements	(434)	(587)	(747)
Purchases of strategic investments	(37)		
Purchases of short-term investments			(5)
Sales of short-term investments			4
Maturities of short-term investments	6		19
Cash used in acquisition of businesses, net of cash acquired		(634)	(453)
Other investing activities, net	6	10	(105)
Net cash used in investing activities	(459)	(1,211)	(1,287)
FINANCING ACTIVITIES			
Net proceeds from issuance of long-term debt	1,232		1,196
Redemption and repurchase of debt	(316)	(22)	(1,026)
Taxes paid related to net share settlement of equity awards	(27)	(56)	

Repurchases of ordinary shares		(460)		(1,090)		(1,087)
Dividends to shareholders		(561)		(727)		(664)
Proceeds from issuance of ordinary shares under employee stock plans		86		79		98
Other financing activities, net				(4)		(12)
Net cash used in financing activities		(46)		(1,820)		(1,495)
Effect of foreign currency exchange rate changes on cash, cash equivalents and restricted cash				(3)		(20)
Increase (decrease) in cash, cash equivalents and restricted cash		1,411		(1,354)		(152)
Cash, cash equivalents and restricted cash at the beginning of the year		1,132		2,486		2,638
Cash, cash equivalents and restricted cash at the end of the year	$	2,543	$	1,132	$	2,486
Supplemental Disclosure of Cash Flow Information						
Cash paid for interest	$	172	$	200	$	216
Cash paid for income taxes, net of refunds	$	33	$	40	$	285

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY PLC

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

For Fiscal Years Ended June 30, 2017, July 1, 2016 and July 3, 2015

(In millions)

	Number of Ordinary Shares	Par Value of Shares	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at, June 27, 2014	327	$	$ 5,511	$ (2)	$ (2,677)	$ 2,832
Net income					1,742	1,742
Other comprehensive loss				(28)		(28)
Issuance of ordinary shares under employee stock plans	7		98			98
Repurchases of ordinary shares	(19)				(1,087)	(1,087)
Dividends to shareholders					(664)	(664)
Share-based compensation			137			137
Other			(12)			(12)
Balance at, July 3, 2015	315		5,734	(30)	(2,686)	3,018
Net income					248	248
Other comprehensive income				5		5
Issuance of ordinary shares under employee stock plans	8		79			79
Repurchases of ordinary shares	(23)				(1,090)	(1,090)
Tax withholding related to vesting of restricted stock units	(1)				(56)	(56)
Dividends to shareholders					(727)	(727)
Share-based compensation			120			120

Other			(4)			(4)
Balance at, July 1, 2016	299		5,929	(25)	(4,311)	1,593
Net income					772	772
Other comprehensive income				8		8
Issuance of ordinary shares under employee stock plans	6		86			86
Repurchases of ordinary shares	(12)				(460)	(460)
Tax withholding related to vesting of restricted stock units	(1)				(27)	(27)
Dividends to shareholders					(745)	(745)
Share-based compensation			137			137
Balance at, June 30, 2017	292	$	$ 6,152	$ (17)	$ (4,771)	$ 1,364

See notes to consolidated financial statements.

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SEAGATE TECHNOLOGY PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

Seagate Technology plc (the Company) is a leading provider of data storage technology and solutions. Its principal products are hard disk drives, commonly referred to as disk drives, hard drives or HDDs. In addition to HDDs, the Company produces a broad range of data storage products including solid state drives (SSD) and their related controllers, solid state hybrid drives (SSHD) and storage subsystems.

Hard disk drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces. Disk drives continue to be the primary medium of mass data storage due to their performance attributes, high quality and cost effectiveness. Complementing existing data center storage architecture, solid-state storage devices use integrated circuit assemblies as memory to store data, and most SSDs use NAND-based flash memory. In addition to HDDs and SSDs, SSHDs combine the features of SSDs and HDDs in the same unit, containing a large hard disk drive and an SSD cache to improve performance of frequently accessed data.

The Company s products are designed for mission critical and nearline applications in enterprise servers and storage systems; client compute applications, where its products are designed primarily for desktop and mobile computing; and client non-compute applications, where its products are designed for a wide variety of end user devices such as portable external storage systems, surveillance systems, network-attached storage (NAS), digital video recorders (DVRs) and gaming consoles.

The Company s cloud systems and solutions extend innovation from the device into the information infrastructure, onsite and in the cloud. Its portfolio includes modular original equipment manufacturers (OEM) storage systems and scale-out storage servers.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the Company and all its wholly-owned and majority-owned subsidiaries, after elimination of intercompany transactions and balances.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles also requires management to make estimates and assumptions that affect the amounts reported in the Company s consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. The methods, estimates and judgments the Company uses in applying its most critical accounting policies have a significant impact on the results the Company reports in its consolidated financial statements. Certain prior years amounts reported in the consolidated financial statements and notes thereto have been reclassified to conform to the current year s presentation.

The Company operates and reports financial results on a fiscal year of 52 or 53 weeks ending on the Friday closest to June 30. Accordingly, fiscal years 2017 and 2016 were comprised of 52 weeks and ended on June 30, 2017 and July 1, 2016, respectively. Fiscal year 2015 was comprised of 53 weeks and ended on July 3, 2015. All references to years in these Notes to Consolidated Financial Statements represent fiscal years unless otherwise noted. Fiscal year 2018 will be 52 weeks and will end on June 29, 2018.

Summary of Significant Accounting Policies

Cash, Cash Equivalents and Short-Term Investments. The Company considers all highly liquid investments with a remaining maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. The Company s short-term investments are primarily comprised of money market funds, time deposits and certificates of deposits. The Company has classified its marketable securities as available-for-sale and they are stated at fair value with unrealized gains and losses included in Accumulated other comprehensive loss, which is a component of Shareholders Equity. The Company evaluates the available-for sale securities in an unrealized loss position for other-than-temporary impairment. Realized gains and losses are included in Other, net on the Company s Consolidated Statements of Operations. The cost of securities sold is based on the specific identification method.

Restricted Cash and Investments. Restricted cash and investments represent cash and cash equivalents and investments that are restricted as to withdrawal or use for other than current operations.

Allowances for Doubtful Accounts. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectability. This reserve is established based upon historical trends, global macroeconomic conditions and an analysis of specific exposures. The provision for doubtful accounts is recorded as a charge to Marketing and administrative expense on the Company s Consolidated Statements of Operations.

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Inventory. Inventories are valued at the lower of cost (using the first-in, first-out method) or market. Market value is based upon an estimated average selling price reduced by estimated cost of completion and disposal.

Property, Equipment and Leasehold Improvements. Property, equipment and leasehold improvements are stated at cost. Equipment and buildings are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated life of the asset or the remaining term of the lease. The costs of additions and substantial improvements to property, equipment and leasehold improvements, which extend the economic life of the underlying assets, are capitalized. The cost of maintenance and repairs to property, equipment and leasehold improvements are expensed as incurred.

Assessment of Goodwill and Other Long-lived Assets for Impairment. The Company accounts for goodwill in accordance with Accounting Standards Codification (ASC) Topic 350 (ASC 350), *Intangibles Goodwill and Other.* During fiscal year 2017, the Company adopted Accounting Standard Update (ASU) No. 2017-04, *Intangibles Goodwill and Other (ASC Topic 350) Simplifying the Test for Goodwill Impairment.* The Company performs a qualitative assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if any events or circumstances exist, such as an adverse change in business climate or a decline in the overall industry that would indicate that it would more likely than not reduce the fair value of a reporting unit below its carrying amount, including goodwill. If it is determined in the qualitative assessment that the fair value of a reporting unit is more likely than not below its carrying amount, including goodwill, then the Company will perform a quantitative impairment test. The quantitative goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. Any excess in the carrying value of a reporting unit s goodwill over its fair value is recognized as an impairment loss, limited to the total amount of goodwill allocated to that reporting unit.

The Company tests other long-lived assets, including property, equipment and leasehold improvements and other intangible assets subject to amortization, for recoverability whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. The Company performs a recoverability test to assess the recoverability of an asset group. If the recoverability test indicates that the carrying value of the asset group is not recoverable, the Company will estimate the fair value of the asset group and the excess of the carrying value over the fair value is allocated pro rata to derive the adjusted carrying value of assets in the asset group. The adjusted carrying value of each asset in the asset group is not reduced below its fair value.

The Company tests other intangible assets not subject to amortization whenever events occur or circumstances change, such as declining financial performance, deterioration in the environment in which the entity operates or deteriorating macroeconomic conditions that have a negative effect on future expected earnings and cash flows that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset.

Derivative Financial Instruments. The Company applies the requirements of ASC Topic 815 (ASC 815), *Derivatives and Hedging.* ASC 815 requires that all derivatives be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships.

Establishment of Warranty Accruals. The Company estimates probable product warranty costs at the time revenue is recognized. The Company generally warrants its products for a period of 1 to 5 years. The Company s warranty provision considers estimated product failure rates and trends (including the timing of product returns during the warranty periods), and estimated repair or replacement costs related to product quality issues, if any. The Company also exercises judgment in estimating its ability to sell certain repaired products. Should actual experience in any future period differ significantly from its estimates, the Company s future results of operations could be materially affected.

Revenue Recognition, Sales Returns and Allowances, and Sales Incentive Programs. The Company s revenue recognition policy complies with ASC Topic 605 (ASC 605), *Revenue Recognition.* Revenue from sales of products, including sales to distribution customers, is generally recognized when title and risk of loss has passed to the buyer, which typically occurs upon shipment from the Company or third party s warehouse facilities, persuasive evidence of an arrangement exists, including a fixed or determinable price to the buyer, and when collectability is reasonably assured. Revenue from sales of products to certain direct retail customers and to customers in certain indirect retail channels is recognized on a sell-through basis.

The Company records estimated product returns at the time of shipment. The Company also estimates reductions to revenue for sales incentive programs, such as price protection, and volume incentives, and records such reductions when revenue is recorded. The Company establishes certain distributor and OEM sales programs aimed at increasing customer demand. For OEM sales, rebates are typically based on an OEM customer s volume of purchases from Seagate or other agreed upon rebate programs. For the distribution channel, these programs typically involve rebates related to a distributor s level of sales, order size, advertising or point of sale activity and price protection adjustments. The Company provides for these obligations at the time that revenue is recorded based on estimated requirements. Marketing development programs are recorded as a reduction to revenue.

Shipping and Handling. The Company includes costs related to shipping and handling in Cost of revenue in the Consolidated Statements of Operations for all periods presented.

Restructuring Costs. The Company records restructuring activities including costs for one-time termination benefits in accordance with ASC Topic 420 (ASC 420), *Exit or Disposal Cost Obligations.* The timing of recognition for severance costs accounted for under ASC 420 depends on whether employees are required to render service until they are terminated in order to receive the termination benefits. If employees are required to render service until they are terminated in order to receive the termination benefits, a liability is recognized ratably over the future service period. Otherwise, a liability is recognized when management has committed to a restructuring plan and has communicated those actions to employees. Employee termination benefits covered by existing benefit arrangements are recorded in accordance with ASC Topic 712, *Non-retirement Postemployment Benefits.* These costs are recognized when management has committed to a restructuring plan and the severance costs are probable and estimable.

Advertising Expense. The cost of advertising is expensed as incurred. Advertising costs were approximately $16 million, $31 million and $64 million in fiscal years 2017, 2016 and 2015, respectively.

Share-Based Compensation. The Company accounts for share-based compensation under the provisions of ASC Topic 718 (ASC 718), *Compensation-Stock Compensation.* The Company has elected to apply the with-and-without method to assess the realization of related excess tax benefits.

Accounting for Income Taxes. The Company accounts for income taxes pursuant to ASC Topic 740 (ASC 740), *Income Taxes*. In applying ASC 740, the Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, recognition of income and deductions and calculation of specific tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for income tax and financial statement purposes, as well as tax liabilities associated with uncertain tax positions. The calculation of tax liabilities involves uncertainties in the application of complex tax rules and the potential for future adjustment of the Company s uncertain tax positions by the Internal Revenue Service or other tax jurisdictions. If estimates of these tax liabilities are greater or less than actual results, an additional tax benefit or provision will result. The deferred tax assets the Company records each period depend primarily on the Company s ability to generate future taxable income in the United States and certain non-U.S. jurisdictions. Each period, the Company evaluates the need for a valuation allowance for its deferred tax assets and, if necessary, adjusts the valuation allowance so that net deferred tax assets are recorded only to the extent the Company concludes it is more likely than not that these deferred tax assets will be realized. If the Company s outlook for future taxable income changes significantly, the Company s assessment of the need for, and the amount of, a valuation allowance may also change.

Comprehensive Income. The Company presents comprehensive income in a separate statement. Comprehensive income is comprised of net income and other gains and losses affecting equity that are excluded from net income.

Foreign Currency Remeasurement and Translation. The U.S. dollar is the functional currency for the majority of the Company s foreign operations. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency of the subsidiary at the balance sheet date. The gains and losses from the remeasurement of foreign currency denominated balances into the functional currency of the subsidiary are included in Other, net on the Company s Consolidated Statements of Operations. The Company had $4 million and $0 million in remeasurement losses in fiscal years 2017 and 2016, respectively, with $30 million in remeasurement gains in fiscal year 2015.

The Company translates the assets and liabilities of its non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized in foreign currency translation included in Accumulated Other comprehensive loss, which is a component of shareholders equity. The Company s subsidiaries that use the U.S. dollar as their functional currency remeasure monetary assets and liabilities at exchange rates in effect at the end of each period, and inventories, property, and nonmonetary assets and liabilities at historical rates. Gains and losses from these remeasurements were not significant and have been included in the Company s results of operations.

Concentrations

Concentration of Credit Risk. The Company s customer base for disk drive products is concentrated with a small number of OEMs and distributors. The Company does not generally require collateral or other security to support accounts receivable. To reduce credit risk, the Company performs ongoing credit evaluations on its customers financial condition. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information. Dell Inc. accounted for more than 10% of the Company s accounts receivable as of June 30, 2017.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, short-term investments and foreign currency forward exchange contracts. The Company further mitigates concentrations of credit risk in its investments through diversification, by limiting its investments in the debt securities of a single issuer, and investing in highly-rated securities.

In entering into foreign currency forward exchange contracts, the Company assumes the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The counterparties to these contracts are major multinational commercial banks, and the Company has not incurred and does not expect any losses as a result of counterparty defaults.

Supplier Concentration. Certain of the raw materials, components and equipment used by the Company in the manufacture of its products are available from single-sourced vendors. Shortages could occur in these essential materials and components due to an interruption of supply or increased demand in the industry. If the Company were unable to procure certain materials, components or equipment at acceptable prices, it would be required to reduce its manufacturing operations, which could have a material adverse effect on its results of operations. In addition, the Company may make prepayments to certain suppliers or enter into minimum volume commitment agreements. Should these suppliers be unable to deliver on their obligations or experience financial difficulty, the Company may not be able to recover these prepayments.

Recently Issued Accounting Pronouncements

In May 2014, August 2015, April 2016, May 2016 and December 2016, the Financial Accounting Standards Board (FASB) issued ASU 2014-09 (ASC Topic 606)*, Revenue from Contracts with Customers,* ASU 2015-14 (ASC Topic 606) *Revenue from Contracts with Customers, Deferral of the Effective Date,* ASU 2016-10 (ASC Topic 606) *Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing*, ASU 2016-12 (ASC Topic 606) *Revenue from Contracts with Customers, Narrow-Scope Improvements and Practical Expedients,* and ASU 2016-20 (ASC Topic 606) *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, respectively. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company is required to adopt the guidance in the first quarter of fiscal 2019. This standard may be applied retrospectively to all prior periods presented, or retrospectively with a cumulative adjustment to retained earnings in the year of adoption (modified retrospective transition approach). Based on its assessment, the Company plans to adopt the new revenue standard in the first quarter of fiscal 2019, utilizing the modified retrospective method of transition.

While management has not yet completed its assessment of the impact of adopting this new standard on the Company s consolidated financial statements, the Company expects the adoption of the new standard will result in the recognition of revenues generally upon shipment (sell-in basis) for sales of products to certain direct retail customers and customers in certain indirect retail channels which are currently being recognized on a sell-through basis. Accordingly, the Company will need to estimate variable consideration (e.g. rebates) related to customer incentives on these arrangements. These changes are not expected to have a material impact on the Company s consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 (ASC Topic 330), *Inventory: Simplifying the Measurement of Inventory.* The amendments in this ASU require inventory measurement at the lower of cost and net realizable value. The Company is required and intends to adopt the guidance in the first quarter of fiscal 2018. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 (ASC Subtopic 825-10), *Financial Instruments Overall Recognition and Measurement of Financial Assets and Financial Liabilities.* The amendments in this ASU require entities to measure all investments in equity securities at fair value with changes recognized through net income. This requirement does not apply to investments that qualify for the equity method of accounting, to those that result in consolidation of the investee, or for which the entity meets a practicability exception to fair value measurement. Additionally, the amendments eliminate certain disclosure requirements related to financial instruments measured at amortized cost and add disclosures related to the measurement categories of financial assets and financial liabilities. The Company is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted for only certain portions of the ASU. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), *Leases*. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The Company is required to adopt the guidance in the first quarter of fiscal 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09 (ASC Topic 718*), Stock Compensation Improvements to Employee Share-Based Payment Accounting.* The amendments in this ASU are intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax consequences, classification on the consolidated statement of cash flows and treatment of forfeitures. The Company is required and intends to adopt the guidance in the first quarter of fiscal 2018. Upon adoption, the Company anticipates that this ASU will result in an increase in deferred tax assets relating to net operating losses of approximately $0.5 billion, offset by an equivalent increase in the valuation allowance. This guidance, however, is not expected to have a material impact on the Company s Consolidated balance sheets, statements of operations or cash flows.

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In October 2016, the FASB issued ASU 2016-16 (ASC Topic 740), *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*. The amendments in this ASU require the recognition of the income tax consequences for intra-entity transfers of assets other than inventory when the transfer occurs. Under current GAAP, current and deferred income taxes for intra-entity asset transfers are not recognized until the asset has been sold to an outside party. The Company is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01 (ASC Topic 805), *Business Combination: Clarifying the Definition of a Business*. The amendments in this ASU change the definition of a business to assist with evaluating when a set of transferred assets and activities is a business. The Company is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09 (ASC Topic 718), *Stock Compensation: Scope of Modification Accounting*. The amendments in this ASU provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The Company is required to adopt the guidance in the first quarter of fiscal 2019. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In April 2015 and August 2015, the FASB issued ASU 2015-03 (ASC Subtopic 835-30), *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* and ASU 2015-15 (ASC Subtopic 835-30), *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,* respectively. The ASUs require that debt issuance costs related to a recognized debt liability, with the exception of those related to line-of-credit arrangements, be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 became effective and was adopted by the Company in the September 2016 quarter on a retrospective basis. The adoption of this guidance resulted in a reduction to Other assets, net and Long-term debt by $39 million, within the Consolidated Balance Sheet as of July 1, 2016. ASU 2015-15 became effective and was adopted by the Company in the September 2016 quarter on a retrospective basis with no material impact on the Company s consolidated financial statements and disclosures.

In September 2015, the FASB issued ASU 2015-16 (ASC Topic 805), *Business Combinations Simplifying the Accounting for Measurement-Period Adjustments*. The amendments in this update require that an acquirer recognize measurement period adjustments in the period in which the adjustments are determined. The income effects of such measurement period adjustments are to be recorded in the same period s financial statements but calculated as if the accounting had been completed as of the acquisition date. The impact of measurement period adjustments to earnings that relate to prior period financial statements are to be presented separately on the income statement or disclosed by line item. The amendments in this update are for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2015. This ASU became effective and was adopted by the Company in the September 2016 quarter on a prospective basis with no material impact on the Company s consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18 (ASC Topic 230), *Statement of Cash Flows: Restricted Cash*. The amendments in this update provide guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending balances for the periods presented on the statement of cash flows. The amendments in this update are for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2017. The Company elected to adopt this ASU in the December 2016 quarter on a retrospective basis with no material impact on the Company s consolidated financial statements and disclosures. The Company classifies restricted cash within Other current assets in the consolidated balance sheets.

In January 2017, the FASB issued ASU 2017-04 (ASC Topic 350), *Intangibles Goodwill and Other: Simplifying the Test for Goodwill Impairment*. The amendments in this ASU eliminate Step 2 from the goodwill impairment test, which requires entities to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit s carrying amount over its fair value, determined in step 1. The Company elected to adopt this ASU in the March 2017 quarter on a prospective basis with no material impact on the Company s consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15 (ASC Topic 230*), Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments.* The amendments in this ASU are intended to clarify how certain cash receipts and cash payment are presented and classified in the statement of cash flows. The Company elected to adopt this ASU in the June 2017 quarter on a retrospective basis. The adoption of this guidance had no material impact on the Company s consolidated financial statements and disclosures.

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2. Balance Sheet Information

Investments

The following table summarizes, by major type, the fair value and amortized cost of the Company s investments as of June 30, 2017:

(Dollars in millions)	Amortized Cost	Unrealized Gain/ (Loss)	Fair Value
Available-for-sale securities:			
Money market funds	$ 594	$	$ 594
Time deposits and certificates of deposit	584		584
Total	$ 1,178	$	$ 1,178
Included in Cash and cash equivalents			$ 1,174
Included in Other current assets			4
Total			$ 1,178

As of June 30, 2017, the Company s Other current assets included $4 million in restricted cash and investments held as collateral at banks for various performance obligations.

As of June 30, 2017, the Company had no material available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of June 30, 2017.

The fair value and amortized cost of the Company s investments classified as available-for-sale at June 30, 2017 by remaining contractual maturity was as follows:

(Dollars in millions)	Amortized Cost	Fair Value
Due in less than 1 year	$ 1,178	$ 1,178
Due in 1 to 5 years		
Due in 6 to 10 years		
Thereafter		
Total	$ 1,178	$ 1,178

Equity securities which do not have a contractual maturity date are not included in the above table.

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The Company reclassified demand deposits from certificates of deposit and money market funds to cash as of July 1, 2016 in the table below to conform to the current year s presentation. This reclassification did not result in any change to the cash and cash equivalents balance as reported in the Consolidated Balance Sheets and Statements of Cash Flows for all periods presented.

The following table summarizes, by major type, the fair value and amortized cost of the Company s investments as of July 1, 2016:

(Dollars in millions)	Amortized Cost	Unrealized Gain/ (Loss)	Fair Value
Available-for-sale securities:			
Money market funds	$ 232	$	$ 232
Corporate bonds	6		6
Certificates of deposit	5		5
Total	$ 243	$	$ 243
Included in Cash and cash equivalents			$ 230
Included in Short-term investments			6
Included in Other current assets			7
Total			$ 243

As of July 1, 2016, the Company s Other current assets included $7 million in restricted cash and investments held as collateral at banks for various performance obligations.

As of July 1, 2016, the Company had no available-for-sale securities that had been in a continuous unrealized loss position for a period greater than 12 months. The Company determined no available-for-sale securities were other-than-temporarily impaired as of July 1, 2016.

Cash, Cash Equivalents, and Restricted Cash

The following table provides a summary of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that reconciles to the corresponding amount in the Consolidated Statements of Cash Flows:

(Dollars in millions)	June 30, 2017	July 1, 2016	July 3, 2015	June 27, 2014
Cash and cash equivalents	$ 2,539	$ 1,125	$ 2,479	$ 2,634
Restricted cash included in Other current assets	4	7	7	4

Total cash, cash equivalents, and restricted cash shown in the Statements of Cash Flows	$ 2,543	$ 1,132	$ 2,486	$ 2,638

Accounts Receivable, net

The following table provides details of the accounts receivable, net balance sheet item:

(Dollars in millions)	**June 30, 2017**	**July 1, 2016**
Accounts receivable	$ 1,204	$ 1,327
Allowance for doubtful accounts	(5)	(9)
	$ 1,199	$ 1,318

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Activity in the allowance for doubtful accounts is as follows:

(Dollars in millions)	Balance at Beginning of Period	Charges (Credit) to Operations	Deductions [(a)]	Balance at End of Period
Fiscal year ended July 3, 2015	$ 12		(3)	$ 9
Fiscal year ended July 1, 2016	$ 9	1	(1)	$ 9
Fiscal year ended June 30, 2017	$ 9	(4)		$ 5

(a) Uncollectible accounts written off, net of recoveries.

Inventories

The following table provides details of the inventory balance sheet item:

(Dollars in millions)	June 30, 2017	July 1, 2016
Raw materials and components	$ 350	$ 307
Work-in-process	257	297
Finished goods	375	264
	$ 982	$ 868

Property, Equipment and Leasehold Improvements, net

The components of property, equipment and leasehold improvements, net were as follows:

(Dollars in millions)	Useful Life in Years	June 30, 2017	July 1, 2016
Land and land improvements		$ 54	$ 69
Equipment	3 5	7,536	7,681
Buildings and leasehold improvements	Up to 30	1,899	1,900
Construction in progress		144	234
		9,633	9,884
Less: accumulated depreciation and amortization		(7,758)	(7,724)
		$ 1,875	$ 2,160

Depreciation expense, which includes amortization of leasehold improvements, was $581 million, $641 million and $689 million for fiscal years 2017, 2016 and 2015, respectively. Interest on borrowings related to eligible capital expenditures is capitalized as part of the cost of the qualified assets and amortized over the estimated useful lives of the assets. During fiscal years 2017, 2016 and 2015, the Company capitalized interest of $4 million, $13 million and $15 million, respectively.

In fiscal years 2017 and 2016, the Company determined it would discontinue the use of certain manufacturing property and equipment in the short-term, and that certain other buildings, land and manufacturing property and equipment were permanently impaired. As a result, the Company recognized charges of $72 million and $53 million in fiscal years 2017 and 2016, respectively, from the write-off and accelerated depreciation of these fixed assets, included $35 million impairment on land and buildings in fiscal year 2017, classified as held for sale under Other current assets in the Consolidated Balance Sheet. Please refer to Note 9. *Fair Value* for more details. In fiscal year 2017, total charges of $35 million, $35 million and $2 million was recorded to Cost of revenue, Product development and Marketing and administrative, respectively, in the Consolidated Statement of Operations. In fiscal year 2016, the entire amount was recorded in Cost of revenue in the Consolidated Statement of Operations. The Company did not record any material impairment in fiscal year 2015.

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Accrued Expenses

The following table provides details of the accrued expenses balance sheet item:

(Dollars in millions)	June 30, 2017	July 1, 2016
Dividends payable	$ 184	$
Other accrued expenses	466	444
Total	$ 650	$ 444

Accumulated Other Comprehensive Income (Loss) (AOCI)

The components of AOCI, net of tax, were as follows: