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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) O**
**EXCHANGE ACT OF 1934**

**For the fiscal year ended January 30, 2022**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15**
**EXCHANGE ACT OF 1934**

**Commission file number: 0-23985**

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# NVIDIA CORPORATION

**Delaware**
**(State or other jurisdiction of**
**Incorporation or Organization**

**(Exact name of registrant as specified in its charter)**
**2788 San Tomas Expressway**
**Santa Clara, California 95051**
**(408) 486-2000**

**(Address, including zip code, and telephone number, including area code, of principal executive offices)**

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

| Title of each class |
|---|
| Common Stock, $0.001 par value per share |

**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 Act. 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |
|---|---|---|---|---|---|---|---|---|---|

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 30, 2021 was approximately $467.25 billion (based on the closing sales price of the registrant's common stock as reported by the Nasdaq Global Select Market on July 30, 2021). This calculation excludes 99 million shares held by directors and executive officers of the registrant. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that have represented to the registrant that they are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940.

The number of shares of common stock outstanding as of March 11, 2022 was 2.51 billion.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2022 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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## WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about the company, our products, our planned financial and other announcements and attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

NVIDIA Twitter Account (https://twitter.com/nvidia)

NVIDIA Corporate Blog (http://blogs.nvidia.com)

NVIDIA Facebook Page (https://www.facebook.com/nvidia)

NVIDIA LinkedIn Page (http://www.linkedin.com/company/nvidia)

NVIDIA Instagram Page (https://www.instagram.com/nvidia)

In addition, investors and others can view NVIDIA videos on YouTube (https://www.YouTube.com/nvidia).

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts and the blog, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on NVIDIA's investor relations website.

### Forward-Looking Statements

*This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail under the heading "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

*All references to "NVIDIA," "we," "us," "our" or the "Company" mean NVIDIA Corporation and its subsidiaries.*

*In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to* *us as of the filing date of this Annual Report on Form 10-K , and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.*

## PART I

## ITEM 1. BUSINESS

### Our Company

NVIDIA pioneered accelerated computing to help solve the most challenging computational problems. Since our original focus on PC graphics, we have expanded to several other large and important computationally intensive fields. Fueled by the sustained demand for exceptional 3D graphics and the scale of the gaming market, NVIDIA has leveraged its GPU architecture to create platforms for scientific computing, artificial intelligence, or AI, data science, autonomous vehicles, or AV, robotics, and augmented and virtual reality, or AR and VR.

The GPU was initially used to simulate human imagination, enabling the virtual worlds of video games and films. Today, it also simulates human intelligence, enabling a deeper understanding of the physical world. Its parallel processing capabilities, supported by thousands of computing cores, are essential to running deep learning algorithms. This form of AI, in which software writes itself by learning from large amounts of data, can serve as the brain of computers, robots and self-driving cars that can perceive and understand the world. GPU-powered deep learning is being adopted by thousands of enterprises to deliver services and products that would have been impossible with traditional coding.

NVIDIA has a platform strategy, bringing together hardware and systems, software, algorithms and libraries, and services to create unique value for the markets we serve. While the computing requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and software stacks. The programmable nature of our architecture allows us to support several multi-billion-dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. The large and growing number of developers across our platforms strengthens our ecosystem and increases the value of our platform to our customers.

Innovation is at our core. We have invested over $29 billion in research and development since our inception, yielding inventions that are essential to modern computing. Our invention of the GPU in 1999 defined modern computer graphics and established NVIDIA as the leader in computer graphics. With our introduction of the CUDA programming model in 2006, we opened the parallel processing capabilities of our GPU for general purpose computing. This approach significantly accelerates the most demanding high-performance computing, or HPC, applications in fields such as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. Today, our GPUs and networking accelerate many of the fastest supercomputers across the world. In addition, the massively parallel compute architecture of our GPUs and associated software are well suited for deep learning and machine learning, powering the era of AI. While traditional CPU-based approaches no longer deliver advances on the pace described by Moore's Law, we deliver GPU performance improvements on a pace ahead of Moore's Law, giving the industry a path forward.

Gamers choose NVIDIA GPUs to enjoy immersive, increasingly cinematic virtual worlds. GPUs also help underpin the world's fastest growing spectator sport, eSports, which attracts hundreds of millions of viewers to watch top-quality gaming. In addition to serving the growing number of gamers, the market for gaming GPUs is expanding as a result of the burgeoning population of live streamers, broadcasters, artists and creators.

Researchers use our GPUs to accelerate a wide range of important applications, from simulating molecular dynamics to climate forecasting. With support for more than 2,500 applications - including the top 15 HPC applications - NVIDIA GPUs enable some of the most promising areas of discovery, from climate prediction to materials science and from wind tunnel simulation to genomics. Including GPUs and networking, NVIDIA powers over 70%, and 8 of the top 10, supercomputers on the global TOP500 list.

The world's leading cloud service providers and consumer internet companies use our GPUs to enable, accelerate or enrich the services they deliver to billions of end-users, including search, recommendations, social networking, online shopping, live video, translation, AI assistants, navigation, and cloud computing.

A rapidly growing number of enterprises and startups across a broad range of industries use our GPUs and AI software to bring automation to the products and services they build. The transportation industry is turning to our platforms for autonomous driving; the healthcare industry is leveraging them for enhanced medical imaging and accelerated drug discovery; and the financial services industry is using them for fraud detection.

Professional designers use our GPUs and software to create visual effects in movies, and design buildings and products ranging from cell phones to commercial aircraft.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

**Termination of the Arm Share Purchase Agreement**

On February 8, 2022, NVIDIA and SoftBank Group Corp., or SoftBank, announced the termination of the Share Purchase Agreement whereby NVIDIA would have acquired Arm Limited, or Arm, from SoftBank. The parties agreed to terminate because of significant regulatory challenges preventing the completion of the transaction. We intend to record in operating expenses a $1.36 billion charge in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing in September 2020.

## Our Businesses

We report our business results in two segments.

Our Graphics segment includes GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/NVIDIA RTX GPUs for enterprise workstation graphics; virtual GPU, or vGPU, software for cloud-based visual and virtual computing; automotive platforms for infotainment systems; and Omniverse software for building 3D designs and virtual worlds.

Our Compute & Networking segment includes Data Center platforms and systems for AI, HPC, and accelerated computing; Mellanox networking and interconnect solutions; automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions; cryptocurrency mining processors, or CMP; Jetson for robotics and other embedded platforms; and NVIDIA AI Enterprise and other software.

## Our Markets

We specialize in markets in which our computing platforms can provide tremendous acceleration for applications. These platforms incorporate processors, interconnects, software, algorithms, systems, and services to deliver unique value. Our platforms address four large markets where our expertise is critical: Gaming, Data Center, Professional Visualization, and Automotive.

### Gaming

Gaming is the largest entertainment industry, with PC gaming as the most predominant platform. Many factors propel computer gaming's growth, including new high production value games and franchises, the continued rise of competitive gaming or eSports, social connectivity and the demand for more content from game streamers, modders and creators.

Our gaming platforms leverage our GPUs and sophisticated software to enhance the gaming experience with smoother, higher quality graphics. We developed NVIDIA RTX to bring next generation graphics and AI to games. NVIDIA RTX features ray tracing technology for real-time, cinematic-quality rendering. Ray tracing, which has long been used for special effects in the movie industry, is a computationally intensive technique that simulates the physical behavior of light to achieve greater realism in computer-generated scenes. NVIDIA RTX also features deep learning super sampling, or NVIDIA DLSS, our AI technology that boosts frame rates while generating beautiful, sharp images for games.

Our products for the gaming market include GeForce RTX and GeForce GTX GPUs for gaming desktop and laptop PCs, GeForce NOW cloud gaming for playing PC games on underpowered devices, SHIELD for high quality streaming on TV, as well as platforms and development services for specialized console gaming devices.

### Data Center

The NVIDIA computing platform is focused on accelerating the most compute-intensive workloads, such as AI, data analytics, graphics and scientific computing, across hyperscale, cloud, enterprise, public sector, and edge data centers. The platform consists of our energy efficient GPUs, data processing units, or DPUs, interconnects and systems, our CUDA programming model, and a growing body of software libraries, software development kits, or SDKs, which are both integrated and sold standalone, application frameworks and services.

In the field of AI, NVIDIA's platform accelerates both deep learning and machine learning workloads. Deep learning is a computer science approach where neural networks are trained to recognize patterns from massive amounts of data in the form of images, sounds and text - in some instances better than humans - and in turn provide predictions in production use cases. Machine learning is a related approach that leverages algorithms as well as data to learn how to make determinations or predictions, and is often used in data science. HPC, also referred to as scientific computing, uses numerical computational approaches to solve large and complex problems. For both AI and HPC applications, the

NVIDIA accelerated computing platform greatly increases the performance and power efficiency of high-performance computers and data centers.

We are engaged with thousands of organizations working on AI in a multitude of industries, from automating tasks such as consumer product and service recommendations, to chatbots for the automation of or assistance with live customer interactions, to enabling fraud detection in financial services, to optimizing oil exploration and drilling. These organizations include the world's leading consumer internet and cloud services companies, enterprises and startups seeking to implement AI in transformative ways across multiple industries. We partnered with industry leaders such as Amazon, Inc., or Amazon, Alphabet Inc., or Alphabet, International Business Machines Corporation, or IBM, Microsoft Corporation, or Microsoft, Oracle Corporation, or Oracle, SAP SE, and VMware Inc. to bring AI to enterprise users. We also have partnerships in transportation, retail, healthcare, and manufacturing, among others, to accelerate the adoption of AI.

At the foundation of the NVIDIA accelerated computing platform are our GPUs, which excel at parallel workloads such as the training and inferencing of neural networks. They are available in industry standard servers from every major computer maker, including Cisco Systems, Inc., or Cisco, Dell Technologies Inc., Hewlett Packard Enterprise Company, or HP, Hitachi Vantara, Inspur Group, and Lenovo Group Limited; from every major cloud service provider such as Alicloud, Amazon Web Services, Baidu Cloud, Google Cloud, IBM Cloud, Microsoft Azure, Oracle Cloud, and Tencent Cloud; as well as in our DGX AI supercomputer, a purpose-built system for deep learning and GPU accelerated applications. To facilitate customer adoption, we have also built other ready-to-use system reference designs around our GPUs, including HGX for hyperscale and supercomputing data centers, EGX for enterprise and edge computing, and AGX for autonomous machines.

Beyond GPUs, NVIDIA has expanded its data center processor portfolio to include DPUs, introduced in fiscal year 2021, and CPUs planned to ship in early fiscal year 2024. NVIDIA Bluefield DPU is supported by foundational data-center-infrastructure-on-a-chip software, or DOCA, that lets developers build software-defined, hardware-accelerated networking, security, storage and management applications for BlueField DPUs. Partners supporting Bluefield include many of the top security, storage and networking companies. We can optimize across the entire computing, networking and storage stack to deliver data center-scale computing solutions.

While our approach starts with powerful chips, what makes it a full-stack computing platform is our large body of software, including the CUDA parallel programming model, the CUDA-X collection of application acceleration libraries, Application Programming Interfaces, or APIs, SDKs and tools, and domain-specific application frameworks. We also offer the NVIDIA GPU Cloud registry, or NGC, a comprehensive catalog of easy-to-use, optimized software stacks across a range of domains including scientific computing, deep learning, and machine learning. With NGC, AI developers, researchers and data scientists can get started with the development of AI and HPC applications and deploy them on DGX systems, NVIDIA-Certified systems from our partners, or with NVIDIA's cloud partners.

In addition to software that is delivered to customers as an integral part of our data center computing platform, we offer enterprise software products on a standalone basis as a perpetual license or subscription. Our enterprise software offerings include NVIDIA AI Enterprise, a comprehensive suite of enterprise-grade AI software; NVIDIA Fleet Command software-as-a-service for securely deploying and managing AI applications across distributed edge infrastructure; NVIDIA Base Command software-as-a-service for managing large-scale, multi-user and multi-team AI development workflows; and NVIDIA vGPU software products that enable powerful GPU performance for workloads ranging from graphics-rich virtual desktops and workstations to data science and AI.

### Professional Visualization

We serve the Professional Visualization market by working closely with independent software vendors, or ISVs, to optimize their offerings for NVIDIA GPUs. Our GPU computing solutions enhance productivity and introduce new capabilities for critical workflows in many fields, such as design and manufacturing and digital content creation. Design and manufacturing encompass computer-aided design, architectural design, consumer-products manufacturing, medical instrumentation, and aerospace. Digital content creation includes professional video editing and post-production, special effects for films, and broadcast-television graphics.

The NVIDIA RTX platform makes it possible to render film-quality, photorealistic objects and environments with physically accurate shadows, reflections and refractions using ray tracing in real-time. Many leading 3D design and content creation applications developed by our ecosystem partners now support RTX, allowing professionals to accelerate and transform their workflows with NVIDIA RTX GPUs and software.

Designers who build the products we use every day need the images that they view digitally to mirror reality. This requires simulating the physical behavior of light and materials, or physically-based rendering. NVIDIA Omniverse is a virtual world simulation and collaboration platform for 3D workflows that is available as a software subscription for enterprise use and free for individual use. Omniverse, VR and AR are being incorporated in a growing number of enterprise applications. Virtual car showrooms, surgical training, architectural walkthroughs, and bringing historical scenes to life all deploy these technologies, powered by our GPUs.

**Automotive**

NVIDIA's Automotive market is comprised of cockpit AV platforms, AI cockpit and infotainment solutions, and associated development agreements. Leveraging our technology leadership in AI and building on our long-standing automotive relationships, we are delivering a complete end-to-end solution for the AV market under the DRIVE brand. NVIDIA has demonstrated multiple applications of AI within the car: AI can drive the car itself as a pilot in fully autonomous mode or it can also be a co-pilot, assisting the human driver while creating a safer driving experience.

NVIDIA is working with several hundred partners in the automotive ecosystem including automakers, truck makers, tier-one suppliers, sensor manufacturers, automotive research institutions, HD mapping companies, and startups to develop and deploy AI systems for self-driving vehicles. Our unified AI computing architecture starts with training deep neural networks using our GPUs, and then running a full perception, planning and control stack within the vehicle on the NVIDIA DRIVE Hyperion platform. The DRIVE Hyperion platform consists of the high-performance, energy efficient DRIVE AGX computing hardware, a reference sensor set that supports full self-driving capability as well as an open, modular DRIVE Software platform. We recently announced for future release the DRIVE Software platform that includes DRIVE Chauffeur – based on NVIDIA DRIVE AV software to enable autonomous driving, mapping and parking services; and Drive Concierge – based on NVIDIA DRIVE IX software for intelligent in-vehicle experiences and NVIDIA Omniverse Avatar software for real time conversational AI capability.

NVIDIA DRIVE can perceive and understand in real-time what is happening around the vehicle, precisely locate itself on an HD map, and plan a safe path forward. This advanced self-driving car platform combines deep learning, sensor fusion, and surround vision to change the driving experience. Our DRIVE platform scales from a palm-sized, energy-efficient module for automated highway-driving capabilities to a configuration with multiple systems aimed at enabling driverless cars. Our newest system-on-a-chip, or SoC, Orin, which started shipping in fiscal year 2022, enables vehicles to use deep neural networks to process data from multiple cameras and sensors. It powers the DRIVE AutoPilot, NVIDIA's automated driving solution, combining the DRIVE AV self-driving solution with the DRIVE IX cockpit software, including a visualization system for allowing the driver to see what the car sees and plans to do.

In addition, we offer a scalable data center-based simulation solution, NVIDIA DRIVE Constellation running DRIVE Sim software, for testing and validating a self-driving platform before commercial deployment. NVIDIA's unique end-to-end, software-defined approach is designed for continuous innovation and continuous development, enabling cars to receive over-the-air updates to add new features and capabilities throughout the life of a vehicle.

## Business Strategies

NVIDIA's key strategies that shape our overall business approach include:

**Advancing the NVIDIA accelerated computing platform.** NVIDIA's accelerated computing platform can solve complex problems in significantly less time and with lower power consumption than alternative computational approaches. Indeed, it can help solve problems that were previously deemed unsolvable. We work to deliver continued performance leaps that outpace Moore’s Law by leveraging innovation across the architecture, chip design, system, and software layers. With our acquisition of Mellanox, we strengthened our end-to-end expertise in data center architectures, positioning us for a future when the data center is the new unit of computing. This full-stack innovation approach allows us to deliver order-of-magnitude performance advantages relative to legacy approaches in our target markets, which include Gaming, Data Center, Professional Visualization, and Automotive. While the computing requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and CUDA as the fundamental building blocks. The programmable nature of our architecture allows us to make leveraged investments in R&D: we can support several multi-billion-dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. We utilize this platform approach in each of our target markets.

**Extending our technology and platform leadership in AI.** We provide a complete, end-to-end accelerated computing platform for deep learning and machine learning, addressing both training and inferencing. This includes GPUs, interconnects, systems, our CUDA programming language, algorithms, libraries, and other software. GPUs are uniquely suited to AI, and we will continue to add AI-specific features to our GPU architecture to further extend our leadership position. Our AI technology leadership is reinforced by our large and expanding ecosystem in a virtuous cycle. Our GPU platforms are available from virtually every major server maker and cloud service provider, as well as on our own AI supercomputer. There are almost 3 million developers worldwide using CUDA and our other software tools to help deploy our technology in our target markets. We evangelize AI through partnerships with hundreds of universities and almost 10,000 startups through our Inception program. Additionally, our Deep Learning Institute provides instruction on the latest techniques on how to design, train, and deploy neural networks in applications using our accelerated computing platform.

**Extending our technology and platform leadership in computer graphics.** We believe that computer graphics is fundamental to the continued expansion and evolution of computing. We apply our research and development resources to enhance the user experience for consumer entertainment and professional visualization applications, and create new virtual world and simulation capabilities. Our technologies are instrumental in driving gaming forward, as developers leverage our libraries and algorithms to deliver an optimized gaming experience on our GeForce platform. Our computer graphics platforms leverage not only our industry-leading GeForce and NVIDIA RTX GPUs, but also optimized software stacks. For example, GeForce Experience enhances each gamer’s experience by optimizing their PC’s settings, as well as enabling the recording and sharing of gameplay. Our Studio drivers enhance and accelerate a number of popular creative applications. Omniverse is real-time 3D design collaboration and virtual world simulation software that empowers artists, designers and creators to connect and collaborate in leading design applications. We also enable interactive graphics applications - such as games, movie and photo editing and design software - to be accessed by almost any device, almost anywhere, through our cloud platforms such as vGPU for enterprise and GeForce NOW for gaming.

**Advancing the leading autonomous vehicle platform.** We believe the advent of AV will soon revolutionize the transportation industry. In our view, AI is the key technology enabler of this opportunity, as the algorithms required for autonomous driving - such as perception, localization, and planning - are too complex for legacy hand-coded approaches and will run on multiple trained neural networks instead. Therefore, we provide a full functionally safe AI-based hardware and software solution for the AV market under the DRIVE brand, which we are bringing to market through our partnerships with automotive original equipment manufacturers, or OEMs, tier-1 suppliers, and start-ups. Our AV solution also includes the GPU-based hardware required to train the neural networks before their in-vehicle deployment, as well as to re-simulate their operation prior to any over-the-air software updates. We believe our comprehensive, top-to-bottom and end-to-end approach will enable the transportation industry to solve the complex problems arising from the shift to autonomous driving.

**Leveraging our intellectual property, or IP.** We believe our IP is a valuable asset that can be accessed by our customers and partners through license and development agreements when they desire to build such capabilities directly into their own products, or have us do so through a custom development. Such license and development arrangements can further enhance the reach of our technology.

## Sales and Marketing

Our worldwide sales and marketing strategy is key to achieving our objective of providing markets with our high-performance and efficient computing platforms and software. Our sales and marketing teams, located across our global markets, work closely with end customers and various industry ecosystems through our partner network. Our partner network incorporates each industry's respective OEMs, original device manufacturers, or ODMs, system builders, add-in board manufacturers, or AIBs, retailers/distributors, ISVs, internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants.

Members of our sales team have technical expertise and product and industry knowledge. We also employ a team of application engineers and solution architects to assist our partner network in designing, testing, and qualifying system designs that incorporate our platforms. We believe that the depth and quality of our design support are key to improving our partner network's time-to-market, maintaining a high level of customer satisfaction, and fostering relationships that encourage our end customers and partner network to use the next generation of our products within each platform.

To encourage the development of applications optimized for our platforms and software, we seek to establish and maintain strong relationships in the software development community. Engineering and marketing personnel engage with key software developers to promote and discuss our platforms, as well as to ascertain individual product requirements and solve technical problems. Our developer program makes our products available to developers prior to launch in order to encourage the development of AI frameworks, SDKs, and APIs for software applications and game titles that are optimized for our platforms. Our Deep Learning Institute provides in-person and online training for developers in industries and organizations around the world to build AI and accelerated computing applications that leverage our platforms.

As NVIDIA's business has evolved from a focus primarily on gaming products to broader markets, and from chips to platforms and complete systems to software, so, too, have our avenues to market. Thus, in addition to sales to customers in our partner network, certain of our platforms are also sold through e-tail channels, or direct to cloud service providers and enterprise customers.

## Seasonality

Our computing platforms serve a diverse set of markets such as consumer gaming, enterprise and cloud data centers, professional workstations, and automotive. Our consumer products typically see stronger revenue in the second half of our fiscal year. In addition, based on the production schedules of key customers, some of our products for notebooks and game consoles typically generate stronger revenue in the second and third quarters, and weaker revenue in the fourth and first quarters. In fiscal year 2022, our demand exceeded our supply in several areas, and our revenue did not follow historical seasonal patterns. However, there can be no assurance that these trends will continue. Our fiscal year 2022 supply-constrained environment or historical seasonality trends may not repeat.

## Manufacturing

We do not manufacture semiconductors used for our products. Instead, we utilize a fabless manufacturing strategy, whereby we employ world-class suppliers for all phases of the manufacturing process, including wafer fabrication, assembly, testing, and packaging. This strategy uses the expertise of industry-leading suppliers that are certified by the International Organization for Standardization in such areas as fabrication, assembly, quality control and assurance, reliability, and testing. Additionally, we can avoid many of the significant costs and risks associated with owning and operating manufacturing operations. While we may directly procure certain raw materials used in the production of our products, such as substrates and a variety of components, our suppliers are responsible for procurement of most of the raw materials used in the production of our products. As a result, we can focus our resources on product design, additional quality assurance, marketing, and customer support. We have placed non-cancellable inventory orders for certain products in advance of our historical lead times, paid premiums and provided deposits to secure future supply and capacity and may need to continue to do so in the future.

We utilize industry-leading suppliers, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd, to produce our semiconductor wafers. We then utilize independent subcontractors, such as Amkor Technology, King Yuan Electronics Co., Ltd., Omni Logistics, LLC, Siliconware Precision Industries Company Ltd., and Wistron Corporation to perform assembly, testing, and packaging of most of our products and platforms. We use contract manufacturers such as Flex Ltd., Jabil Inc., and Universal Scientific Industrial Co., Ltd., to manufacture our standard and custom adapter card products and switch systems, and Fabrinet to manufacture our cables. We purchase substrates from Ibiden Co. Ltd., Kinsus Interconnect Technology Corporation, and Unimicron Technology Corporation, and memory from Micron Technology, Samsung Semiconductor, Inc., or Samsung, and SK Hynix. We often consign key components or materials such as the GPU, SoC, memory, and integrated circuit to the contract manufacturers.

We typically receive semiconductor products from our subcontractors, perform incoming quality assurance and configuration using test equipment purchased from industry-leading suppliers such as Advantest America Inc., and then ship the semiconductors to contract manufacturers, such as BYD Auto Co. Ltd. and Hon Hai Precision Industry Co., distributors, motherboard and add-in card, or AIC, customers from our third-party warehouses in Hong Kong, Israel, and the United States. Generally, these manufacturers assemble and test the boards based on our design kit and test specifications, and then ship our products to retailers, system builders, or OEMs as motherboard and AIC solutions.

## Competition

The market for our products is intensely competitive and is characterized by rapid technological change and evolving industry standards. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and partners and distribution channels, software support, conformity to industry standard APIs, manufacturing capabilities, processor pricing, and total system costs. We believe that our ability to remain competitive will depend on how well we are able to anticipate the features and functions that customers and partners will demand and whether we are able to deliver consistent volumes of our products at acceptable levels of quality and at competitive prices. We expect competition to increase from both existing competitors and new market entrants with products that may be lower priced than ours or may provide better performance or additional features not provided by our products. In addition, it is possible that new competitors or alliances among competitors could emerge and acquire significant market share.

A significant source of competition comes from companies that provide or intend to provide GPUs, embedded SoCs, and other accelerated, AI computing processor products, and providers of semiconductor-based high-performance interconnect products based on InfiniBand, Ethernet, Fibre Channel and proprietary technologies. Some of our competitors may have greater marketing, financial, distribution and manufacturing resources than we do and may be more able to adapt to customer or technological changes. We expect an increasingly competitive environment in the future.

Our current competitors include:

- suppliers and licensors designing discrete and integrated GPUs, custom chips and other accelerated computing solutions, such as Advanced Micro Devices, or AMD, and Intel Corporation, or Intel;
- large internet services companies with internal teams designing chips that incorporate accelerated computing functionality as part of their internal solutions or platforms, such as Alibaba Group, Alphabet, and Amazon;
- suppliers of SoC products that are embedded into automobiles, autonomous machines, and gaming devices, such as Ambarella, Inc., AMD, Broadcom Inc., Intel, Qualcomm Incorporated, Renesas Electronics Corporation, and Samsung, or companies with internal teams designing SoC products for internal use, such as Tesla Motors; and
- suppliers of interconnect, switch and cable solutions such as AMD, Applied Optoelectronics, Inc., Arista Networks, Broadcom, Cisco, HP, Intel, Juniper Networks, Inc., Lumentum Holdings, and Marvell Technology Group, as well as internal teams of system vendors and large internet services companies such as Alphabet and Amazon.

## Patents and Proprietary Rights

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, and licensing arrangements to protect our IP in the United States and internationally. Our currently issued patents have expiration dates from February 2022 to June 2045. We have numerous patents issued, allowed, and pending in the United States and in foreign jurisdictions. Our patents and pending patent applications primarily relate to our products and the technology used in connection with our products. We also rely on international treaties, organizations, and foreign laws to protect our IP. The laws of certain foreign countries in which our products are or may be manufactured or sold, including various countries in Asia, may not protect our products or IP rights to the same extent as the laws of the United States. This decreased protection makes the possibility of piracy of our technology and products more likely. We continuously assess whether and where to seek formal protection for particular innovations and technologies based on such factors as:

- the location in which our products are manufactured;
- our strategic technology or product directions in different countries;
- the degree to which IP laws exist and are meaningfully enforced in different jurisdictions; and
- the commercial significance of our operations and our competitors' operations in particular countries and regions.

We have licensed technology from third parties and expect to continue to enter into such license agreements.

## Government Regulations

Our worldwide business activities are subject to various laws, rules, and regulations of the United States as well as of foreign governments. Our acquisitions may be subject to government regulatory reviews, and the cost to comply with such regulations or costs incurred where regulatory challenges prevent the completion of an acquisition could have a material impact on our business. On February 8, 2022, we announced the termination of the Share Purchase Agreement by which we would have acquired Arm due to significant regulatory challenges preventing the completion of the transaction and expect to incur a $1.36 billion charge in the first quarter of fiscal year 2023. Compliance with laws, rules, and regulations has not otherwise had a material effect upon our capital expenditures, results of operations, or competitive position and we do not currently anticipate material capital expenditures for environmental control facilities. Compliance with existing or future governmental regulations, including, but not limited to, those pertaining to IP ownership and infringement, taxes, import and export requirements and tariffs, anti-corruption, business acquisitions, foreign exchange controls and cash repatriation restrictions, data privacy requirements, competition and antitrust, advertising, employment, product regulations, cybersecurity, environmental, health and safety requirements, the responsible use of AI, climate change, cryptocurrency, and consumer laws, could increase our costs, impact our competitive position, and otherwise may have a material adverse impact on our business, financial condition and results of operations in subsequent periods. Refer to "Item 1A. Risk Factors" for a discussion of these potential impacts.

## Environmental, Social and Corporate Governance

NVIDIA invents computing technologies that improve lives and address global challenges. We integrate sound environmental, social and corporate governance, or ESG, principles and practices into every aspect of the Company. The Nominating and Corporate Governance Committee of our Board of Directors is responsible for reviewing and discussing with management our practices concerning ESG. We undertake an annual analysis to ensure that our ESG priorities remain aligned with stakeholder expectations, market trends, and business risks and opportunities. These issues are important for our continued business success and reflect the topics of highest concern to NVIDIA and our stakeholders.

The following section provides an overview of some of these principles and practices. More information can be found on the Corporate Social Responsibility section of our website and in our annual Corporate Social Responsibility Report, or CSR Report. Information contained on our website or in our annual CSR Report is not incorporated by reference into this or any other report we file with the Securities and Exchange Commission, or the SEC. Refer to "Item 1A. Risk Factors" for a discussion of risks and uncertainties we face related to ESG.

### Climate Change

In the area of sustainability, we address our climate impacts across our product lifecycle and assess risks, including current and emerging regulations and market impacts.

In our CSR Report, we report several metrics related to our environmental impact, our most recent full reporting year being fiscal year 2021, with our fiscal year 2022 metrics expected to be published in May 2022. There has been no material impact to capital expenditures, our results of operations or competitive position associated with global sustainability regulations, compliance, or costs from sourcing renewable energy. By the end of fiscal year 2025, our goal is to purchase or generate enough renewable energy to match 100% of our global electricity usage for our offices and data centers.

Whether it is creation of technology to power next-generation laptops or designs to support high-performance supercomputers, improving energy efficiency is important in our research, development, and design processes. GPUs are inherently more energy efficient than other forms of computing because they are optimized for throughput and performance per watt rather than absolute performance. GPU servers are approximately 40x more energy efficient than traditional CPU servers for AI workloads. The power efficiency of our products is evidenced by our continued strong presence on the Green500 list of the most energy-efficient systems. We powered 23 of the top 25 systems on the November 2021 Green500 list.

We plan to build Earth-2, an AI supercomputer dedicated to predicting the impacts of climate change. The system will build a digital twin of the Earth on our Omniverse platform, enable scientists to do ultra-high-resolution climate modeling, and put mitigation and adaptation tools into the hands of cities and nations so they can act with more urgency.

## Human Capital Management

We believe that our employees are our greatest assets, and they play a key role in creating long-term value for our stakeholders. As of January 30, 2022, we had 22,473 employees in 32 countries. 16,242 were engaged in research and development and 6,231 were engaged in sales, marketing, operations, and administrative positions.

To be competitive and execute our business strategy successfully, we must recruit, develop, and retain talented employees, including qualified executives, scientists, engineers, and technical and non-technical staff.

### Recruitment

The demand for talent in new markets such as AI and deep learning, is increasingly competitive. With differentiated hiring strategies for university, professional, executive, and for diversity, we have been successful in attracting top talent to NVIDIA.

We attract global talent from universities, collaborations with college programs, professional organization affiliations, industry conferences, community resource group participation, direct sourcing and outreach. Our employees play an important part in recruiting, with over 39% of our new hires coming from employee referrals.

**Development and Retention**

To support employee advancement, we provide opportunities to learn on-the-job through training programs, one on one coaching and ongoing feedback. We have a rich library of live and on-demand learning experiences that include workshops, panel discussions, and speaker forums. We curate learning paths focused on our most common development needs and constantly upgrade our offerings to ensure that our employees are exposed to the most current programs and technologies available. We offer tuition reimbursement programs to subsidize educational programs and advanced certifications. We encourage internal mobility through career coaching that advises employees on developmental activities and pursuing internal transfer opportunities. We have implemented specifically designed mentoring and development programs for women and employees from traditionally underrepresented groups to ensure widespread readiness for future advancement.

To evaluate employee sentiment and engagement, we use pulse surveys, a suggestion box, and an anonymous third-party platform. Pulse surveys help us gain insight into employee experience and provide ideas so that we can prioritize areas to take action. The suggestion box is an always-on, interactive tool where employees share their thoughts about making our company a better place to work. The anonymous third-party platform is designed to protect the identity of the reporter and provide a mechanism for reporters to follow an investigation and receive responses.

In fiscal year 2022, our overall turnover rate was 4.9%.

### Compensation, Benefits, and Well-Being

Our compensation program rewards performance and is structured to encourage employees to invest in the Company’s future. Employees receive equity, except where unavailable due to local regulations, that is tied to the value of our stock price and vests over time to retain employees while simultaneously aligning their interests with those of our stockholders.

We offer comprehensive benefits to support our employees’ and their families’ physical health, well-being and financial health, including 401(k) programs in the U.S., statutory pension programs outside the U.S., our employee stock purchase program, flexible work hours and time off, and programs to address mental health, stress, and time-management challenges. We evaluate our benefit offerings globally and are committed to providing tailored benefits based on community needs, including assistance for military members, additional mental health benefits, and support for new birth parents, and those who wish to become parents.

### Diversity and Inclusion

We believe that diverse teams fuel innovation, and we are committed to creating an inclusive culture that supports all employees, regardless of gender, gender identity or expression, veteran status, race, ethnicity, or ability.

We have increased our efforts to recruit, develop, and retain a more diverse workforce with a focus on those historically underrepresented in the technology field, including women, Black/African American, and Hispanic/Latino candidates.

Other efforts we have been or are undertaking include:

- Expanded recruiting teams and deepened our college pipeline to engage more diverse students and partnering with minority-serving institutions and professional organizations;
- Supported the development of women employees to build a pipeline of future leaders;
- Supported underrepresented employees through our 11 internal community resource groups;
- Providing training and education to managers and peers on how to foster a supportive environment; and

- Measuring year over year progress and providing leadership visibility on diversity efforts.

As of January 30, 2022, our global workforce was 80% male, 19% female, and 1% not declared and 6% of our workforce in the United States was composed of Black or African American and Hispanic or Latino employees.

**Health and COVID-19**

We support our people and their families in making their health and safety a top priority. During fiscal year 2022 and the COVID-19 pandemic, we continued our global protocols to keep our workforce safe. For essential labs and offices that remain open, we maintained appropriate safety protocols and social distancing guidelines. We have also made some of our offices accessible based on a clearly defined set of metrics while adhering to government guidelines. Steps we took to support employees include:

- Providing work from home support, including reimbursement for home office equipment and certain work from home expenses;

- Enhanced health coverage, including-COVID-19 testing, vaccine costs and support, expanded mental health resources and virtual care offerings, and care for those with COVID-19;
- Learning and development resources on how to lead and manage remotely; and
- Opportunities for employees to socially connect with one another virtually.

We will continue a flexible work environment and have instituted Company-wide “rest days” for employees to recharge.

### Information About Our Executive Officers

The following sets forth certain information regarding our executive officers, their ages and positions as of March 11, 2022:

| Name | Age | Position |
|---|---|---|
| Jen-Hsun Huang | 59 | President and Chief Executive Officer |
| Colette M. Kress | 54 | Executive Vice President and Chief Financial Officer |
| Ajay K. Puri | 67 | Executive Vice President, Worldwide Field Operations |
| Debora Shoquist | 67 | Executive Vice President, Operations |
| Timothy S. Teter | 55 | Executive Vice President and General Counsel |

**Jen-Hsun Huang** co-founded NVIDIA in 1993 and has served as our President, Chief Executive Officer and a member of the Board of Directors since our inception. From 1985 to 1993, Mr. Huang was employed at LSI Logic Corporation, a computer chip manufacturer, where he held a variety of positions including as Director of Coreware, the business unit responsible for LSI's SOC. From 1983 to 1985, Mr. Huang was a microprocessor designer for Advanced Micro Devices, Inc., a semiconductor company. Mr. Huang holds a B.S.E.E. degree from Oregon State University and an M.S.E.E. degree from Stanford University.

**Colette M. Kress** joined NVIDIA in 2013 as Executive Vice President and Chief Financial Officer. Prior to NVIDIA, Ms. Kress most recently served as Senior Vice President and Chief Financial Officer of the Business Technology and Operations Finance organization at Cisco Systems, Inc., a networking equipment company, since 2010. At Cisco, Ms. Kress was responsible for financial strategy, planning, reporting and business development for all business segments, engineering and operations. From 1997 to 2010 Ms. Kress held a variety of positions at Microsoft Corporation, a software company, including, beginning in 2006, Chief Financial Officer of the Server and Tools division, where Ms. Kress was responsible for financial strategy, planning, reporting and business development for the division. Prior to joining Microsoft, Ms. Kress spent eight years at Texas Instruments Incorporated, a semiconductor company, where she held a variety of finance positions. Ms. Kress holds a B.S. degree in Finance from University of Arizona and an M.B.A. degree from Southern Methodist University.

**Ajay K. Puri** joined NVIDIA in 2005 as Senior Vice President, Worldwide Sales and became Executive Vice President, Worldwide Field Operations in 2009. Prior to NVIDIA, he held positions in sales, marketing, and general management over a 22-year career at Sun Microsystems, Inc., a computing systems company. Mr. Puri previously held marketing, management consulting, and product development positions at Hewlett-Packard Company, an information technology company, Booz Allen Hamilton Inc., a management and technology consulting company, and Texas Instruments Incorporated. Mr. Puri holds a B.S.E.E. degree from the University of Minnesota, an M.S.E.E. degree from the California Institute of Technology and an M.B.A. degree from Harvard Business School.

**Debora Shoquist** joined NVIDIA in 2007 as Senior Vice President of Operations and in 2009 became Executive Vice President of Operations. Prior to NVIDIA, Ms. Shoquist served from 2004 to 2007 as Executive Vice President of Operations at JDS Uniphase Corp., a provider of communications test and measurement solutions and optical products for the telecommunications industry. She served from 2002 to 2004 as Senior Vice President and General Manager of the Electro-Optics business at Coherent, Inc., a manufacturer of commercial and scientific laser equipment. Previously, she worked at Quantum Corp., a data protection company, as President of the Personal Computer Hard Disk Drive Division, and at Hewlett-Packard Corp. Ms. Shoquist holds a B.S. degree in Electrical Engineering from Kansas State University and a B.S. degree in Biology from Santa Clara University.

**Timothy S. Teter** joined NVIDIA in 2017 as Senior Vice President, General Counsel and Secretary and became Executive Vice President, General Counsel and Secretary in February 2018. Prior to NVIDIA, Mr. Teter spent more than two decades at the law firm of Cooley LLP, where he focused on litigating patent and technology related matters. Prior to attending law school, he worked as an engineer at Lockheed Missiles and Space Company. Mr. Teter holds a B.S. degree in Mechanical Engineering from the University of California at Davis and a J.D. degree from Stanford Law School.

### Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our website, *http://www.nvidia.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. The SEC's website, *http://www.sec.gov*, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our web site and the information on it or connected to it are not a part of this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

*In evaluating NVIDIA, the following risk factors should be considered in addition to the other information in this Annual Report on Form 10-K. Purchasing or owning NVIDIA common stock involves investment risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, which could cause our stock price to decline, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.*

### Risks Related to Our Industry and Markets

**If we fail to meet the evolving needs of our markets, or to identify new products, services or technologies, our revenue and financial results may be adversely impacted.**

Our accelerated computing platforms address four large markets: Gaming, Data Center, Professional Visualization, and Automotive. These markets experience rapid changes in technology, customer requirements, new product introductions and enhancements, and industry standards.

Our strategic and business success depends on our ability to:

- timely identify emerging industry changes, and develop new or enhance existing products, services and technologies that meet the evolving needs of these markets;
- expand the ecosystem for our products and technologies;
- accurately forecast demand in our businesses;
- meet customer safety and compliance standards, which are subject to change;
- manage product, software, and service lifecycles to maintain customer and end user satisfaction;
- develop infrastructure needed to scale our business, including related to our acquisitions, customer support, e-commerce and IP licensing capabilities; and
- complete technical, financial, compliance, sales and marketing investments for some of the above activities.

We make considerable investments in research and development and business offerings in markets where we have a limited operating history, which may not produce meaningful revenue for several years, if at all. If we fail to develop new products, services and technologies, or if they do not become widely adopted, our business, revenue, financial condition and results of operations could be adversely affected.

Achieving design wins, which is important to our success in several businesses, may involve a lengthy process and depend on our ability to anticipate features and functionality that customers will demand. Unanticipated changes in industry standards or disruptive technological innovation could render our products incompatible with products developed by other companies. If our products are not in compliance with prevailing industry and safety standards, our customers may not incorporate our products into their design strategies. Failure to obtain a particular design win may prevent us from obtaining future design wins in subsequent generations. Furthermore, a design win does not guarantee revenue.

We cannot ensure that our strategic direction will result in products and technologies that provide value to our customers and partners. If we fail to anticipate the changing needs of our target markets and emerging technology trends, or if we do not appropriately adapt our strategies as market conditions evolve, our business will be harmed.

**Competition in our current and target markets could prevent us from growing our revenue.**

Our target markets remain competitive, and competition may intensify with expanding and changing product and service offerings, industry standards, customer needs, new entrants and consolidations. Our competitors' products, services and technologies, such as the high-end discrete GPUs offered by Intel and AMD, may be cheaper or provide better functionality or features than ours, which may result in lower than expected selling prices for our products. Some of our competitors operate their own fabrication facilities, have longer operating histories, larger customer bases, more comprehensive IP portfolios and patent protections, new designs and more design wins, and greater financial, sales, marketing and distribution resources than we do. These competitors may be able to more effectively identify and capitalize upon opportunities in new markets and end user customer trends, more quickly transition their products, and secure sufficient foundry capacity and packaging materials during a supply-constrained environment, which could harm our business. In our networking business, some of our customers are also integrated circuit and switch suppliers and have in-house expertise and internal development capabilities similar to ours. Licensing our technology and supporting such customers entails the transfer of IP rights that may enable such customers to develop their own solutions to replace those we are providing. If we are unable to successfully compete and respond to changes in our target markets or introduce new offerings to meet the needs of this competitive environment, demand for our products, services and technologies could decrease, which would cause our revenue to decline.

## Risks Related to Demand, Supply and Manufacturing

**If we fail to estimate customer demand properly, there may be a mismatch between supply and demand, and our financial results could be harmed.**

Demand for our products is based on many factors, including our product introductions and transitions, time to market, competitor product releases and announcements, competing technologies, and other factors, all of which can impact the timing and volume of our revenue. We sell many of our products through channel partners, who sell to retailers, distributors, and/or end customers. As a result, the decisions made by our channel partners, retailers and distributors in response to changing market conditions and demand for our products could impact our ability to properly forecast demand.

GPUs have use cases in addition to their designed and marketed use case, such as for digital currency mining, including blockchain-based platforms such as Ethereum. It is difficult for us to estimate with any reasonable degree of precision the past or current impact of cryptocurrency mining, or forecast the future impact of cryptocurrency mining, on demand for our products. Volatility in the cryptocurrency market, including new compute technologies, price changes in cryptocurrencies, government cryptocurrency policies and regulations, new cryptocurrency standards, and changes in the method of verifying blockchain transactions, have impacted and can in the future impact cryptocurrency mining and demand for our products, and can further impact our ability to estimate demand for our products. Changes to cryptocurrency standards and processes including, but not limited to, the pending Ethereum 2.0 standard may decrease the usage of GPUs for Ethereum mining as well as create increased aftermarket resales of our GPUs, impact retail prices for our GPUs, increase returns of our products in the distribution channel, and may reduce demand for our new GPUs. We have introduced Lite Hash Rate, or LHR, GeForce GPUs with limited Ethereum mining capability and increased the supply of CMP in an effort to address demand from gamers and direct miners to CMP. However, if attempts in the aftermarket to improve the hash rate capabilities of our LHR cards are successful, our gaming cards may become more attractive to miners, increasing demand for our gaming GPUs and limiting our ability to supply our gaming cards to non-mining customers. We cannot predict whether our strategy of using LHR cards and CMP will achieve our desired outcome. In addition, our products may be resold on the unauthorized "gray market," which also makes demand forecasting difficult. Gray market products compete with our distribution channels.

Consumer and enterprise behavior during the COVID-19 pandemic, such as increased demand for our Gaming, Data Center, and workstation products, has made it more difficult for us to estimate future demand. These challenges may continue in the future when the effects of the pandemic subside.

Our manufacturing lead times are very long and in some cases, extend to be twelve months or longer, which requires us to make estimates of customers' future demand. We have revised our process for purchasing supply as a result of the worldwide supply shortages impacting the semiconductor industry. Our inventory and purchase commitments reflect our demand expectations for our future quarters and long-term supply and capacity needs. These conditions could lead to a significant mismatch between supply and demand, giving rise to product shortages or excess inventory. Demand for our products may be perishable or may disappear, which would make our demand forecast more uncertain and cause us to lose market share, perhaps permanently. To shorten shipment lead times, we may build finished products and carry inventory for anticipated demand that does not materialize. We may not be able to reduce our inventory purchase commitments if customers cancel or defer orders or choose to purchase from our competitors. We may write-down our inventory to the lower of cost or net realizable value or excess inventory, and we could experience a reduction in average selling prices if we incorrectly forecast product demand.

Situations that may result in excess inventory or related impairments include:

- changes in business and economic conditions resulting in decreased consumer confidence, including downturns in our target markets and/or overall economy and changes in the credit market;
- higher incidence of inventory obsolescence because of rapidly changing technology or customer requirements;
- new product introductions resulting in less demand for existing products or inconsistent spikes in demand due to unexpected end use cases;
- increase in demand for competitive products, including competitive actions;
- fluctuations in demand for our products related to cryptocurrency mining; or
- decrease in future demand, decrease in the cost of supply chain materials, or changes in the design of future products where we have entered into long-term supply commitments, including prepayments, particularly to the extent we are placing orders well in advance of our historical lead times and/or before the design of those products is final.

Conversely, if we underestimate our customers' demand for our products, our foundry partners may not have adequate lead-time or capacity to increase production and we may not be able to obtain sufficient inventory to fill orders on a timely basis. We may also face supply constraints caused by natural disasters or other events. If we are able to increase production levels to meet customer demand, we may not be able to do so in a cost-effective or timely manner. If we fail to fulfill our customers' orders on a timely basis, or at all, our customer relationships could be damaged, we could lose revenue and market share and our reputation could be damaged.

In periods of shortages impacting the semiconductor industry and/or limited supply or capacity in our supply chain, as we are in today, we have placed and may continue to place non-cancellable inventory orders in advance of our historical lead times, and pay premiums and/or provide deposits to secure future supply and capacity. For example, while we previously placed orders with approximately six months' lead time, we have begun placing orders at least twelve months in advance. Our inventory and purchase commitments reflect our demand expectations for our future quarters and long-term supply and capacity needs. However, we may not be able to accurately predict when such periods of shortage will end, nor do we know whether those inventory orders accurately address our current and future demand needs. These actions may increase our product costs and trigger significant excess inventory or other charges if there is a partial or complete reduction in long-term demand for our products or if such demand is served by our competitors, which could negatively impact our gross margins and our overall financial results.

**We depend on third parties and their technology to manufacture, assemble, test, package or design our products, which reduces our control over product quantity and quality, manufacturing yields, development, enhancement and product delivery schedule and could harm our business.**

We do not manufacture the semiconductors used for our products and do not own or operate a wafer fabrication facility. We depend on foundries to manufacture our semiconductor wafers using their fabrication equipment and techniques. We do not assemble, test or package our products, but instead contract with independent subcontractors. We also rely on third-party software development tools to assist us in the design, simulation and verification of new products or product enhancements. The design requirements necessary to meet consumer demands for greater functionality from our products may exceed the capabilities of available software development tools. While we may enter into long-term supply and capacity commitments, we may not be able to secure sufficient commitments for capacity to address our business needs. We face several risks which could adversely affect our ability to meet customer demand and scale our supply chain, negatively impact longer-term demand for our products and services, and adversely affect our business operations, gross margin, revenue and/or financial results, including:

- lack of guaranteed supply of wafers, components and capacity or decommitment and potential higher wafer and component prices, from incorrectly estimating demand and failing to place orders with our suppliers with sufficient quantities or in a timely manner;
- failure by our foundries or contract manufacturers to procure raw materials or to provide adequate levels of manufacturing or test capacity for our products;

- failure by our foundries to develop, obtain or successfully implement high quality process technologies, including transitions to smaller geometry process technologies such as advanced process node technologies and memory designs needed to manufacture our products;
- limited number of global suppliers, foundries, contract manufacturers, assembly and test providers, and memory manufacturers;
- loss of a supplier and additional expense and/or production delays as a result of qualifying a new foundry or subcontractor and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier;
- lack of direct control over product quantity, quality and delivery schedules;
- delays in product shipments, shortages, a decrease in product quality and/or higher expenses in the event our subcontractors or foundries prioritize our competitors' orders over ours; and
- low manufacturing yields resulting from a failure in our product design or a foundry's proprietary process technology.

**If our products contain significant defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.**

Our hardware and software product offerings are complex and may contain defects or security vulnerabilities, or experience failures or unsatisfactory performance due to any number of issues in design, fabrication, packaging, materials and/or use within a system. These risks may increase as our products are introduced into new devices, markets, technologies and applications or as new versions are released. Some errors in our products or services may only be discovered after a product or service has been shipped or used. Undiscovered vulnerabilities in our products or services could expose our end customers to unscrupulous third parties who develop and deploy malicious software programs that could attack our products or services. Defects or failure of our products to perform to specifications could lead to substantial damage to the products or the product in which our device has been integrated by OEMs, ODMs, AIBs and Tier 1 automotive suppliers, and to the user of such end product. Any such defect may cause us to incur significant warranty, support and repair or replacement costs as part of a product recall or otherwise, write-off the value of related inventory, and divert the attention of our engineering personnel from our product development efforts to find and correct the issue. An error or defect in new products or releases or related software drivers after commencement of commercial shipments could result in failure to achieve market acceptance, loss of design wins, and harm to our relationships with existing and prospective customers and partners and consumers' perceptions of our brand, which would in turn negatively impact our business operations, gross margin, revenue and/or financial results. We may be required to reimburse our customers, partners or consumers, including for costs to repair or replace products in the field. If a product liability claim is brought against us, the cost of defending the claim could be significant and would divert the efforts of our technical and management personnel and harm our business. Further, our business liability insurance may be inadequate or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results.

## Risks Related to Our Global Operating Business

**We are subject to risks and uncertainties associated with international operations, including adverse economic conditions, which may harm our business.**

We conduct our business and have offices worldwide. Our semiconductor wafers are manufactured, assembled, tested and packaged by third parties located outside of the United States and we generated 84% of our revenue for fiscal year 2022 from sales outside of the United States. The global nature of our business subjects us to a number of risks and uncertainties, which could have a material adverse effect on our business, financial condition and results of operations, including:

- domestic and international economic and political conditions between countries in which we do business;
- differing legal standards with respect to protection of IP and employment practices;
- domestic and international business and cultural practices that differ;
- disruptions to capital markets and/or currency fluctuations; and

- natural disasters, acts of war or other military actions, terrorism, public health issues, and other catastrophic events.

Adverse changes in global, regional or local economic conditions, including recession or slowing growth, changes or uncertainty in fiscal, monetary, or trade policy, higher interest rates, tighter credit, inflation, lower capital expenditures by businesses including on IT infrastructure, increases in unemployment, and lower consumer confidence and spending, periodically occur. More recently, increased inflation may impact supply, employee, facilities and infrastructure costs. To the extent such inflation continues, increases or both, it may reduce our margins and have a material adverse effect on our financial performance.

Economic and industry uncertainty or changes could have adverse, wide-ranging effects on our business and financial results, including:

- decrease in demand for our products, services and technologies and those of our customers or licensees;
- the inability of our suppliers to deliver on their supply commitments to us;
- our customers’ or our licensees’ inability to supply products to customers and/or end users;
- the insolvency of key suppliers, distributors, customers or licensees;
- limits on our ability to forecast operating results and make business decisions;
- difficulties in obtaining capital;
- reduced profitability may also cause some customers to scale back operations, exit businesses, merge with other manufacturers, or file for bankruptcy protection and potentially cease operations;
- lead to consolidation or strategic alliances among other equipment manufacturers, which could adversely affect our ability to compete effectively; and
- increased credit and collectability risks, higher borrowing costs or reduced availability of capital markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties including financial institutions and insurers, asset impairments, and declines in the value of our financial instruments.

We have engineering, sales support operations and manufacturing located in Israel. The State of Israel and companies with business in Israel have been and could in future be the subject of an economic boycott. Other countries have and may continue in the future restrict business with the State of Israel and companies with Israeli operations. Such laws and policies may have adverse effect on our business, financial condition and results of operations.

**Climate change may have a long-term impact on our business.**

Climate change may have an increasingly adverse impact on our business and those of our customers, partners and vendors. Water and energy availability and reliability in the communities where we conduct business is critical. We have facilities in regions that may be vulnerable to the impacts of extreme weather events. Extreme heat and wind coupled with dry conditions in Northern California may lead to power safety shut offs due to wildfire risk. These measures can have adverse implications for our Santa Clara, California headquarter offices and data centers, including impairing the ability of our employees to work effectively. Climate change, its impact on our supply chain and critical infrastructure worldwide, and its potential to increase political instability in regions where we, our customers, partners and our vendors do business, may disrupt our business and may cause us to experience higher attrition, losses and costs to maintain or resume operations. Although we maintain a program of insurance coverage for a variety of property, casualty, and other risks, the types and amounts of insurance we obtain vary depending on availability and cost. Some of our policies have large deductibles and broad exclusions, and our insurance providers may be unable or unwilling to pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

Our operations, products and services, as well as those of our suppliers and customers, may also be subject to climate-related laws, regulations and lawsuits. Regulations such as carbon taxes, fuel or energy taxes, and pollution limits could result in greater direct costs, including costs associated with changes to manufacturing processes or the procurement of raw materials used in manufacturing processes, increased levels of capital expenditures to improve facilities and equipment, and higher compliance and energy costs to reduce emissions, as well as greater indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that are passed on to us. These costs and restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our operations and product design activities. Stakeholder groups may find us insufficiently responsive to the implications of climate change, and therefore we may face legal action or reputational harm. We may not achieve our stated goal to source 100% of our global electricity use from renewable energy by the end of fiscal year 2025, which could harm our reputation, or we may incur additional, unexpected costs to achieve such a goal. We may also experience contractual disputes due to supply chain delays arising from climate change-related disruptions, which could result in increased litigation and costs.

We also face risks related to business trends that may be influenced by climate change concerns. We may face decreased demand for computationally powerful but energy intensive products, such as our GPUs, despite their energy efficient design and operation, and/or increased consumer or customer expectations around the energy efficiency of our products, could negatively impact our business.

**We may not be able to realize the potential benefits of business investments or acquisitions, and we may not be able to successfully integrate acquisition targets, which could hurt our ability to grow our business, develop new products or sell our products.**

We have and may continue to acquire and invest in businesses that offer products, services and technologies that we believe will help expand or enhance our existing strategic objectives.

Acquisitions or investments involve significant challenges and risks and could impair our ability to grow our business, develop new products or sell our products and ultimately could have a negative impact on our financial results. Given that our resources are limited, if we pursue a particular transaction, we may limit our ability to enter into other transactions that could help us achieve our strategic objectives. If we are unable to timely complete acquisitions, including due to delays and challenges in obtaining regulatory approvals, we may be unable to pursue other transactions, we may not be able to retain critical talent from the target company, technology may evolve and make the acquisition less attractive, and other changes can take place which could reduce the anticipated benefits of the transaction and negatively impact our business. For example, on February 8, 2022, NVIDIA and SoftBank announced the termination of the Share Purchase Agreement whereby NVIDIA would have acquired Arm from SoftBank. The parties agreed to terminate because of significant regulatory challenges preventing the completion of the transaction. We intend to record in operating expenses a $1.36 billion charge in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing in September 2020. In addition, to the extent that our perceived ability to consummate acquisitions has been harmed, future acquisitions may be more difficult, complex or expensive. Further, if we hold investments in publicly traded companies, they could create volatility in our results and may generate losses up to the value of the investment.

Risks related to acquisitions or strategic investments include, but are not limited to:

- difficulty in integrating the technology, products, or operations and integrating and retaining the employees of the acquired business;
- diversion of capital and other resources, including management’s attention;
- assumption of liabilities and incurring amortization expenses, impairment charges to goodwill or write-downs of acquired assets;
- integrating accounting, forecasting and controls, procedures and reporting cycles;
- coordinating and integrating operations, particularly in countries in which we do not currently operate;

- difficulty in realizing a satisfactory return and uncertainties to realize the benefits of an acquisition or strategic investment, if at all;
- difficulty or inability in obtaining governmental, regulatory approval or restrictions or other consents and approvals or financing;
- Stock price impact, fines, fees or reputation harm if we are unable to obtain regulatory approval for an acquisition or are otherwise unable to close an acquisition;
- legal proceedings initiated as a result of an acquisition or investment;
- potential issuances of debt to finance our acquisitions, resulting in increased debt, increased interest expense, and compliance with debt covenants or other restrictions;

- the potential for our acquisitions to result in dilutive issuances of our equity securities;
- the potential variability of the amount and form of any performance-based consideration;
- negative changes in general economic conditions in the regions or the industries in which we or our target operate;
- potential failure of our due diligence processes to identify significant issues with the assets or company in which we are investing or are acquiring; and
- impairment of relationships with, or loss of our or our target's employees, vendors and customers, as a result of our acquisition or investment.

**System security and data protection breaches, as well as cyber-attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which could adversely affect our stock price and damage our reputation.**

Security breaches, computer malware, social-engineering attacks, denial-of-service attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, and other cyber-attacks are increasingly sophisticated, making it more difficult to successfully detect, defend against them or implement adequate preventative measures.

For example, on February 23, 2022, we became aware of a security incident involving unauthorized access to our network by a group of independent criminal threat actors, not affiliated with any government or political cause. The threat actors obtained NVIDIA network credentials and through deception, obtained two-factor authentication capability and access to our network. The threat actors misappropriated certain NVIDIA proprietary information, including NVIDIA source code, and leaked some of that information online. Upon learning of the security incident, we engaged in remedial and preventative actions, rotated all NVIDIA network credentials to prevent further unauthorized access, hardened our network, analyzed the information that the threat actors exfiltrated, and notified law enforcement and other authorities.

Cyber-attacks, including ransomware attacks by organized criminal threat actors, nation-states, and nation-state-supported actors, may become more prevalent and severe. Our ability to recover from ransomware attacks may be limited if our backups have been affected by the attack, or if restoring from backups is delayed or not feasible.

Threat actors, sophisticated nation-states, and nation-state-supported actors now engage and are expected to continue to engage in cyber-attacks. Due to increasing geopolitical conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of cyber-attacks. Furthermore, we rely on products and services provided by third party suppliers to operate certain critical business systems, including without limitation, cloud-based infrastructure, encryption and authentication technology, employee email, and other functions, which exposes us to supply-chain attacks or other business disruptions. We cannot guarantee that third parties and infrastructure in our supply chain or our partners' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems, including our products and services, or the third-party information technology systems that support our services. Our ability to monitor these third parties' information security practices is limited, and these may not have adequate information security measures in place. In addition, if one of our third-party suppliers suffers a security breach, our response may be limited or more difficult because we may not have direct access to their systems, logs and other information related to the security breach.

To defend against cyber-attacks, we must continuously engineer more secure products and enhance security and reliability features, which is expected to result in increased expenses. We must also continue to develop our security measures, ensure our suppliers have appropriate security measures in place, and continue to meet the evolving security requirements of our customers. We may not always be able to detect vulnerabilities in our security controls, systems or software, including third-party software we have installed, as such threats and techniques change frequently and may not be detected until after a security incident has occurred. Further, we may experience delays in developing and deploying remedial measures designed to address identified vulnerabilities.

Breaches of our security measures, along with reported or perceived vulnerabilities or unapproved dissemination of proprietary information or sensitive or confidential data about us or third parties could expose us and the parties affected to a risk of loss or misuse of this information, potentially resulting in litigation and subsequent liability, regulatory inquiries or actions, damage to our brand and reputation or other harm to our business. If we or a third party we rely on experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences, including government enforcement actions, additional reporting requirements and/or oversight, restrictions on processing data, litigation, indemnification obligations, reputational harm, diversion of funds, financial loss, loss of data, material disruptions in our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services, and other similar harms. Inability to fulfill orders, delayed sales, lower margins or lost customers as a result of these disruptions could adversely affect our financial results, stock price and reputation.

**Business disruptions could harm our operations, lead to a decline in revenue and increase our costs.**

Our worldwide operations could be disrupted by natural disasters and extreme weather conditions, power or water shortages, telecommunications failures, cloud service provider outages, terrorist attacks, or acts of violence, political and/or civil unrest, acts of war or other military actions, epidemics or pandemics and other natural or man-made disasters and catastrophic events. Our corporate headquarters, a large portion of our current data center capacity, and a portion of our research and development activities are located in California, and other critical business operations, finished goods inventory, and some of our suppliers are located in Asia, making our operations vulnerable to natural disasters such as earthquakes, wildfires, or other business disruptions occurring in these geographical areas. Catastrophic events can also have an impact on third-party vendors who provide us critical infrastructure services for IT and research and development systems and personnel. Geopolitical and domestic political developments and other events beyond our control, can increase economic volatility globally. Political instability, changes in government or adverse political developments in or around any of the major countries in which we do business would also likely harm our business, financial condition and results of operations. For example, the invasion by Russia of Ukraine has had and will likely continue to have a negative impact on our employees or operations both within and outside these regions, and may result in the loss of some or even all of our assets in those regions. Our operations could be harmed and our costs could increase if manufacturing, logistics or other operations are disrupted for any reason, including natural disasters, high heat events or water shortages, information technology system failures, military actions or economic, business, labor, environmental, public health, or political issues. For example, our operations could be harmed, and our costs could increase, if the conflict between Russia and Ukraine results in a shortage of key materials that our suppliers, including our foundry partners, require to satisfy our needs. The ultimate impact on us, our third-party foundries and other suppliers of being located and consolidated in certain geographical areas is unknown. In the event a disaster, war or catastrophic event affects us or the third-party systems on which we rely, our business could be harmed as a result of declines in revenue, increases in expenses, and substantial expenditures and time spent to fully resume operations. All of these risks and conditions could materially adversely affect our future sales and operating results.

**We receive a significant amount of our revenue from a limited number of customers and our revenue could be adversely affected if we lose or are prevented from selling to any of these customers.**

We receive a significant amount of our revenue from a limited number of customers within our distribution and partner network. With several of these distributors and partners, we are selling multiple target market platforms through their channels. Our operating results depend on sales within our partner network, as well as the ability of these partners to sell products that incorporate our processors. In the future, these partners may decide to purchase fewer products, not to incorporate our products into their ecosystem, or to alter their purchasing patterns in some other way. Because most of our sales are made on a purchase order basis, our customers can cancel, change or delay product purchase commitments with little or no notice to us and without penalty. Our partners or customers may develop their own solutions; our customers may purchase products from our competitors; and our partners may discontinue sales or lose market share in the markets for which they purchase our products, all of which may alter partners' or customers' purchasing patterns. The loss of any of our large customers, a significant reduction in purchases by them, our inability to sell to a customer due to U.S. trade restrictions, or any difficulties in collecting accounts receivable would likely harm our financial condition and results of operations.

**If we are unable to attract, retain and motivate our executives and key employees, our business may be harmed.**

To be competitive and execute our business strategy successfully, we must attract, retain and motivate our executives and key employees and recruit and develop diverse talent. Labor is subject to external factors that are beyond our control, including our industry's highly competitive market for skilled workers and leaders, cost inflation, the COVID-19 pandemic and workforce participation rates. We also must recruit and develop diverse talent. Changes in immigration and work permit regulations or in their administration or interpretation could impair our ability to attract and retain qualified employees. If we are less successful in our recruiting efforts, or if we cannot retain key employees, our business may be adversely affected. Competition for personnel results in increased costs in the form of cash and stock-based compensation. We also must retain the key personnel hired as a result of our acquisitions, or it could reduce the anticipated benefits of those transactions. We are highly dependent on the services of our longstanding executive team. Failure to ensure effective succession planning, transfer of knowledge and smooth transitions involving executives and key employees could hinder our strategic planning and execution and long-term success.

**Our business is dependent upon the proper functioning of our business processes and information systems and modification or interruption of such systems may disrupt our business, processes and internal controls.**

We rely upon internal processes and information systems to support key business functions, including our assessment of internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act. The efficient operation of these processes and systems is critical and they need to be scalable to support our growth, including for acquisitions of other businesses. We expect in the first quarter of fiscal year 2023 to commence implementation of accounting and consolidation functionality related to a new enterprise resource planning, or ERP, system. Any ERP system problems upon implementation, such as quality issues or programming errors, could impact our continued ability to successfully operate our business or to timely and accurately report our financial results. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Failure to implement new or updated controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

Identification of material weaknesses in our internal controls, even if quickly remediated once disclosed, may cause investors to lose confidence in our financial statements and our stock price may decline. Remediation of any material weakness could require us to incur significant expenses and if we fail to remediate any material weakness, our financial statements may be inaccurate, we may be required to restate our financial statements, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, the trading price of our common stock may decline, and we may be subject to sanctions or investigation by regulatory authorities.

**The COVID-19 pandemic continues to impact our business and could materially adversely affect our financial condition and results of operations.**

COVID-19 has impacted, and continues to impact, our workforce and operations and those of our customers, partners, vendors and suppliers. As the COVID-19 pandemic continues to evolve, the increased duration and impact of economic and demand uncertainty, and the limited availability of our supply chain and logistical services, may have a material net negative impact on our business and financial results. While COVID-19 has driven an increase in sales for certain of our products, the demand may not be sustainable if conditions change. COVID-19 containment around the world has put restrictions on, among other areas, manufacturing facilities, commerce, and support operations could limit our capacity to meet customer demand. Stronger demand globally has limited the availability of capacity and components in our supply chain, which could increase our costs, limit our ability to obtain supply at necessary levels or at all, or cause us to hold excess inventory if demand changes.

COVID-19’s effect on the global economy and our business is difficult to assess or predict. It has resulted in, and may continue to result in, disruption of global financial markets, which could negatively affect our stock price and liquidity. Volatility in the financial markets could impact overall technology spending, adversely affecting demand for our products, our business and the value of our common stock.

We have modified our business and workforce practices in response to COVID-19, and we may take further actions as required by government regulations or in the best interests of our employees, customers, partners and suppliers. There is no certainty that our actions will be sufficient to mitigate the risks posed by the disease, and our ability to perform critical functions could be harmed. When we begin to reopen our offices, we expect to incur incremental expenses as we resume onsite services and related in-office costs.

The extent of the impact of the COVID-19 pandemic on our operational and financial performance and our ability to timely execute our business strategies may continue to be difficult to measure and predict. An extended period of global supply chain and economic disruption as a result of the COVID-19 pandemic could have a material negative impact on our business, results of operations, and access to sources of liquidity and financial condition, though the full extent and duration of these impacts is uncertain.

**Our operating results have in the past fluctuated and may in the future fluctuate, and if our operating results are below the expectations of securities analysts or investors, our stock price could decline.**

Our operating results have in the past fluctuated and may continue to fluctuate due to numerous factors described in these risk factors. Therefore, investors should not rely on past comparisons of our results of operations as an indication of our future performance. Additional factors that could affect our results of operations include, but are not limited to:

- our ability to adjust spending to offset revenue shortfalls due to the multi-year development cycle for some of our products and services;

- our ability to comply with our customers' contractual obligations;
- the inability of some customers to make required payments, our ability to obtain credit insurance over the purchasing credit extended to these customers, and customer bad debt write-offs;
- unanticipated costs associated with environmental liabilities; and
- changes in financial accounting standards or interpretations of existing standards.

Any one or more of the factors discussed above could prevent us from achieving our expected future financial results. Any such failure to meet our expectations or the expectations of our investors or security analysts could cause our stock price to decline or experience substantial price volatility.

### Risks Related to Regulatory, Legal, Our Stock and Other Matters

**Our operations could be affected by the complex laws, rules and regulations to which our business is subject, and political and other actions may adversely impact our business.**

We are subject to laws and regulations domestically and worldwide, affecting our operations in areas including, but not limited to, IP ownership and infringement; taxes; import and export requirements and tariffs; anti-corruption; business acquisitions; foreign exchange controls and cash repatriation restrictions; data privacy requirements; competition and antitrust; advertising; employment; product regulations; cybersecurity; environmental, health, and safety requirements; the responsible use of AI; climate change; cryptocurrency; and consumer laws. Compliance with such requirements can be onerous and expensive, could impact our competitive position, and may impact our business operations negatively. For example, the Foreign Corrupt Practices Act and other anti-corruption laws and regulations prohibit us from engaging in certain business practices. There can be no assurance that our employees, contractors, suppliers, or agents will not violate policies, controls, and procedures that we have designed to help ensure compliance with applicable laws. Violations of these laws and regulations can result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. Should any of these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs and/or restrictions on our ability to manufacture our products and operate our business. For example, we may face increased compliance costs as a result of changes or increases in anti-competition legislation, regulation, administrative rule making, and enforcement activity resulting from growing public concern over concentration of economic power in corporations.

Government actions, including trade protection and national security policies of U.S. and foreign government bodies, such as tariffs, import or export regulations, including deemed export restrictions, trade and economic sanctions, decrees, quotas or other trade barriers and restrictions could affect our ability to ship products, provide services to our customers and employees, do business without an export license with entities on the U.S. Department of Commerce's U.S. Entity List or other U.S. government restricted parties lists (which is expected to change from time to time), and generally fulfill our contractual obligations and have a material adverse effect on our business. For example, in response to the Russian invasion of Ukraine, the United States and certain allies have imposed economic sanctions and export control measures and may impose additional sanctions or export control measures, which have and could in the future result in, among other things, severe or complete restrictions on exports to and other commerce and business dealings involving Russia, certain regions of Ukraine, and/or particular entities and individuals. Such actions have limited or blocked, or could in the future limit or block the passage of our products, services and support into Russia or other regions determined to be supporting Russia, and restrict access by our Russian or Ukrainian employees (both within and outside of Russia and

Ukraine) to our systems, negatively impacting productivity. Given these recent sanctions and export restrictions imposed by the United States and foreign government bodies, we recently ceased product sales to Russia. While we have policies and procedures in place to ensure compliance with sanctions and trade restrictions, our employees, contractors, partners, and agents may take actions in violations of such policies and applicable law, for which we may be ultimately held responsible. If we were ever found to have violated U.S. export control laws, we may be subject to various penalties available under the laws, any of which could have a material and adverse impact on our business, operating results and financial condition. Additionally, changes in the public perception of governments in the regions where we operate or plan to operate could negatively impact our business and results of operations.

Geopolitical tensions and conflicts worldwide, including but not limited to Taiwan, China, Hong Kong, Israel and Korea where the manufacture of our product components and final assembly of our products are concentrated, may result in changing regulatory requirements, trade policies, export controls, import duties and economic disruptions that could impact our operating strategies, product demand, access to global markets, hiring, and profitability. The increasing focus on the strategic importance of AI technologies may result in additional regulatory restrictions that target products and services capable of enabling or facilitating AI, including some or all of our product and service offerings. Such restrictions could limit our ability to serve demand abroad and could negatively impact our business and financial results. Deemed export control limitations could negatively impact the ability of our research and development teams to execute our roadmap or other objectives in a timely manner.

Recent restrictions imposed by the Chinese government on the duration of gaming activities and access to games may adversely affect our Gaming business. Additionally, revisions to laws or regulations or their interpretation and enforcement could result in increased taxation, trade sanctions, the imposition of import duties or tariffs, restrictions and controls on imports or exports, or other retaliatory actions, which could have an adverse effect on our business plans or impact the timing of our shipments.

**Issues relating to the responsible use of AI in our offerings may result in reputational harm and liability.**

Concerns relating to the responsible use of new and evolving technologies, such as AI, in our products and services, may result in reputational harm and liability, and may cause us to incur costs to resolve such issues. We are increasingly building AI capabilities into many of our products and services. AI presents risks and challenges that could affect its adoption, and therefore our business. AI poses emerging ethical issues and if we enable or offer solutions that draw controversy due to their perceived or actual impact on society, or if we are unable to develop effective internal policies and frameworks relating to the responsible development and use of AI models and systems offered through our sales channels, we may experience brand or reputational harm, competitive harm or legal liability. Compliance with government regulation in the area of AI ethics may also increase the cost of related research and development. Our failure to address concerns relating to the responsible use of AI by us or others could undermine public confidence in AI and slow adoption of AI in our products and services or cause reputational harm.

**Increased scrutiny from shareholders and others regarding our environmental, social and governance responsibilities could result in additional costs or risks and adversely impact our reputation and willingness of customers and suppliers to do business with us.**

Shareholder advocacy groups, certain institutional investors, investment funds, other market participants, shareholders and customers have focused increasingly on the ESG and sustainability practices of companies, including those associated with climate change and human rights. These parties have placed increased importance on the implications of the social cost of their investments. If our ESG practices do not meet shareholder or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and business activities may be negatively impacted. Any sustainability report that we publish or other sustainability disclosures we make may include our policies and practices on a variety of social and ethical matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, product quality, supply chain management, and talent diversity and inclusion practices. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices, or choose not to conduct business with potential customers, or discontinue or not expand business with existing customers, due to our policies. Also, our failure, or perceived failure, to meet the standards included in any sustainability disclosure could have a material negative impact on our reputation and business activities.

**Actions to adequately protect our IP rights could result in substantial costs to us and our ability to compete could be harmed if we are unsuccessful or if we are prohibited from making or selling our products.**

From time to time, we are involved in lawsuits or other legal proceedings alleging patent infringement or other IP rights violations by us, our employees or parties that we have agreed to indemnify for claims of infringement. An unfavorable ruling could include significant damages, invalidation of one or more patents, indemnification of third parties, payment of lost profits, or injunctive relief. Claims that our products or processes infringe the IP rights of others, regardless of their merit, could cause us to incur significant costs to respond to, defend, and resolve such claims, and they may also divert the efforts and attention of management and technical personnel.

We may commence legal proceedings in order to protect our IP rights, which may increase our operating expenses and negatively impact our operating results. We could be subject to countersuits as a result. If infringement claims are made against us or our products are found to infringe a third party's IP, we or one of our indemnitees may have to seek a license to the third party's IP rights. However, we may not be able to obtain licenses at all or on terms acceptable to us. If we or one of our indemnitees is unable to obtain such a license, we could be subject to substantial liabilities or have to suspend or discontinue the manufacture and sale of one or more of our products. We may also have to make royalty or other payments, or cross license our technology. If these arrangements are not concluded on commercially reasonable terms, our business could be negatively impacted. Furthermore, the indemnification of a customer or other indemnitee may increase our operating expenses which could negatively impact our operating results.

We rely on patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, licensing arrangements, and the laws of the countries in which we operate to protect our IP. Foreign laws may not protect our products or IP rights to the same extent as United States law. This makes the possibility of piracy of our technology and products more likely. The theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in research and development, product development, and marketing could be reduced. We also may face risks to our IP if our employees are hired by potential competitors. We continuously assess whether and where to seek formal protection for existing and new innovations and technologies but cannot be certain whether our applications for such protections will be approved, and, if approved, whether we will be able to enforce such protections.

**We are subject to stringent and changing data privacy and security obligations. Privacy concerns relating to our products and services could damage our reputation, deter current and potential users from using our products and services, or result in legal or regulatory proceedings and liability.**

Our products and services may provide us with access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations, industry standards, external and internal policies, contracts and other obligations that govern the processing of such data by us and on our behalf. Concerns about our practices or the ultimate use of our products and services with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, including for use in AI, even if unfounded, could damage our reputation and adversely affect our operating results. The theft, loss, or misuse of personal data in our possession or by one of our partners could result in damage to our reputation, regulatory proceedings, disruption of our business activities or increased security costs and costs related to defending legal claims.

Worldwide regulatory authorities are considering and have approved various legislative proposals concerning data protection. The European Union adopted the General Data Protection Regulation, or GDPR, and the United Kingdom similarly adopted the U.K. GDPR, governing the strict handling of personal data of persons within the European Economic Area, or EEA, and the United Kingdom, respectively, including its use and protection and the ability of persons whose data is stored to access, correct and delete such data about themselves. If we are found not to comply, we could be subject to penalties of up to €20 million or 4% of worldwide revenue, whichever is greater, and individuals may initiate litigation related to our processing of their personal data. Furthermore, there exists a proposed European regulation related to AI that, if adopted, could impose onerous obligations and could require us to change our business practices.

Certain jurisdictions have enacted data localization laws and cross-border personal data transfer laws. For example, the GDPR generally restricts the transfer of personal data to countries outside of the EEA. The European Commission released a set of “Standard Contractual Clauses” designed for entities to validly transfer personal data out of the EEA to jurisdictions that the European Commission has not found to provide an adequate level of protection, including the United States. Other jurisdictions have enacted or are considering similar cross-border personal data transfer laws and local personal data residency laws, any of which could increase the cost and complexity of doing business. The inability to import personal data to the United States could significantly and negatively impact our business operations, limit our ability to collaborate with parties that are subject to European and other data privacy and security laws, or require us to increase our personal data processing capabilities in Europe and/or elsewhere at significant expense.

The United States federal, state and local governments have enacted numerous data privacy and security laws, including for data breach notification, personal data privacy, and consumer protection. The California Consumer Privacy Act of 2018, or CCPA, gives California residents the right to access, delete and opt-out of certain sharing of their personal information, and to receive detailed information about how it is used and shared. The CCPA allows for statutory fines of up to $7,500 per violation and the law created a private right of action for certain data breaches. California’s privacy laws will further expand in 2023 under the California Privacy Rights Act of 2020, or CPRA, which may restrict the use of certain categories of sensitive personal information; further restrict the use of cross-contextual advertising techniques; restrict the retention of personal information; expand the types of data breaches subject to the private right of action; and establish the California Privacy Protection Agency to impose administrative fines. Virginia passed the Consumer Data Protection Act, and Colorado passed the Colorado Privacy Act, both of which differ from the CPRA and become effective in 2023. If we become subject to new data privacy laws the risk of enforcement action against us could increase as we become subject to additional obligations.

The interpretation and application of consumer and data protection laws in the United States, Europe and elsewhere are quickly changing and may be interpreted and applied in an increasingly stringent fashion and in a manner that is inconsistent with our data practices. These obligations may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal data on our behalf. Despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations. If we fail, or are perceived to have failed, to address or comply with data privacy and security obligations, we could face significant consequences, including but not limited to, government enforcement actions, litigation, additional reporting requirements and/or oversight, bans on processing personal data and orders to destroy or not use personal data. Any of these events could have a material adverse effect on our reputation, business, or financial condition.

**We have exposure to tax liabilities and our operating results may be adversely impacted by higher than expected tax rates.**

As a multinational corporation, we are subject to income taxes as well as non-income-based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenue and expenses in different jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. We are regularly under audit by tax authorities in different jurisdictions. For example, we are currently under examination by the Internal Revenue Service for our fiscal years 2018 and 2019 and under audit in Germany, Israel and India. Although we believe our tax estimates are reasonable, tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could increase our worldwide effective tax rate, increase the amount of non-income taxes imposed on our business, and harm our financial position, results of operations, and cash flows. Further, changes in United States federal and state or international tax laws applicable to multinational corporations or other fundamental law changes, including proposed changes to existing tax rules and regulations under the current U.S. administration and Congress and as a result of recommendations from intergovernmental economic organizations such as the Organization for Economic Cooperation and Development, or OECD, may materially impact our tax expense and cash flows, as we experienced in fiscal year 2018 with the passage of the 2017 Tax Cuts and Jobs Act, or TCJA. Starting in fiscal year 2023, the TCJA requires taxpayers to capitalize research and development expenditures and to amortize domestic expenditures over five years and foreign expenditures over fifteen years. If Congress does not modify or repeal this provision, it will materially reduce our cash flows beginning in fiscal year 2023. Furthermore, recent proposals to increase the U.S. corporate income tax rate or impose a minimum tax on financial statement income, increase U.S. taxation of international business operations and impose a global minimum tax, could result in increased marginal corporate tax rates. Numerous countries, as well as organizations such as the OECD, support the global minimum tax initiative and are considering changes to existing tax laws or have proposed or enacted new laws that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business, which could materially impact our results of operations.

Our future effective tax rate may also be affected by changes in our business or statutory rates, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in available tax credits, the resolution of issues arising from tax audits, changes in United States generally accepted accounting principles, adjustments to income taxes upon finalization of tax returns, increases in expenses not deductible for tax purposes, changes in the valuation of our deferred tax assets and liabilities and in deferred tax valuation allowances, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and the recognition of excess tax benefits and tax deficiencies within the income tax provision in the period in which they occur, the impact of accounting for business combinations, shifts in the amount of earnings in the United States compared with other regions in the world and overall levels of income before tax, changes in the domestic or international organization of our business and structure, as well as the expiration of statute of limitations and settlements of audits. Any changes in our effective tax rate may reduce our net income.

**Our business is exposed to the risks associated with litigation, investigations and regulatory proceedings.**

We currently and will likely continue to face legal, administrative and regulatory proceedings, claims, demands and/or investigations involving shareholder, consumer, competition and/or other issues relating to our business. For example, we are currently defending on appeal the dismissal of a securities class action lawsuit from multiple shareholders seeking to assert claims that we and certain of our officers made false and/or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand in 2017 and 2018. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages or fines, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome or settlement may result in a material adverse impact on our business, results of operations, financial position, and overall trends. Regardless of the outcome, litigation can be costly, time-consuming, and disruptive to our operations. Our business is subject to laws and regulations that are complex and change frequently. We may be required to incur significant expense to comply with changes in, or remedy violations of, these laws and regulations.

**Our indebtedness could adversely affect our financial position and cash flows from operations, and prevent us from implementing our strategy or fulfilling our contractual obligations.**

As of January 30, 2022, we had outstanding a total of $11 billion in notes due by 2060. As each series of senior notes matures, unless earlier redeemed or repurchased, we have to repay or refinance the notes. If we decide to refinance, we may be required to do so on different or less favorable terms or we may be unable to refinance the notes at all, both of which may adversely affect our financial condition. We also have a $575 million commercial paper program.

Maintenance of our indebtedness and contractual restrictions, and future issuances of indebtedness could cause us to dedicate a substantial portion of our cash flows from operations towards debt service obligations and principal repayments; increase our vulnerability to adverse changes in general economic, industry and competitive conditions; limit our flexibility in planning for, or reacting to, changes in our business and our industry; impair our ability to obtain future financing for working capital, capital expenditures, acquisitions, general corporate or other purposes; and restrict our ability to grant liens on property, enter into certain mergers, dispose of all or substantially all of our assets, or materially change our business.

We are required to comply with the covenants set forth in our indenture and our ability to comply may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the note holders or lenders, then any outstanding indebtedness may be declared immediately due and payable. Changes by any rating agency to our credit rating may negatively impact the value and liquidity of our securities, restrict our ability to obtain financing in the future and affect the terms of any such financing.

**Delaware law and our certificate of incorporation, bylaws and agreement with Microsoft Corporation could delay or prevent a change in control.**

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control. Our certificate of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. These provisions include the ability of our Board of Directors to create and issue preferred stock, change the number of directors, and to make, amend or repeal our bylaws without prior shareholder approval; the inability of our shareholders to act by written consent or to call special meetings; advance notice requirements for director nominations and shareholder proposals; and a super-majority voting requirement to amend some provisions in our certificate of incorporation and bylaws. In 2000, we entered into an agreement with Microsoft to develop and sell graphics chips and license certain technology to Microsoft and its licensees for use in the Xbox. Under the agreement, if someone makes an offer to purchase at least 30% of the outstanding shares of our common stock, Microsoft may have first and last rights of refusal to purchase the stock. These provisions could delay or prevent a change in control of NVIDIA, discourage proxy contests, and make it more difficult for shareholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

Our headquarters is in Santa Clara, California. We own and lease approximately 1.76 million square feet of office and building space for our corporate headquarters. We have a new building at our Santa Clara campus which was completed in February 2022. In addition, we lease data center space in Santa Clara, California. We also own and lease facilities for data centers, research and development, and/or sales and administrative purposes throughout the U.S. and in various international locations, primarily in Asia, Israel, and Europe. We believe our existing facilities, both owned and leased, are in good condition and suitable for the conduct of our business. We do not identify or allocate assets by operating segment. For additional information regarding obligations under leases, refer to Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

## ITEM 3. LEGAL PROCEEDINGS

Please see Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of our legal proceedings.

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## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

# PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol NVDA. Public trading of our common stock began on January 22, 1999. Prior to that, there was no public market for our common stock. As of March 11, 2022, we had approximately 313 registered shareholders, not including those shares held in street or nominee name.

On July 19, 2021, we executed a four-for-one stock split of our common stock, such that each stockholder of record at the close of business on June 21, 2021 received a dividend of three additional shares of common stock for every share held on the record date, or the Stock Split. All share, equity award, and per share amounts and related shareholders' equity balances presented herein have been retroactively adjusted to reflect the Stock Split.

### Issuer Purchases of Equity Securities

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Since the inception of our share repurchase program, we have repurchased an aggregate of 1.04 billion shares for a total cost of $7.08 billion through January 30, 2022.

The repurchases can be made in the open market, in privately negotiated transactions, or in structured share repurchase programs, and can be made in one or more larger repurchases, in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, and other factors. The program does not obligate NVIDIA to acquire any particular amount of common stock and the program may be suspended at any time at our discretion.

We did not repurchase any shares during fiscal year 2022. As of January 30, 2022, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022.

In fiscal year 2022, we paid $399 million in quarterly cash dividends. Our cash dividend program and the payment of future cash dividends under that program are subject to our Board's continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders.

During the fourth quarter of fiscal year 2022, our Board of Directors approved the retirement of all existing 349 million treasury shares. Refer to Note 15 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding the retirement of our treasury shares.

### Restricted Stock Unit Share Withholding

We withhold common stock shares associated with net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under our employee equity incentive program. During fiscal year 2022, we withheld approximately 8 million shares for a total value of $1.90 billion through net share settlements. Beginning with the fourth quarter of fiscal year 2022, the tax withholding is recorded as a reduction to additional paid-in capital, with withheld shares assuming the status of authorized and unissued shares. Refer to Note 4 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding our equity incentive plans.

## Recent Sales of Unregistered Securities and Use of Proceeds

During fiscal year 2022, we issued a total of 175,333 shares of our common stock as consideration in connection with acquisitions, all in private transactions exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(a)(2), Regulation D, or Regulation S.

## Stock Performance Graphs

The following graph compares the cumulative total shareholder return for our common stock, the S&P 500 Index, and the Nasdaq 100 Index for the five years ended January 30, 2022. The graph assumes that $100 was invested on January 29, 2017 in our common stock and in each of the S&P 500 Index and the Nasdaq 100 Index. Our common stock is a component of each of the presented indices. Total return assumes reinvestment of dividends in each of the indices indicated. Total return is based on historical results and is not intended to indicate future performance.

nvda-20220130_g2.jpg

*$100 invested on 1/29/17 in stock and in indices, including reinvestment of dividends.

*Source: FactSet financial data and analytics.*

| | 1/29/2017 | 1/28/2018 | 1/27/2019 | 1/26/2020 | 1/31/2021 | 1/30/2022 |
|---|---|---|---|---|---|---|
| NVIDIA Corporation | $ 100.00 | $ 218.55 | $ 144.24 | $ 226.48 | $ 470.59 | $ 828.15 |
| S&P 500 | $ 100.00 | $ 125.54 | $ 122.64 | $ 149.23 | $ 174.97 | $ 215.72 |
| Nasdaq 100 | $ 100.00 | $ 136.00 | $ 136.62 | $ 179.79 | $ 260.70 | $ 303.21 |

## ITEM 6. (RESERVED)

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 1A. Risk Factors", our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K, before deciding to purchase, hold or sell shares of our common stock.

## Overview

### Our Company and Our Businesses

NVIDIA pioneered accelerated computing to help solve the most challenging computational problems. Since our original focus on PC graphics, we have expanded to several other large and important computationally intensive fields. Fueled by the sustained demand for exceptional 3D graphics and the scale of the gaming market, NVIDIA has leveraged its GPU architecture to create platforms for scientific computing, AI, data science, AV, robotics, AR and VR.

Our two operating segments are "Graphics" and "Compute & Networking." Refer to Note 17 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

## Recent Developments, Future Objectives and Challenges

### Termination of the Arm Share Purchase Agreement

On February 8, 2022, NVIDIA and SoftBank announced the termination of the Share Purchase Agreement whereby NVIDIA would have acquired Arm from SoftBank. The parties agreed to terminate because of significant regulatory challenges preventing the completion of the transaction. We intend to record in operating expenses a $1.36 billion charge in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing in September 2020.

### Demand

Demand for our products is based on many factors, including our product introductions, time to market, transitions, competitor product releases and announcements, and competing technologies, all of which can impact the timing and volume of our revenue. GPUs have use cases in addition to their designed and marketed use case, such as for digital currency mining, including blockchain-based platforms such as Ethereum. It is difficult for us to estimate with any reasonable degree of precision the past or current impact of cryptocurrency mining, or forecast the future impact of cryptocurrency mining, on demand for our products. Volatility in the cryptocurrency market, including new compute technologies, price changes in cryptocurrencies, government cryptocurrency policies and regulations, and new cryptocurrency standards can impact and have impacted in the past cryptocurrency demand, and further impact demand for our products and our ability to estimate demand for our products. Changes to cryptocurrency standards and processes including, but not limited to, the pending Ethereum 2.0 standard may decrease the usage of GPUs for Ethereum mining and may also create increased aftermarket resale of our GPUs, impact retail prices for our GPUs, increase returns of our products in the distribution channel, and may reduce demand for our new GPUs. We have introduced LHR GeForce GPUs with limited Ethereum mining capability and increased the supply of CMP in an effort to address demand from gamers and direct miners to CMP. Beginning in the second quarter of fiscal year 2022, nearly all our desktop NVIDIA Ampere architecture GeForce GPU shipments were LHR in our effort to direct GeForce to gamers. If attempts in the aftermarket to improve the hash rate capabilities of our LHR cards are successful, our gaming cards may become more attractive to miners, and therefore limit our ability to supply our cards to non-mining customers. We cannot predict whether our strategy of using LHR cards and CMP will achieve our desired outcome. Additionally, consumer and enterprise behavior during the COVID-19 pandemic has made it more difficult for us to estimate future demand and may have changed pre-pandemic behaviors, and these challenges may be more pronounced or volatile in the future on both a global and regional basis. In estimating demand and evaluating trends, we make multiple assumptions, any of which may prove to be incorrect.

**Supply**

Our manufacturing lead times are very long and in some cases, extend to be twelve months or longer, which requires us to make estimates of customers' future demand. These conditions could lead to a significant mismatch between supply and demand, giving rise to product shortages or excess inventory, and make our demand forecast more uncertain. To have shorter shipment lead times and quicker delivery schedules for our customers, we may build finished products and maintain inventory for anticipated periods of growth which do not occur, anticipating demand that does not materialize, or for what we believe is pent-up demand. During fiscal year 2022, we made substantial strides in broadening our supply base to scale our company and better serve customer demand. We expect to remain supply-constrained into the first half of fiscal year 2023, primarily in Gaming and Networking. We have placed non-cancellable inventory orders for certain supply in advance of our historical lead times, paid premiums and provided deposits to secure future supply and capacity and may need to continue to do so in the future. Ordering product in advance of our historical lead times to secure supply in a constrained environment may trigger excess inventory or other charges if there is a partial or complete reduction in long-term demand for our products or if such demand is served by our competitors. Given our long lead times on inventory purchasing, demand may be perishable or may disappear. Given our current long lead times, we may order components before our product design is finalized and changes to the product design or end demand could trigger excess inventory. Our supply deliveries and production may be non-linear within a quarter or year which could cause changes to expected revenue or cash flows.

**COVID-19**

The COVID-19 pandemic continued during fiscal year 2022. Most of our employees continue to work remotely and we have paused most business travel. During fiscal year 2022, our Gaming, Data Center and Professional Visualization market platforms have benefited from stronger demand as people continue to work, learn, and play from home. Our Professional Visualization market platform also benefited from demand for workstations as enterprises support hybrid work environments. As our offices begin to reopen, we expect to incur incremental expenses as we resume onsite services and related in-office costs.

As the COVID-19 pandemic continues, the timing and overall demand from customers, the availability of supply chain, logistical services and component supply, and the impact of rising inflation may have a material net negative impact on our business and financial results.

We believe our existing balances of cash, cash equivalents and marketable securities, along with commercial paper arrangements, will be sufficient to satisfy our working capital needs, capital asset purchases, dividends, debt repayments and other liquidity requirements associated with our existing operations.

**Fiscal Year 2022 Summary**

| | Year Ended | | |
|---|---|---|---|
| | **January 30, 2022** | **January 31, 2021** | **Change** |
| | *($ in millions, except per share data)* | | |
| Revenue | $ 26,914 | $ 16,675 | Up 61% |
| Gross margin | 64.9 % | 62.3 % | Up 260 bps |
| Operating expenses | $ 7,434 | $ 5,864 | Up 27% |
| Income from operations | $ 10,041 | $ 4,532 | Up 122% |
| Net income | $ 9,752 | $ 4,332 | Up 125% |
| Net income per diluted share | $ 3.85 | $ 1.73 | Up 123% |

We specialize in markets where our computing platforms can provide tremendous acceleration for applications. These platforms incorporate processors, interconnects, software, algorithms, systems, and services to deliver unique value. Our platforms address four large markets where our expertise is critical: Gaming, Data Center, Professional Visualization, and Automotive.

Revenue for fiscal year 2022 was $26.91 billion, up 61% from a year ago.

Gaming revenue was up 61% from a year ago reflecting higher sales of GeForce GPUs. We continue to benefit from strong demand for NVIDIA Ampere architecture products, and believe the increase in Gaming revenue during fiscal year 2022 resulted from a combination of factors, including: the ramp of new RTX 30 Series GPUs; the release of new games supporting ray tracing; the rising popularity of gaming, esports, content creation and streaming; the demand for new and upgraded systems to support the increase in remote work; and the ability of end users to engage in cryptocurrency mining.

Although nearly all desktop NVIDIA Ampere architecture GeForce GPU shipments are LHR to help direct GeForce GPUs to gamers, our GPUs are capable of cryptocurrency mining. Gamers and others are therefore able to mine cryptocurrency using our GPUs, although we have limited visibility into how much this impacts our overall GPU demand. Volatility in the cryptocurrency market, including changes in the prices of cryptocurrencies or method of verifying transactions, such as proof of work or proof of stake, can impact demand for our products and degrade our ability to accurately estimate it. We are unable to estimate with any degree of precision the impact this volatility is likely to have in the future.

Data Center revenue was up 58% from a year ago primarily driven by sales of NVIDIA Ampere architecture GPUs across both training and inference for cloud computing and AI workloads such as natural language processing and deep recommender models.

Professional Visualization revenue was up 100% from a year ago driven by the ramp of NVIDIA Ampere architecture products and strong demand for workstations as enterprises support hybrid work environments, as well as growth in workloads such as 3D design, AI and rendering.

Automotive revenue was up 6% from a year ago due to self-driving and AI cockpit solutions offset by a decline in legacy cockpit revenue.

OEM and Other revenue was up 84% from a year ago primarily driven by CMP sales. CMP revenue was $550 million for the fiscal year and was nominal in the prior year.

Revenue for our CMP products declined significantly in the fourth quarter of fiscal year 2022. We are unable to estimate with any degree of precision the impact that volatility in the cryptocurrency market, as discussed above, is likely to have on future CMP sales.

Gross margin for fiscal year 2022 was up 260 basis points from a year ago driven by lower Mellanox acquisition-related charges, including a non-recurring inventory step-up charge of $161 million in fiscal year 2021. Margins also benefited from a higher-end mix within Gaming, partially offset by a mix shift within Data Center.

Operating expenses for fiscal year 2022 were up 27% from a year ago primarily driven by stock-based compensation, compensation-related costs associated with employee growth and higher infrastructure costs.

Income from operations was $10.04 billion, up 122% from a year ago. Net income and net income per diluted share were $9.75 billion and $3.85, up 125% and 123%, respectively, from a year ago.

Cash, cash equivalents and marketable securities were $21.21 billion, up from $11.56 billion a year earlier. The increase reflects operating cash flow generation and $5.00 billion of debt issuance proceeds.

We paid $399 million in quarterly cash dividends in fiscal year 2022.

**Market Platform Highlights**

At our November 2021 GPU Technology Conference, we announced general availability of NVIDIA Omniverse Enterprise; 65 new and updated software development kits, including NVIDIA Riva, Modulus, ReOpt, Morpheus, cuNumeric, and Clara Holoscan; NVIDIA Quantum-2 400Gbps switch and end-to-end networking platform; and NVIDIA Jetson AGX Orin for edge AI and autonomous machines.

In our Gaming platform during fiscal year 2022, we further expanded our desktop and laptop GeForce RTX 30 Series GPU line-ups; expanded the RTX ecosystem of games and applications to over 240; announced plans to integrate NVIDIA DLSS into the Unity game engine; and introduced a new high-performance membership tier to GeForce NOW.

In our Data Center platform, we launched new NVIDIA A30 and A10 GPUs for mainstream AI, data analytics and graphics; debuted a new class of NVIDIA-Certified Systems with leading server OEMs; unveiled NVIDIA Grace, our first Arm-based data center CPU; launched the NVIDIA AI Enterprise software suite; unveiled the NVIDIA Base Command and Fleet Command AI software offerings; and announced plans to build Earth-2, an AI supercomputer dedicated to addressing the global climate change crisis.

In our Professional Visualization platform, we unveiled NVIDIA RTX GPUs for next-generation notebook and desktop workstations; and launched NVIDIA Omniverse Enterprise for collaborative 3D design, digital twins and virtual worlds and NVIDIA Omniverse for Creators.

In our Automotive platform, we unveiled the NVIDIA DRIVE Atlan next-generation SOC; announced design wins with Mercedes-Benz for the AI cockpit in its new EQS sedan; with Volvo Cars for the autonomous driving computer in its next-generation cars, beginning with the XC90 in 2022; with energy vehicles from R-Auto, IM Motors, NIO, Faraday Future, VinFast and Xpeng; with robotaxis including Cruise, Amazon Zoox, Pony.ai and AutoX; with autonomous trucking companies Embark, Kodiak Robotics and Plus; formed a multi-year partnership with Jaguar Land Rover to jointly develop and deliver next-generation automated driving systems, plus AI-enabled services and experiences; and announced that Desay, Flex, Quanta, Valeo and ZF are using the NVIDIA DRIVE Hyperion platform to manufacture safe and secure AV systems for vehicle makers.

## Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, cost of revenue, expenses and related disclosure of contingencies. On an on-going basis, we evaluate our estimates, including those related to inventories, revenue recognition, income taxes, and goodwill. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our consolidated financial statements. Our management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosures relating to our critical accounting policies and estimates in this Annual Report on Form 10-K.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. We charge cost of sales for inventory provisions to write-down our inventory to the lower of cost or net realizable value or for obsolete or excess inventory. Most of our inventory provisions relate to excess quantities of products or components, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions.

Situations that may result in excess or obsolete inventory include changes in business and economic conditions, changes in market conditions, sudden and significant decreases in demand for our products, inventory obsolescence because of changing technology and customer requirements, new product introductions resulting in less demand for existing products or inconsistent spikes in demand due to unexpected end use cases, failure to estimate customer demand properly, ordering in advance of historical lead-times and the impact of changes in future demand, or increase in demand for competitive products, including competitive actions. Cancellation or deferral of customer purchase orders could result in our holding excess inventory.

The overall net effect on our gross margin from inventory provisions and sales of items previously written down was an unfavorable impact of 0.9% in fiscal year 2022 and insignificant in fiscal year 2021. As a fabless semiconductor company, we must make commitments to purchase inventory based on forecasts of future customer demand. In doing so, we must account for our third-party manufacturers' lead times and constraints. Our manufacturing lead times are very long and in some cases, extend on to be twelve months or longer, which requires us to make estimates of customers’ future demand. We place non-cancellable inventory orders for certain products in advance of our historical lead times, pay premiums and provide deposits to secure future supply and capacity. We also adjust to other market factors, such as product offerings and pricing actions by our competitors, new product transitions, and macroeconomic conditions - all of which may impact demand for our products.

Refer to the Gross Profit and Gross Margin discussion below in this Management's Discussion and Analysis for further discussion.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, software licensing, and cloud services. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract (where revenue is allocated on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation); and (5) recognition of revenue when, or as, we satisfy a performance obligation.

### Product Sales Revenue

Revenue from product sales is recognized upon transfer of control of products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Certain products are sold with support or an extended warranty for the incorporated system, hardware, and/or software. Support and extended warranty revenue are recognized ratably over the service period, or as services are performed. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners' activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our IP components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 30, 2022, we had a valuation allowance of $907 million related to state and certain other deferred tax assets that management determined are not likely to be realized due to jurisdictional projections of future taxable income, tax attributes usage limitation by certain jurisdictions, and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax assets as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier, if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value. As of January 30, 2022, the total carrying amount of goodwill was $4.35 billion and the amount of goodwill allocated to our Graphics and Compute & Networking reporting units was $361 million and $3.99 billion, respectively. Determining the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We also make judgments and assumptions in allocating assets and liabilities to each of our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

We performed our annual goodwill assessment during the fourth quarter of fiscal year 2022 using a qualitative assessment and concluded there was no goodwill impairment.

Refer to Note 6 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Results of Operations

A discussion regarding our financial condition and results of operations for fiscal year 2022 compared to fiscal year 2021 is presented below. A discussion regarding our financial condition and results of operations for fiscal year 2021 compared to fiscal year 2020 can be found under Item 7 in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021, filed with the SEC on February 26, 2021, which is available free of charge on the SEC's website at http://www.sec.gov and at our investor relations website, http://investor.nvidia.com.

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Income expressed as a percentage of revenue.

| | Year Ended | |
|---|---|---|
| | January 30, 2022 | January 31, 2021 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 35.1 | 37.7 |
| Gross profit | 64.9 | 62.3 |
| Operating expenses: | | |
| Research and development | 19.6 | 23.5 |
| Sales, general and administrative | 8.0 | 11.6 |
| Total operating expenses | 27.6 | 35.1 |
| Income from operations | 37.3 | 27.2 |
| Interest income | 0.1 | 0.3 |
| Interest expense | (0.9) | (1.1) |
| Other, net | 0.4 | 0.1 |
| Other income (expense), net | (0.4) | (0.7) |
| Income before income tax expense | 36.9 | 26.5 |
| Income tax expense | 0.7 | 0.5 |
| Net income | 36.2 % | 26.0 % |

## Revenue

### Revenue by Reportable Segments

| | Year Ended | | | |
|---|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | $ Change | % Change |
| | ($ in millions) | | | |
| Graphics | $ 15,868 | $ 9,834 | $ 6,034 | 61 % |
| Compute & Networking | 11,046 | 6,841 | 4,205 | 61 % |
| Total | $ 26,914 | $ 16,675 | $ 10,239 | 61 % |

**Graphics -** Graphics segment revenue increased by 61% in fiscal year 2022 compared to fiscal year 2021. We continue to benefit from strong demand for NVIDIA Ampere architecture products, and believe the increase in Gaming revenue during fiscal year 2022 resulted from a combination of factors, including: the ramp of new RTX 30 Series GPUs; the release of new games supporting ray tracing; the rising popularity of gaming, esports, content creation and streaming; the demand for new and upgraded systems to support the increase in remote work; and the ability of end users to engage in cryptocurrency mining.

**Compute & Networking -** Compute & Networking segment revenue increased by 61% in fiscal year 2022 compared to fiscal year 2021, driven primarily by sales of NVIDIA Ampere architecture products to hyperscale customers for cloud computing and workloads such as natural language processing and deep recommender models, as well as to vertical industries. The increase compared to fiscal year 2021 also reflects the strong sales of networking products and that fiscal year 2022 includes a full year of networking revenue as Mellanox was acquired in April 2020. CMP contributed $550 million in fiscal year 2022 compared to an insignificant amount in the prior year.

### Concentration of Revenue

Revenue from sales to customers outside of the United States accounted for 84% and 81% of total revenue for fiscal years 2022 and 2021, respectively. Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if the revenue is attributable to end customers in a different location.

No customer represented 10% or more of total revenue for fiscal years 2022 and 2021.

## Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowances, less cost of revenue. Cost of revenue consists primarily of the cost of semiconductors, including wafer fabrication, assembly, testing and packaging, board and device costs, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, inventory and warranty provisions, memory and component costs, tariffs, and shipping costs. Cost of revenue also includes acquisition-related costs, development costs for license and service arrangements, IP-related costs, and stock-based compensation related to personnel associated with manufacturing.

Our overall gross margin was 64.9% and 62.3% for fiscal years 2022 and 2021, respectively. The increase in fiscal year 2022 was primarily due to lower Mellanox acquisition-related charges, including a non-recurring inventory step-up charge of $161 million in fiscal year 2021. The increase also benefited from a higher-end mix within Graphics, partially offset by a mix shift within Compute & Networking.

Inventory provisions totaled $354 million and $116 million for fiscal years 2022 and 2021, respectively. Sales of inventory that was previously written-off or written-down totaled $111 million and $145 million for fiscal years 2022 and 2021, respectively. As a result, the overall net effect on our gross margin was an unfavorable impact of 0.9% in fiscal year 2022 and insignificant in fiscal year 2021.

The gross margin of our Graphics segment increased during fiscal year 2022 when compared to fiscal year 2021, primarily due to higher-end mix within GeForce GPUs.

The gross margin of our Compute & Networking segment decreased during fiscal year 2022 when compared to fiscal year 2021, primarily due to a shift in product mix and partially offset by a reduced contribution from Automotive solutions.

## Operating Expenses

| | Year Ended | | | |
|---|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | $ Change | % Change |
| | ($ in millions) | | | |
| Research and development expenses | $ 5,268 | $ 3,924 | $ 1,344 | 34 % |
| *% of net revenue* | *19.6 %* | *23.5 %* | | |
| Sales, general and administrative expenses | 2,166 | 1,940 | 226 | 12 % |
| *% of net revenue* | *8.0 %* | *11.6 %* | | |
| Total operating expenses | $ 7,434 | $ 5,864 | $ 1,570 | 27 % |

### Research and Development

Research and development expenses increased by 34% in fiscal year 2022 compared to fiscal year 2021, primarily driven by stock-based compensation, compensation-related costs associated with employee growth and higher infrastructure costs.

### Sales, General and Administrative

Sales, general and administrative expenses increased by 12% in fiscal year 2022 compared to fiscal year 2021, primarily driven by stock-based compensation, compensation-related costs associated with employee growth, partially offset by lower amortization of intangibles.

## Other Income (Expense), Net

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest income was $29 million and $57 million in fiscal years 2022 and 2021, respectively. The decrease in interest income was primarily due to lower interest rates earned on our investments.

Interest expense is primarily comprised of coupon interest and debt discount amortization related to our notes. Interest expense was $236 million and $184 million in fiscal years 2022 and 2021, respectively. The increase in expense reflects interest on the $5.00 billion note issued in June 2021.

Other, net, consists primarily of realized or unrealized gains and losses from investments in non-affiliated entities and the impact of changes in foreign currency rates. Other, net, was an income of $107 million during fiscal year 2022 and not significant during fiscal year 2021. The increase was primarily due to unrealized gains from our investments in non-affiliated entities. Refer to Note 9 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information regarding our investments in non-affiliated entities.

## Income Taxes

We recognized income tax expense of $189 million and $77 million for fiscal years 2022 and 2021, respectively. Our annual effective tax rate was 1.9% and 1.7% for fiscal years 2022 and 2021, respectively.

The increase in our effective tax rate in fiscal year 2022 as compared to fiscal year 2021 was primarily due to an increase in the amount of earnings subject to U.S. tax, and a decreased impact of tax benefits from the U.S. federal research tax credit, partially offset by the benefit of the foreign-derived intangible income deduction, and the discrete benefit of the domestication of a foreign subsidiary, or the Domestication.

Our effective tax rate for fiscal year 2022 was lower than the U.S. federal statutory rate of 21% due to tax benefits from the foreign-derived intangible income deduction, income earned in jurisdictions, including the British Virgin Islands and Israel, that are subject to taxes lower than the U.S. federal statutory tax rate, excess tax benefits related to stock-based compensation, recognition of U.S. federal research tax credit and the one-time benefits of the Domestication.

Our effective tax rate for fiscal year 2021 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including the British Virgin Islands, Israel, and Hong Kong, where the tax rate was lower than the U.S. federal statutory tax rate, recognition of U.S. federal research tax credits, and excess tax benefits related to stock-based compensation.

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Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information, including the Domestication.

## Liquidity and Capital Resources

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | *(In millions)* | |
| Cash and cash equivalents | $ 1,990 | $ 847 |
| Marketable securities | 19,218 | 10,714 |
| Cash, cash equivalents, and marketable securities | $ 21,208 | $ 11,561 |

| | Year Ended | |
|---|---|---|
| | January 30, 2022 | January 31, 2021 |
| | *(In millions)* | |
| Net cash provided by operating activities | $ 9,108 | $ 5,822 |
| Net cash provided by (used in) investing activities | $ (9,830) | $ (19,675) |
| Net cash provided by financing activities | $ 1,865 | $ 3,804 |

As of January 30, 2022, we had $21.21 billion in cash, cash equivalents and marketable securities, an increase of $9.65 billion from the end of fiscal year 2021. Our investment policy requires the purchase of highly rated fixed income securities, the diversification of investment types and credit exposures, and certain maturity limits on our portfolio.

Cash provided by operating activities increased in fiscal year 2022 compared to fiscal year 2021, due to higher net income, partially offset by changes in working capital. Changes in working capital were primarily driven by prepayments of $1.87 billion for long-term supply agreements and increases in trade receivables due to higher revenue.

Cash used in investing activities decreased in fiscal year 2022 compared to cash provided in fiscal year 2021, reflecting lower payments in acquiring businesses as compared to the acquisition of Mellanox in fiscal year 2021, and higher marketable securities sales and maturities, partially offset by higher purchases of marketable securities.

Cash provided by financing activities decreased in fiscal year 2022 compared to cash provided in fiscal year 2021, which primarily reflects a debt repayment in the fiscal year 2022 and higher tax payments on restricted stock units.

### Liquidity

Our primary sources of liquidity are our cash and cash equivalents, our marketable securities, and the cash generated by our operations. As of January 30, 2022, we had $21.21 billion in cash, cash equivalents and marketable securities. We believe that we have sufficient liquidity to meet our operating requirements for at least the next twelve months, and for the foreseeable future, including our future supply obligations and additional supply. We continuously evaluate our liquidity and capital resources, including our access to external capital, to ensure we can finance our future capital requirements.

Our marketable securities consist of certificates of deposits and debt securities issued by the U.S. government and its agencies, highly rated corporations and financial institutions, and foreign government entities. These marketable securities are primarily denominated in U.S. dollars. Refer to Note 8 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

During fiscal year 2023, we expect to use our existing cash and cash equivalents, our marketable securities, and the cash generated by our operations to fund our capital investments of approximately $1.4 billion related to property and equipment.

We have approximately $1.4 billion of cash, cash equivalents, and marketable securities held outside the U.S. for which we have not accrued any related foreign or state taxes if we repatriate these amounts to the U.S. Other than that, substantially all of our cash, cash equivalents and marketable securities held outside of the U.S. as of January 30, 2022 are available for use in the U.S. without incurring additional U.S. federal income taxes. Following the Domestication, we have utilized almost all of our accumulated U.S. federal research tax credits during fiscal year 2022, resulting in higher cash tax payments starting in fiscal year 2023. In addition, beginning in fiscal year 2023, the TCJA requires taxpayers to capitalize research and development expenditures and to amortize domestic expenditures over five years and foreign expenditures over fifteen years. This will impact cash flows from operations and result in significantly higher cash tax payments starting in fiscal year 2023. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Capital Return to Shareholders

In fiscal year 2022, we paid $399 million in quarterly cash dividends. Our cash dividend program and the payment of future cash dividends under that program are subject to our Board's continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders.

As of January 30, 2022, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $7.24 billion through December 2022. We did not repurchase any shares during fiscal year 2022.

### Outstanding Indebtedness and Commercial Paper Program

As of January 30, 2022, we had outstanding:

- $1.25 billion of Notes Due 2023;
- $1.25 billion of Notes Due 2024;
- $1.00 billion of Notes Due 2026;
- $1.25 billion of Notes Due 2028;
- $1.50 billion of Notes Due 2030;
- $1.25 billion of Notes Due 2031;
- $1.00 billion of Notes Due 2040;
- $2.00 billion of Notes Due 2050; and
- $500 million of Notes Due 2060.

We have a $575 million commercial paper program to support general corporate purposes. As of January 30, 2022, we had not issued any commercial paper.

Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Contractual Obligations

We have unrecognized tax benefits of $729 million, which includes related interest and penalties of $59 million recorded in non-current income tax payable as of January 30, 2022. We are unable to reasonably estimate the timing of any potential tax liability, interest payments, or penalties in individual years due to uncertainties in the underlying income tax positions and the timing of the effective settlement of such tax positions. We are currently under examination by the Internal Revenue Service for our fiscal years 2018 and 2019. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further information.

For a description of our long-term debt, purchase obligations, and operating lease obligations, refer to Note 12, Note 13, and Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, respectively.

### Climate Change

Refer to Part I, Item 1 of this Annual Report on Form 10-K for a description of Environmental, Social and Corporate Governance activities. To date, there has been no material impact to our results of operations associated with global sustainability regulations, compliance, costs from sourcing renewable energy or climate-related business trends. There are no material current climate change regulations impacting us, however, we are monitoring potential regulation changes in California, the United States, the United Kingdom, the European Union and other jurisdictions. We believe that climate change has not had a material impact to our revenue to date. We have not experienced any significant physical effects of climate change to date on our operations and results, nor any significant impacts on the cost or availability of insurance. In fiscal year 2023, we plan to build Earth-2, an AI supercomputer dedicated to predicting the impacts of climate change and increase our purchases of Renewable Energy Credits.

### Adoption of New and Recently Issued Accounting Pronouncements

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of adoption of new and recently issued accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Investment and Interest Rate Risk

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The investment portfolio is managed consistent with our overall liquidity strategy in support of both working capital needs and strategic growth of our businesses.

As of January 30, 2022, we performed a sensitivity analysis on our investment portfolio. According to our analysis, parallel shifts in the yield curve of both plus or minus 0.5%, taking into account a zero percent yield floor, would result in a decrease in fair value for these investments of $33 million, or an increase in fair value for these investments of $22 million, respectively.

At January 30, 2022, we had $11.00 billion of senior Notes outstanding. We carry the Notes at face value less unamortized discount on our Consolidated Balance Sheets. As the Notes bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Foreign Exchange Rate Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Gains or losses from foreign currency remeasurement are included in other income or expense and to date have not been significant. The impact of foreign currency transaction gain or loss included in determining net income was not significant for fiscal years 2022 and 2021.

Sales and arrangements with third-party manufacturers provide for pricing and payment in United States dollars, and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the United States' dollar relative to other currencies would make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States' dollar relative to other currencies could result in our suppliers raising their prices in order to continue doing business with us. Additionally, we have international operations and incur expenditures in currencies other than U.S. dollars. Our operating expenses benefit from a stronger dollar and are adversely affected by a weaker dollar.

We use foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss, and then reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur.

We also use foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

If the U.S. dollar strengthened by 10% as of January 30, 2022 and January 31, 2021, the amount recorded in accumulated other comprehensive income (loss) related to our foreign exchange contracts before tax effect would have been approximately $103 million and $84 million lower as of January 30, 2022 and January 31, 2021, respectively. Change in value recorded in accumulated other comprehensive income (loss) would be expected to offset a corresponding change in hedged forecasted foreign currency expenses when recognized.

If an adverse 10% foreign exchange rate change was applied to our balance sheet hedging contracts, it would have resulted in an adverse impact on income before taxes of approximately $41 million and $44 million as of January 30, 2022 and January 31, 2021, respectively. These changes in fair values would be offset in other income (expense), net by corresponding change in fair values of the foreign currency denominated monetary assets and liabilities, assuming the hedge contracts fully cover the foreign currency denominated monetary assets and liabilities balances.

Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is set forth in our Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Controls and Procedures

#### Disclosure Controls and Procedures

Based on their evaluation as of January 30, 2022, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) were effective to provide reasonable assurance.

#### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 30, 2022 based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 30, 2022.

The effectiveness of our internal control over financial reporting as of January 30, 2022 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

#### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended January 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In fiscal year 2022, we began an upgrade of our enterprise resource planning, or ERP, system, which will update much of our existing core financial systems. The ERP system is designed to accurately maintain the Company's financial records used to report operating results. The upgrade will occur in phases with the consolidated financial reporting and general ledger module to be implemented in fiscal year 2023. We will evaluate each quarter whether there are changes that affect our internal control over financial reporting.

#### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NVIDIA have been detected.

## ITEM 9B. OTHER INFORMATION

None.

## ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable

## PART III

Certain information required by Part III is omitted from this report because we will file with the SEC a definitive proxy statement pursuant to Regulation 14A, or the 2022 Proxy Statement, no later than 120 days after the end of fiscal year 2022, and certain information included therein is incorporated herein by reference.

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors

Information regarding directors required by this item will be contained in our 2022 Proxy Statement under the caption “Proposal 1 - Election of Directors,” and is hereby incorporated by reference.

### Identification of Executive Officers

Reference is made to the information regarding executive officers appearing under the heading “Information About Our Executive Officers” in Part I of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

### Identification of Audit Committee and Financial Experts

Information regarding our Audit Committee required by this item will be contained in our 2022 Proxy Statement under the captions “Report of the Audit Committee of the Board of Directors” and “Information About the Board of Directors and Corporate Governance,” and is hereby incorporated by reference.

### Material Changes to Procedures for Recommending Directors

Information regarding procedures for recommending directors required by this item will be contained in our 2022 Proxy Statement under the caption “Information About the Board of Directors and Corporate Governance,” and is hereby incorporated by reference.

### Delinquent Section 16(a) Reports

Information regarding compliance with Section 16(a) of the Exchange Act required by this item will be contained in our 2022 Proxy Statement under the caption “Delinquent Section 16(a) Reports,” and is hereby incorporated by reference.

### Code of Conduct

Information regarding our Code of Conduct required by this item will be contained in our 2022 Proxy Statement under the caption “Information About the Board of Directors and Corporate Governance - Code of Conduct,” and is hereby incorporated by reference. The full text of our Code of Conduct and Financial Team Code of Conduct are published on the Investor Relations portion of our website, under Governance, at www.nvidia.com. The contents of our website are not a part of this Annual Report on Form 10-K.

## ITEM 11. EXECUTIVE COMPENSATION

Information regarding our executive compensation required by this item will be contained in our 2022 Proxy Statement under the captions “Executive Compensation”, “Compensation Committee Interlocks and Insider Participation”, “Director Compensation” and “Compensation Committee Report,” and is hereby incorporated by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Ownership of NVIDIA Securities

Information regarding ownership of NVIDIA securities required by this item will be contained in our 2022 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management," and is hereby incorporated by reference.

### Equity Compensation Plan Information

Information regarding our equity compensation plans required by this item will be contained in our 2022 Proxy Statement under the caption "Equity Compensation Plan Information," and is hereby incorporated by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related transactions and director independence required by this item will be contained in our 2022 Proxy Statement under the captions “Review of Transactions with Related Persons” and “Information About the Board of Directors and Corporate Governance - Independence of the Members of the Board of Directors,” and is hereby incorporated by reference.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding accounting fees and services required by this item will be contained in our 2022 Proxy Statement under the caption “Fees Billed by the Independent Registered Public Accounting Firm,” and is hereby incorporated by reference.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of NVIDIA Corporation

*Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of NVIDIA Corporation and its subsidiaries (the “Company”) as of January 30, 2022 and January 31, 2021, and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended January 30, 2022, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of January 30, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 30, 2022 and January 31, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 30, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

*Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

*Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Critical Audit Matters*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Valuation of Inventories - Provisions for Excess or Obsolete Inventories*

As described in Note 1 to the consolidated financial statements, the Company charges cost of sales for inventory provisions to write-down inventory to the lower of cost or net realizable value or for obsolete or excess inventory. Most of the Company’s inventory provisions relate to excess quantities of products, based on the Company’s inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. As of January 30, 2022, the Company’s consolidated inventories balance was $2,605 million.

The principal considerations for our determination that performing procedures relating to the valuation of inventories, specifically the provisions for excess or obsolete inventories, is a critical audit matter are the significant judgment by management when developing provisions for excess or obsolete inventories, including developing assumptions related to future demand and market conditions. This in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s assumptions related to future demand and market conditions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s provisions for excess or obsolete inventories, including controls over management’s assumptions related to future demand and market conditions. These procedures also included, among others, testing management’s process for developing the provisions for excess or obsolete inventories; evaluating the appropriateness of management’s approach; testing the completeness and accuracy of underlying data used in the approach; and evaluating the reasonableness of management’s assumptions related to future demand and market conditions. Evaluating management’s assumptions related to future demand and market conditions involved evaluating whether the assumptions used by management were reasonable considering (i) current and past results, including historical product life cycle, (ii) the consistency with external market and industry data, (iii) changes in technology, and (iv) comparing prior period estimates to actual results of the same period.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 17, 2022

We have served as the Company’s auditor since 2004.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(In millions, except per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **January 30, 2022** | **January 31, 2021** | **January 26, 2020** |
| Revenue | $ 26,914 | $ 16,675 | $ 10,918 |
| Cost of revenue | 9,439 | 6,279 | 4,150 |
| Gross profit | 17,475 | 10,396 | 6,768 |
| Operating expenses | | | |
| Research and development | 5,268 | 3,924 | 2,829 |
| Sales, general and administrative | 2,166 | 1,940 | 1,093 |
| Total operating expenses | 7,434 | 5,864 | 3,922 |
| Income from operations | 10,041 | 4,532 | 2,846 |
| Interest income | 29 | 57 | 178 |
| Interest expense | (236) | (184) | (52) |
| Other, net | 107 | 4 | (2) |
| Other income (expense), net | (100) | (123) | 124 |
| Income before income tax | 9,941 | 4,409 | 2,970 |
| Income tax expense | 189 | 77 | 174 |
| Net income | $ 9,752 | $ 4,332 | $ 2,796 |
| | | | |
| Net income per share: | | | |
| Basic | $ 3.91 | $ 1.76 | $ 1.15 |
| Diluted | $ 3.85 | $ 1.73 | $ 1.13 |
| | | | |
| Weighted average shares used in per share computation: | | | |
| Basic | 2,496 | 2,467 | 2,439 |
| Diluted | 2,535 | 2,510 | 2,472 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | | | |
| Net income | $ 9,752 | $ 4,332 | $ 2,796 |
| Other comprehensive income (loss), net of tax | | | |
| Available-for-sale debt securities: | | | |
| Net unrealized gain (loss) | (16) | 2 | 8 |
| Reclassification adjustments for net realized gain (loss) included in net income | — | (2) | — |
| Net change in unrealized gain (loss) | (16) | — | 8 |
| Cash flow hedges: | | | |
| Net unrealized gain (loss) | (43) | 9 | 10 |
| Reclassification adjustments for net realized gain (loss) included in net income | 29 | 9 | (5) |
| Net change in unrealized gain (loss) | (14) | 18 | 5 |
| Other comprehensive income (loss), net of tax | (30) | 18 | 13 |
| Total comprehensive income | $ 9,722 | $ 4,350 | $ 2,809 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In millions, except par value)**

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,990 | $ 847 |
| Marketable securities | 19,218 | 10,714 |
| Accounts receivable, net | 4,650 | 2,429 |
| Inventories | 2,605 | 1,826 |
| Prepaid expenses and other current assets | 366 | 239 |
| Total current assets | 28,829 | 16,055 |
| Property and equipment, net | 2,778 | 2,149 |
| Operating lease assets | 829 | 707 |
| Goodwill | 4,349 | 4,193 |
| Intangible assets, net | 2,339 | 2,737 |
| Deferred income tax assets | 1,222 | 806 |
| Other assets | 3,841 | 2,144 |
| Total assets | $ 44,187 | $ 28,791 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,783 | $ 1,149 |
| Accrued and other current liabilities | 2,552 | 1,777 |
| Short-term debt | — | 999 |
| Total current liabilities | 4,335 | 3,925 |
| Long-term debt | 10,946 | 5,964 |
| Long-term operating lease liabilities | 741 | 634 |
| Other long-term liabilities | 1,553 | 1,375 |
| Total liabilities | 17,575 | 11,898 |
| Commitments and contingencies - see Note 13 | | |
| Shareholders’ equity: | | |
| Preferred stock, $0.001 par value; 2 shares authorized; none issued | — | — |
| Common stock, $0.001 par value; 4,000 shares authorized; 2,506 shares issued and outstanding as of January 30, 2022; 3,859 shares issued and 2,479 outstanding as of January 31, 2021 | 3 | 3 |
| Additional paid-in capital | 10,385 | 8,719 |
| Treasury stock, at cost (None as of January 30, 2022 and 1,380 shares as of January 31, 2021) | — | (10,756) |
| Accumulated other comprehensive income (loss) | (11) | 19 |
| Retained earnings | 16,235 | 18,908 |
| Total shareholders' equity | 26,612 | 16,893 |
| Total liabilities and shareholders' equity | $ 44,187 | $ 28,791 |

See accompanying notes to the consolidated financial statements.

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## NVIDIA CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (In millions, except per share data) | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balances, January 27, 2019 | 2,423 | $ 3 | $ 6,049 | $ (9,263) | $ (12) | $ 12,565 | $ 9,342 |
| Net income | — | — | — | — | — | 2,796 | 2,796 |
| Other comprehensive income | — | — | — | — | 13 | — | 13 |
| Issuance of common stock from stock plans | 39 | — | 149 | — | — | — | 149 |
| Tax withholding related to vesting of restricted stock units | (12) | — | — | (551) | — | — | (551) |
| Cash dividends declared and paid ($0.16 per common share) | — | — | — | — | — | (390) | (390) |
| Stock-based compensation | — | — | 845 | — | — | — | 845 |
| Balances, January 26, 2020 | 2,450 | 3 | 7,043 | (9,814) | 1 | 14,971 | 12,204 |
| Net income | — | — | — | — | — | 4,332 | 4,332 |
| Other comprehensive income | — | — | — | — | 18 | — | 18 |
| Issuance of common stock from stock plans | 40 | — | 194 | — | — | — | 194 |
| Tax withholding related to vesting of restricted stock units | (11) | — | — | (942) | — | — | (942) |
| Cash dividends declared and paid ($0.16 per common share) | — | — | — | — | — | (395) | (395) |
| Fair value of partially vested equity awards assumed in connection with acquisitions | — | — | 86 | — | — | — | 86 |
| Stock-based compensation | — | — | 1,396 | — | — | — | 1,396 |
| Balances, January 31, 2021 | 2,479 | 3 | 8,719 | (10,756) | 19 | 18,908 | 16,893 |
| Net income | — | — | — | — | — | 9,752 | 9,752 |
| Other comprehensive loss | — | — | — | — | (30) | — | (30) |
| Issuance of common stock from stock plans | 35 | — | 281 | — | — | — | 281 |
| Tax withholding related to vesting of restricted stock units | (8) | — | (614) | (1,290) | — | — | (1,904) |
| Cash dividends declared and paid ($0.16 per common share) | — | — | — | — | — | (399) | (399) |
| Fair value of partially vested equity awards assumed in connection with acquisitions | — | — | 18 | — | — | — | 18 |
| Stock-based compensation | — | — | 2,001 | — | — | — | 2,001 |
| Retirement of Treasury Stock | — | — | (20) | 12,046 | — | (12,026) | — |
| Balances, January 30, 2022 | 2,506 | $ 3 | $ 10,385 | $ — | $ (11) | $ 16,235 | $ 26,612 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| Cash flows from operating activities: | | | |
| Net income | $ 9,752 | $ 4,332 | $ 2,796 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 2,004 | 1,397 | 844 |
| Depreciation and amortization | 1,174 | 1,098 | 381 |
| Deferred income taxes | (406) | (282) | 18 |
| (Gains) losses on investments in non-affiliates, net | (100) | — | 1 |
| Other | 47 | (20) | 4 |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (2,215) | (550) | (233) |
| Inventories | (774) | (524) | 597 |
| Prepaid expenses and other assets | (1,715) | (394) | 77 |
| Accounts payable | 568 | 312 | 194 |
| Accrued and other current liabilities | 581 | 290 | 54 |
| Other long-term liabilities | 192 | 163 | 28 |
| Net cash provided by operating activities | 9,108 | 5,822 | 4,761 |
| Cash flows from investing activities: | | | |
| Proceeds from maturities of marketable securities | 15,197 | 8,792 | 4,744 |
| Proceeds from sales of marketable securities | 1,023 | 527 | 3,365 |
| Purchases of marketable securities | (24,787) | (19,308) | (1,461) |
| Purchases related to property and equipment and intangible assets | (976) | (1,128) | (489) |
| Acquisitions, net of cash acquired | (263) | (8,524) | (4) |
| Investments and other, net | (24) | (34) | (10) |
| Net cash provided by (used in) investing activities | (9,830) | (19,675) | 6,145 |
| Cash flows from financing activities: | | | |
| Issuance of debt, net of issuance costs | 4,977 | 4,968 | — |
| Proceeds related to employee stock plans | 281 | 194 | 149 |
| Payments related to tax on restricted stock units | (1,904) | (942) | (551) |
| Repayment of debt | (1,000) | — | — |
| Dividends paid | (399) | (395) | (390) |
| Principal payments on property and equipment | (83) | (17) | — |
| Other | (7) | (4) | — |
| Net cash provided by (used in) financing activities | 1,865 | 3,804 | (792) |
| Change in cash and cash equivalents | 1,143 | (10,049) | 10,114 |
| Cash and cash equivalents at beginning of period | 847 | 10,896 | 782 |
| Cash and cash equivalents at end of period | $ 1,990 | $ 847 | $ 10,896 |
| ***Supplemental disclosures of cash flow information:*** | | | |
| Cash paid for income taxes, net | $ 396 | $ 249 | $ 176 |
| Cash paid for interest | $ 246 | $ 138 | $ 54 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## Note 1 - Organization and Summary of Significant Accounting Policies

### Our Company

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

All references to “NVIDIA,” “we,” “us,” “our” or the “Company” mean NVIDIA Corporation and its subsidiaries.

On July 19, 2021, we executed a four-for-one stock split of our common stock. All share, equity award, and per share amounts and related shareholders' equity balances presented herein have been retroactively adjusted to reflect the Stock Split.

### Fiscal Year

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2022 and 2020 were both 52-week years. Fiscal year 2021 was a 53-week year.

### Reclassifications

Certain prior fiscal year balances have been reclassified to conform to the current fiscal year presentation.

### Principles of Consolidation

Our consolidated financial statements include the accounts of NVIDIA Corporation and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, litigation, investigation and settlement costs, restructuring and other charges, and other contingencies. The inputs into our judgments and estimates consider the economic implications of COVID-19. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, software licensing, and cloud services. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract (where revenue is allocated on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation); and (5) recognition of revenue when, or as, we satisfy a performance obligation.

**Product Sales Revenue**

Revenue from product sales is recognized upon transfer of control of products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Certain products are sold with support or an extended warranty for the incorporated system, hardware, and/or software. Support and extended warranty revenue are recognized ratably over the service period, or as services are performed. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners' activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our IP components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

### Software Licensing

Our software licenses provide our customers with a right to use the software when it is made available to the customer. Customers may purchase either perpetual licenses or subscriptions to licenses, which differ mainly in the duration over which the customer benefits from the software. Software licenses are frequently sold along with the right to receive, on a when-and-if available basis, future unspecified software updates and upgrades. Revenue from software licenses is recognized up front when the software is made available to the customer. Software support revenue is recognized ratably over the service period, or as services are performed.

### Cloud Services

Cloud services, which allow customers to use hosted software over the contract period without taking possession of the software, are provided on a subscription basis or a combination of subscription plus usage. Revenue related to subscription-based cloud services is recognized ratably over the contract period. Revenue related to cloud services based on usage is recognized as usage occurs.

## Product Warranties

We generally offer a limited warranty to end-users that ranges from one to three years for products in order to repair or replace products for any manufacturing defects or hardware component failures. Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. We also accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

## Stock-based Compensation

We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs, and performance stock units that are based on our corporate financial performance targets, or PSUs. We use a Monte Carlo simulation on the date of grant to estimate the fair value of performance stock units that are based on market conditions, or market-based PSUs. The compensation expense for RSUs and market-based PSUs is recognized using a straight-line attribution method over the requisite employee service period while compensation expense for PSUs is recognized using an accelerated amortization model. We estimate the fair value of shares to be issued under our employee stock purchase plan, or ESPP, using the Black-Scholes model at the commencement of an offering period in March and September of each year. Stock-based compensation for our ESPP is expensed using an accelerated amortization model. Additionally, we estimate forfeitures at least annually based on historical experience and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates.

### Litigation, Investigation and Settlement Costs

We currently, are, and will likely continue to be subject to claims, litigation, and other actions, including potential regulatory proceedings, involving patent and other intellectual property matters, taxes, labor and employment, competition and antitrust, commercial disputes, goods and services offered by us and by third parties, and other matters. There are many uncertainties associated with any litigation or investigation, and we cannot be certain that these actions or other third-party claims against us will be resolved without litigation, fines and/or substantial settlement payments or judgements. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

### Foreign Currency Remeasurement

We use the United States dollar as our functional currency for all of our subsidiaries. Foreign currency monetary assets and liabilities are remeasured into United States dollars at end-of-period exchange rates. Non-monetary assets and liabilities such as property and equipment and equity are remeasured at historical exchange rates. Revenue and expenses are remeasured at exchange rates in effect during each period, except for those expenses related to non-monetary balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in earnings in our Consolidated Statements of Income and to date have not been significant.

### Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 30, 2022, we had a valuation allowance of $907 million related to state and certain other deferred tax assets that management determined are not likely to be realized due to jurisdictional projections of future taxable income, tax attributes usage limitation by certain jurisdictions, and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax assets as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

### Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Under the treasury stock method, the effect of equity awards outstanding is not included in the computation of diluted net income per share for periods when their effect is anti-dilutive.

### Cash and Cash Equivalents and Marketable Securities

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents. Marketable securities consist of highly liquid debt investments with maturities of greater than three months when purchased. We currently classify our investments as current based on the nature of the investments and their availability for use in current operations.

We classify our cash equivalents and marketable securities related to debt securities at the date of acquisition as available-for-sale. These available-for-sale debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. The fair value of interest-bearing debt securities includes accrued interest. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income (expense), net, section of our Consolidated Statements of Income.

All of our available-for-sale debt investments are subject to a periodic impairment review. If the estimated fair value of available-for-sale debt securities is less than its amortized cost basis, we determine if the difference, if any, is caused by expected credit losses and write-down the amortized cost basis of the securities if it is more likely than not we will be required or we intend to sell the securities before recovery of its amortized cost basis. Allowances for credit losses and write-downs are recognized in the other income (expense), net section of our Consolidated Statements of Income.

### Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their relatively short maturities as of January 30, 2022 and January 31, 2021. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains or losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as fair value hedges, the gains or losses are recognized in earnings in the periods of change together with the offsetting losses or gains on the hedged items attributed to the risk being hedged. For derivative instruments designated as cash-flow hedges, the effective portion of the gains or losses on the derivatives is initially reported as a component of other comprehensive income or loss and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. For derivative instruments not designated for hedge accounting, changes in fair value are recognized in earnings.

### Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities, and accounts receivable. Our investment policy requires the purchase of highly-rated fixed income securities, the diversification of investment type and credit exposures, and includes certain limits on our portfolio duration. We perform ongoing credit evaluations of our customers' financial condition and maintain an allowance for potential credit losses. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. Our overall estimated exposure excludes amounts covered by credit insurance and letters of credit.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write-down our inventory to the lower of cost or net realizable value or for obsolete or excess inventory. Most of our inventory provisions relate to excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up. We record a liability for noncancelable purchase commitments with suppliers for quantities in excess of our future demand forecasts consistent with our valuation of obsolete or excess inventory.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets, generally three to five years. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded. The estimated useful lives of our buildings are up to thirty years. Depreciation expense includes the amortization of assets recorded under finance leases. Leasehold improvements and assets recorded under finance leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset.

### Leases

We determine if an arrangement is or contains a lease at inception. Operating leases with lease terms of more than 12 months are included in operating lease assets, accrued and other current liabilities, and long-term operating lease liabilities on our consolidated balance sheet. Operating lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments over the lease term.

Operating lease assets and liabilities are recognized based on the present value of the remaining lease payments discounted using our incremental borrowing rate. Operating lease assets also include initial direct costs incurred and prepaid lease payments, minus any lease incentives. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

We combine the lease and non-lease components in determining the operating lease assets and liabilities.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist. For the purposes of completing our impairment test, we perform either a qualitative or a quantitative analysis on a reporting unit basis.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting units.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. The income and market valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business.

### Intangible Assets and Other Long-Lived Assets

Intangible assets primarily represent acquired intangible assets including developed technology, in-process research and development, or IPR&D, and customer relationships, as well as rights acquired under technology licenses, patents, and acquired IP. We currently amortize our intangible assets with finite lives over periods ranging from one to twenty years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up or, if that pattern cannot be reliably determined, using a straight-line amortization method. We initially capitalize the fair value of IPR&D as an intangible asset with an indefinite life. When IPR&D projects are completed, we reclassify the IPR&D as an amortizable purchased intangible asset and amortize over the asset's estimated useful life.

Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Fair value is determined based on the estimated discounted future cash flows expected to be generated by the asset or asset group. Assets and liabilities to be disposed of would be separately presented in the Consolidated Balance Sheet and the assets would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

### Business Combination

We allocate the fair value of the purchase price of an acquisition to the tangible assets acquired, liabilities assumed, and intangible assets acquired, including IPR&D, based on their estimated fair values. The excess of the fair value of the purchase price over the fair values of these net tangible and intangible assets acquired is recorded as goodwill. Management's estimates of fair value are based upon assumptions believed to be reasonable, but our estimates and assumptions are inherently uncertain and subject to refinement. The estimates and assumptions used in valuing intangible assets include, but are not limited to, the amount and timing of projected future cash flows, discount rate used to determine the present value of these cash flows and asset lives. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made. As a result, during the measurement period of up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of the purchase price of an acquisition, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Income.

Acquisition-related expenses are recognized separately from the business combination and expensed as incurred.

### Investment in Non-Affiliated Entities

Non-marketable equity investments in privately-held companies are recorded at fair value on a non-recurring basis only if an impairment or observable price adjustment occurs in the period with changes in fair value recorded through net income. These investments are valued using observable and unobservable inputs or data in an inactive market and the valuation requires our judgment due to the absence of market prices and inherent lack of liquidity. The estimated fair value is based on quantitative and qualitative factors including subsequent financing activities by the investee.

Marketable equity investments in publicly-held companies are recorded at fair value with the related unrealized and realized gains and losses recognized in other income (expense), net.

### Adoption of New and Recently Issued Accounting Pronouncements

#### Recently Adopted Accounting Pronouncement

In October 2021, the Financial Accounting Standards Board issued a new accounting standard to require that an acquirer recognize and measure contract assets and liabilities acquired in a business combination in accordance with Accounting Standards Codification 606, Revenue from Contracts with Customers. We early adopted this accounting standard in the third quarter of fiscal year 2022 and the impact was immaterial.

## Note 2 - Business Combination

### Termination of the Arm Share Purchase Agreement

On February 8, 2022, NVIDIA and SoftBank announced the termination of the Share Purchase Agreement whereby NVIDIA would have acquired Arm from SoftBank. The parties agreed to terminate because of significant regulatory challenges preventing the completion of the transaction. We intend to record in operating expenses a $1.36 billion charge in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing in September 2020.

### Acquisition of Mellanox Technologies, Ltd.

In April 2020, we completed the acquisition of all outstanding shares of Mellanox for a total purchase consideration of $7.13 billion. Mellanox is a supplier of high-performance interconnect products for computing, storage and communications applications. We acquired Mellanox to optimize data center workloads to scale across the entire computing, networking, and storage stack.

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## Purchase Price Allocation

The aggregate purchase consideration has been allocated as follows (in millions):

| | | |
|---|---|---|
| **Purchase Price** | | |
| Cash paid for outstanding Mellanox ordinary shares (1) | $ | 7,033 |
| Cash for Mellanox equity awards (2) | | 16 |
| Total cash consideration | | 7,049 |
| Fair value of Mellanox equity awards assumed by NVIDIA (3) | | 85 |
| Total purchase consideration | $ | 7,134 |
| | | |
| **Allocation** | | |
| Cash and cash equivalents | $ | 115 |
| Marketable securities | | 699 |
| Accounts receivable, net | | 216 |
| Inventories | | 320 |
| Prepaid expenses and other assets | | 179 |
| Property and equipment, net | | 144 |
| Goodwill | | 3,431 |
| Intangible assets | | 2,970 |
| Accounts payable | | (136) |
| Accrued and other current liabilities | | (236) |
| Income tax liability | | (191) |
| Deferred income tax liability | | (258) |
| Other long-term liabilities | | (119) |
| | $ | 7,134 |

(1) Represents the cash consideration of $125.00 per share paid to Mellanox shareholders for approximately 56 million shares of outstanding Mellanox ordinary shares.

(2) Represents the cash consideration for the settlement of approximately 249 thousand Mellanox stock options held by employees and non-employee directors of Mellanox.

(3) Represents the fair value of Mellanox's stock-based compensation awards attributable to pre-combination services.

We allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on the estimated fair values.

The goodwill is primarily attributable to the planned growth in the combined business of NVIDIA and Mellanox. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any interim indicators of impairment. Goodwill recognized in the acquisition is not expected to be deductible for foreign tax purposes. Goodwill arising from the Mellanox acquisition has been allocated to the Compute and Networking segment. Refer to Note 17 – Segment Information for further details on segments.

The operating results of Mellanox have been included in our consolidated financial statements for fiscal year 2021 since the acquisition date of April 27, 2020. Revenue attributable to Mellanox was approximately 10% for fiscal year 2021. There is not a practical way to determine net income attributable to Mellanox due to integration. Acquisition-related costs attributable to Mellanox of $28 million were included in selling, general and administrative expense for fiscal year 2021.

### Intangible Assets

The estimated fair value and useful life of the acquired intangible assets at the time of the acquisition are as follows:

| | Fair Value | Useful Lives |
|---|---|---|
| | *(In millions)* | |
| Developed technology (1) | $ 1,640 | 5 years |
| Customer relationships (2) | 440 | 3 years |
| Order backlog (3) | 190 | Based on actual shipments |
| Trade names (4) | 70 | 5 years |
| Total identified finite-lived intangible assets | 2,340 | |
| IPR&D (5) | 630 | N/A |
| Total identified intangible assets | $ 2,970 | |

(1) The fair value of developed technology was identified using the Multi-Period Excess Earnings Method.
(2) Customer relationships represent the fair value of the existing relationships using the With and Without Method.
(3) Order backlog represents primarily the fair value of purchase arrangements with customers using the Multi-Period Excess Earnings Method. The intangible asset was fully amortized as of January 31, 2021.
(4) Trade names primarily relate to Mellanox trade names and fair value was determined by applying the Relief-from-Royalty Method under the income approach.
(5) The fair value of IPR&D was determined using the Multi-Period Excess Earnings Method.

The fair value of the finite-lived intangible assets will be amortized over the estimated useful lives based on the pattern in which the economic benefits are expected to be received to cost of revenue and operating expenses.

Mellanox has an IPR&D project associated with the next generation interconnect product that had not yet reached technological feasibility as of the acquisition date. Accordingly, we recorded an indefinite-lived intangible asset of $630 million for the fair value of this project, which was initially not amortized. Instead, the project is tested for impairment annually and whenever events or changes in circumstances indicate that the project may be impaired or may have reached technological feasibility. Once and if the project reaches technological feasibility, we will begin to amortize the intangible asset over its estimated useful life.

### Supplemental Unaudited Pro Forma Information

The following unaudited pro forma financial information summarizes the combined results of operations for NVIDIA and Mellanox as if the companies were combined as of the beginning of fiscal year 2020:

| | Pro Forma | |
|---|---|---|
| | Year Ended | |
| | January 31, 2021 | January 26, 2020 |
| | *(In millions)* | |
| Revenue | $ 17,104 | $ 12,250 |
| Net income | $ 4,757 | $ 2,114 |

The unaudited pro forma information includes adjustments related to amortization of acquired intangible assets, adjustments to stock-based compensation expense, fair value of acquired inventory, and transaction costs. The unaudited pro forma information presented above is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2020 or of the results of our future operations of the combined businesses.

The pro forma results reflect the inventory step-up expense of $161 million in the fiscal year 2020 and were excluded from the pro forma results for fiscal year 2021. There were no other material nonrecurring adjustments.

## Note 3 - Leases

Our lease obligations primarily consist of operating leases for our headquarters complex, domestic and international office facilities, and data center space, with lease periods expiring between fiscal years 2023 and 2035.

Future minimum lease payments under our non-cancelable operating leases as of January 30, 2022, are as follows:

| | Operating Lease Obligations |
|---|---|
| | *(In millions)* |
| **Fiscal Year:** | |
| 2023 | $ 176 |
| 2024 | 162 |
| 2025 | 136 |
| 2026 | 124 |
| 2027 | 114 |
| 2028 and thereafter | 288 |
| Total | 1,000 |
| Less imputed interest | 115 |
| Present value of net future minimum lease payments | 885 |
| Less short-term operating lease liabilities | 144 |
| Long-term operating lease liabilities | $ 741 |

In addition to our existing operating lease obligations, we have operating leases that are expected to commence within fiscal year 2023 with lease terms of 7 years for $169 million.

Operating lease expense for fiscal years 2022, 2021, and 2020 was $168 million, $145 million, $114 million, respectively. Short-term and variable lease expenses for fiscal years 2022, 2021, and 2020 were not significant.

Other information related to leases was as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | | *(In millions)* | |
| **Supplemental cash flows information** | | | |
| Operating cash flows used for operating leases | $ 154 | $ 141 | $ 103 |
| Operating lease assets obtained in exchange for lease obligations (1) | $ 266 | $ 200 | $ 238 |

(1) Fiscal year 2021 includes $80 million of operating lease assets addition due to Mellanox.

As of January 30, 2022, our operating leases had a weighted average remaining lease term of 7.1 years and a weighted average discount rate of 2.51%. As of January 31, 2021, our operating leases had a weighted average remaining lease term of 7.6 years and a weighted average discount rate of 2.87%.

## Note 4 - Stock-Based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our ESPP.

**NVIDIA CORPORATION AND SUBSIDIARIES**
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Our Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

| | Year Ended | | |
|---|---|---|---|
| | **January 30, 2022** | **January 31, 2021** | **January 26, 2020** |
| | | *(In millions)* | |
| Cost of revenue | $ 141 | $ 88 | $ 39 |
| Research and development | 1,298 | 860 | 540 |
| Sales, general and administrative | 565 | 449 | 265 |
| Total | $ 2,004 | $ 1,397 | $ 844 |

Stock-based compensation capitalized in inventories was not significant during fiscal years 2022, 2021, and 2020.

The following is a summary of equity awards granted under our equity incentive plans:

| | Year Ended | | |
|---|---|---|---|
| | **January 30, 2022** | **January 31, 2021** | **January 26, 2020** |
| | *(In millions, except per share data)* | | |
| **RSUs, PSUs and Market-based PSUs** | | | |
| Awards granted | 18 | 36 | 28 |
| Estimated total grant-date fair value | $ 3,492 | $ 2,764 | $ 1,282 |
| Weighted average grant-date fair value per share | $ 190.69 | $ 76.81 | $ 46.12 |
| | | | |
| **ESPP** | | | |
| Shares purchased | 5 | 4 | 4 |
| Weighted average price per share | $ 56.36 | $ 34.80 | $ 37.19 |
| Weighted average grant-date fair value per share | $ 23.24 | $ 16.91 | $ 16.22 |

As of January 30, 2022, there was $4.87 billion of aggregate unearned stock-based compensation expense, net of forfeitures. This amount is expected to be recognized over a weighted average period of 2.4 years for RSUs, PSUs, and market-based PSUs, and 0.9 years for ESPP.

The fair value of shares issued under our ESPP have been estimated with the following assumptions:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | *(Using the Black-Scholes model)* | | |
| **ESPP** | | | |
| Weighted average expected life (in years) | 0.1-2.0 | 0.1-2.0 | 0.1-2.0 |
| Risk-free interest rate | —%-0.5% | 0.1%-1.6% | 1.5%-2.6% |
| Volatility | 20%-58% | 26%-89% | 30%-82% |
| Dividend yield | 0.1% | 0.1%-0.3% | 0.3%-0.4% |

For ESPP shares, the expected term represents the average term from the first day of the offering period to the purchase date. The risk-free interest rate assumption used to value ESPP shares is based upon observed interest rates on Treasury bills appropriate for the expected term. Our expected stock price volatility assumption for ESPP is estimated using historical volatility. For awards granted, we use the dividend yield at grant date. Our RSU, PSU, and market-based PSU awards are not eligible for cash dividends prior to vesting; therefore, the fair values of RSUs, PSUs, and market-based PSUs are discounted for the dividend yield.

Additionally, for RSU, PSU, and market-based PSU awards, we estimate forfeitures semi-annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

## Equity Incentive Program

We grant or have granted stock options, RSUs, PSUs, market-based PSUs, and stock purchase rights under the following equity incentive plans. In addition, in connection with our acquisitions of various companies, we have assumed certain stock-based awards granted under their stock incentive plans and converted them into our RSUs.

### Amended and Restated 2007 Equity Incentive Plan

In 2007, our shareholders approved the NVIDIA Corporation 2007 Equity Incentive Plan, as most recently amended and restated, or the 2007 Plan.

The 2007 Plan authorizes the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards to employees, directors and consultants. Only our employees may receive incentive stock options. As of January 30, 2022, up to 50 million shares of our common stock could be issued pursuant to stock awards granted under the 2007 Plan, of which 6 million shares were issuable upon the exercise of outstanding stock options. All options are fully vested, the last of which will expire by December 2023 if not exercised. Currently, we grant RSUs, PSUs and market-based PSUs under the 2007 Plan, under which, as of January 30, 2022, there were 131 million shares available for future grants.

Subject to certain exceptions, RSUs granted to employees either vest (A) over a four-year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and 6.25% vesting quarterly thereafter, or (B) over a three-year period, subject to continued service, with 40% vesting on a pre-determined date that is close to the anniversary of the date of grant and 7.5% vesting quarterly thereafter. PSUs vest over a four-year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and 6.25% vesting quarterly thereafter. Market-based PSUs vest 100% on approximately the three-year anniversary of the date of grant. However, the number of shares subject to both PSUs and market-based PSUs that are eligible to vest is generally determined by the Compensation Committee based on achievement of pre-determined criteria.

### Amended and Restated 2012 Employee Stock Purchase Plan

In 2012, our shareholders approved the NVIDIA Corporation 2012 Employee Stock Purchase Plan, as most recently amended and restated, or the 2012 Plan.

Employees who participate in the 2012 Plan may have up to 15% of their earnings withheld to purchase shares of common stock. The Board may decrease this percentage at its discretion. Each offering period is approximately 24 months, which is generally divided into four purchase periods of six months. The price of common stock purchased under our 2012 Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period or the fair market value of the common stock on each purchase date within the offering. As of January 30, 2022, we had 233 million shares reserved for future issuance under the 2012 Plan.

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### Equity Award Activity

The following is a summary of our equity award transactions under our equity incentive plans:

| | RSUs, PSUs and Market-based PSUs Outstanding | |
|---|---|---|
| | Number of Shares | Weighted Average Grant-Date Fair Value |
| | (In millions, except per share data) | |
| Balances, January 31, 2021 | 59 | $ 66.17 |
| Granted | 18 | $ 190.69 |
| Vested restricted stock | (29) | $ 66.67 |
| Canceled and forfeited | (2) | $ 86.47 |
| Balances, January 30, 2022 | 46 | $ 114.19 |
| Vested and expected to vest after January 30, 2022 | 46 | $ 113.84 |

As of January 30, 2022 and January 31, 2021, there were 131 million and 148 million shares, respectively, of common stock available for future grants under our equity incentive plans.

As of January 30, 2022, the total intrinsic value of options currently exercisable and outstanding was $1.38 billion, with an average exercise price of $3.55 per share and an average remaining term of 1.1 years. The total intrinsic value of options exercised was $741 million, $521 million, and $84 million for fiscal years 2022, 2021, and 2020, respectively. Upon the exercise of an option, we issue new shares of stock.

The total fair value of RSUs and PSUs, as of their respective vesting dates, during the years ended January 30, 2022, January 31, 2021, and January 26, 2020, was $5.56 billion, $2.67 billion, and $1.45 billion, respectively.

## Note 5 - Net Income Per Share

The following is a reconciliation of the denominator of the basic and diluted net income per share computations for the periods presented:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | (In millions, except per share data) | | |
| Numerator: | | | |
| Net income | $ 9,752 | $ 4,332 | $ 2,796 |
| Denominator: | | | |
| Basic weighted average shares | 2,496 | 2,467 | 2,439 |
| Dilutive impact of outstanding equity awards | 39 | 43 | 33 |
| Diluted weighted average shares | 2,535 | 2,510 | 2,472 |
| Net income per share: | | | |
| Basic (1) | $ 3.91 | $ 1.76 | $ 1.15 |
| Diluted (2) | $ 3.85 | $ 1.73 | $ 1.13 |
| Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive | 21 | 12 | 44 |

(1) Calculated as net income divided by basic weighted average shares.

(2) Calculated as net income divided by diluted weighted average shares.

## Note 6 - Goodwill

As of January 30, 2022, the total carrying amount of goodwill was $4.35 billion, consisting of goodwill balances allocated to our Graphics and Compute & Networking reporting units of $361 million and $3.99 billion, respectively. As of January 31, 2021, the total carrying amount of goodwill was $4.19 billion, consisting of goodwill balances allocated to our Graphics and Compute & Networking reporting units of $347 million and $3.85 billion, respectively. Goodwill increased by $156 million in fiscal year 2022 from acquisitions. We assigned $143 million of the increase in goodwill to our Compute & Networking segment and assigned $13 million of the increase to our Graphics segment. During the fourth quarters of fiscal years 2022, 2021, and 2020, we completed our annual impairment tests and concluded that goodwill was not impaired in any of these years.

## Note 7 - Amortizable Intangible Assets

The components of our amortizable intangible assets are as follows:

| | January 30, 2022 | | | January 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In millions) | | | (In millions) | |
| Acquisition-related intangible assets (1) | $ 3,418 | $ (1,304) | $ 2,114 | $ 3,280 | $ (774) | $ 2,506 |
| Patents and licensed technology | 717 | (492) | 225 | 706 | (475) | 231 |
| Total intangible assets | $ 4,135 | $ (1,796) | $ 2,339 | $ 3,986 | $ (1,249) | $ 2,737 |

(1) As of January 30, 2022, acquisition-related intangible assets include the fair value of a Mellanox in-process research and development project of $630 million, which has not yet commenced amortization.

Amortization expense associated with intangible assets for fiscal years 2022, 2021, and 2020 was $563 million, $612 million, and $25 million, respectively. Future amortization expense related to the net carrying amount of intangible assets, excluding in-process research and development, as of January 30, 2022 is estimated to be $585 million in fiscal year 2023, $461 million in fiscal year 2024, $405 million in fiscal year 2025, $121 million in fiscal year 2026, $16 million in fiscal year 2027, and $121 million in fiscal year 2028 and thereafter.

## Note 8 - Cash Equivalents and Marketable Securities

Our cash equivalents and marketable securities related to debt securities are classified as "available-for-sale" debt securities.

**NVIDIA CORPORATION AND SUBSIDIARIES**
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**(Continued)**

The following is a summary of cash equivalents and marketable securities as of January 30, 2022 and January 31, 2021:

| | January 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Corporate debt securities | $ 9,977 | $ — | $ (3) | $ 9,974 | $ 1,102 | $ 8,872 |
| Debt securities issued by the United States Treasury | 7,314 | — | (14) | 7,300 | — | 7,300 |
| Debt securities issued by United States government agencies | 1,612 | — | — | 1,612 | 256 | 1,356 |
| Certificates of deposit | 1,561 | — | — | 1,561 | 21 | 1,540 |
| Money market funds | 316 | — | — | 316 | 316 | — |
| Foreign government bonds | 150 | — | — | 150 | — | 150 |
| Total | $ 20,930 | $ — | $ (17) | $ 20,913 | $ 1,695 | $ 19,218 |

| | January 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Corporate debt securities | $ 4,442 | $ 2 | $ — | $ 4,444 | $ 234 | $ 4,210 |
| Debt securities issued by United States government agencies | 2,975 | 1 | — | 2,976 | 28 | 2,948 |
| Debt securities issued by the United States Treasury | 2,846 | — | — | 2,846 | 25 | 2,821 |
| Certificates of deposit | 705 | — | — | 705 | 37 | 668 |
| Money market funds | 313 | — | — | 313 | 313 | — |
| Foreign government bonds | 67 | — | — | 67 | — | 67 |
| Total | $ 11,348 | $ 3 | $ — | $ 11,351 | $ 637 | $ 10,714 |

The following table provides the breakdown of unrealized losses as of January 30, 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

| | Less than 12 Months | | 12 Months or Greater | | Total | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Gross Unrealized Loss | Estimated Fair Value | Gross Unrealized Loss | Estimated Fair Value | Gross Unrealized Loss |
| | (In millions) | | | | | |
| Corporate debt securities | $ 2,445 | $ (3) | $ 19 | $ — | $ 2,464 | $ (3) |
| Debt securities issued by the United States Treasury | 5,292 | (14) | — | — | 5,292 | (14) |
| Total | $ 7,737 | $ (17) | $ 19 | $ — | $ 7,756 | $ (17) |

Net realized gains and unrealized gains and losses were not significant for all periods presented.

The amortized cost and estimated fair value of cash equivalents and marketable securities as of January 30, 2022 and January 31, 2021 are shown below by contractual maturity.

| | January 30, 2022 | | January 31, 2021 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | (In millions) | | | |
| Less than one year | $ 16,346 | $ 16,343 | $ 10,782 | $ 10,783 |
| Due in 1 - 5 years | 4,584 | 4,570 | 566 | 568 |
| Total | $ 20,930 | $ 20,913 | $ 11,348 | $ 11,351 |

## Note 9 - Fair Value of Financial Assets and Liabilities

The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We review fair value hierarchy classification on a quarterly basis.

**NVIDIA CORPORATION AND SUBSIDIARIES**
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| | Pricing Category | Fair Value at January 30, 2022 | Fair Value at January 31, 2021 |
|---|---|---|---|
| | | (In millions) | |
| **Assets** | | | |
| Cash equivalents and marketable securities: | | | |
| Money market funds | Level 1 | $ 316 | $ 313 |
| Corporate debt securities | Level 2 | $ 9,974 | $ 4,444 |
| Debt securities issued by the United States Treasury | Level 2 | $ 7,300 | $ 2,846 |
| Debt securities issued by United States government agencies | Level 2 | $ 1,612 | $ 2,976 |
| Certificates of deposit | Level 2 | $ 1,561 | $ 705 |
| Foreign government bonds | Level 2 | $ 150 | $ 67 |
| Other assets (Investment in non-affiliated entities): | | | |
| Publicly-held equity securities (1) | Level 1 | $ 58 | $ — |
| Privately-held equity securities | Level 3 | $ 208 | $ 144 |
| **Liabilities (2)** | | | |
| 2.20% Notes Due 2021 | Level 2 | $ — | $ 1,011 |
| 0.309% Notes Due 2023 | Level 2 | $ 1,236 | $ — |
| 0.584% Notes Due 2024 | Level 2 | $ 1,224 | $ — |
| 3.20% Notes Due 2026 | Level 2 | $ 1,055 | $ 1,124 |
| 1.55% Notes Due 2028 | Level 2 | $ 1,200 | $ — |
| 2.85% Notes Due 2030 | Level 2 | $ 1,542 | $ 1,654 |
| 2.00% Notes Due 2031 | Level 2 | $ 1,200 | $ — |
| 3.50% Notes Due 2040 | Level 2 | $ 1,066 | $ 1,152 |
| 3.50% Notes Due 2050 | Level 2 | $ 2,147 | $ 2,308 |
| 3.70% Notes Due 2060 | Level 2 | $ 551 | $ 602 |

(1) Unrealized gains of $48 million from an investment in a publicly-traded equity security were recorded in other income (expense), net, in fiscal year 2022.

(2) These liabilities are carried on our Consolidated Balance Sheets at their original issuance value, net of unamortized debt discount and issuance costs.

## Note 10 - Balance Sheet Components

Certain balance sheet components are as follows:

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | (In millions) | |
| **Inventories:** | | |
| Raw materials | $ 791 | $ 632 |
| Work in-process | 692 | 457 |
| Finished goods | 1,122 | 737 |
| Total inventories | $ 2,605 | $ 1,826 |

| | January 30, 2022 | January 31, 2021 | Estimated Useful Life |
|---|---|---|---|
| | (In millions) | | (In years) |
| **Property and Equipment:** | | | |
| Land | $ 218 | $ 218 | (A) |
| Buildings, leasehold improvements, and furniture | 874 | 796 | (B) |
| Equipment, compute hardware, and software | 2,852 | 1,985 | 3-5 |
| Construction in process | 737 | 558 | (C) |
| Total property and equipment, gross | 4,681 | 3,557 | |
| Accumulated depreciation and amortization | (1,903) | (1,408) | |
| Total property and equipment, net | $ 2,778 | $ 2,149 | |

(A) Land is a non-depreciable asset.

(B) The estimated useful lives of our buildings are up to thirty years. Leasehold improvements and finance leases are amortized based on the lesser of either the asset's estimated useful life or the expected lease term.

(C) Construction in process represents assets that are not available for their intended use as of the balance sheet date.

Depreciation expense for fiscal years 2022, 2021, and 2020 was $611 million, $486 million, and $355 million, respectively.

Accumulated amortization of leasehold improvements and finance leases was $265 million and $223 million as of January 30, 2022 and January 31, 2021, respectively.

Property, equipment and intangible assets acquired by assuming related liabilities during fiscal years 2022, 2021, and 2020 were $258 million, $157 million, and $212 million, respectively.

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| **Other assets:** | *(In millions)* | |
| Prepaid supply agreements | $ 1,747 | $ — |
| Advanced consideration for acquisition (1) | 1,357 | 1,357 |
| Prepaid royalties | 409 | 440 |
| Investment in non-affiliated entities | 266 | 144 |
| Other | 62 | 203 |
| Total other assets | $ 3,841 | $ 2,144 |

(1) Refer to Note 2 - Business Combination for further details on the Arm acquisition.

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**(Continued)**

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | *(In millions)* | |
| **Accrued and Other Current Liabilities:** | | |
| Customer program accruals | $ 1,000 | $ 630 |
| Accrued payroll and related expenses | 409 | 297 |
| Deferred revenue (1) | 300 | 288 |
| Excess inventory purchase obligations | 196 | 52 |
| Other | 647 | 510 |
| Total accrued and other current liabilities | $ 2,552 | $ 1,777 |

(1) Deferred revenue primarily includes customer advances and deferrals related to license and development arrangements, support for hardware and software, and cloud services.

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | *(In millions)* | |
| **Other Long-Term Liabilities:** | | |
| Income tax payable (1) | $ 980 | $ 836 |
| Deferred income tax | 245 | 241 |
| Deferred revenue (2) | 202 | 163 |
| Other | 126 | 135 |
| Total other long-term liabilities | $ 1,553 | $ 1,375 |

(1) As of January 30, 2022, income tax payable represents the long-term portion of the one-time transition tax payable of $251 million, long-term portion of the unrecognized tax benefits of $670 million, and related interest and penalties of $59 million.
(2) Deferred revenue primarily includes deferrals related to support for hardware and software.

## Deferred Revenue

The following table shows the changes in deferred revenue during fiscal years 2022 and 2021.

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | *(In millions)* | |
| Balance at beginning of period | $ 451 | $ 201 |
| Deferred revenue added during the period | 821 | 536 |
| Addition due to business combinations | 8 | 75 |
| Revenue recognized during the period | (778) | (361) |
| Balance at end of period | $ 502 | $ 451 |

Revenue related to remaining performance obligations represents the contracted license and development arrangements and support for hardware and software. This includes deferred revenue currently recorded and amounts that will be invoiced in future periods. As of

January 30, 2022, $624 million of revenue related to performance obligations had not been recognized, of which we expect to recognize approximately 49% over the next twelve months and the remainder thereafter. This excludes revenue related to performance obligations for contracts with a length of one year or less.

## Note 11 - Derivative Financial Instruments

We enter into foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. These contracts are designated as cash flow hedges for hedge accounting treatment. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss and reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur. The fair value of the contracts was not significant as of January 30, 2022 and January 31, 2021.

We enter into foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

The table below presents the notional value of our foreign currency forward contracts outstanding as of January 30, 2022 and January 31, 2021:

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | (In millions) | |
| Designated as cash flow hedges | $ 1,023 | $ 840 |
| Non-designated hedges | $ 408 | $ 441 |

As of January 30, 2022, all designated foreign currency forward contracts mature within eighteen months. The expected realized gains and losses deferred into accumulated other comprehensive income (loss) related to foreign currency forward contracts within the next twelve months was not significant.

During fiscal years 2022 and 2021, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant and all such instruments were determined to be highly effective.

## Note 12 - Debt

### Long-Term Debt

In June 2021, March 2020, and September 2016, we issued a total of $5.00 billion, $5.00 billion, and $2.00 billion aggregate principal of senior notes, respectively. The net proceeds from these offerings were $4.98 billion, $4.97 billion, and $1.98 billion, respectively, after deducting debt discount and issuance costs.

On August 16, 2021, we repaid the $1.00 billion of 2.20% Notes Due 2021.

All of our notes are unsecured senior obligations. All existing and future liabilities of our subsidiaries will be effectively senior to the notes. Our notes pay interest semi-annually. We may redeem each of our notes prior to maturity, subject to a make-whole premium as defined in the applicable form of note.

The carrying value of the Notes, the calendar year of maturity, and the associated interest rates were as follows:

| | Expected Remaining Term (years) | Effective Interest Rate | January 30, 2022 | January 31, 2021 |
|---|---|---|---|---|
| | | | (In millions) | |
| 2.20% Notes Due 2021 | — | 2.38% | $ — | $ 1,000 |
| 0.309% Notes Due 2023 | 1.4 | 0.41% | 1,250 | — |
| 0.584% Notes Due 2024 | 2.4 | 0.66% | 1,250 | — |
| 3.20% Notes Due 2026 | 4.6 | 3.31% | 1,000 | 1,000 |
| 1.55% Notes Due 2028 | 6.4 | 1.64% | 1,250 | — |
| 2.85% Notes Due 2030 | 8.2 | 2.93% | 1,500 | 1,500 |
| 2.00% Notes Due 2031 | 9.4 | 2.09% | 1,250 | — |
| 3.50% Notes Due 2040 | 18.2 | 3.54% | 1,000 | 1,000 |
| 3.50% Notes Due 2050 | 28.2 | 3.54% | 2,000 | 2,000 |
| 3.70% Notes Due 2060 | 38.2 | 3.73% | 500 | 500 |
| Unamortized debt discount and issuance costs | | | (54) | (37) |
| Net carrying amount | | | 10,946 | 6,963 |
| Less short-term portion | | | — | (999) |
| Total long-term portion | | | $ 10,946 | $ 5,964 |

As of January 30, 2022, we were in compliance with the required covenants under the Notes.

### Commercial Paper

We have a $575 million commercial paper program to support general corporate purposes. As of January 30, 2022, we had not issued any commercial paper.

## Note 13 - Commitments and Contingencies

### Purchase Obligations

Our purchase obligations primarily include our commitments to purchase components used to manufacture our products, including long-term supply agreements, certain software and technology licenses, other goods and services and long-lived assets.

We have entered into several long-term supply agreements, under which we have made advance payments and have $1.58 billion remaining unpaid. As of January 30, 2022, we had outstanding inventory purchase and long-term supply obligations totaling $9.00 billion, inclusive of the $1.58 billion, and other purchase obligations totaling $1.30 billion.

Total future unconditional purchase commitments as of January 30, 2022, are as follows:

| | | Commitments |
|---|---|---|
| | | *(In millions)* |
| **Fiscal Year:** | | |
| 2023 | $ | 9,302 |
| 2024 | | 765 |
| 2025 | | 201 |
| 2026 | | 28 |
| Total | $ | 10,296 |

In March 2022, we entered into a supply agreement with payments of $670 million to be paid over nine years.

### Accrual for Product Warranty Liabilities

The estimated amount of product warranty liabilities was $46 million and $22 million as of January 30, 2022 and January 31, 2021, respectively.

In connection with certain agreements that we have entered in the past, we have provided indemnities for matters such as tax, product, and employee liabilities. We have included IP indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. We have not recorded any liability for such indemnifications.

### Litigation

#### Securities Class Action and Derivative Lawsuits

The plaintiffs in the putative securities class action lawsuit, captioned 4:18-cv-07669-HSG, initially filed on December 21, 2018 in the United States District Court for the Northern District of California, and titled *In Re NVIDIA Corporation Securities Litigation*, filed an amended complaint on May 13, 2020. The amended complaint asserted that NVIDIA and certain NVIDIA executives violated Section 10(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and SEC Rule 10b-5, by making materially false or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand between May 10, 2017 and November 14, 2018. Plaintiffs also alleged that the NVIDIA executives who they named as defendants violated Section 20(a) of the Exchange Act. Plaintiffs sought class certification, an award of unspecified compensatory damages, an award of reasonable costs and expenses, including attorneys' fees and expert fees, and further relief as the Court may deem just and proper. On March 2, 2021, the district court granted NVIDIA's motion to dismiss the complaint without leave to amend, entered judgment in favor of NVIDIA and closed the case. On March 30, 2021, plaintiffs filed an appeal from judgment in the United States Court of Appeals for the Ninth Circuit, case number 21-15604. Oral argument is scheduled for May 10, 2022.

The putative derivative lawsuit pending in the United States District Court for the Northern District of California, captioned 4:19-cv-00341-HSG, initially filed January 18, 2019 and titled *In re NVIDIA Corporation Consolidated Derivative Litigation*, was stayed pending resolution of the plaintiffs' appeal in the In Re NVIDIA Corporation Securities Litigation action. On February 22, 2022, the court administratively closed the case, but stated that it would reopen the case once the appeal in the *In Re NVIDIA Corporation Securities Litigation* action is resolved. The lawsuit asserts claims, purportedly on behalf of us, against certain officers and directors of the Company for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiffs are seeking unspecified damages and other relief, including reforms and improvements to NVIDIA's corporate governance and internal procedures.

The putative derivative actions initially filed September 24, 2019 and pending in the United States District Court for the District of Delaware, *Lipchitz v. Huang, et al.* (Case No. 1:19-cv-01795-UNA) and *Nelson v. Huang, et. al.* (Case No. 1:19-cv-01798- UNA), remain stayed pending resolution of the plaintiffs' appeal in the In Re NVIDIA Corporation Securities Litigation action. The lawsuits assert claims, purportedly on behalf of us, against certain officers and directors of the Company for breach of fiduciary duty, unjust enrichment, insider trading, misappropriation of information, corporate waste and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false, and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiffs seek unspecified damages and other relief, including disgorgement of profits from the sale of NVIDIA stock and unspecified corporate governance measures.

**Accounting for Loss Contingencies**

As of January 30, 2022, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, except as specifically described above, any possible loss or range of loss in these matters cannot be reasonably estimated at this time. We are engaged in legal actions not described above arising in the ordinary course of business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

## Note 14 - Income Taxes

The income tax expense (benefit) applicable to income before income taxes consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | (In millions) | | |
| Current income taxes: | | | |
| Federal | $ 482 | $ 197 | $ 65 |
| State | 42 | 1 | 4 |
| Foreign | 71 | 161 | 87 |
| Total current | 595 | 359 | 156 |
| Deferred taxes: | | | |
| Federal | (420) | (246) | 2 |
| Foreign | 14 | (36) | 16 |
| Total deferred | (406) | (282) | 18 |
| Income tax expense | $ 189 | $ 77 | $ 174 |

Income before income tax consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | (In millions) | | |
| Domestic (1) | $ 8,446 | $ 1,437 | $ 620 |
| Foreign | 1,495 | 2,972 | 2,350 |
| Income before income tax | $ 9,941 | $ 4,409 | $ 2,970 |

(1) Fiscal year 2022 domestic income before income tax increased as compared to fiscal years 2021 and 2020 due to the Domestication in the second quarter of fiscal year 2022.

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The income tax expense (benefit) differs from the amount computed by applying the U.S. federal statutory rate of 21% to income before income taxes as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | *(In millions)* | | |
| Tax expense computed at federal statutory rate | $ 2,088 | $ 926 | $ 624 |
| Expense (benefit) resulting from: | | | |
| State income taxes, net of federal tax effect | 42 | 10 | 12 |
| Foreign-derived intangible income | (520) | — | — |
| Foreign tax rate differential | (497) | (561) | (301) |
| Stock-based compensation | (337) | (136) | (60) |
| U.S. federal R&D tax credit | (289) | (173) | (110) |
| IP domestication | (244) | — | — |
| Other | (54) | 11 | 9 |
| Income tax expense | $ 189 | $ 77 | $ 174 |

The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets and liabilities are presented below:

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| | *(In millions)* | |
| Deferred tax assets: | | |
| Research and other tax credit carryforwards | $ 798 | $ 650 |
| Property, equipment and intangible assets | 530 | 32 |
| GILTI deferred tax assets | 378 | 709 |
| Accruals and reserves, not currently deductible for tax purposes | 258 | 59 |
| Operating lease liabilities | 125 | 120 |
| Net operating loss carryforwards | 118 | 100 |
| Stock-based compensation | 86 | 36 |
| Other deferred tax assets | 22 | — |
| Gross deferred tax assets | 2,315 | 1,706 |
| Less valuation allowance | (907) | (728) |
| Total deferred tax assets | 1,408 | 978 |
| Deferred tax liabilities: | | |
| Acquired intangibles | (169) | (191) |
| Unremitted earnings of foreign subsidiaries | (150) | (111) |
| Operating lease assets | (113) | (111) |
| Gross deferred tax liabilities | (432) | (413) |
| Net deferred tax asset (1) | $ 976 | $ 565 |

(1) Net deferred tax asset includes long-term deferred tax assets of $1.22 billion and $806 million and long-term deferred tax liabilities of $245 million and $241 million for fiscal years 2022 and 2021, respectively. Long-term deferred tax liabilities are included in other long-term liabilities on our Consolidated Balance Sheets.

We recognized income tax expense of $189 million, $77 million, and $174 million for fiscal years 2022, 2021, and 2020 respectively. Our annual effective tax rate was 1.9%, 1.7%, and 5.9% for fiscal years 2022, 2021, and 2020, respectively. The increase in our effective tax rate in fiscal year 2022 as compared to fiscal year 2021 was primarily due to an increase in the amount of earnings subject to U.S. tax, and a decreased impact of tax benefits from the U.S. federal research tax credit, partially offset by the benefit of the foreign-derived intangible income deduction and the discrete benefit of the Domestication. The decrease in our effective tax rate in fiscal year 2021 as compared to fiscal year 2020 was primarily due to a decrease in the proportional amount of earnings subject to United States tax and an increase of tax benefits from stock-based compensation.

On June 28, 2021, we simplified our corporate structure by repatriating the economic rights of certain non-U.S. IP to the United States via domestication of a foreign subsidiary, or the Domestication. The Domestication more closely aligns our corporate structure to our operating structure in accordance with the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting conclusions and changes to U.S. and European tax laws. The impact of the Domestication, which is regarded as a change in tax status, resulted in a discrete benefit primarily from re-valuing certain deferred tax assets, net of deferred tax liabilities, of $244 million in fiscal year 2022.

Our effective tax rate for fiscal year 2022 was lower than the U.S. federal statutory rate of 21% due to tax benefits from the foreign-derived intangible income deduction, income earned in jurisdictions, including the British Virgin Islands and Israel, that are subject to taxes lower than the U.S. federal statutory tax rate, excess tax benefits related to stock-based compensation, recognition of U.S. federal research tax credits and the one-time benefits of the Domestication.

Our effective tax rates for fiscal years 2021 and 2020 were lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including the British Virgin Islands, Israel and Hong Kong, where the tax rate was lower than the U.S. federal statutory tax rate, recognition of U.S. federal research tax credits, and excess tax benefits related to stock-based compensation.

During the second quarter of fiscal year 2021, we completed the acquisition of Mellanox. As a result of the acquisition, we recorded $256 million of net deferred tax liabilities primarily on the excess of book basis over the tax basis of the acquired intangible assets and undistributed earnings in certain foreign subsidiaries. We also recorded $153 million of long-term tax liabilities related to tax basis differences in Mellanox.

As of January 30, 2022, we intend to indefinitely reinvest approximately $1.05 billion and $232 million of cumulative undistributed earnings held by certain subsidiaries in Israel and the United Kingdom, respectively. We have not provided the amount of unrecognized deferred tax liabilities for temporary differences related to these investments as the determination of such amount is not practicable.

As of January 30, 2022 and January 31, 2021, we had a valuation allowance of $907 million and $728 million, respectively, related to state and certain other deferred tax assets that management determined not likely to be realized due, in part, to jurisdictional projections of future taxable income. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax assets as income tax benefits during the period.

As of January 30, 2022, we had federal, state and foreign net operating loss carryforwards of $397 million, $345 million and $341 million, respectively. The federal and state carryforwards will begin to expire in fiscal year 2023. The foreign net operating loss carryforwards of $341 million may be carried forward indefinitely. As of January 30, 2022, we had federal research tax credit carryforwards of $102 million that will begin to expire in fiscal year 2042. We have state research tax credit carryforwards of $1.24 billion, of which $1.18 billion is attributable to the State of California and may be carried over indefinitely, and $55 million is attributable to various other states and will begin to expire in fiscal year 2023. Our tax attributes, net operating loss and tax credit carryforwards, remain subject to audit and may be adjusted for changes or modification in tax laws, other authoritative interpretations thereof, or other facts and circumstances. Utilization of federal, state, and foreign net operating losses and tax credit carryforwards may also be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state and foreign tax provisions. If any such limitations apply, the federal, state, or foreign net operating loss and tax credit carryforwards, as applicable, may expire or be denied before utilization.

As of January 30, 2022, we had $1.01 billion of gross unrecognized tax benefits, of which $808 million would affect our effective tax rate if recognized. However, $181 million of the unrecognized tax benefits were related to state income tax positions taken, that, if recognized, would be in the form of a carryforward deferred tax asset that would likely attract a full valuation allowance. The $808 million of net unrecognized tax benefits as of January 30, 2022 consisted of $670 million recorded in non-current income taxes payable and $138 million reflected as a net reduction to the deferred tax assets.

A reconciliation of gross unrecognized tax benefits is as follows:

| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
|---|---|---|---|
| | | *(In millions)* | |
| Balance at beginning of period | $ 776 | $ 583 | $ 477 |
| Increases in tax positions for current year | 246 | 158 | 104 |
| Increases in tax positions for prior years (1) | 14 | 60 | 7 |
| Decreases in tax positions for prior years | (4) | (11) | — |
| Settlements | (8) | (5) | — |
| Lapse in statute of limitations | (11) | (9) | (5) |
| Balance at end of period | $ 1,013 | $ 776 | $ 583 |

(1) The fiscal year 2021 balance represents prior year gross unrecognized tax benefits recorded as a result of the Mellanox acquisition.

We classify an unrecognized tax benefit as a current liability, or amount refundable, to the extent that we anticipate payment or receipt of cash for income taxes within one year. The amount is classified as a long-term liability, or reduction of long-term deferred tax assets or amount refundable, if we anticipate payment or receipt of cash for income taxes during a period beyond a year.

We include interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 30, 2022, January 31, 2021, and January 26, 2020, we had accrued $59 million, $44 million, and $31 million, respectively, for the payment of interest and penalties related to unrecognized tax benefits, which is not included as a component of our unrecognized tax benefits. As of January 30, 2022, unrecognized tax benefits of $670 million and the related interest and penalties of $59 million are included in non-current income taxes payable.

While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved. As of January 30, 2022, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

We are subject to taxation by taxing authorities both in the United States and other countries. As of January 30, 2022, the significant tax jurisdictions that may be subject to examination include China, Germany, Hong Kong, India, Israel, Taiwan, United Kingdom, and the United States for fiscal years 2005 through 2021. As of January 30, 2022, the significant tax jurisdictions for which we are currently under examination include Germany, India, Israel, and the United States for fiscal years 2005 through 2019.

## Note 15 - Shareholders’ Equity

### Capital Return Program

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Through January 30, 2022, we have repurchased an aggregate of 1.04 billion shares under our share repurchase program for a total cost of $7.08 billion. As of January 30, 2022, we have a remaining authorization, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022. From January 31, 2022 through March 17, 2022, we repurchased 7.7 million shares of our common stock for $1.75 billion.

During fiscal years 2022, 2021, and 2020, we paid $399 million, $395 million, and $390 million in cash dividends to our shareholders, respectively.

During the fourth quarter of fiscal year 2022, our Board of Directors approved the retirement of our existing 349 million treasury shares. These shares assumed the status of authorized and unissued shares upon retirement. The excess of repurchase price over par value was allocated between additional paid-in capital and retained earnings, resulting in a reduction in additional paid-in capital by $20 million and retained earnings by $12.0 billion. Any future repurchased shares will assume the status of authorized and unissued shares.

## Note 16 - Employee Retirement Plans

We provide tax-qualified defined contribution plans to eligible employees in the U.S. and certain other countries. Our contribution expense for fiscal years 2022, 2021, and 2020 was $168 million, $120 million, and $76 million, respectively.

## Note 17 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making decisions and assessing financial performance.

Our Graphics segment includes GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/NVIDIA RTX GPUs for enterprise workstation graphics; vGPU software for cloud-based visual and virtual computing; automotive platforms for infotainment systems; and Omniverse software for building 3D designs and virtual worlds.

Our Compute & Networking segment includes Data Center platforms and systems for AI, HPC, and accelerated computing; Mellanox networking and interconnect solutions; automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions; CMP; Jetson for robotics and other embedded platforms; and NVIDIA AI Enterprise and other software.

Operating results by segment include costs or expenses that are directly attributable to each segment, and costs or expenses that are leveraged across our unified architecture and therefore allocated between our two segments.

The “All Other” category includes the expenses that our CODM does not assign to either Graphics or Compute & Networking for purposes of making operating decisions or assessing financial performance. The expenses include stock-based compensation expense, corporate infrastructure and support costs, acquisition-related costs, IP-related costs, and other non-recurring charges and benefits that our CODM deems to be enterprise in nature.

Our CODM does not review any information regarding total assets on a reportable segment basis. Depreciation and amortization expense directly attributable to each reportable segment is included in operating results for each segment. However, the CODM does not evaluate depreciation and amortization expense by operating segment and, therefore, it is not separately presented. There is no intersegment revenue. The accounting policies for segment reporting are the same as for our consolidated financial statements. The table below presents details of our reportable segments and the “All Other” category.

| | Graphics | Compute & Networking | All Other | Consolidated |
|---|---|---|---|---|
| | | *(In millions)* | | |
| **Year Ended January 30, 2022:** | | | | |
| Revenue | $ 15,868 | $ 11,046 | $ — | $ 26,914 |
| Operating income (loss) | $ 8,492 | $ 4,598 | $ (3,049) | $ 10,041 |
| | | | | |
| **Year Ended January 31, 2021:** | | | | |
| Revenue | $ 9,834 | $ 6,841 | $ — | $ 16,675 |
| Operating income (loss) | $ 4,612 | $ 2,548 | $ (2,628) | $ 4,532 |
| | | | | |
| **Year Ended January 26, 2020:** | | | | |
| Revenue | $ 7,639 | $ 3,279 | $ — | $ 10,918 |
| Operating income (loss) | $ 3,267 | $ 751 | $ (1,172) | $ 2,846 |

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| | | (In millions) | |
| **Reconciling items included in "All Other" category:** | | | |
| Stock-based compensation expense | $ (2,004) | $ (1,397) | $ (844) |
| Acquisition-related intangible asset amortization, inventory step-up charge, and other costs | (636) | (836) | (31) |
| Unallocated cost of revenue and operating expenses | (399) | (357) | (283) |
| IP-related costs | (10) | (38) | (14) |
| Total | $ (3,049) | $ (2,628) | $ (1,172) |

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| **Revenue:** | | (In millions) | |
| Taiwan | $ 8,544 | $ 4,531 | $ 3,025 |
| China (including Hong Kong) | 7,111 | 3,886 | 2,731 |
| United States | 4,349 | 3,214 | 886 |
| Other countries | 6,910 | 5,044 | 4,276 |
| Total revenue | $ 26,914 | $ 16,675 | $ 10,918 |

No customer represented 10% or more of total revenue for fiscal years 2022 and 2021. One customer represented 11% of our total revenue for fiscal year 2020 and was attributable primarily to the Graphics segment.

Two customers represented 22% of our accounts receivable balance as of January 30, 2022. One customer represented 16% of our accounts receivable balance as of January 31, 2021.

The following table summarizes information pertaining to our revenue by each of the specialized markets we serve:

| | Year Ended | | |
|---|---|---|---|
| | January 30, 2022 | January 31, 2021 | January 26, 2020 |
| **Revenue:** | | *(In millions)* | |
| Gaming | $ 12,462 | $ 7,759 | $ 5,518 |
| Data Center | 10,613 | 6,696 | 2,983 |
| Professional Visualization | 2,111 | 1,053 | 1,212 |
| Automotive | 566 | 536 | 700 |
| OEM & Other | 1,162 | 631 | 505 |
| Total revenue | $ 26,914 | $ 16,675 | $ 10,918 |

The following table presents summarized information for long-lived assets by country. Long-lived assets consist of property and equipment and exclude other assets, operating lease assets, goodwill, and intangible assets.

| | January 30, 2022 | January 31, 2021 |
|---|---|---|
| **Long-lived assets:** | *(In millions)* | |
| United States | $ 2,023 | $ 1,643 |
| Taiwan | 379 | 183 |
| Israel | 185 | 147 |
| Other countries | 191 | 176 |
| Total long-lived assets | $ 2,778 | $ 2,149 |

**NVIDIA CORPORATION AND SUBSIDIARIES**
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**

| Description | Balance at Beginning of Period | Additions | Deductions | Balance at End of Period |
|---|---|---|---|---|
| | | (In millions) | | |
| **Fiscal year 2022** | | | | |
| Allowance for doubtful accounts | $ 4 | $ — (1) | $ — (1) | $ 4 |
| Sales return allowance | $ 17 | $ 19 (2) | $ (23) (4) | $ 13 |
| Deferred tax valuation allowance | $ 728 | $ 179 (3) | $ — | $ 907 |
| **Fiscal year 2021** | | | | |
| Allowance for doubtful accounts | $ 2 | $ 2 (1) | $ — (1) | $ 4 |
| Sales return allowance | $ 9 | $ 30 (2) | $ (22) (4) | $ 17 |
| Deferred tax valuation allowance | $ 621 | $ 107 (3) | $ — | $ 728 |
| **Fiscal year 2020** | | | | |
| Allowance for doubtful accounts | $ 2 | $ — (1) | $ — (1) | $ 2 |
| Sales return allowance | $ 8 | $ 18 (2) | $ (17) (4) | $ 9 |
| Deferred tax valuation allowance | $ 562 | $ 59 (3) | $ — | $ 621 |

(1) Additions represent either expense or acquired balances and deductions represent write-offs.

(2) Additions represent estimated product returns charged as a reduction to revenue or an acquired balance.

(3) Additional valuation allowance on deferred tax assets not likely to be realized. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(4) Represents sales returns.

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## EXHIBIT INDEX

| Exhibit No. | Exhibit Description | Incorporated by Reference Schedule/ Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|
| 2.1 | Agreement and Plan of Merger, dated March 10, 2019, by and among NVIDIA Corporation, NVIDIA International Holdings Inc., Mellanox Technologies Ltd. and Teal Barvaz Ltd. | 8-K | 0-23985 | 2.1 | 3/11/2019 |
| 2.2^ | Share Purchase Agreement, dated September 13, 2020, by and among NVIDIA, NVIDIA Holdings, Arm, SoftBank, and Vision Fund | 8-K | 0-23985 | 2.1 | 9/14/2020 |
| 3.1* | Restated Certificate of Incorporation | | | | |
| 3.2 | Bylaws of NVIDIA Corporation, Amended and Restated as of March 3, 2022 | 8-K | 0-23985 | 3.1 | 3/9/2022 |
| 4.1 | Reference is made to Exhibits 3.1 and 3.2 | | | | |
| 4.2 | Specimen Stock Certificate | S-1/A | 333-47495 | 4.2 | 4/24/1998 |
| 4.3 | Indenture, dated as of September 16, 2016, by and between the Company and Wells Fargo Bank, National Association, as Trustee | 8-K | 0-23985 | 4.1 | 9/16/2016 |
| 4.4 | Officers' Certificate, dated as of September 16, 2016 | 8-K | 0-23985 | 4.2 | 9/16/2016 |
| 4.5 | Form of 2021 Note | 8-K | 0-23985 | Annex A to Exhibit 4.2 | 9/16/2016 |
| 4.6 | Form of 2026 Note | 8-K | 0-23985 | Annex B to Exhibit 4.2 | 9/16/2016 |
| 4.7* | Description of Securities | | | | |
| 4.8 | Officers' Certificate, dated as of March 31, 2020 | 8-K | 0-23985 | 4.2 | 3/31/2020 |
| 4.9 | Form of 2030 Note | 8-K | 0-23985 | Annex A-1 to Exhibit 4.2 | 3/31/2020 |
| 4.10 | Form of 2040 Note | 8-K | 0-23985 | Annex B-1 to Exhibit 4.2 | 3/31/2020 |
| 4.11 | Form of 2050 Note | 8-K | 0-23985 | Annex C-1 to Exhibit 4.2 | 3/31/2020 |
| 4.12 | Form of 2060 Note | 8-K | 0-23985 | Annex D-1 to Exhibit 4.2 | 3/31/2020 |
| 4.13 | Officers' Certificate, dated as of June 16, 2021 | 8-K | 0-23985 | 4.2 | 6/16/2021 |
| 4.14 | Form of 2023 Note | 8-K | 0-23985 | Annex A to Exhibit 4.2 | 6/16/2021 |
| 4.15 | Form of 2024 Note | 8-K | 0-23985 | Annex B to Exhibit 4.2 | 6/16/2021 |
| 4.16 | Form of 2028 Note | 8-K | 0-23985 | Annex C to Exhibit 4.2 | 6/16/2021 |
| 4.17 | Form of 2031 Note | 8-K | 0-23985 | Annex D to Exhibit 4.2 | 6/16/2021 |
| 10.1 | Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers | 8-K | 0-23985 | 10.1 | 3/7/2006 |
| 10.2+ | Amended and Restated 2007 Equity Incentive Plan | 10-Q | 0-23985 | 10.1 | 8/20/2021 |
| 10.3+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Annual Grant - Board Service (2011)) | 10-Q | 0-23985 | 10.41 | 5/27/2011 |
| 10.4+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Initial Grant - Board Service (2011)) | 8-K | 0-23985 | 10.1 | 12/14/2011 |

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|---|---|---|---|---|---|
| 10.5+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Stock Option Grant (2012 Annual Board Retainer) | 10-Q | 0-23985 | 10.4 | 5/23/2012 |
| 10.6+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option | 10-Q | 0-23985 | 10.1 | 8/22/2012 |
| 10.7+ | Amended and Restated 2007 Equity Incentive Plan - Incentive Stock Option | 10-Q | 0-23985 | 10.2 | 8/22/2012 |
| 10.8+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.26 | 3/12/2015 |
| 10.9+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.27 | 3/12/2015 |
| 10.10+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2015) | 10-Q | 0-23985 | 10.2 | 5/20/2015 |
| 10.11+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2018) | 10-Q | 0-23985 | 10.2 | 5/22/2018 |
| 10.12+ | Amended and Restated 2007 Equity Incentive Plan - Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2019) | 10-K | 0-23985 | 10.19 | 2/21/2019 |
| 10.13+ | Amended and Restated 2007 Equity Incentive Plan - Global Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2019) | 8-K | 0-23985 | 10.1 | 3/11/2019 |
| 10.14+ | Amended and Restated 2007 Equity Incentive Plan – Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2020) | 10-Q | 0-23985 | 10.2 | 5/21/2020 |
| 10.15+ | Amended and Restated 2007 Equity Incentive Plan – Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2021) | 10-Q | 0-23985 | 10.2 | 5/26/2021 |
| 10.16+* | Amended and Restated 2007 Equity Incentive Plan – Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2022) | | | | |
| 10.17+ | Amended and Restated 2012 Employee Stock Purchase Plan | 10-Q | 0-23985 | 10.2 | 8/20/2021 |
| 10.18+ | Fiscal Year 2021 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/10/2020 |
| 10.19+ | Fiscal Year 2022 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/19/2021 |
| 10.20+ | Fiscal Year 2023 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/9/2022 |
| 10.21+ | Offer Letter between NVIDIA Corporation and Colette Kress, dated September 13, 2013 | 8-K | 0-23985 | 10.1 | 9/16/2013 |
| 10.22+ | Offer Letter between NVIDIA Corporation and Tim Teter, dated December 16, 2016 | 8-K | 0-23985 | 10.1 | 1/19/2017 |

| | | | | | |
|---|---|---|---|---|---|
| 10.25 | Form of Commercial Paper Dealer Agreement between NVIDIA Corporation, as Issuer, and the Dealer party thereto | 8-K | 0-23985 | 10.1 | 12/15/2017 |
| 21.1* | List of Registrant's Subsidiaries | | | | |
| 23.1* | Consent of PricewaterhouseCoopers LLP | | | | |
| 24.1* | Power of Attorney (included in signature page) | | | | |
| 31.1* | Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 31.2* | Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 32.1#* | Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 32.2#* | Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 101.INS* | XBRL Instance Document | | | | |
| 101.SCH* | XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document | | | | |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |
| 104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | | | |

* Filed herewith.

\+ Management contract or compensatory plan or arrangement.

\# In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed "filed" for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

^ Certain exhibits and schedules have been omitted in accordance with Regulation S-K Item 601(a)(5).

Copies of above exhibits not contained herein are available to any shareholder upon written request to:
Investor Relations: NVIDIA Corporation, 2788 San Tomas Expressway, Santa Clara, CA 95051

## ITEM 16. FORM 10-K SUMMARY

Not Applicable.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 17, 2022.

NVIDIA Corporation

By: /s/ Jen-Hsun Huang

Jen-Hsun Huang

President and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jen-Hsun Huang and Colette M. Kress, and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ JEN-HSUN HUANG<br>Jen-Hsun Huang | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | **March 17, 2022** |
| /s/ COLETTE M. KRESS<br>Colette M. Kress | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | **March 17, 2022** |
| /s/ DONALD ROBERTSON<br>Donald Robertson | Vice President and Chief Accounting Officer<br>(Principal Accounting Officer) | **March 17, 2022** |
| /s/ ROBERT BURGESS<br>Robert Burgess | Director | **March 17, 2022** |
| /s/ TENCH COXE<br>Tench Coxe | Director | **March 17, 2022** |
| /s/ JOHN O. DABIRI<br>John O. Dabiri | Director | **March 17, 2022** |
| /s/ PERSIS DRELL<br>Persis Drell | Director | **March 17, 2022** |
| /s/ DAWN HUDSON<br>Dawn Hudson | Director | **March 17, 2022** |
| /s/ HARVEY C. JONES<br>Harvey C. Jones | Director | **March 17, 2022** |
| /s/ MICHAEL MCCAFFERY<br>Michael McCaffery | Director | **March 17, 2022** |
| /s/ STEPHEN C. NEAL<br>Stephen C. Neal | Director | **March 17, 2022** |
| /s/ MARK L. PERRY<br>Mark L. Perry | Director | **March 17, 2022** |
| /s/ A. BROOKE SEAWELL<br>A. Brooke Seawell | Director | **March 17, 2022** |
| /s/ AARTI SHAH<br>Aarti Shah | Director | **March 17, 2022** |
| /s/ MARK STEVENS<br>Mark Stevens | Director | **March 17, 2022** |

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

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# FORM 10-K

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

**For the fiscal year ended January 31, 2021**

**OR**

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

**Commission file number: 0-23985**

nvda-20210131_g1.jpg

# NVIDIA CORPORATION

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **9** |
| **(State or other jurisdiction of Incorporation or Organization)** | **(I. Ide** |

**2788 San Tomas Expressway**
**Santa Clara, California 95051**
**(408) 486-2000**

**(Address, including zip code, and telephone number, including area code, of principal executive offices)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value per share | NVDA | 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 Act. 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ |

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 24, 2020 was approximately $241.21 billion (based on the closing sales price of the registrant's common stock as reported by the Nasdaq Global Select Market on July 24, 2020). This calculation excludes 25 million shares held by directors and executive officers of the registrant. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that have represented to the registrant that they are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940.

The number of shares of common stock outstanding as of February 19, 2021 was 620 million.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2021 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

**NVIDIA CORPORATION**
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## WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about the company, our products, our planned financial and other announcements and attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

NVIDIA Twitter Account (https://twitter.com/nvidia)

NVIDIA Company Blog (http://blogs.nvidia.com)

NVIDIA Facebook Page (https://www.facebook.com/nvidia)

NVIDIA LinkedIn Page (http://www.linkedin.com/company/nvidia)

NVIDIA Instagram Page (https://www.instagram.com/nvidia)

In addition, investors and others can view NVIDIA videos on YouTube (https://www.YouTube.com/nvidia).

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts and the blog, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on NVIDIA's investor relations website.

## Forward-Looking Statements

*This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail under the heading "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

*All references to "NVIDIA," "we," "us," "our" or the "Company" mean NVIDIA Corporation and its subsidiaries.*

*In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Annual Report on Form 10-K , and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.*

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# PART I

## ITEM 1. BUSINESS

### Our Company

NVIDIA pioneered accelerated computing to help solve the most challenging computational problems. Since our original focus on PC graphics, we have expanded to several other large and important computationally intensive fields. Fueled by the sustained demand for exceptional 3D graphics and the scale of the gaming market, NVIDIA has leveraged its GPU architecture to create platforms for scientific computing, artificial intelligence, or AI, data science, autonomous vehicles, or AV, robotics, and augmented and virtual reality, or AR and VR.

The GPU was initially used to simulate human imagination, enabling the virtual worlds of video games and films. Today, it also simulates human intelligence, enabling a deeper understanding of the physical world. Its parallel processing capabilities, supported by up to thousands of computing cores, are essential to running deep learning algorithms. This form of AI, in which software writes itself by learning from data, can serve as the brain of computers, robots and self-driving cars that can perceive and understand the world. GPU-powered deep learning is being adopted by thousands of enterprises to deliver services and products that would have been impossible with traditional coding.

NVIDIA has a platform strategy, bringing together hardware, software, algorithms, libraries, systems, and services to create unique value for the markets we serve. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and software stacks. The programmable nature of our architecture allows us to support several multi-billion-dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. The large and growing number of developers across our platforms strengthens our ecosystem and increases the value of our platform to our customers.

Innovation is at our core. We have invested over $24 billion in research and development since our inception, yielding inventions that are essential to modern computing. Our invention of the GPU in 1999 defined modern computer graphics and established NVIDIA as the leader in visual computing. With our introduction of the CUDA programming model in 2006, we opened the parallel processing capabilities of the GPU for general purpose computing. This approach significantly accelerates the most demanding high-performance computing, or HPC, applications in fields such as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. Today, our GPUs power many of the fastest supercomputers across the world. In addition, the massively parallel compute architecture of our GPUs and associated software are well suited for deep learning and machine learning, powering the era of AI. While traditional CPU-based approaches no longer deliver advances on the pace described by Moore’s Law, we deliver GPU performance improvements on a pace ahead of Moore’s Law, giving the industry a path forward.

Gamers choose NVIDIA GPUs to enjoy immersive, increasingly cinematic virtual worlds. GPUs also help underpin the world’s fastest growing spectator sport, eSports, which attracts hundreds of millions of viewers to watch top-quality gaming. In addition to serving the growing number of gamers, the market for gaming GPUs is expanding as a result of the burgeoning population of live streamers, broadcasters, artists and creators.

Researchers use our GPUs to accelerate a wide range of important applications, from simulating molecular dynamics to weather forecasting. With support for more than over 600 applications - including the top 15 HPC applications - NVIDIA GPUs enable some of the most promising areas of discovery, from weather prediction to materials science and from wind tunnel simulation to genomics. NVIDIA GPUs power the top supercomputers in the United States and Europe. Including GPUs and networking, NVIDIA powers nearly 70%, and 8 of the top 10, supercomputers on the global TOP500 list.

The world's leading cloud service providers and consumer internet companies use our GPUs to enable, accelerate or enrich the services they deliver to billions of end-users, including search, social networking, online shopping, live video, translation, AI assistants, navigation, and cloud computing.

A rapidly growing number of enterprises and startups across a broad range of industries use our GPUs and AI software to bring automation to the products and services they build. For example, the transportation industry is turning to our platforms for AV; the healthcare industry is leveraging them for enhanced medical imaging and accelerated drug discovery; and the financial services industry is using them for fraud detection.

Professional designers use our GPUs to create visual effects in movies and design products ranging from soft drink bottles to commercial aircraft.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

### Pending Acquisition of Arm Limited

On September 13, 2020, we entered into a Share Purchase Agreement, or the Purchase Agreement, with Arm Limited, or Arm, and SoftBank Group Capital Limited and SVF Holdco (UK) Limited, or together, SoftBank, for us to acquire, from SoftBank, all allotted and issued ordinary shares of Arm in a transaction valued at $40 billion. The announced acquisition is expected to bring together NVIDIA's leading AI computing platform with Arm's vast ecosystem to create the premier computing company for the age of artificial intelligence, accelerating innovation while expanding into large, high-growth markets. We paid $2 billion in cash at signing, or the Signing Consideration, and will pay upon closing of the acquisition $10 billion in cash and issue to SoftBank 44.3 million shares of our common stock with an aggregate value of $21.5 billion. The transaction includes a potential earn out, which is contingent on the achievement of certain financial performance targets by Arm during the fiscal year ending March 31, 2022. If the financial targets are achieved, SoftBank can elect to receive either up to an additional $5 billion in cash or up to an additional 10.3 million shares of our common stock. We will issue up to $1.5 billion in restricted stock units to Arm employees after closing. The $2 billion paid upon signing was allocated between advanced consideration for the acquisition of $1.36 billion and the prepayment of intellectual property licenses from Arm of $0.17 billion and royalties of $0.47 billion, both with a 20-year term. The closing of the acquisition is subject to customary closing conditions, including receipt of specified governmental and regulatory consents and approvals and expiration of any related mandatory waiting period, and Arm's implementation of the reorganization and distribution of Arm’s IoT Services Group and certain other assets and liabilities. We are engaged with regulators in the United States, the United Kingdom, the European Union, China and other jurisdictions. If the Purchase Agreement is terminated under certain circumstances, we will be refunded $1.25 billion of the Signing Consideration. The $2 billion payment upon signing was allocated on a fair value basis and any refund of the Signing Consideration will use stated values in the Purchase Agreement. We believe the closing of the acquisition will likely occur in the first quarter of calendar year 2022.

## Our Businesses

We report our business results in two segments.

Our Graphics segment includes GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/ NVIDIA RTX GPUs for enterprise workstation graphics; vGPU software for cloud-based visual and virtual computing; and automotive platforms for infotainment systems.

Our Compute & Networking segment includes Data Center platforms and systems for AI, HPC, and accelerated computing; Mellanox networking and interconnect solutions; automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions; and Jetson for robotics and other embedded platforms.

## Our Markets

We specialize in markets in which our computing platforms can provide tremendous acceleration for applications. These platforms incorporate processors, interconnects, software, algorithms, systems, and services to deliver value that is unique in the marketplace. Our platforms address four large markets where our expertise is critical: Gaming, Professional Visualization, Data Center, and Automotive.

### Gaming

Computer gaming is the largest entertainment industry. Many factors propel computer gaming’s growth, including new high production value games and franchises, the continued rise of competitive gaming or eSports, social connectivity and the demand for more content from game streamers, modders and creators.

Our gaming platforms leverage our GPUs and sophisticated software to enhance the gaming experience with smoother, higher quality graphics. This includes GeForce Experience, our gaming application that optimizes the PC user's settings for each application and enables gamers to record and share gameplay.

We developed NVIDIA RTX bringing next generation graphics and AI to games. The NVIDIA RTX line-up features ray tracing technology for real-time, cinematic-quality rendering. Ray tracing, which has long been used for special effects in the movie industry, is a computationally intensive technique that simulates the physical behavior of light to achieve greater realism in computer-generated scenes. NVIDIA RTX also features deep learning super sampling, or DLSS, our AI technology that boosts frame rates while generating beautiful, sharp images for games.

Our products for the gaming market include GeForce RTX and GeForce GTX GPUs for PC gaming, SHIELD devices for gaming and streaming, GeForce NOW for cloud-based gaming, as well as platforms and development services for specialized console gaming devices.

**Professional Visualization**

We serve the Professional Visualization market by working closely with independent software vendors to optimize their offerings for NVIDIA GPUs. Our GPU computing solutions enhance productivity and introduce new capabilities for critical parts of the workflow for such major industries as automotive, media and entertainment, architectural engineering, oil and gas, and medical imaging.

Designers who build the products we use every day need the images that they view digitally to mirror reality. This requires simulating the physical behavior of light and materials, or physically-based rendering. Our DesignWorks software delivers this to designers and enables an architect designing a building with a computer-aided design package to interact with the model in real time, view it in greater detail, and generate photorealistic renderings for the client. It also allows an automotive designer to create a highly realistic 3D image of a car, which can be viewed from all angles, reducing reliance on costly, time-consuming full-scale clay models.

Our Professional Visualization platforms are critical enablers in many fields, such as design and manufacturing and digital content creation. Design and manufacturing encompass computer-aided design, architectural design, consumer-products manufacturing, medical instrumentation, and aerospace. Digital content creation includes professional video editing and post-production, special effects for films, and broadcast-television graphics.

The NVIDIA RTX platform makes it possible to render film-quality, photorealistic objects and environments with physically accurate shadows, reflections and refractions using ray tracing in real-time. Many leading 3D design and content creation applications developed by our ecosystem partners now support RTX, allowing professionals to accelerate and transform their workflows with NVIDIA RTX GPUs.

Just as VR is becoming more important in gaming, it is also being incorporated in a growing number of enterprise applications. Virtual car showrooms, surgical training, architectural walkthroughs, and bringing historical scenes to life all deploy this technology, powered by our GPUs.

**Data Center**

The NVIDIA computing platform is focused on accelerating the most compute-intensive workloads, such as AI, data analytics, graphics and scientific computing, across hyperscale, cloud, enterprise, public sector, and edge data centers. The platform consists of our energy efficient GPUs, interconnects and systems, our CUDA programming model, and a growing body of software libraries, Software Development Kits, or SDKs, application frameworks and services.

In the field of AI, NVIDIA’s platform accelerates both deep learning and machine learning workloads. Deep learning is a computer science approach where neural networks are trained to recognize patterns from massive amounts of data in the form of images, sounds and text - in some instances better than humans. Machine learning is a related approach that leverages algorithms as well as data to learn how to make determinations or predictions, often used in data science. HPC, also referred to as scientific computing, uses numerical computational approaches to solve large and complex problems. For both AI and HPC applications, the NVIDIA accelerated computing platform greatly increases the performance and power efficiency of high-performance computers and data centers.

We are engaged with thousands of organizations working on AI in a multitude of industries, from automating tasks such as reading medical images, to enabling fraud detection in financial services, to optimizing oil exploration and drilling. These organizations include the world’s leading consumer internet and cloud services companies, which are using AI for critical tasks such as natural language processing and recommendation systems; enterprises that are increasingly turning to AI to improve products and services; and startups seeking to implement AI in transformative ways across multiple industries. We partnered with industry leaders such as IBM, Microsoft, Oracle, SAP, and VMware to bring AI to enterprise users. We also have partnerships in transportation, retail, healthcare and manufacturing, among others, to accelerate the adoption of AI.

At the foundation of the NVIDIA accelerated computing platform are our GPUs, which excel at parallel workloads such as the training and inferencing of neural networks. They are available in industry standard servers from every major computer maker worldwide, including Cisco, Dell, HP, Inspur, and Lenovo; from every major cloud service provider such as Alicloud, Amazon Web Services, Baidu Cloud, Google Cloud, IBM Cloud, Microsoft Azure, and Oracle Cloud; as well as in our DGX AI supercomputer, a purpose-built system for deep learning and GPU accelerated applications. To facilitate customer adoption, we have also built other ready-to-use systems and reference designs around our GPUs, including

HGX for hyperscale and supercomputing data centers, EGX for enterprise and edge computing, and AGX for autonomous machines.

In fiscal year 2021, we completed the acquisition of Mellanox Technologies, Ltd., or Mellanox, a supplier of high-performance interconnect and networking products that are now part of our Data Center market platform. Mellanox interconnects are included in our DGX, HGX and EGX platforms and continue to be available on a standalone basis. With Mellanox, we can optimize across the entire computing, networking, and storage stack to deliver data center-scale computing solutions. For example, we announced a new class of processor – the data processing unit, or DPU – supported by a novel data-center-infrastructure-on-a-chip architecture, or DOCA, that enables breakthrough networking, storage and security performance.

While our approach starts with powerful chips, what makes it a computing platform is our large body of software, including the CUDA parallel programming model, the CUDA-X collection of application acceleration libraries, Application Programming Interfaces, or APIs, SDKs and tools, and domain-specific application frameworks. We also offer the NVIDIA GPU Cloud registry, or NGC, a comprehensive catalog of easy-to-use, optimized software stacks across a range of domains including scientific computing, deep learning, and machine learning. With NGC, AI developers, researchers and data scientists can get started with the development of AI and HPC applications and deploy them on DGX systems, NGC-ready workstations or servers from our systems partners, or with NVIDIA's cloud partners such as Amazon Web Services, Google Cloud, Microsoft Azure, or Oracle Cloud.

We also serve the data center market with NVIDIA virtual GPU (vGPU) software products that enable powerful GPU performance for workloads ranging from graphics-rich virtual desktops and workstations to data science and AI. Installed on a physical GPU in a cloud or enterprise data center server, NVIDIA vGPU software creates virtual GPUs that can be shared across multiple virtual machines accessed on any device, anywhere. With companies supporting more offsite workers than ever before, NVIDIA vGPU software products are enabling remote access to professional graphics and accelerated computing for data scientists, researchers, designers, engineers, and creative professionals across industries such as healthcare, manufacturing, architecture, and media and entertainment.

**Automotive**

NVIDIA's Automotive market is comprised of cockpit infotainment solutions, AV platforms, and associated development agreements. Leveraging our technology leadership in AI and building on our long-standing automotive relationships, we are delivering a complete end-to-end solution for the AV market under the DRIVE brand. NVIDIA has demonstrated multiple applications of AI within the car: AI can drive the car itself as a pilot in fully autonomous mode or it can also be a co-pilot, assisting the human driver while creating a safer driving experience.

NVIDIA is working with several hundred partners in the automotive ecosystem including automakers, truck makers, tier-one suppliers, sensor manufacturers, automotive research institutions, HD mapping companies, and startups to develop and deploy AI systems for self-driving vehicles. Our unified AI computing architecture starts with training deep neural networks using our GPUs, and then running a full perception, planning and control stack within the vehicle on the NVIDIA DRIVE computing platform. The in-vehicle platform consists of the high-performance, energy efficient DRIVE AGX computing hardware, and open, modular software, including DRIVE AV for autonomous driving and DRIVE IX for in-vehicle intelligent experience and AI assistants.

NVIDIA DRIVE can perceive and understand in real-time what is happening around the vehicle, precisely locate itself on an HD map, and plan a safe path forward. This advanced self-driving car platform combines deep learning, sensor fusion, and surround vision to change the driving experience. Our DRIVE platform scales from a palm-sized, energy-efficient module for automated highway-driving capabilities to a configuration with multiple systems aimed at enabling driverless cars. Our Xavier system-on-a-chip, or SoC, which started shipping in 2018, enables vehicles to use deep neural networks to process data from multiple cameras and sensors. It powers the DRIVE AutoPilot, NVIDIA’s Level 2+ automated driving solution, combining the DRIVE AV self-driving solution with the DRIVE IX cockpit software, including a visualization system for allowing the driver to see what the car sees and plans to do. In fiscal year 2020, we announced our next-generation SoC, Orin.

In addition, we offer a scalable data center-based simulation solution, NVIDIA DRIVE Constellation running DRIVE Sim software, for testing and validating a self-driving platform before commercial deployment. NVIDIA's unique end-to-end, software-defined approach is designed for continuous innovation and continuous development, enabling cars to receive over-the-air updates to add new features and capabilities throughout the life of a vehicle.

## Business Strategies

NVIDIA's key strategies that shape our overall business approach include:

**Advancing the NVIDIA accelerated computing platform.** NVIDIA's accelerated computing platform can solve complex problems in significantly less time and with lower power consumption than alternative computational approaches. Indeed, it can help solve problems that were previously deemed unsolvable. We work to deliver continued performance leaps that outpace Moore's Law by leveraging innovation across the architecture, chip design, system, and software layers. With our acquisition of Mellanox in fiscal year 2021, we strengthened our end-to-end expertise in data center architectures, positioning us for a future when the data center is the new unit of computing. This full-stack innovation approach allows us to deliver order-of-magnitude performance advantages relative to legacy approaches in our target markets, which include Gaming, Professional Visualization, Data Center, and Automotive. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and CUDA as the fundamental building blocks. The programmable nature of our architecture allows us to make leveraged investments in R&D: we can support several multi-billion-dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. We utilize this platform approach in each of our target markets.

**Extending our technology and platform leadership in AI.** We provide a complete, end-to-end accelerated computing platform for deep learning and machine learning, addressing both training and inferencing. This includes GPUs, interconnects, systems, our CUDA programming language, algorithms, libraries, and other software. GPUs are uniquely suited to AI, and we will continue to add AI-specific features to our GPU architecture to further extend our leadership position. Our AI technology leadership is reinforced by our large and expanding ecosystem in a virtuous cycle. Our GPU platforms are available from virtually every major server maker and cloud service provider, as well as on our own AI supercomputer. There are over 2.2 million developers worldwide using CUDA and our other software tools to help deploy our technology in our target markets. We evangelize AI through partnerships with hundreds of universities and more than 7,000 startups through our Inception program. Additionally, our Deep Learning Institute provides instruction on the latest techniques on how to design, train, and deploy neural networks in applications using our accelerated computing platform.

**Extending our technology and platform leadership in visual computing.** We believe that visual computing is fundamental to the continued expansion and evolution of computing. We apply our research and development resources to extending our leadership in visual computing, enabling us to enhance the user experience for consumer entertainment and professional visualization applications. Our technologies are instrumental in driving gaming forward, as developers leverage our libraries and algorithms to create near-cinematic and VR experiences. Our close collaboration with game developers allows us to deliver an optimized gaming experience on our GeForce platform. Our GeForce Experience gaming application further enhances each gamer's experience by optimizing their PC's settings, as well as enabling the recording and sharing of gameplay. We also enable interactive graphics applications - such as games, movie and photo editing and design software - to be accessed by almost any device, almost anywhere, through our cloud platforms such as GRID for enterprise and GeForce NOW for gaming.

**Advancing the leading autonomous vehicle platform.** We believe the advent of AV will soon revolutionize the transportation industry. In our view, AI is the key technology enabler of this opportunity, as the algorithms required for autonomous driving - such as perception, localization, and planning - are too complex for legacy hand-coded approaches and will run on multiple trained neural networks instead. Therefore, we provide a full functionally safe AI-based hardware and software solution for the AV market under the DRIVE brand, which we are bringing to market through our partnerships with automotive original equipment manufacturers, or OEMs, tier-1 suppliers, and start-ups. Our AV solution also includes the GPU-based hardware required to train the neural networks before their in-vehicle deployment, as well as to re-simulate their operation prior to any over-the-air software updates. We believe our comprehensive, top-to-bottom and end-to-end approach will enable the transportation industry to solve the complex problems arising from the shift to autonomous driving.

**Leveraging our intellectual property.** We believe our intellectual property is a valuable asset that can be accessed by our customers and partners through license and development agreements when they desire to build such capabilities directly into their own products, or have us do so through a custom development. Such license and development arrangements can further enhance the reach of our technology.

## Sales and Marketing

Our worldwide sales and marketing strategy is key to achieving our objective of providing markets with our high-performance and efficient computing platforms. Our sales and marketing teams, located across our global markets, work closely with end customers and various industry ecosystems through our partner network. Our partner network incorporates each industry's respective OEMs, original device manufacturers, or ODMs, system builders, add-in board manufacturers, or AIBs, retailers/distributors, internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants.

Members of our sales team have technical expertise and product and industry knowledge. We also employ a team of application engineers to assist our partner network in designing, testing, and qualifying system designs that incorporate our platforms. We believe that the depth and quality of our design support are key to improving our partner network's time-to-market, maintaining a high level of customer satisfaction, and fostering relationships that encourage our end customers and partner network to use the next generation of our products within each platform.

To encourage the development of applications optimized for our platforms, we seek to establish and maintain strong relationships in the software development community. Engineering and marketing personnel engage with key software developers to promote and discuss our platforms, as well as to ascertain individual product requirements and solve technical problems. Our developer program makes our products available to developers prior to launch in order to encourage the development of AI frameworks, SDKs, and APIs for software applications and game titles that are optimized for our platforms. Our Deep Learning Institute provides in-person and online training for developers in industries and organizations around the world to build AI and accelerated computing applications that leverage our platforms.

As NVIDIA's business has evolved from a focus primarily on gaming products to broader markets, and from chips to platforms and complete systems, so, too, have our avenues to market. Thus, in addition to sales to customers in our partner network, certain of our platforms are also sold through e-tail channels, or direct to cloud service providers and enterprise customers.

## Seasonality

Our computing platforms serve a diverse set of markets such as enterprise and cloud data centers, consumer gaming, professional workstations, and automotive. Our consumer products typically see stronger revenue in the second half of our fiscal year. In addition, based on the production schedules of key customers, some of our products for notebooks and game consoles typically generate stronger revenue in the second and third quarters, and weaker revenue in the fourth and first quarters. However, there can be no assurance that this trend will continue.

## Manufacturing

We do not directly manufacture semiconductors used for our products. Instead, we utilize a fabless manufacturing strategy, whereby we employ world-class suppliers for all phases of the manufacturing process, including wafer fabrication, assembly, testing, and packaging. This strategy uses the expertise of industry-leading suppliers that are certified by the International Organization for Standardization in such areas as fabrication, assembly, quality control and assurance, reliability, and testing. Additionally, we can avoid many of the significant costs and risks associated with owning and operating manufacturing operations. While we may directly procure certain raw materials used in the production of our products, such as substrates and a variety of components, our suppliers are responsible for procurement of most of the raw materials used in the production of our products. As a result, we can focus our resources on product design, additional quality assurance, marketing, and customer support.

We utilize industry-leading suppliers, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd, to produce our semiconductor wafers. We then utilize independent subcontractors, such as Amkor Technology, BYD Auto Co. Ltd., Hon Hai

Precision Industry Co., King Yuan Electronics Co., Ltd., Omni Logistics, LLC and Siliconware Precision Industries Company Ltd. to perform assembly, testing, and packaging of most of our products and platforms. We use contract manufacturers such as Flex Ltd. to manufacture our standard and custom adapter card products and switch systems, and Fabrinet to manufacture our cables. We purchase substrates from Ibiden Co. Ltd., Kinsus Interconnect Technology Corporation, and Unimicron Technology Corporation, and memory from Micron Technology, Samsung Semiconductor, Inc., and SK Hynix.

We typically receive semiconductor products from our subcontractors, perform incoming quality assurance and configuration, and then ship the semiconductors to contract equipment manufacturers, or CEMs, distributors, motherboard and add-in card, or AIC, customers from our third-party warehouse in Hong Kong, Israel, and the United States. Generally, these manufacturers assemble and test the boards based on our design kit and test specifications, and then ship our products to retailers, system builders, or OEMs as motherboard and AIC solutions.

We also utilize industry-leading contract manufacturers, or CMs, such as Flex Ltd. and Fabrinet, and ODMs such as Wistron Corporation, to manufacture some of our products for sale directly to end customers. In those cases, key elements such as the GPU, SoC, memory, and integrated circuit are often consigned by us to the CMs, who are responsible for the procurement of other components used in the production process.

## Competition

The market for our products is intensely competitive and is characterized by rapid technological change and evolving industry standards. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and partners and distribution channels, software support, conformity to industry standard APIs, manufacturing capabilities, processor pricing, and total system costs. We believe that our ability to remain competitive will depend on how well we are able to anticipate the features and functions that customers and partners will demand and whether we are able to deliver consistent volumes of our products at acceptable levels of quality and at competitive prices. We expect competition to increase from both existing competitors and new market entrants with products that may be lower priced than ours, or may provide better performance or additional features not provided by our products. In addition, it is possible that new competitors or alliances among competitors could emerge and acquire significant market share.

A significant source of competition comes from companies that provide or intend to provide GPUs, including Intel's recent announcement that they will introduce high performance GPUs, embedded SOCs, and other accelerated, AI computing processor products, and providers of semiconductor-based high-performance interconnect products based on InfiniBand, Ethernet, Fibre Channel and proprietary technologies. Some of our competitors may have greater marketing, financial, distribution and manufacturing resources than we do and may be more able to adapt to customer or technological changes. We expect an increasingly competitive environment in our fiscal year 2022.

Our current competitors include:

- suppliers and licensors designing discrete and integrated GPUs and other accelerated computing solutions, including chipsets that incorporate 3D graphics, or HPC, such as Advanced Micro Devices, or AMD, Intel Corporation, and Xilinx, Inc.;
- large internet services companies with internal teams designing chips that incorporates HPC or accelerated computing functionality as part of their internal solutions or platforms, such as Alphabet Inc. and Amazon, Inc.;
- suppliers of SoC products that are embedded into automobiles, autonomous machines, and gaming devices, such as Ambarella, Inc., AMD, Broadcom Inc., Intel, Qualcomm Incorporated, Renesas Electronics Corporation, Samsung, and Xilinx or companies with internal teams designing SoC products for internal use, such as Tesla Motors; and
- suppliers of interconnect, switch and cable solutions such as Applied Optoelectronics, Inc., Arista Networks, Broadcom, Cisco Systems, Inc., Hewlett Packard Enterprise Company, Intel, Juniper Networks, Inc., Lumentum Holdings, Marvell Technology Group, and Xilinx, as well as internal teams of system vendors and large internet services companies such as Alphabet and Amazon.

## Patents and Proprietary Rights

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, and licensing arrangements to protect our intellectual property in the United States and internationally. Our currently issued patents have expiration dates from March 2021 to June 2045. We have numerous patents issued, allowed, and pending in the United States and in foreign jurisdictions. Our patents and pending patent applications primarily relate to our products and the technology used in connection with our products. We also rely on international treaties, organizations, and foreign laws to protect our intellectual property. The laws of certain foreign countries in which our products are or may be manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as the laws of the United States. This decreased protection makes the possibility of piracy of our technology and products more likely. We continuously assess whether and where to seek formal protection for particular innovations and technologies based on such factors as:

- the location in which our products are manufactured;
- our strategic technology or product directions in different countries;
- the degree to which intellectual property laws exist and are meaningfully enforced in different jurisdictions; and
- the commercial significance of our operations and our competitors' operations in particular countries and regions.

We have also licensed technology from third parties and expect to continue to enter into such license agreements.

## Government Regulations

Our worldwide business activities are subject to various laws, rules, and regulations of the United States as well as of foreign governments. Compliance with these laws, rules, and regulations has not had a material effect upon our capital expenditures, results of operations, or competitive position, and we do not currently anticipate material capital expenditures for environmental control facilities. Nevertheless, compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, business acquisitions, consumer and data protection, employee health and safety, and taxes, could have a material impact on our business in subsequent periods. Refer to “Item 1A. Risk Factors” for a discussion of these potential impacts.

## Human Capital Management

We believe that our employees are our greatest assets, and they play a key role in creating long-term value for our stakeholders. As of January 31, 2021, we had 18,975 employees in 29 countries. 13,532 were engaged in research and development and 5,443 were engaged in sales, marketing, operations, and administrative positions.

To be competitive and execute our business strategy successfully, we must recruit, develop, and retain talented employees, including qualified executives, scientists, engineers, technical staff, and research and development personnel. The primary ways in which we seek to do this are summarized below, in addition to an overview of employee programs we implemented in response to the COVID-19 pandemic.

### Recruitment

The demand for talent in new markets, such as AI and deep learning, is increasingly competitive. Our intern and new college graduate recruiting programs are a sustainable source of talent. We partner with higher education institutions globally to develop our candidate pipelines, recruit at industry conferences, and encourage our employees to submit referrals, with over 36% of hires coming from internal recommendations. Collaborations with our community resource groups improve how we reach and attract minority candidates.

### Development and Retention

To support employee advancement, we provide training on-the-job through coaching, feedback, and role modeling. We have a rich library of live and on-demand learning experiences such as workshops, panel discussions, speaker-based forums, and internally focused technical conferences. We curate learning libraries around our most common development needs, provide the latest technical platforms to support self-paced learning, and regularly listen to learner feedback through internal messaging channels to improve and update those topics. We offer tuition reimbursement programs and subsidize advanced technical education programs and online technical certifications. We encourage internal mobility through career expos and coaching, as well as foster mentorship connections and provide trained coaches as additional developmental support. Our strong partnerships with internal community resource groups allow us to personalize programs to address specific career development needs.

To evaluate employee sentiment and engagement, we use several listening mechanisms such as pulse surveys, a suggestion box, and an anonymous third-party hotline.

In fiscal year 2021, our overall turnover rate was 3.8%.

### Compensation, Benefits, and Well-Being

Our compensation program rewards performance and is structured to encourage employees to invest in the company's future. Employees receive equity (except where unavailable due to local regulations) that is tied to the value of our stock price and vests over time to retain employees while simultaneously aligning their interests with those of our stockholders.

We offer comprehensive benefits to support our employees' and their families' well-being, including 401(k) programs in the U.S., statutory pension programs outside the U.S., our employee stock purchase program, flexible work hours and time off, and programs to address mental health, stress, and time-management challenges. We evaluate our benefit offerings globally and are committed to providing tailored benefits based on community needs, including assistance for military members, additional mental health benefits, and support for new birth parents, and those who wish to become parents.

**Diversity and Inclusion**

We believe that diverse teams fuel innovation, and we are committed to creating an inclusive culture that supports all employees, regardless of gender, gender identity or expression, veteran status, race, ethnicity, or ability.

We have increased our efforts to recruit, develop, and retain a more diverse workforce with a focus on those historically underrepresented in the technology field, including women, Black, and Hispanic candidates. In fiscal year 2021, we created the role of Head of Diversity, Inclusion, and Belonging, along with hiring a global diversity recruiting leader, and a Head of Strategic Initiatives to build our developer ecosystem and ensure it represents the global population.

Efforts we are undertaking include:

- Shepherding underrepresented candidates through the interviewing process, engaging employees from underrepresented communities for recruiting events and interview panels, and increased investment in minority-serving institutions and professional organizations.
- Developing an internal slate of diverse talent for all open management positions, beginning semi-annual talent review sessions with executives to identify internal, diverse talent, and forming sponsorship and career acceleration programs.
- Increasing inclusion communications and pulse surveys to measure employee sentiment.

As of January 31, 2021, our global workforce was 80% male and 20% female, and 6% of our workforce in the United States was composed of Black or African American, and Hispanic or Latino employees.

**Safety and COVID-19**

We support our people and their families in making their health a top priority. We implemented global protocols to slow the spread of COVID-19 and to keep our workforce safe by closing our offices around the world in March 2020 for all except essential workers. We also eliminated most business travel. We provided our employees with resources to work remotely and continued to pay all employees and contractors. For essential labs and offices that remain open, we instituted appropriate safety protocols and social distancing guidelines. Additionally, we provided resources for employees, including work from home support, enhanced health coverage, reimbursement for certain work from home expenses, and learning and development resources on how to lead and manage remotely.

## Information About Our Executive Officers

The following sets forth certain information regarding our executive officers, their ages and positions as of February 19, 2021:

| Name | Age | Position |
|---|---|---|
| Jen-Hsun Huang | 58 | President and Chief Executive Officer |
| Colette M. Kress | 53 | Executive Vice President and Chief Financial Officer |
| Ajay K. Puri | 66 | Executive Vice President, Worldwide Field Operations |
| Debora Shoquist | 66 | Executive Vice President, Operations |
| Timothy S. Teter | 54 | Executive Vice President and General Counsel |

**Jen-Hsun Huang** co-founded NVIDIA in 1993 and has served as our President, Chief Executive Officer and a member of the Board of Directors since our inception. From 1985 to

1993, Mr. Huang was employed at LSI Logic Corporation, a computer chip manufacturer, where he held a variety of positions including as Director of Coreware, the business unit responsible for LSI's SOC. From 1983 to 1985, Mr. Huang was a microprocessor designer for Advanced Micro Devices, Inc., a semiconductor company. Mr. Huang holds a B.S.E.E. degree from Oregon State University and an M.S.E.E. degree from Stanford University.

**Colette M. Kress** joined NVIDIA in 2013 as Executive Vice President and Chief Financial Officer. Prior to NVIDIA, Ms. Kress most recently served as Senior Vice President and Chief Financial Officer of the Business Technology and Operations Finance organization at Cisco Systems, Inc., a networking equipment company, since 2010. At Cisco, Ms. Kress was responsible for financial strategy, planning, reporting and business development for all business segments, engineering and operations. From 1997 to 2010 Ms. Kress held a variety of positions at Microsoft Corporation, a software company, including, beginning in 2006, Chief Financial Officer of the Server and Tools division, where Ms. Kress was responsible for financial strategy, planning, reporting and business development for the division. Prior to joining Microsoft, Ms. Kress spent eight years at Texas Instruments Incorporated, a semiconductor company, where she held a variety of finance positions. Ms. Kress holds a B.S. degree in Finance from University of Arizona and an M.B.A. degree from Southern Methodist University.

**Ajay K. Puri** joined NVIDIA in 2005 as Senior Vice President, Worldwide Sales and became Executive Vice President, Worldwide Field Operations in 2009. Prior to NVIDIA, he held positions in sales, marketing, and general management over a 22-year career at Sun Microsystems, Inc., a computing systems company. Mr. Puri previously held marketing, management consulting, and product development positions at Hewlett-Packard Company, an information technology company, Booz Allen Hamilton Inc., a management and technology consulting company, and Texas Instruments Incorporated. Mr. Puri holds a B.S.E.E. degree from the University of Minnesota, an M.S.E.E. degree from the California Institute of Technology and an M.B.A. degree from Harvard Business School.

**Debora Shoquist** joined NVIDIA in 2007 as Senior Vice President of Operations and in 2009 became Executive Vice President of Operations. Prior to NVIDIA, Ms. Shoquist served from 2004 to 2007 as Executive Vice President of Operations at JDS Uniphase Corp., a provider of communications test and measurement solutions and optical products for the telecommunications industry. She served from 2002 to 2004 as Senior Vice President and General Manager of the Electro-Optics business at Coherent, Inc., a manufacturer of commercial and scientific laser equipment. Previously, she worked at Quantum Corp., a data protection company, as President of the Personal Computer Hard Disk Drive Division, and at Hewlett-Packard Corp. Ms. Shoquist holds a B.S. degree in Electrical Engineering from Kansas State University and a B.S. degree in Biology from Santa Clara University.

**Timothy S. Teter** joined NVIDIA in 2017 as Senior Vice President, General Counsel and Secretary and became Executive Vice President, General Counsel and Secretary in February 2018. Prior to NVIDIA, Mr. Teter spent more than two decades at the law firm of Cooley LLP. He was most recently a partner at Cooley, where he focused on litigating patent and technology related matters. Prior to attending law school, he worked as an engineer at Lockheed Missiles and Space Company. Mr. Teter holds a B.S. degree in Mechanical Engineering from the University of California at Davis and a J.D. degree from Stanford Law School.

### Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our website, *http://www.nvidia.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. The SEC's website, *http://www.sec.gov*, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our web site and the information on it or connected to it are not a part of this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

*In evaluating NVIDIA and our business, the following factors should be considered in addition to the other information in this Annual Report on Form 10-K. Before you buy our common stock, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, which could cause our stock price to decline, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.*

### Risks Related to Our Industry and Markets

**If we fail to meet the evolving needs of our markets, or to identify new products, services or technologies, our revenue and financial results may be adversely impacted.**

Our GPU-based visual and accelerated computing platforms address four large markets: Gaming, Professional Visualization, Data Center, and Automotive. These markets often experience rapid technological change, changes in customer requirements, new product introductions and enhancements, and evolving industry standards. Our success depends on our ability to identify emerging industry changes and to develop new (or enhance our existing) products, services and technologies that meet the evolving needs of these markets. Such activities may require considerable technical, financial, compliance, sales and marketing investments. We devote significant resources to the development of technologies and business offerings in markets where we have a limited operating history, such as the automotive and data center markets, which presents additional risks to our business. For example, we must continue to accurately forecast demand, scale and optimize utilization in our data center business, and develop and deliver next-generation autonomous driving solutions to our partners and customers or our business could be negatively impacted. We also must continue to scale our networking business following the Mellanox acquisition by leveraging our joint product capabilities and continuing to effectively integrate company processes. We must also continue to develop the infrastructure needed to scale our business in these areas, including customer service and support, e-commerce and intellectual property, or IP, licensing capabilities. If we do not continue to evolve our business, including by developing market specific technologies, managing the social and environmental impact of our products and technologies, expanding the ecosystem for our current and future products and technologies, and monetizing and expanding our business in various areas, our financial results could be negatively impacted. We also must meet customer safety and compliance standards, which are subject to change, including those applicable to our automotive solutions and systems. Additionally, we continue to make considerable investments in research and development, which may not produce significant revenue for several years, if at all. If our investments are unsuccessful and we fail to develop new products, services and technologies, or if we focus on technologies that do not become widely adopted, our business, revenue, financial condition and results of operations could be adversely affected. We cannot assure you that our strategic direction will result in innovative products and technologies that provide value to our customers, partners, and ultimately, our shareholders. If we fail to anticipate the changing needs of our target markets and emerging technology trends, or if we do not appropriately adapt our strategies as market conditions evolve, in a timely manner to exploit potential market opportunities, our business will be harmed.

For our products that we do not sell directly to consumers, achieving design wins is an important success factor, including for our interconnect products. Achieving design wins may involve a lengthy process in pursuit of a customer opportunity and depend on our ability to anticipate features and functionality that customers and consumers will demand. Failure to obtain a particular design win may prevent us from obtaining design wins in subsequent generations of a particular product. This could result in lost revenue and could weaken our position in future competitive bid selection processes.

Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers. Additionally, if our products are not in compliance with prevailing industry standards, including safety standards, our customers may not incorporate our products into their design strategies. Furthermore, winning a product design does not guarantee sales to a customer or that we will realize as much revenue as anticipated, if any.

**Competition in our current and target markets could prevent us from growing our revenue.**

Our target markets remain extremely competitive, and we expect competition to intensify as current competitors expand their product and/or service offerings, industry standards continue to evolve, customer needs change and new competitors enter these markets. Our competitors' products, services and technologies may be less costly, or may offer superior functionality or better features, than ours, which may result, among other things, in lower than expected selling prices for our products. In addition, some of our competitors operate and maintain their own fabrication facilities, have longer operating histories, larger customer bases, more comprehensive IP portfolios and patent protections, and greater financial, sales, marketing and distribution resources than we do. These competitors may be able to more effectively identify and capitalize upon opportunities in new markets and end user customer trends, quickly transition their products, including semiconductor products, to increasingly smaller line width geometries, and obtain sufficient foundry capacity and packaging materials, which could harm our business. In our networking business, some of our customers are also integrated circuit and switch suppliers and already have in-house expertise and internal development capabilities similar to ours. Licensing our technology and supporting such customers entails the transfer of intellectual property rights that may enable such customers to develop their own products and solutions to replace those we are currently providing to them. Consequently, these customers may become competitors to us. Further, each new design by a customer presents a competitive situation. If we are unable to successfully compete in our target markets, respond to changes in our target markets or introduce new offerings to meet the needs of this competitive environment, including in significant international markets such as China, demand for our products, services and technologies could decrease, which would cause our revenue to decline and cause our results of operations to suffer. In addition, the competitive landscape in our target markets has changed and may continue to evolve due to a trend toward consolidation, which could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

### Risks Related to Our Supply and Manufacturing

**We depend on third parties and their technology to manufacture, assemble, test and/or package our products, which reduces our control over product quantity and quality, manufacturing yields, development, enhancement and product delivery schedule and could harm our business.**

We do not manufacture the silicon wafers used for our products and do not own or operate a wafer fabrication facility. Instead, we are dependent on industry-leading foundries, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd., to manufacture our semiconductor wafers using their fabrication equipment and techniques. Similarly, we do not directly assemble, test or package our products, but instead rely on independent subcontractors. In the past we have not had and going forward we may not have long-term commitment contracts with these foundries or subcontractors. Nevertheless, we may enter into long-term procurement and capacity commitments as our business grows or in periods with limited availability of capacity and components in our supply chain. As our business grows, we must continue to scale and adapt our supply chain or it could have an adverse impact on our business. As a result, we face several significant risks which could have an adverse effect on our ability to meet customer demand, scale our supply chain and/or negatively impact our business operations, gross margin, revenue and/or financial results, including:

- a lack of guaranteed supply of wafers and other components and potential higher wafer and component prices, which could be impacted by our failure to correctly estimate demand and to place orders with our suppliers in sufficient quantities and/or in a timely manner;
- a failure by our foundries to procure raw materials or to provide or allocate adequate, or any, manufacturing or test capacity for our products;
- a failure by our foundries to develop, obtain or successfully implement high quality, leading-edge process technologies, including transitions to smaller geometry process technologies such as advanced process node technologies and memory designs needed to manufacture our products profitably or on a timely basis;
- a limited number of suppliers, including foundries, assembly and test providers, and memory manufacturers;
- loss of a supplier and additional expense and/or production delays as a result of qualifying a new foundry or subcontractor and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier;
- a lack of direct control over delivery schedules or product quantity and quality; and
- delays in product shipments, shortages, a decrease in product quality and/or higher expenses in the event our subcontractors or foundries prioritize our competitors' orders over our orders or otherwise.

In addition, low manufacturing yields could have an adverse effect on our ability to meet customer demand, increase manufacturing costs, harm customer or partner relationships, and/or negatively impact our business operations, gross margin, revenue and/or financial results. Manufacturing yields for our products are a function of product design, which is developed largely by us, and process technology, which typically is proprietary to the foundry. Low yields may result from either product design or process technology failure. We do not know whether a yield problem will exist until our design is actually manufactured by the foundry. As a result, yield problems may not be identified until well into the manufacturing process and require us and the foundry to cooperate to resolve the problem.

We also rely on third-party software development tools to assist us in the design, simulation and verification of new products or product enhancements, and to bring such new products and enhancements to market in a timely manner. In the past, we have experienced delays in the introduction of products and enhancements as a result of the inability of then available software development tools to fully simulate the complex features and functionalities of our products. The design requirements necessary to meet consumer demands for more features and greater functionality from our products may exceed the capabilities of available software development tools. If we miss design cycles or lose design wins due to the unavailability of such software development tools, we could lose market share and our revenues could decline. If we fail to achieve design wins for our products, our business will be harmed.

**If our products contain significant defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.**

Our products, including both hardware and software offerings, are complex and may contain defects or security vulnerabilities, or experience failures or unsatisfactory performance due to any number of issues in design, fabrication, packaging, materials and/or use within a system. These risks may increase as our products are introduced into new devices, markets, technologies and applications, including into the automotive market, or as new versions are released. Some errors in our products or services may only be discovered after a product or service has been shipped or used by customers or the end users of such product. Undiscovered vulnerabilities in our products or services could expose our customers or end users to hackers or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack our products or services. Failure of our products to perform to specifications, or other product defects, could lead to substantial damage to the products we sell directly to customers, the end product in which our device has been integrated by OEMs, ODMs, AIBs and Tier 1 automotive suppliers, and to the user of such end product. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write-off the value of related inventory, cause us to lose market share, and divert the attention of our engineering personnel from our product development efforts to find and correct the issue. In addition, an error or defect in new products or releases or related software drivers after commencement of commercial shipments could result in failure to achieve market acceptance or loss of design wins, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Also, we may be required to reimburse our customers, partners or consumers, including costs to repair or replace products in the field. A product recall, including automotive recalls or recalls due to a bug in our products, or a significant number of product returns could be expensive, damage our reputation, harm our ability to attract new customers, result in the shifting of business to our competitors and result in litigation against us, such as product liability suits. If a product liability claim is brought against us, the cost of defending the claim could be significant and would divert the efforts of our technical and management personnel, and harm our business. Further, our business liability insurance may be inadequate or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results.

## Risks Related to Our Operating Business

### If we fail to estimate customer demand properly, our financial results could be harmed.

Our products are manufactured based on estimates of customers' future demand and our manufacturing lead times are very long. This could lead to a significant mismatch between supply and demand, giving rise to product shortages or excess inventory, and make our demand forecast more uncertain. We sell many of our products through a channel model, and our channel customers sell to retailers, distributors, and/or end customers. As a result, the decisions made by our channel partners, retailers, and distributors in response to changing market conditions and the changing demand for our products could impact our financial results. In order to have shorter shipment lead times and quicker delivery schedules for our customers, we may build inventory for anticipated periods of growth which do not occur, may build inventory anticipating demand that does not materialize, or may build inventory to serve what we believe is pent-up demand. In periods with limited availability of capacity and components in our supply chain, we may place non-cancellable inventory orders significantly in advance of our normal lead times, pay premiums or provide deposits to secure normal and incremental future supply, which could negatively impact our financial results. Demand for our products is based on many factors, including our product introductions and transitions, competitor announcements, and competing technologies, all of which can impact the timing and amount of our revenue. For example, our GPUs for gaming are capable of digital currency mining. Demand and use of GPUs for cryptocurrency has fluctuated in the past and is likely to continue to change quickly. Volatility in the cryptocurrency market, including changes in the prices of cryptocurrencies, can impact demand for our products and our ability to estimate demand for our products. Changes to cryptocurrency standards and processes including, but not limited to, the pending Ethereum 2.0 standard may also create increased aftermarket resales of our GPUs and may reduce demand for our new GPUs. Additionally, consumer behavior during the COVID-19 pandemic, such as increased demand for our Gaming, Data Center and mobile workstation and laptop products and suppressed corporate demand for desktop workstations, has made it more difficult for us to estimate future demand, and these challenges may be more pronounced in the future if and when the effects of the pandemic subside. In estimating demand, we make multiple assumptions, any of which may prove to be incorrect. If we are unable to accurately anticipate demand for our products, our business and financial results could be adversely impacted. Situations that may result in excess or obsolete inventory include:

- changes in business and economic conditions, including downturns in our target markets and/or overall economy;
- changes in consumer confidence caused by changes in market conditions, including changes in the credit market;
- a sudden and significant decrease in demand for our products;

- a higher incidence of inventory obsolescence because of rapidly changing technology or customer requirements;
- our introduction of new products resulting in lower demand for older products;
- less demand than expected for newly-introduced products; or
- increased competition, including competitive pricing actions.

The cancellation or deferral of customer purchase orders could result in our holding excess inventory, which could adversely affect our gross margins. In addition, because we often sell a substantial portion of our products in the last month of each quarter, we may not be able to reduce our inventory purchase commitments in a timely manner in response to customer cancellations or deferrals. We could be required to write-down our inventory to the lower of cost or net realizable value or excess inventory, and we could experience a reduction in average selling prices if we incorrectly forecast product demand, any of which could harm our financial results.

Conversely, if we underestimate our customers' demand for our products, our foundry partners may not have adequate lead-time or capacity to increase production and we may not be able to obtain sufficient inventory to fill customers' orders on a timely basis. We may also face supply constraints caused by natural disasters or other events. In such cases, even if we are able to increase production levels to meet customer demand, we may not be able to do so in a cost-effective or timely manner. If we fail to fulfill our customers' orders on a timely basis, or at all, our customer relationships could be damaged, we could lose revenue and market share and our reputation could be damaged.

**System security and data protection breaches, as well as cyber-attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which could adversely affect our stock price and damage our reputation.**

Security breaches, computer malware, phishing, and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These attacks have occurred on our systems in the past and are expected to occur in the future. Experienced computer programmers, hackers and employees may penetrate our security controls and misappropriate or compromise our confidential information, or that of our employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in our products, including consumer and automotive products, where we utilize over-the-air updates to improve functionality over time. For portions of our IT infrastructure, including business management and communication software products, we rely on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may impact our systems. For example, in 2020, SolarWinds Inc., one of our third party software service providers, was subject to a data security breach. To date, our investigations of this breach, which were supported by a third party expert, have not identified any adverse impact to NVIDIA. Data security breaches may also result from non-technical means, such as actions by an employee with access to our systems. To defend against security threats, both to our internal systems and those of our customers, we must continuously engineer more secure products and enhance security and reliability features, which may result in increased expenses. We must also continue to develop security measures within NVIDIA, ensure our suppliers have appropriate security measures in place, and continue to meet the evolving security requirements of our customers or our business could be negatively impacted.

Actual or perceived breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our partners, our customers or third parties could expose us and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to our brand and reputation or other harm to our business. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions could adversely affect our financial results, stock price and reputation.

**Business disruptions could harm our business, lead to a decline in revenues and increase our costs.**

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, outages at cloud service providers, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, cyber-attacks, terrorist attacks, medical epidemics or pandemics (including, but not limited to, COVID-19) and other natural or man-made disasters, catastrophic events or climate change. The occurrence of any of these disruptions could harm our business and result in significant losses, a decline in revenue and an increase in our costs and expenses. Any of these business disruptions could require substantial expenditures and recovery time in order to fully resume operations. Such risks are discussed further in the risk factor “The COVID-19 pandemic continues to impact our business and could materially adversely affect our financial condition and results of operations.” Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations, finished goods inventory, and some of our suppliers are located in Asia, near major earthquake faults known for seismic activity. In addition, a large portion of our current data center capacity is located in California, making our operations vulnerable to natural disasters or other business disruptions occurring in these geographical areas. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Taiwan, China, Hong Kong, Israel and Korea. Additionally, a significant portion of our finished goods product distribution occurs through Hong Kong, Israel and Taiwan. Geopolitical change or changes in government regulations and policies in the United States or abroad may result in changing regulatory requirements, trade policies, import duties and economic disruptions that could impact our operating strategies, product demand, access to global markets, hiring, and profitability. In particular, revisions to laws or regulations or their interpretation and enforcement could result in increased taxation, trade sanctions, the imposition of import duties or tariffs, restrictions and controls on imports or exports, or other retaliatory actions, which could have an adverse effect on our business plans or impact the timing of our shipments. For example, regulations to implement the Export Control Reform Act of 2018 could have an adverse effect on our business plans. Catastrophic events can also have an impact on third-party vendors who provide us critical infrastructure services for IT and research and development systems and personnel. In addition, geopolitical and domestic political developments, such as existing and potential trade wars, political or social unrest, elections and post-election developments, and other events beyond our control, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Political instability, changes in government or adverse political developments in or around any of the major countries in which we do business would also likely harm our business, financial condition and results of operations. Our operations could be harmed if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, high heat events or water shortages, other negative impacts from climate change, information technology system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our third-party foundries and other suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown. In the event a major earthquake or other disaster or catastrophic event affects us or the third-party systems on which we rely, our business could be harmed as a result of declines in revenue, increases in expenses, substantial expenditures and time spent to fully resume operations. All of these risks and conditions could materially adversely affect our future sales and operating results.

**The COVID-19 pandemic continues to impact our business and could materially adversely affect our financial condition and results of operations.**

COVID-19 has spread worldwide, resulting in government authorities implementing numerous measures to try to contain the disease, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns. These measures have impacted, and may further impact, our workforce and operations, the operations of our customers and our partners, and those of our respective vendors and suppliers (including our subcontractors and third-party contract manufacturers). Our critical business operations, including our headquarters, most of our finished goods inventory and many of our key suppliers are located in regions which have been impacted by COVID-19. Our customers and suppliers worldwide have also been affected and may continue to be affected by COVID-19 related restrictions and closures.

The COVID-19 pandemic has increased economic and demand uncertainty. It continues to affect our business in both positive and negative ways, and there is uncertainty around their duration and impact. In the fourth quarter of fiscal year 2021, our Gaming and Data Center market platforms benefited from stronger demand as people continue to work, learn, and play from home. Our Professional Visualization market platform benefited from work-from-home trends in mobile workstations and desktop workstation demand has started to recover, although not back to pre-COVID levels. In our Automotive market platform, COVID-19 did not have a significant impact on demand in the fourth quarter of fiscal year 2021. In some regions, markets, or industries, where COVID-19 has driven an increase in sales for our products, the demand may not be sustainable if conditions change. Additionally, stronger demand globally has limited the availability of capacity and components in our supply chain, particularly in Gaming, which could cause us to order an excess amount if demand changes, pay higher prices, or limit our ability to obtain supply at necessary levels or at all. As the COVID-19 pandemic continues, the timing and overall demand from customers and the availability of supply chain, logistical services and component supply may have a material net negative impact on our business and financial results.

The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Taiwan, China, Hong Kong, Israel and Korea. A significant portion of our finished goods product distribution occurs through Hong Kong, Israel and Taiwan. Additionally, our headquarters is located in California. Each of these countries and locations has been affected by the pandemic and has taken measures to try to contain it, including restrictions on manufacturing facilities, commerce, travel, on our support operations or workforce, or on our customers, partners, vendors and suppliers. There is considerable uncertainty regarding the impact of such measures and potential future measures. Such measures, as well as restrictions or disruptions of transportation, such as reduced availability or increased cost of air transport, port closures and increased border controls or closures, could limit our capacity to meet customer demand and have a material adverse effect on our financial condition and results of operations.

The spread of COVID-19 has caused us to modify our business practices (including employee travel, mandatory work-from-home policies and cancellation of physical participation in meetings, events and conferences), and we may take further actions as required by government authorities and regulations or that we determine are in the best interests of our employees, customers, partners and suppliers. Most of our employees continue to work remotely. There is no certainty that such measures will be sufficient to mitigate the risks posed by the disease, and our ability to perform critical functions could be harmed.

While the extent and duration of the COVID-19 pandemic on the global economy and our business is difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which may reduce our ability to access capital or our customers' ability to pay us for past or future purchases, which could negatively affect our liquidity. A recession or financial market correction resulting from the lack of containment and spread of COVID-19 could impact overall technology spending, adversely affecting demand for our products, our business and the value of our common stock.

The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, will depend on future developments, including, but not limited to, the duration and continued spread of the pandemic, its severity, the actions to contain the disease or treat its impact, availability of vaccines or other treatments, further related restrictions on travel, and the duration, timing and severity of the impact on customer spending, including any recession resulting from the pandemic, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption as a result of the COVID-19 pandemic could have a material negative impact on our business, results of operations, access to sources of liquidity and financial condition, though the full extent and duration is uncertain.

**We may not be able to realize the potential financial or strategic benefits of business acquisitions or investments, including the Mellanox acquisition and the planned Arm acquisition, and we may not be able to successfully integrate acquisition targets, which could hurt our ability to grow our business, develop new products or sell our products.**

We have in the past acquired and invested in, and may continue to acquire and invest in, other businesses that offer products, services and technologies that we believe will help expand or enhance our existing products, strategic objectives and business. We completed our acquisition of Mellanox for approximately $7 billion in April 2020. In September 2020, we announced our agreement to acquire all allotted and issued ordinary shares of Arm in a transaction valued at $40 billion. The Mellanox acquisition, the planned Arm acquisition and future acquisitions or investments involve significant challenges and risks, and could impair our ability to grow our business, develop new products or sell our products, and ultimately could have a negative impact on our growth or our financial results. Given that our resources are limited, our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our strategic objectives. Furthermore, if we are unable to complete acquisitions in a timely manner, including due to delays in obtaining regulatory approvals, we may be unable to pursue other transactions, we may not be able to retain critical talent from the target company, technology may evolve, making the acquisition less attractive, and other changes can take place which could jeopardize or reduce the anticipated benefits of the transaction and negatively impact our business. In addition, we have made and may in the future make strategic investments in private companies and may not realize a return on our investments. Additional risks related to the Mellanox acquisition, the planned Arm acquisition and other acquisitions or strategic investments include, but are not limited to:

- difficulty in combining the technology, products, or operations of the acquired business with our business;
- difficulty in integrating and retaining the acquired workforce, including key employees;

- diversion of capital and other resources, including management’s attention;
- assumption of liabilities and incurring amortization expenses, impairment charges to goodwill or write-downs of acquired assets;
- integrating financial forecasting and controls, procedures and reporting cycles;
- coordinating and integrating operations in countries in which we have not previously operated;
- acquiring business challenges and risks, including, but not limited to, disputes with management and integrating international operations and joint ventures;
- difficulty in realizing a satisfactory return, if any return at all;
- difficulty in obtaining or inability to obtain governmental and regulatory consents and approvals, other approvals or financing;

- the potential impact of with complying with governmental or other regulatory restrictions placed on an acquisition;
- the potential impact on our stock price and financial results if we are unable to obtain regulatory approval for an acquisition, are required to pay reverse breakup fees or are otherwise unable to close an acquisition;
- failure and costs associated with the failure to consummate a proposed acquisition or other strategic investment;
- legal proceedings initiated as a result of an acquisition or investment;
- the potential for our acquisitions to result in dilutive issuances of our equity securities;
- the potential variability of the amount and form of any performance-based consideration;
- uncertainties and time needed to realize the benefits of an acquisition or strategic investment, if at all;
- negative changes in general economic conditions in the regions or the industries in which we or our target operate;
- the need to determine an alternative strategy if an acquisition does not meet our expectations;
- potential failure of our due diligence processes to identify significant issues with the acquired assets or company; and
- impairment of relationships with, or loss of our or our target's employees, vendors and customers, as a result of our acquisition or investment.

**We receive a significant amount of our revenue from a limited number of customers within our partner network and our revenue could be adversely affected if we lose or are prevented from selling to any of these customers.**

We receive a significant amount of our revenue from a limited number of customers within our distribution and partner network. With several of these distributors and partners, we are selling multiple target market platforms through their channels. Our operating results in the foreseeable future will continue to depend on sales within our partner network, as well as the ability of these partners to sell products that incorporate our processors. In the future, these partners may decide to purchase fewer products than they did in the past, not to incorporate our products into their ecosystem, or to alter their purchasing patterns in some other way, particularly because:

- most of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- our partners may develop their own solutions;
- our customers may purchase products from our competitors; or
- our partners may discontinue sales or lose market share in the markets for which they purchase our products.

We could also be restricted from selling our products or providing our technology and services due to U.S. trade restrictions. The loss of any of our large customers, a significant reduction in purchases by them, or our inability to sell to a customer due to U.S. trade restrictions would likely harm our financial condition and results of operations, and any difficulties in collecting accounts receivable could harm our operating results and financial condition.

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of certain of our customers to make required payments and obtain credit insurance over the purchasing credit extended to these customers. In the future, we may have to record additional provisions or write-offs and/or defer revenue on certain sales transactions, which could negatively impact our financial results, and we may not be able to acquire credit insurance on the credit we extend to these customers or in amounts that we deem sufficient.

**We are subject to risks and uncertainties associated with international operations, including adverse economic conditions, which may harm our business.**

We conduct our business worldwide and we have offices in various countries outside of the United States. Our semiconductor wafers are manufactured, assembled, tested and packaged by third parties located outside of the United States. We also generate a significant portion of our revenue from sales outside the United States. We allocate revenue to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. Revenue from sales outside of the United States accounted for 81% of total revenue for fiscal year 2021, 92% for fiscal year 2020 and 87% for fiscal year 2019. Revenue from billings to China, including Hong Kong, was 23% of our revenue for fiscal year 2021. Additionally, as of January 31, 2021, approximately 53% of our employees were located outside of the United States. The global nature of our business subjects us to a number of risks and uncertainties, which could have a material adverse effect on our business, financial condition and results of operations, including:

- international economic and political conditions and other political tensions between countries in which we do business;
- unexpected changes in, or impositions of, legislative or regulatory requirements, including changes in tax laws and employee safety and health regulations and those applicable to business acquisitions;
- differing legal standards with respect to protection of intellectual property and employment practices;
- local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anticorruption laws and regulations;
- exporting or importing issues related to export or import restrictions, including deemed export restrictions, tariffs, quotas and other trade barriers and restrictions;
- disruptions of capital and trading markets and currency fluctuations;
- increased costs due to imposition of climate change regulations, such as carbon taxes, fuel or energy taxes, and pollution limits; and
- natural disasters, public health issues (including the COVID-19 pandemic discussed further in the risk factor "The COVID-19 pandemic continues to impact our business and could materially adversely affect our financial condition and results of operations," above), and other catastrophic events.

If our sales outside of the United States are delayed or cancelled because of any of the above factors, our revenue may be negatively impacted.

We are subject to laws and regulations worldwide that differ among jurisdictions, affecting our operations in areas including, but not limited to: IP ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions; data privacy requirements; competition; advertising; employment; product regulations; environment, health, and safety requirements; and consumer laws. Compliance with such requirements can be onerous and expensive, and may otherwise impact our business operations negatively. Expanding privacy legislation and compliance costs of privacy-related and data protection measures could adversely affect our customers and their products and services, which could in turn reduce demand for our products used for those workloads.

Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, or agents will not violate such laws or our policies. Violations of these laws and regulations can result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. The technology industry is subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties.

Adverse changes in global, regional or local economic conditions, including recession or slowing growth, changes or uncertainty in fiscal, monetary, or trade policy, higher interest rates, tighter credit, inflation, lower capital expenditures by businesses including on IT infrastructure, increases in unemployment, and lower consumer confidence and spending, periodically occur. The COVID-19 pandemic has significantly increased economic and demand uncertainty. It is likely that the continued spread of COVID-19 will cause an economic slowdown, and it is possible that it could cause a global recession. Adverse changes in economic conditions, including as a result of the pandemic, can significantly harm demand for our products and make it more challenging to forecast our operating results and make business decisions, including regarding prioritization of investments in our business. A slowdown in economic growth could have adverse, wide-ranging effects on our business and financial results, including a decrease in demand for our products and technologies; a decrease in demand for the products and services of our customers or licensees; the inability of our suppliers to deliver on their supply commitments to us, our inability to supply our products to our customers and/or the inability of our customers or licensees to supply their products to end users; the insolvency of key suppliers, customers or licensees; delays in reporting or payments from our customers or licensees; failures by counterparties; and/or negative effects on inventories. Uncertain market conditions, difficulties in obtaining capital, or reduced profitability may also cause some customers to scale back operations, exit businesses, merge with other manufacturers, or file for bankruptcy protection and potentially cease operations, which can also result in lower sales, additional inventory or bad debt expense. Economic and industry uncertainty may similarly affect suppliers, which could impair their ability to deliver parts and negatively affect our ability to manage operations and deliver our products. These conditions may also lead to consolidation or strategic alliances among other equipment manufacturers, which could adversely affect our ability to compete effectively. An economic downturn or increased uncertainty may also lead to increased credit and collectability risks, higher borrowing costs or reduced availability of capital markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties including financial institutions and insurers, asset impairments, and declines in the value of our financial instruments.

Additionally, we have engineering facilities, corporate and sales support operations and some of our manufacturing located in Israel. Accordingly, political, economic and military conditions in Israel and the Middle East may directly affect our business. In addition, the State of Israel and companies with business in Israel have in the past been the subject of an economic boycott and could be in the future. Other countries have in the past, and may continue in the future, to restrict business with the State of Israel and companies with Israeli operations. Further, we are unable to ship products manufactured in Israel to certain countries. These laws and policies may have an impact on our results of operations. Any losses or damages incurred by us as a result of such events could have an adverse effect on our business, financial condition and results of operations.

**If we are unable to attract, retain and motivate our executives and key employees, we may not be able to execute our business strategy effectively.**

To be competitive and execute our business strategy successfully, we must attract, retain and motivate our executives and key employees. The market for highly skilled workers and leaders in our industry is extremely competitive. In particular, hiring qualified executives, scientists, engineers, technical staff and research and development personnel is critical to our business. We also must recruit and develop diverse talent. Additionally, changes in immigration and work permit laws and regulations or the administration or interpretation of such laws or regulations could impair our ability to attract and retain highly qualified employees. If we are less successful in our recruiting efforts, or if we cannot retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Additionally, competition for personnel results in increased costs in the form of cash and stock-based compensation. The interpretation and application of employment related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. We also must retain the key personnel hired as a result of our acquisitions, or it could reduce the anticipated benefits of our acquisitions and negatively impact our business. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. We continue to evolve our business practices in response to the COVID-19 pandemic by supporting and providing resources to our employees who are working remotely and implementing stringent safety guidelines for those who go into the essential labs and offices that remain open. If we do not continue to anticipate and address the safety and wellness needs of our employees sufficiently and/or in a timely manner, their productivity could be impacted, or we could fail to retain them.

**Our operating results have in the past fluctuated and may in the future fluctuate, and if our operating results are below the expectations of securities analysts or investors, our stock price could decline.**

Our operating results have in the past fluctuated and may in the future continue to fluctuate due to numerous factors. Therefore, investors should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Additional factors, other than or in addition to those described elsewhere in these risk factors, that could affect our results of operations in the future include, but are not limited to:

- our ability to achieve volume production of our next-generation products;
- our inability to adjust spending to offset revenue shortfalls due to the multi-year development cycle for some of our products and services;
- fluctuations in the demand for our products related to cryptocurrencies and COVID-19, as discussed further in the risk factor "If we fail to estimate customer demand properly, our financial results could be harmed;"

- changes in the timing of product orders due to unexpected delays in the introduction of our partners’ products;
- our ability to cover the manufacturing and design costs of our products through competitive pricing;
- our ability to comply and continue to comply with our customers’ contractual obligations;
- product rates of return in excess of that forecasted or expected due to quality issues;
- our ability to secure appropriate safety certifications and meet industry safety standards;
- supply constraints for and changes in the cost of the other components incorporated into our products;
- inventory write-downs;
- our ability to continue generating revenue from our partner network, including by generating sales within our partner network and ensuring our products are incorporated into our partners product ecosystems, and our partner network’s ability to sell products that incorporate our technologies;
- our dependence on third party vendors and end users to adopt our products, including InfiniBand;
- the inability of certain of our customers to make required payments to us, and our ability to obtain credit insurance over the purchasing credit extended to these customers;
- customer bad debt write-offs;
- any unanticipated costs associated with environmental liabilities;
- unexpected costs related to our ownership of real property;
- our ability to maintain and scale our business processes, information systems and internal controls;
- changes in financial accounting standards or interpretations of existing standards; and
- general macroeconomic or industry events and factors affecting the overall market and our target markets.

Any one or more of the factors discussed above could prevent us from achieving our expected future financial results. Any such failure to meet our expectations or the expectations of our investors or security analysts could cause our stock price to decline or experience substantial price volatility.

## Risks Related to Regulatory, Legal, Our Common Stock and Other Matters

**Actions to adequately protect our IP rights could result in substantial costs to us and our ability to compete could be harmed if we are unsuccessful in doing so or if we are prohibited from making or selling our products.**

We have in the past, currently are, and may in the future become involved in lawsuits or other legal proceedings alleging patent infringement or other intellectual property rights violations by us, our employees or parties that we have agreed to indemnify for certain claims of infringement. An unfavorable ruling in any such intellectual property related litigation could include significant damages, invalidation of a patent or family of patents, indemnification of customers, payment of lost profits, or, when it has been sought, injunctive relief. Claims that our products or processes infringe the IP rights of others, regardless of their merit, could cause us to incur significant costs to respond to, defend, and resolve such claims, and they may also divert the efforts and attention of management and technical personnel.

We may commence litigation or other legal proceedings in order to protect our intellectual property rights. Such proceedings may increase our operating expenses, which could negatively impact our operating results. Further, we could be subject to countersuits as a result of our initiation of litigation. If infringement claims are made against us or our products are found to infringe a third party's patent or intellectual property, we or one of our indemnitees may have to seek a license to the third party's patent or other intellectual property rights. However, we may not be able to obtain licenses at all or on terms acceptable to us particularly from our competitors. If we or one of our indemnitees is unable to obtain a license from a third party for technology that we use or that is used in one of our products, we could be subject to substantial liabilities or have to suspend or discontinue the manufacture and sale of one or more of our products. We may also have to make royalty or other payments, or cross license our technology. If these arrangements are not concluded on commercially reasonable terms, our business could be negatively impacted. Furthermore, the indemnification of a customer or other indemnitee may increase our operating expenses which could negatively impact our operating results.

Our success depends in part on protecting our intellectual property. To accomplish this, we rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, licensing arrangements, and the laws of the countries in which we operate to protect our intellectual property in the United States and internationally. We may be required to spend significant resources to monitor and protect our intellectual property rights, and even with significant expenditures we may not be able to protect our intellectual property rights that are valuable to our business. The laws of certain foreign countries may not protect our products or intellectual property rights to the same extent as the laws of the United States. This makes the possibility of piracy of our technology and products more likely. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in research and development, product development, and marketing could be reduced. We also may face risks to our intellectual property if our employees are hired by potential competitors. We continuously assess whether and where to seek formal protection for existing and new innovations and technologies, but cannot be certain whether our applications for such protections will be approved, and, if approved, whether we will be able to enforce such protections.

**Privacy concerns relating to our products and services could damage our reputation, deter current and potential users from using our products and services, result in liability, or result in legal or regulatory proceedings.**

Our products and services may provide us with access to sensitive, confidential or personal data or information that is subject to privacy and security laws and regulations. Concerns about our practices or the ultimate use of our products and services with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, including for use in AI, even if unfounded, could damage our reputation and adversely affect our operating results. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business or by one of our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, disruption of our business activities or increased costs related to defending legal claims.

Worldwide regulatory authorities are considering and have approved various legislative proposals concerning data protection, which continue to evolve and apply to our business. For example, the European Union adopted the General Data Protection Regulation, or GDPR, which required companies to meet requirements effective as of May 2018 regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to access, correct and delete such data about themselves. Failure to meet GDPR requirements could result in penalties of up to 4% of worldwide revenue. In addition, California adopted the California Consumer Privacy Act of 2018, or CCPA, which took effect on January 1, 2020. The CCPA gives California residents the right to access, delete and opt-out of certain sharing of their personal information, and to receive detailed information about how it is used and shared. Violations of the CCPA carry substantial civil penalties and the law creates a private right of action for certain data breaches, which is expected to increase data breach litigation. California’s privacy laws will expand substantially effective January 1, 2023 as a result of California voters approving the California Privacy Rights Act of 2020, or CPRA, in the November 2020 election. The CPRA will, among other things, restrict use of certain categories of sensitive personal information; further restrict the use of cross-contextual advertising techniques; establish restrictions on the retention of personal information; expand the types of data breaches subject to the private right of action; and establish the California Privacy Protection Agency to implement and enforce the new law, as well as impose administrative fines. Since the enactment of the CCPA, more than half of the states in the United States and the United States Congress have considered proposed privacy legislation, reflecting a trend toward more stringent privacy legislation in the United States.

The interpretation and application of consumer and data protection laws in the United States, Europe and elsewhere are often uncertain and fluid, and may be interpreted and applied in a manner that is inconsistent with our data practices. If so, we may be ordered to change our data practices and/or be fined. Complying with these changing laws has caused, and could continue to cause, us to incur substantial costs, which could have an adverse effect on our business and results of operations. Further, failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity.

**We may have exposure to additional tax liabilities and our operating results may be adversely impacted by higher than expected tax rates.**

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenue and expenses in different jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. We are regularly under audit by tax authorities in different jurisdictions. For example, we are currently under examination by the Internal Revenue Service for our fiscal years 2018 and 2019 and under audit in the United Kingdom, Germany, Israel and India. Although we believe our tax estimates are reasonable, tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could increase our worldwide effective tax rate, increase the amount of non-income taxes imposed on our business, and harm our financial position, results of operations, and cash flows. Further, changes in United States federal, and state or international tax laws applicable to multinational corporations or other fundamental law changes may materially impact our tax expense and cash flows, as we experienced in fiscal year 2018 with the passage of the TCJA.

Our future effective tax rate may be affected by such factors as changes in tax laws, changes in our business or statutory rates, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in available tax credits, the resolution of issues arising from tax audits, changes in United States generally accepted accounting principles, adjustments to income taxes upon finalization of tax returns, increases in expenses not deductible for tax purposes, changes in the valuation of our deferred tax assets and liabilities and in deferred tax valuation allowances, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and the recognition of excess tax benefits and tax deficiencies within the income tax provision in the period in which they occur, the impact of accounting for business combinations, shifts in the amount of earnings in the United States compared with other regions in the world and overall levels of income before tax, changes in the domestic or international organization of our business and structure, as well as the expiration of statute of limitations and settlements of audits. Any changes in our effective tax rate may reduce our net income.

**Our business is exposed to the risks associated with litigation, investigations and regulatory proceedings.**

We currently and may in the future face legal, administrative and regulatory proceedings, claims, demands and/or investigations involving shareholder, consumer, competition and/or other issues relating to our business on a global basis. For example, we are currently defending ourselves in a shareholder lawsuit claiming that we and certain of our officers made false and/or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand in 2017 and 2018. In addition, multiple stockholders, purporting to act on our behalf, filed derivative lawsuits seeking to assert claims on our behalf against the members of our board of directors and certain officers based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand.

Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome or settlement may result in a material adverse impact on our business, results of operations, financial position, and overall trends. In addition, regardless of the outcome, litigation can be costly, time-consuming, and disruptive to our operations.

In addition, the laws and regulations our business is subject to are complex and change frequently. We may be required to incur significant expense to comply with changes in, or remedy violations of, these laws and regulations.

**Delaware law and provisions in our certificate of incorporation, our bylaws and our agreement with Microsoft Corporation could delay or prevent a change in control.**

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested shareholder for a period of three years after the person becomes an interested shareholder, even if a change of control would be beneficial to our existing shareholders. In addition, our certificate of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. These provisions include the following:

- the ability of our Board of Directors to create and issue preferred stock without prior shareholder approval;
- the prohibition of shareholder action by written consent;
- advance notice requirements for director nominations and shareholder proposals;
- the ability of our Board of Directors to increase or decrease the number of directors without shareholder approval;
- a super-majority voting requirement to amend some provisions in our certificate of incorporation and bylaws;
- the inability of our shareholders to call special meetings of shareholders; and
- the ability of our Board of Directors to make, amend or repeal our bylaws.

On March 5, 2000, we entered into an agreement with Microsoft in which we agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in the Xbox. Under the agreement, if an individual or corporation makes an offer to purchase shares equal to or greater than 30% of the outstanding shares of our common stock, Microsoft may have first and last rights of refusal to purchase the stock. The Microsoft provision and the other factors listed above could also delay or prevent a change in control of NVIDIA. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

**Our indebtedness could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations.**

In March 2020, we issued $1.50 billion of the 2.85% Notes Due 2030, $1.00 billion of the 3.50% Notes Due 2040, $2.00 billion of the 3.50% Notes Due 2050, and $500 million of the 3.70% Notes Due 2060, or collectively, the March 2020 Notes. In September 2016, we issued $1.00 billion of the 2.20% Notes Due 2021 and $1.00 billion of the 3.20% Notes Due 2026, or collectively, the September 2016 Notes.

Our indebtedness may limit our ability to use our cash flow or borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes. Additionally, our obligation to make payments related to the Notes could impact our cash balance and limit our ability to use our cash for our capital return program and our other liquidity needs, including working capital, capital expenditures, acquisitions, investments and other general corporate purposes.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

Our headquarters complex is located in Santa Clara, California. It includes ten leased commercial buildings totaling 1,019,887 square feet, and real property that we own totaling 720,046 square feet. Our owned property consists of two commercial buildings and a building under construction. The construction is targeted for completion in fiscal year 2023. In addition, we also lease data center space in Santa Clara, California.

Outside of Santa Clara, California, we lease facilities in a number of regional facilities in other U.S. locations that are used as research and development centers and/or sales and administrative offices. Outside of the United States, we own a building in Hyderabad, India, that is being used primarily as a research and development center. We also lease facilities in various international locations that are used as research and development centers and/or sales and administrative offices. These leased facilities are located primarily in Asia, Europe, and Israel. In addition, we also lease data center space in various locations around the world.

We believe that we currently have sufficient facilities to conduct our operations for the next twelve months. We do not identify or allocate assets by operating segment. For additional information regarding obligations under leases, refer to Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

## ITEM 3. LEGAL PROCEEDINGS

Please see Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of our legal proceedings.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

# PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol NVDA. Public trading of our common stock began on January 22, 1999. Prior to that, there was no public market for our common stock. As of February 19, 2021, we had approximately 303 registered shareholders, not including those shares held in street or nominee name.

### Issuer Purchases of Equity Securities

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Since the inception of our share repurchase program, we have repurchased an aggregate of 260 million shares for a total cost of $7.08 billion through January 31, 2021. All shares delivered from these repurchases have been placed into treasury stock.

The repurchases can be made in the open market, in privately negotiated transactions, or in structured share repurchase programs, and can be made in one or more larger repurchases, in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, and other factors. The program does not obligate NVIDIA to acquire any particular amount of common stock and the program may be suspended at any time at our discretion.

In fiscal year 2021, we paid $395 million in quarterly cash dividends. As of January 31, 2021, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022. We did not repurchase any shares during fiscal year 2021.

### Restricted Stock Unit Share Withholding

We also withhold common stock shares associated with net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under our employee equity incentive program. During fiscal year 2021, we withheld approximately 3 million shares at a total cost of $942 million through net share settlements. Refer to Note 4 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding our equity incentive plans.

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## Stock Performance Graphs

The following graph compares the cumulative total shareholder return for our common stock, the S&P 500 Index, and the Nasdaq 100 Index for the five years ended January 31, 2021. The graph assumes that $100 was invested on January 31, 2016 in our common stock and in each of the S&P 500 Index and the Nasdaq 100 Index. Our common stock is a component of each of the presented indices. Total return assumes reinvestment of dividends in each of the indices indicated. Total return is based on historical results and is not intended to indicate future performance.

nvda-20210131_g2.jpg

*$100 invested on 1/31/16 in stock and in indices, including reinvestment of dividends.

The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC, and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. © 2016 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

| | **1/31/2016** | **1/29/2017** | **1/28/2018** | **1/27/2019** | **1/26/2020** | **1/31/2021** |
|---|---|---|---|---|---|---|
| NVIDIA Corporation | $ 100.00 | $ 385.24 | $ 841.93 | $ 555.67 | $ 872.49 | $ 1,812.91 |
| S&P 500 | $ 100.00 | $ 120.04 | $ 151.74 | $ 148.23 | $ 180.37 | $ 211.48 |
| Nasdaq 100 | $ 100.00 | $ 121.13 | $ 166.38 | $ 167.14 | $ 219.95 | $ 318.93 |

## ITEM 6. SELECTED FINANCIAL DATA

No longer required as we have adopted certain provisions within the amendments to Regulation S-K that eliminate Item 301.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 1A. Risk Factors", our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K, before deciding to purchase, hold or sell shares of our common stock.

### Overview

**Our Company and Our Businesses**

NVIDIA pioneered accelerated computing to help solve the most challenging computational problems. Starting with a focus on PC graphics, we extended our focus in recent years to the revolutionary field of AI. Fueled by the sustained demand for exceptional 3D graphics and the scale of the gaming market, NVIDIA leveraged its GPU architecture to create platforms for virtual reality, HPC, and AI.

Through fiscal year 2020, our reportable segments were GPU and Tegra Processor. We changed our reportable segments to "Graphics" and "Compute & Networking" starting with the first quarter of fiscal year 2021.

Our Graphics segment includes GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/NVIDIA RTX GPUs for enterprise workstation graphics; vGPU software for cloud-based visual and virtual computing; and automotive platforms for infotainment systems.

Our Compute & Networking segment includes Data Center platforms and systems for AI, HPC, and accelerated computing; Mellanox networking and interconnect solutions; automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions; and Jetson for robotics and other embedded platforms.

All prior period comparisons presented reflect our new reportable segments. Our market platforms – Gaming, Professional Visualization, Data Center, Automotive, OEM and Other – remain unchanged.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

### Recent Developments, Future Objectives and Challenges

**Pending Acquisition of Arm Limited**

On September 13, 2020, we entered into a Purchase Agreement with Arm and SoftBank for us to acquire, from SoftBank, all allotted and issued ordinary shares of Arm in a transaction valued at $40 billion. We paid $2 billion in cash at signing, or the Signing Consideration, and will pay upon closing of the acquisition $10 billion in cash and issue to SoftBank 44.3 million shares of our common stock with an aggregate value of $21.5 billion. The transaction includes a potential earn out, which is contingent on the achievement of certain financial performance targets by Arm during the fiscal year ending March 31, 2022. If the financial performance targets are achieved, Softbank can elect to receive either up to an additional $5 billion in cash or up to an additional 10.3 million shares of our common stock. We will issue up to $1.5 billion in restricted stock units to Arm employees after closing. The $2 billion paid upon signing was allocated between advanced consideration for the acquisition of $1.36 billion and the prepayment of intellectual property licenses from Arm of $0.17 billion and royalties of $0.47 billion, both with a 20-year term. The closing of the acquisition is subject to customary closing conditions, including receipt of specified governmental and regulatory consents and approvals and expiration of any related mandatory waiting period, and Arm's implementation of the reorganization and distribution of Arm's IoT Services Group and certain other assets and liabilities. We are engaged with regulators in the United States, the United Kingdom, the European Union, China and other jurisdictions. If the Purchase Agreement is terminated under certain circumstances, we will be refunded $1.25 billion of the Signing Consideration. The $2 billion payment upon signing was allocated on a fair value basis and any refund of the Signing Consideration will use stated values in the Purchase Agreement. We believe the closing of the acquisition will likely occur in the first quarter of calendar year 2022.

**Demand**

Our products are manufactured based on estimates of customers' future demand and our manufacturing lead times are very long. This could lead to a significant mismatch between supply and demand, giving rise to product shortages or excess inventory, and make our demand forecast more uncertain. We sell many of our products through a channel model, and our channel customers sell to retailers, distributors, and/or end customers. As a result, the decisions made by our channel partners, retailers, and distributors in response to changing market conditions and the changing demand for our products could impact our financial results. In order to have shorter shipment lead times and quicker delivery schedules for our customers, we may build inventory for anticipated periods of growth which do not occur, may build inventory anticipating demand that does not materialize, or may build inventory to serve what we believe is pent-up demand. In periods with limited availability of capacity and components in our supply chain, we may place non-cancellable inventory orders significantly in advance of our normal lead times, pay premiums or provide deposits to secure normal and incremental future supply, which could negatively impact our financial results. Demand for our products is based on many factors, including our product introductions and transitions, competitor announcements, and competing technologies, all of which can impact the timing and amount of our revenue. For example, our GPUs for gaming are capable of digital currency mining. Demand and use of GPUs for cryptocurrency has fluctuated in the past and is likely to continue to change quickly. Volatility in the cryptocurrency market, including changes in the prices of cryptocurrencies, can impact demand for our products and our ability to estimate demand for our products. Changes to cryptocurrency standards and processes including, but not limited to, the pending Ethereum 2.0 standard may also create increased aftermarket resales of our GPUs and may reduce demand for our new GPUs. Additionally, consumer behavior during the COVID-19 pandemic, such as increased demand for our Gaming, Data Center and mobile workstation and laptop products and suppressed corporate demand for desktop workstations, has made it more difficult for us to estimate future demand, and these challenges may be more pronounced in the future if and when the effects of the pandemic subside. In estimating demand and evaluating trends, we make multiple assumptions, any of which may prove to be incorrect.

**COVID-19**

The worldwide COVID-19 pandemic is prompting governments and businesses to take unprecedented measures including restrictions on travel, temporary business closures, quarantines and shelter-in-place orders. It has significantly impacted global economic activity and caused volatility and disruption in global financial markets. Since March 2020, most of our employees have been working remotely and we have temporarily prohibited most business travel.

Our Gaming and Data Center market platforms have benefited from stronger demand as people continue to work, learn, and play from home. In Professional Visualization, mobile workstations continue to benefit from work-from-home trends, and desktop workstation demand has started to recover, although not back to pre-COVID levels. In Automotive, COVID is no longer having a significant impact on demand. Throughout our supply chain, stronger demand globally has limited the availability of capacity and components, particularly in Gaming.

As the COVID-19 pandemic continues, the timing and overall demand from customers and the availability of supply chain, logistical services and component supply may have a material net negative impact on our business and financial results. Refer to Part I, Item 1A of this Annual Report on Form 10-K for additional information under the heading "Risk Factors".

We believe our existing balances of cash, cash equivalents and marketable securities, along with commercial paper and other short-term liquidity arrangements, will be sufficient to satisfy its working capital needs, capital asset purchases, dividends, debt repayments and other liquidity requirements associated with its existing operations.

**Fiscal Year 2021 Summary**

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | Change |
| | ($ in millions, except per share data) | | |
| Revenue | $ 16,675 | $ 10,918 | Up 53% |
| Gross margin | 62.3 % | 62.0 % | Up 30 bps |
| Operating expenses | $ 5,864 | $ 3,922 | Up 50% |
| Income from operations | $ 4,532 | $ 2,846 | Up 59% |
| Net income | $ 4,332 | $ 2,796 | Up 55% |
| Net income per diluted share | $ 6.90 | $ 4.52 | Up 53% |

Revenue for fiscal year 2021 was $16.68 billion, up 53% from a year earlier.

From a market-platform perspective, Gaming revenue was up 41% from a year ago, reflecting higher sales across desktop and laptop GPUs for gaming, and game-console SOCs. GPUs for gaming benefited from the ramp of our GeForce RTX 30 Series based on the NVIDIA Ampere architecture.

Professional Visualization revenue was down 13% from a year ago due to lower sales of GPUs for desktop workstations as enterprise demand was impacted by COVID.

Data Center revenue was up 124% from a year ago. Revenue growth was driven by our Mellanox acquisition and the ramp of the NVIDIA Ampere GPU architecture. In fiscal year 2021, Mellanox revenue contributed 10% of total company revenue.

Automotive revenue was down 23% from a year earlier, reflecting lower revenue from the expected ramp down of legacy infotainment modules and autonomous driving development agreements, partially offset by increases in AI cockpit and autonomous vehicle solutions.

OEM and Other revenue was up 25% from a year ago, primarily due to higher volume of entry-level laptop GPUs.

Gross margin for fiscal year 2021 was up 30 basis points from a year ago, primarily driven by product mix with higher Data Center and lower Automotive revenue, partially offset by Mellanox acquisition-related charges.

Operating expenses for fiscal year 2021 were $5.86 billion, up 50% from a year ago. The growth was influenced by the inclusion of Mellanox in the second quarter of fiscal year 2021, employee additions and increases in employee compensation and related expenses. Additionally, acquisition-related and other costs of $411 million primarily include $190 million in non-recurring intangible amortization of Mellanox order backlog, $123 million in recurring amortization of Mellanox intangible assets, and $40 million related to the pending acquisition of Arm.

Income from operations for fiscal year 2021 was $4.53 billion, up 59% from a year earlier. Net income and net income per diluted share for fiscal year 2021 were $4.33 billion and $6.90, up 55% and 53%, respectively, from a year earlier.

Cash, cash equivalents and marketable securities were $11.56 billion as of January 31, 2021, compared with $10.90 billion as of January 26, 2020. The increase primarily reflects the issuance of the $5 billion of notes in March 2020 and cash-flow generation, partially offset by acquisitions.

We paid $395 million in quarterly cash dividends in fiscal year 2021.

**Market Platform Highlights**

During fiscal year 2021, in our Gaming platform, we announced the launch of new laptop models powered by NVIDIA GeForce GPUs; unveiled GeForce RTX 30 Series GPUs including our second generation NVIDIA RTX; expanded NVIDIA GeForce NOW; announced that a range of games now support NVIDIA RTX ray tracing and DLSS AI super resolution; unveiled NVIDIA Reflex and NVIDIA Broadcast; expanded the RTX Studio lineup powered by new GeForce RTX SUPER GPUs; and released DLSS 2.0.

In our Professional Visualization platform, we launched mobile workstations with Acer, Dell, HP, Lenovo and Microsoft based on NVIDIA Quadro graphics for professional creators; released NVIDIA Quadro View; collaborated with Adobe to bring GPU-accelerated neural filters to Adobe Photoshop AI-powered tools; powered Autodesk’s latest 3D visualization software with NVIDIA Quadro RTX; and collaborated with many other independent software vendors to help incorporate NVIDIA RTX and AI technology in their applications.

In our Data Center platform, we announced the NVIDIA A100 Tensor Core GPU and DGX A100, the first products based on the NVIDIA Ampere architecture; announced more than 50 NVIDIA A100-powered systems with OEM partners and released NVIDIA-Certified Systems with NVIDIA A100 GPUs to OEMs; shared news that major cloud providers, including Google Cloud Platform, AWS, Microsoft Azure and Oracle Cloud Infrastructure, reached general availability of cloud computing instances based on the NVIDIA A100 GPU; announced the NVIDIA DGX SuperPOD Solution for Enterprise; introduced the new family of NVIDIA BlueField-2 DPUs; introduced new products for the EGX Edge AI platform; announced a broad partnership with VMware to create an end-to-end enterprise platform for AI and a new architecture for data center, cloud and edge; powered eight of the top 10, and two-thirds of the total systems, on the latest TOP500 list of the world’s fastest supercomputers; announced that five supercomputers backed by EuroHPC will use NVIDIA’s data center accelerators or networking; and set 16 AI performance records on the latest MLPerf benchmarks.

In our Automotive platform, we announced with Mercedes-Benz that the automaker will launch software-defined, intelligent vehicles using end-to-end NVIDIA technology starting in 2024; announced that NVIDIA DRIVE autonomous driving technology is powering a range of electric vehicles from carmakers SAIC, Nio, Li Auto, Xpeng, robotaxi-maker Zoox, and cabless truck-maker Einride; announced that NVIDIA is powering the new Mercedes-Benz AI cockpit in the first half of 2021; announced that Hyundai Motor Group's entire lineup of Hyundai, Kia and Genesis models will come standard with NVIDIA DRIVE in-vehicle infotainment systems starting in 2022; and expanded the NVIDIA DRIVE sensor ecosystem with new solutions.

## Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, cost of revenue, expenses and related disclosure of contingencies. On an on-going basis, we evaluate our estimates, including those related to business combinations, inventories, revenue recognition, income taxes, and goodwill. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our consolidated financial statements. Our management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosures relating to our critical accounting policies and estimates in this Annual Report on Form 10-K.

### Business Combinations

The application of acquisition accounting to a business acquisition requires that we identify the individual assets acquired and liabilities assumed and estimate the fair value of each. The fair value of assets acquired and liabilities assumed in a business acquisition are recognized at the acquisition date, with the purchase price exceeding the fair values being recognized as goodwill. Determining fair value of identifiable assets, particularly intangibles, liabilities acquired and contingent obligations assumed requires management to make estimates. In certain circumstances, the allocations of the purchase price are based upon preliminary estimates and assumptions and subject to revision when we receive final information, including appraisals and other analyses. Accordingly, the measurement period for such purchase price allocations will end when the information, or the facts and circumstances, becomes available, but will not exceed twelve months. We will recognize measurement-period adjustments during the period of resolution, including the effect on earnings of any amounts that would have been recorded in previous periods if the accounting had been completed at the acquisition date.

Goodwill and intangible assets often represent a significant portion of the assets acquired in a business combination. We recognize the fair value of an acquired intangible apart from goodwill whenever the intangible arises from contractual or other legal rights, or when it can be separated or divided from the acquired entity and sold, transferred, licensed, rented or exchanged, either individually or in combination with a related contract, asset or liability. Intangible assets consist primarily of technology, customer relationships, order backlog and trade name acquired in a business combination and in-process research and development, or IPR&D. We generally assess the estimated fair values of acquired intangibles using a combination of valuation techniques. To estimate fair value, we are required to make certain estimates and assumptions, including future economic and market conditions, revenue growth, technology migration curve, and risk-adjusted discount rates. Our estimates require significant judgment and are based on historical data, various internal estimates, and external sources. Our assessment of IPR&D also includes consideration of the risk of the projects not achieving technological feasibility.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. We charge cost of sales for inventory provisions to write-down our inventory to the lower of cost or net realizable value or for obsolete or excess inventory. Most of our inventory provisions relate to excess quantities of products or components, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions.

Situations that may result in excess or obsolete inventory include changes in business and economic conditions, changes in market conditions, sudden and significant decreases in demand for our products, inventory obsolescence because of changing technology and customer requirements, failure to estimate customer demand properly, or unexpected competitive pricing actions by our competition. In addition, cancellation or deferral of customer purchase orders could result in our holding excess inventory.

The overall net effect on our gross margin from inventory provisions and sales of items previously written down was insignificant in fiscal years 2021 and 2020. As a fabless semiconductor company, we must make commitments to purchase inventory based on forecasts of future customer demand. In doing so, we must account for our third-party manufacturers' lead times and constraints. We also adjust to other market factors, such as product offerings and pricing actions by our competitors, new product transitions, and macroeconomic conditions - all of which may impact demand for our products.

Refer to the Gross Profit and Gross Margin discussion below in this Management's Discussion and Analysis for further discussion.

## Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract (where revenue is allocated on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation); and (5) recognition of revenue when, or as, we satisfy a performance obligation.

### Product Sales Revenue

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Certain products are sold along with support or extended warranty. Support and extended warranty revenue is recognized ratably over the service period, or as services are performed. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners’ activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 31, 2021, we had a valuation allowance of $728 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to jurisdictional projections of future taxable income, tax attributes usage limitation by certain jurisdictions, and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax assets as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier, if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value. We changed our reportable segments to "Graphics" and "Compute & Networking" starting with the first quarter of fiscal year 2021. As a result, our reporting units also changed, and we reassigned the goodwill balance to the new reporting units based on their relative fair values. We determined there was no goodwill impairment immediately prior to the reorganization. As of January 31, 2021, the total carrying amount of goodwill was $4.19 billion and the amount of goodwill allocated to our Graphics and Compute & Networking reporting units was $347 million and $3.85 billion, respectively. Determining the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We also make judgments and assumptions in allocating assets and liabilities to each of our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

We performed our annual goodwill assessment during the fourth quarter of fiscal year 2021 using a qualitative assessment and concluded there was no goodwill impairment.

Refer to Note 6 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Results of Operations

A discussion regarding our financial condition and results of operations for fiscal year 2021 compared to fiscal year 2020 is presented below. A discussion regarding our financial condition and results of operations for fiscal year 2020 compared to fiscal year 2019 can be found under Item 7 in our Annual Report on Form 10-K for the fiscal year ended January 26, 2020, filed with the SEC on February 20, 2020, which is available free of charge on the SEC's website at http://www.sec.gov and at our investor relations website, http://investor.nvidia.com.

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Income expressed as a percentage of revenue.

| | Year Ended | |
|---|---|---|
| | January 31, 2021 | January 26, 2020 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 37.7 | 38.0 |
| Gross profit | 62.3 | 62.0 |
| Operating expenses: | | |
| Research and development | 23.5 | 25.9 |
| Sales, general and administrative | 11.6 | 10.0 |
| Total operating expenses | 35.1 | 35.9 |
| Income from operations | 27.2 | 26.1 |
| Interest income | 0.3 | 1.6 |
| Interest expense | (1.1) | (0.5) |
| Other, net | 0.1 | — |
| Other income (expense), net | (0.7) | 1.1 |
| Income before income tax expense | 26.5 | 27.2 |
| Income tax expense | 0.5 | 1.6 |
| Net income | 26.0 % | 25.6 % |

## Revenue

### Revenue by Reportable Segments

| | Year Ended | | | |
|---|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | $ Change | % Change |
| | ($ in millions) | | | |
| Graphics | $ 9,834 | $ 7,639 | $ 2,195 | 29 % |
| Compute & Networking | 6,841 | 3,279 | 3,562 | 109 % |
| Total | $ 16,675 | $ 10,918 | $ 5,757 | 53 % |

**Graphics -** Graphics segment revenue increased by 29% in fiscal year 2021 compared to fiscal year 2020, reflecting growth in GeForce GPUs and game console SOCs, partially offset by lower sales of Quadro/NVIDIA RTX workstations.

**Compute & Networking -** Compute & Networking segment revenue increased by 109% in fiscal year 2021 compared to fiscal year 2020, reflecting the addition of Mellanox acquired on April 27, 2020 and the continued ramp of NVIDIA Ampere GPU architecture systems and new products.

### Concentration of Revenue

Revenue from sales to customers outside of the United States accounted for 81% and 92% of total revenue for fiscal years 2021 and 2020, respectively. Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if the revenue is attributable to end customers in a different location.

No customer represented 10% or more of total revenue for fiscal year 2021. Dell represented approximately 11% of our total revenue for fiscal year 2020, and was attributable primarily to the Graphics segment.

### Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowances, less cost of revenue. Cost of revenue consists primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, board and device costs, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, inventory and warranty provisions, memory and component costs, and shipping costs. Cost of revenue also includes acquisition-related costs, development costs for license and service arrangements, IP-related costs, and stock-based compensation related to personnel associated with manufacturing.

Our overall gross margin was 62.3% and 62.0% for fiscal years 2021 and 2020, respectively. The increase in fiscal year 2021 was driven by product mix with higher Data Center and lower Automotive revenue, partially offset by Mellanox acquisition-related charges, including a non-recurring inventory step-up charge of $161 million and ongoing intangible asset amortization of $263 million.

Inventory provisions totaled $116 million and $161 million for fiscal years 2021 and 2020, respectively. Sales of inventory that was previously written-off or written-down totaled $145 million for both fiscal years 2021 and 2020. As a result, the overall net effect on our gross margin was insignificant in both fiscal years 2021 and 2020.

A discussion of our gross margin results for each of our reportable segments is as follows:

**Graphics -** The gross margin of our Graphics segment increased during fiscal year 2021 when compared to fiscal year 2020, primarily driven by product mix with lower legacy automotive infotainment revenue and higher margin mix within Quadro/Nvidia RTX.

**Compute & Networking** - The gross margin of our Compute & Networking segment increased during fiscal year 2021 when compared to fiscal year 2020, primarily driven by the addition of Mellanox products, higher margins in Data Center compute systems, and lower product mix of certain Automotive solutions.

## Operating Expenses

| | Year Ended | | | |
|---|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **$ Change** | **% Change** |
| | | *($ in millions)* | | |
| Research and development expenses | $ 3,924 | $ 2,829 | $ 1,095 | 39 % |
| *% of net revenue* | *23.5 %* | *25.9 %* | | |
| Sales, general and administrative expenses | 1,940 | 1,093 | 847 | 77 % |
| *% of net revenue* | *11.6 %* | *10.0 %* | | |
| Total operating expenses | $ 5,864 | $ 3,922 | $ 1,942 | 50 % |

### Research and Development

Research and development expenses increased by 39% in fiscal year 2021 compared to fiscal year 2020, driven primarily by the acquisition of Mellanox. In addition, the increases reflect employee compensation and related costs, including stock-based compensation, and infrastructure costs.

### Sales, General and Administrative

Sales, general and administrative expenses increased by 77% in fiscal year 2021 compared to fiscal year 2020, driven primarily by the Mellanox acquisition. In addition, the increases reflect employee compensation and related costs, including stock-based compensation.

## Other Income (Expense), Net

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest income was $57 million and $178 million in fiscal years 2021 and 2020, respectively. The decrease in interest income was primarily due to lower interest rates earned on our investments.

Interest expense is primarily comprised of coupon interest and debt discount amortization related to our September 2016 Notes and March 2020 Notes. Interest expense was $184 million and $52 million in fiscal years 2021 and 2020, respectively.

### Income Taxes

We recognized income tax expense of $77 million and $174 million for fiscal years 2021 and 2020, respectively. Our annual effective tax rate was 1.7% and 5.9% for fiscal years 2021 and 2020, respectively.

The decrease in our effective tax rate in fiscal year 2021 as compared to fiscal year 2020 was primarily due to a decrease in the proportional amount of earnings subject to United States tax and an increase of tax benefits from stock-based compensation.

Our effective tax rate for fiscal years 2021 and 2020 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including the British Virgin Islands, Israel, and Hong Kong, where the tax rate was lower than the U.S. federal statutory tax rate, recognition of U.S. federal research tax credits, and excess tax benefits related to stock-based compensation.

Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Liquidity and Capital Resources

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | *(In millions)* | |
| Cash and cash equivalents | $ 847 | $ 10,896 |
| Marketable securities | 10,714 | 1 |
| Cash, cash equivalents, and marketable securities | $ 11,561 | $ 10,897 |

| | Year Ended | |
|---|---|---|
| | January 31, 2021 | January 26, 2020 |
| | *(In millions)* | |
| Net cash provided by operating activities | $ 5,822 | $ 4,761 |
| Net cash provided by (used in) investing activities | $ (19,675) | $ 6,145 |
| Net cash provided by (used in) financing activities | $ 3,804 | $ (792) |

As of January 31, 2021, we had $11.56 billion in cash, cash equivalents and marketable securities, an increase of $664 million from the end of fiscal year 2020. Our investment policy requires the purchase of highly rated fixed income securities, the diversification of investment types and credit exposures, and certain maturity limits on our portfolio.

In the third quarter of fiscal year 2021, we paid $2 billion as part of the proposed acquisition of Arm, which was allocated between advanced consideration for the acquisition of $1.36 billion, the prepayment of intellectual property licenses from Arm of $0.17 billion and royalties of $0.47 billion. The cash flow allocation of the payment resulted in $1.36 billion of advanced consideration included in acquisitions, net of cash acquired, $0.17 billion for the intellectual property license included in purchases related to property and equipment and intangible assets and $0.47 billion in prepayment of royalties included in changes in prepaid expenses and other assets.

Cash provided by operating activities increased in fiscal year 2021 compared to fiscal year 2020, due to higher net income, higher non-cash adjustments, partially offset by changes in working capital. Changes in working capital include increases in purchases of inventory and outstanding trade receivables, both due to higher fiscal year 2021 revenue, and a prepayment of royalties to Arm.

Cash used in investing activities increased in fiscal year 2021 compared to cash provided in fiscal year 2020, which primarily reflects cash used for the acquisition of Mellanox and the advanced consideration for the proposed acquisition of Arm, higher purchases of marketable securities, higher purchases of property and equipment and intangible assets, and lower sales of marketable securities, offset by higher maturities of marketable securities.

Cash provided by financing activities increased in fiscal year 2021 compared to cash used in fiscal year 2020, which primarily reflects the debt issued in the first quarter of fiscal year 2021, offset by payments related to tax on restricted stock units.

### Liquidity

Our primary sources of liquidity are our cash and cash equivalents, our marketable securities, and the cash generated by our operations. As of January 31, 2021, we had $11.56 billion in cash, cash equivalents and marketable securities. We believe that we have sufficient liquidity to meet our operating requirements for at least the next twelve months, including our proposed acquisition of Arm. We continuously evaluate our liquidity and capital resources, including our access to external capital, to ensure we can adequately and efficiently finance our capital requirements beyond twelve months. Refer to Note 2 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

Our marketable securities consist of debt securities issued by the U.S. government and its agencies, highly rated corporations and financial institutions, and foreign government entities, and certificates of deposits. These marketable securities are primarily denominated in U.S. dollars. Refer to Note 8 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

During fiscal year 2022, we expect to use our existing cash and cash equivalents, our marketable securities, and the cash generated by our operations to fund our capital investments of approximately $1.0 billion to $1.2 billion related to property and equipment, including construction of a new building at our Santa Clara campus.

We have approximately $1.38 billion of cash, cash equivalents, and marketable securities held outside the U.S. for which we have not accrued any related foreign or state taxes if we repatriate these amounts to the U.S. Other than that, substantially all of our cash, cash equivalents and marketable securities held outside of the U.S. as of January 31, 2021 are available for use in the U.S. without incurring additional U.S. federal income taxes. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Capital Return to Shareholders

In fiscal year 2021, we paid $395 million in quarterly cash dividends. Our cash dividend program and the payment of future cash dividends under that program are subject to our Board's continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders.

As of January 31, 2021, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $7.24 billion through December 2022. We did not repurchase any shares during fiscal year 2021.

### Outstanding Indebtedness and Credit Facilities

We have outstanding $1.50 billion of Notes Due 2030, $1.00 billion of Notes Due 2040, $2.00 billion of Notes Due 2050, and $500 million of Notes due 2060, or collectively, the March 2020 Notes.

We have outstanding $1.00 billion of Notes due 2021 and $1.00 billion of Notes due 2026, or collectively, the September 2016 Notes.

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 31, 2021, we had not borrowed any amounts under this agreement.

We have a $575 million commercial paper program to support general corporate purposes. As of January 31, 2021, we had not issued any commercial paper.

Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

**Contractual Obligations**

We have $157 million of long-term tax liabilities related to tax basis differences in Mellanox and unrecognized tax benefits of $395 million, which includes related interest and penalties of $43 million recorded in non-current income tax payable as of January 31, 2021. We are unable to reasonably estimate the timing of any potential tax liability, interest payments, or penalties in individual years due to uncertainties in the underlying income tax positions and the timing of the effective settlement of such tax positions. We are currently under examination by the Internal Revenue Service for our fiscal years 2018 and 2019. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further information.

For a description of our long-term debt, purchase obligations, and operating lease obligations, refer to Note 12, Note 13, and Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, respectively.

### Adoption of New and Recently Issued Accounting Pronouncements

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of adoption of new and recently issued accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Investment and Interest Rate Risk

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The investment portfolio is managed consistent with our overall liquidity strategy in support of both working capital needs and strategic growth of our businesses.

As of January 31, 2021, we performed a sensitivity analysis on our investment portfolio. According to our analysis, parallel shifts in the yield curve of both plus or minus 0.5%, taking into account a yield floor of 0%, would result in a decrease in fair value for these investments of $24 million, or an increase in fair value for these investments of $8 million, respectively.

In September 2016, we issued $1.00 billion of the Notes Due 2021 and $1.00 billion of the Notes Due 2026. In March 2020, we issued $1.50 billion of Notes Due 2030, $1.00 billion of Notes Due 2040, $2.00 billion of Notes Due 2050, and $500 million of Notes due 2060. We carry the Notes at face value less unamortized discount on our Consolidated Balance Sheets. As the Notes bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Foreign Exchange Rate Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Gains or losses from foreign currency remeasurement are included in other income or expense and to date have not been significant. The impact of foreign currency transaction gain or loss included in determining net income was not significant for fiscal years 2021 and 2020.

Sales and arrangements with third-party manufacturers provide for pricing and payment in United States dollars, and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the United States' dollar relative to other currencies would make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States' dollar relative to other currencies could result in our suppliers raising their prices in order to continue doing business with us. Additionally, we have international operations and incur expenditures in currencies other than U.S. dollars. Our operating expenses benefit from a stronger dollar and are adversely affected by a weaker dollar.

We use foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss, and then reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur.

We also use foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

If the U.S. dollar strengthened by 10% as of January 31, 2021 and January 26, 2020, the amount recorded in accumulated other comprehensive income (loss) related to our foreign exchange contracts before tax effect would have been approximately $84 million and $43 million lower as of January 31, 2021 and January 26, 2020, respectively. Change in value recorded in accumulated other comprehensive income (loss) would be expected to offset a corresponding change in hedged forecasted foreign currency expenses when recognized.

If an adverse 10% foreign exchange rate change was applied to our balance sheet hedging contracts, it would have resulted in an adverse impact on income before taxes of approximately $44 million and $29 million as of January 31, 2021 and January 26, 2020, respectively. These changes in fair values would be offset in other income (expense), net by corresponding change in fair values of the foreign currency denominated monetary assets and liabilities, assuming the hedge contracts fully cover the foreign currency denominated monetary assets and liabilities balances.

Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is set forth in our Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Controls and Procedures

#### Disclosure Controls and Procedures

Based on their evaluation as of January 31, 2021, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) were effective to provide reasonable assurance.

#### Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2021 based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 31, 2021.

The effectiveness of our internal control over financial reporting as of January 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

#### Changes in Internal Control Over Financial Reporting

Other than the acquisition of Mellanox that occurred during the second quarter of fiscal year 2021, there were no changes in our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting despite the fact that virtually all of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their operating effectiveness. We are in the process of integrating Mellanox into our systems and control environment. We believe that we have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during this integration.

### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NVIDIA have been detected.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

Certain information required by Part III is omitted from this report because we will file with the SEC a definitive proxy statement pursuant to Regulation 14A, or the 2021 Proxy Statement, no later than 120 days after the end of fiscal year 2021, and certain information included therein is incorporated herein by reference.

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors

Information regarding directors required by this item will be contained in our 2021 Proxy Statement under the caption "Proposal 1 - Election of Directors," and is hereby incorporated by reference.

### Identification of Executive Officers

Reference is made to the information regarding executive officers appearing under the heading "Information About Our Executive Officers" in Part I of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

### Identification of Audit Committee and Financial Experts

Information regarding our Audit Committee required by this item will be contained in our 2021 Proxy Statement under the captions "Report of the Audit Committee of the Board of Directors" and "Information About the Board of Directors and Corporate Governance," and is hereby incorporated by reference.

### Material Changes to Procedures for Recommending Directors

Information regarding procedures for recommending directors required by this item will be contained in our 2021 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance," and is hereby incorporated by reference.

### Delinquent Section 16(a) Reports

Information regarding compliance with Section 16(a) of the Exchange Act required by this item will be contained in our 2021 Proxy Statement under the caption "Delinquent Section 16(a) Reports," and is hereby incorporated by reference.

### Code of Conduct

Information regarding our Code of Conduct required by this item will be contained in our 2021 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance - Code of Conduct," and is hereby incorporated by reference. The full text of our Code of Conduct and Financial Team Code of Conduct are published on the Investor Relations portion of our website, under Governance, at www.nvidia.com. The contents of our website are not a part of this Annual Report on Form 10-K.

## ITEM 11. EXECUTIVE COMPENSATION

Information regarding our executive compensation required by this item will be contained in our 2021 Proxy Statement under the captions "Executive Compensation", "Compensation Committee Interlocks and Insider Participation", "Director Compensation" and "Compensation Committee Report," and is hereby incorporated by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Ownership of NVIDIA Securities

Information regarding ownership of NVIDIA securities required by this item will be contained in our 2021 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management," and is hereby incorporated by reference.

### Equity Compensation Plan Information

Information regarding our equity compensation plans required by this item will be contained in our 2021 Proxy Statement under the caption "Equity Compensation Plan Information," and is hereby incorporated by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related transactions and director independence required by this item will be contained in our 2021 Proxy Statement under the captions "Review of Transactions with Related Persons" and "Information About the Board of Directors and Corporate Governance - Independence of the Members of the Board of Directors," and is hereby incorporated by reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding accounting fees and services required by this item will be contained in our 2021 Proxy Statement under the caption "Fees Billed by the Independent Registered Public Accounting Firm," and is hereby incorporated by reference.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of NVIDIA Corporation

*Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of NVIDIA Corporation and its subsidiaries (the "Company") as of January 31, 2021 and January 26, 2020, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 31, 2021, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2021 and January 26, 2020, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in fiscal year 2020.

*Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

*Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Acquisition of Mellanox Technologies Ltd.- Valuation of Developed Technology and In-process Research and Development Intangible Assets Acquired*

As described in Note 2 to the consolidated financial statements, in fiscal year 2021 the Company completed the acquisition of Mellanox Technologies Ltd. for consideration of approximately $7.13 billion, of which $1,640 million of developed technology and $630 million of in-process research and development intangible assets were recorded. The fair values of developed technology and in-process research and development intangible assets were determined using the multi-period excess earnings method. As disclosed by management, management applied significant judgment in estimating the fair value of the intangible assets acquired, which involved the use of certain estimates and assumptions, including future economic and market conditions, revenue growth, the technology migration curve, and risk-adjusted discount rates.

The principal considerations for our determination that performing procedures relating to the valuation of the developed technology and in-process research and development intangible assets acquired in the acquisition of Mellanox Technologies Ltd. is a critical audit matter are (i) the high degree of auditor judgment and subjectivity in applying procedures relating to the fair value measurement of developed technology and in-process research and development intangible assets acquired due to the significant judgment by management when developing the estimate, (ii) significant audit effort in evaluating management’s assumptions relating to the estimate, such as revenue growth and the technology migration curve, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management’s valuation of the intangible assets and controls over development of the assumptions related to the revenue growth and the technology migration curve. These procedures also included, among others, reading the purchase agreement and testing management’s process for estimating the fair value of the developed technology and in-process research and development intangible assets acquired. Testing management’s process included evaluating the appropriateness of the valuation method and the reasonableness of management’s assumptions related to the revenue growth and the technology migration curve for the intangible assets acquired, and using professionals with specialized skill and knowledge to assist with the evaluation. Evaluating the reasonableness of the revenue growth involved considering the past performance of the acquired business as well as economic and industry forecasts. The technology migration curve was evaluated by considering the revenue attribution between existing technology and in-process research and development based on the assessment of the separation of forecasted future revenue between developed products and new generation products and the technology carryover rate.

*Valuation of Inventories - Provisions for Excess or Obsolete Inventories*

As described in Note 1 to the consolidated financial statements, the Company charges cost of sales for inventory provisions to write-down inventory to the lower of cost or net realizable value or for obsolete or excess inventory. Most of the Company’s inventory provisions relate to excess quantities of products, based on the Company’s inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. As disclosed by management, the inventory provisions developed include assumptions about future demand and market conditions. As of January 31, 2021, the Company’s consolidated inventories balance was $1,826 million.

The principal considerations for our determination that performing procedures relating to the valuation of inventories, specifically the provisions for excess or obsolete inventories, is a critical audit matter are the significant judgments by management when developing provisions for excess or obsolete inventories, including developing assumptions related to future demand and market conditions. This in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management’s assumptions related to future demand and market conditions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s provisions for excess or obsolete inventories, including controls over management’s assumptions related to future demand and market conditions. These procedures also included, among others, testing management’s process for developing the provisions for excess or obsolete inventories; evaluating the appropriateness of management’s approach; testing the completeness, accuracy, and relevance of underlying data used in the approach; and evaluating the reasonableness of management’s assumptions related to future demand and market conditions. Evaluating management’s assumptions related to future demand and market conditions involved evaluating whether the assumptions used by management were reasonable considering (i) current and past results, including historical product life cycle, (ii) the consistency with external market and industry data, (iii) changes in technology, and (iv) comparing prior period estimates to actual results of the same period.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 26, 2021

We have served as the Company’s auditor since 2004.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(In millions, except per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
| Revenue | $ 16,675 | $ 10,918 | $ 11,716 |
| Cost of revenue | 6,279 | 4,150 | 4,545 |
| Gross profit | 10,396 | 6,768 | 7,171 |
| Operating expenses | | | |
| Research and development | 3,924 | 2,829 | 2,376 |
| Sales, general and administrative | 1,940 | 1,093 | 991 |
| Total operating expenses | 5,864 | 3,922 | 3,367 |
| Income from operations | 4,532 | 2,846 | 3,804 |
| Interest income | 57 | 178 | 136 |
| Interest expense | (184) | (52) | (58) |
| Other, net | 4 | (2) | 14 |
| Other income (expense), net | (123) | 124 | 92 |
| Income before income tax | 4,409 | 2,970 | 3,896 |
| Income tax expense (benefit) | 77 | 174 | (245) |
| Net income | $ 4,332 | $ 2,796 | $ 4,141 |
| | | | |
| Net income per share: | | | |
| Basic | $ 7.02 | $ 4.59 | $ 6.81 |
| Diluted | $ 6.90 | $ 4.52 | $ 6.63 |
| | | | |
| Weighted average shares used in per share computation: | | | |
| Basic | 617 | 609 | 608 |
| Diluted | 628 | 618 | 625 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
| | | | |
| Net income | $ 4,332 | $ 2,796 | $ 4,141 |
| Other comprehensive income, net of tax | | | |
| Available-for-sale debt securities: | | | |
| Net unrealized gain | 2 | 8 | 10 |
| Reclassification adjustments for net realized gain (loss) included in net income | (2) | — | 1 |
| Net change in unrealized gain | — | 8 | 11 |
| Cash flow hedges: | | | |
| Net unrealized gain | 9 | 10 | 6 |
| Reclassification adjustments for net realized gain (loss) included in net income | 9 | (5) | (11) |
| Net change in unrealized gain (loss) | 18 | 5 | (5) |
| Other comprehensive income, net of tax | 18 | 13 | 6 |
| Total comprehensive income | $ 4,350 | $ 2,809 | $ 4,147 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In millions, except par value)**

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 847 | $ 10,896 |
| Marketable securities | 10,714 | 1 |
| Accounts receivable, net | 2,429 | 1,657 |
| Inventories | 1,826 | 979 |
| Prepaid expenses and other current assets | 239 | 157 |
| Total current assets | 16,055 | 13,690 |
| Property and equipment, net | 2,149 | 1,674 |
| Operating lease assets | 707 | 618 |
| Goodwill | 4,193 | 618 |
| Intangible assets, net | 2,737 | 49 |
| Deferred income tax assets | 806 | 548 |
| Other assets | 2,144 | 118 |
| Total assets | $ 28,791 | $ 17,315 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,201 | $ 687 |
| Accrued and other current liabilities | 1,725 | 1,097 |
| Short-term debt | 999 | — |
| Total current liabilities | 3,925 | 1,784 |
| Long-term debt | 5,964 | 1,991 |
| Long-term operating lease liabilities | 634 | 561 |
| Other long-term liabilities | 1,375 | 775 |
| Total liabilities | 11,898 | 5,111 |
| Commitments and contingencies - see Note 13 | | |
| Shareholders’ equity: | | |
| Preferred stock, $0.001 par value; 2 shares authorized; none issued | — | — |
| Common stock, $0.001 par value; 2,000 shares authorized; 965 shares issued and 620 outstanding as of January 31, 2021; 955 shares issued and 612 outstanding as of January 26, 2020 | 1 | 1 |
| Additional paid-in capital | 8,721 | 7,045 |
| Treasury stock, at cost (345 shares in 2021 and 342 shares in 2020) | (10,756) | (9,814) |
| Accumulated other comprehensive income | 19 | 1 |
| Retained earnings | 18,908 | 14,971 |
| Total shareholders' equity | 16,893 | 12,204 |
| Total liabilities and shareholders' equity | $ 28,791 | $ 17,315 |

See accompanying notes to the consolidated financial statements.

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# NVIDIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (In millions, except per share data) | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balances, January 28, 2018 | 606 | $ 1 | $ 5,351 | $ (6,650) | $ (18) | $ 8,787 | $ 7,471 |
| Retained earnings adjustment due to adoption of an accounting standard related to income tax consequences of an intra-entity transfer of an asset | — | — | — | — | — | 8 | 8 |
| Other comprehensive income | — | — | — | — | 6 | — | 6 |
| Net income | — | — | — | — | — | 4,141 | 4,141 |
| Convertible debt conversion | 1 | — | — | — | — | — | — |
| Issuance of common stock from stock plans | 13 | — | 137 | — | — | — | 137 |
| Tax withholding related to vesting of restricted stock units | (4) | — | — | (1,032) | — | — | (1,032) |
| Share repurchase | (9) | — | — | (1,579) | — | — | (1,579) |
| Exercise of convertible note hedges | (1) | — | 2 | (2) | — | — | — |
| Cash dividends declared and paid ($0.610 per common share) | — | — | — | — | — | (371) | (371) |
| Stock-based compensation | — | — | 561 | — | — | — | 561 |
| Balances, January 27, 2019 | 606 | 1 | 6,051 | (9,263) | (12) | 12,565 | 9,342 |
| Other comprehensive income | — | — | — | — | 13 | — | 13 |
| Net income | — | — | — | — | — | 2,796 | 2,796 |
| Issuance of common stock from stock plans | 9 | — | 149 | — | — | — | 149 |
| Tax withholding related to vesting of restricted stock units | (3) | — | — | (551) | — | — | (551) |
| Cash dividends declared and paid ($0.640 per common share) | — | — | — | — | — | (390) | (390) |
| Stock-based compensation | — | — | 845 | — | — | — | 845 |
| Balances, January 26, 2020 | 612 | 1 | 7,045 | (9,814) | 1 | 14,971 | 12,204 |
| Other comprehensive income | — | — | — | — | 18 | — | 18 |
| Net income | — | — | — | — | — | 4,332 | 4,332 |
| Issuance of common stock from stock plans | 11 | — | 194 | — | — | — | 194 |
| Tax withholding related to vesting of restricted stock units | (3) | — | — | (942) | — | — | (942) |
| Cash dividends declared and paid ($0.640 per common share) | — | — | — | — | — | (395) | (395) |
| Fair value of partially vested equity awards assumed in connection with acquisitions | — | — | 86 | — | — | — | 86 |
| Stock-based compensation | — | — | 1,396 | — | — | — | 1,396 |
| Balances, January 31, 2021 | 620 | $ 1 | $ 8,721 | $(10,756) | $ 19 | $18,908 | $16,893 |

See accompanying notes to the consolidated financial statements.

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**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| Cash flows from operating activities: | | | |
| Net income | $ 4,332 | $ 2,796 | $ 4,141 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 1,397 | 844 | 557 |
| Depreciation and amortization | 1,098 | 381 | 262 |
| Deferred income taxes | (282) | 18 | (315) |
| Other | (20) | 5 | (45) |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (550) | (233) | (149) |
| Inventories | (524) | 597 | (776) |
| Prepaid expenses and other assets | (394) | 77 | (55) |
| Accounts payable | 363 | 194 | (135) |
| Accrued and other current liabilities | 239 | 54 | 256 |
| Other long-term liabilities | 163 | 28 | 2 |
| Net cash provided by operating activities | 5,822 | 4,761 | 3,743 |
| Cash flows from investing activities: | | | |
| Proceeds from maturities of marketable securities | 8,792 | 4,744 | 7,232 |
| Proceeds from sales of marketable securities | 527 | 3,365 | 428 |
| Purchases of marketable securities | (19,308) | (1,461) | (11,148) |
| Acquisitions, net of cash acquired | (8,524) | (4) | — |
| Purchases related to property and equipment and intangible assets | (1,128) | (489) | (600) |
| Investments and other, net | (34) | (10) | (9) |
| Net cash provided by (used in) investing activities | (19,675) | 6,145 | (4,097) |
| Cash flows from financing activities: | | | |
| Issuance of debt, net of issuance costs | 4,968 | — | — |
| Proceeds related to employee stock plans | 194 | 149 | 137 |
| Payments related to tax on restricted stock units | (942) | (551) | (1,032) |
| Dividends paid | (395) | (390) | (371) |
| Principal payments on property and equipment | (17) | — | — |
| Payments related to repurchases of common stock | — | — | (1,579) |
| Repayment of Convertible Notes | — | — | (16) |
| Other | (4) | — | (5) |
| Net cash provided by (used in) financing activities | 3,804 | (792) | (2,866) |
| Change in cash and cash equivalents | (10,049) | 10,114 | (3,220) |
| Cash and cash equivalents at beginning of period | 10,896 | 782 | 4,002 |
| Cash and cash equivalents at end of period | $ 847 | $ 10,896 | $ 782 |
| ***Supplemental disclosures of cash flow information:*** | | | |
| Cash paid for income taxes, net | $ 249 | $ 176 | $ 61 |
| Cash paid for interest | $ 138 | $ 54 | $ 55 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## Note 1 - Organization and Summary of Significant Accounting Policies

### Our Company

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

All references to "NVIDIA," "we," "us," "our" or the "Company" mean NVIDIA Corporation and its subsidiaries.

### Fiscal Year

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal year 2021 is a 53-week year. Fiscal years 2020 and 2019 were both 52-week years.

### Reclassifications

Certain prior fiscal year balances have been reclassified to conform to the current fiscal year presentation.

### Principles of Consolidation

Our consolidated financial statements include the accounts of NVIDIA Corporation and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, litigation, investigation and settlement costs, restructuring and other charges, and other contingencies. The inputs into our judgments and estimates consider the economic implications of COVID-19. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract (where revenue is allocated on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation); and (5) recognition of revenue when, or as, we satisfy a performance obligation.

**Product Sales Revenue**

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Certain products are sold along with support or extended warranty. Support and extended warranty revenue are recognized ratably over the service period, or as services are performed. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners' activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

### Software Licensing

Our software licenses provide our customers with a right to use the software when it is made available to the customer. Customers may purchase either perpetual licenses or subscriptions to licenses, which differ mainly in the duration over which the customer benefits from the software. Software licenses are frequently sold along with post-contract customer support, or PCS. Revenue from software licenses is recognized up front when the software is made available to the customer. PCS revenue is recognized ratably over the service period, or as services are performed.

## Product Warranties

We generally offer a limited warranty to end-users that ranges from one to three years for products in order to repair or replace products for any manufacturing defects or hardware component failures. Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. We also accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

## Stock-based Compensation

We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs, and performance stock units that are based on our corporate financial performance targets, or PSUs. We use a Monte Carlo simulation on the date of grant to estimate the fair value of performance stock units that are based on market conditions, or market-based PSUs. The compensation expense for RSUs and market-based PSUs is recognized using a straight-line attribution method over the requisite employee service period while compensation expense for PSUs is recognized using an accelerated amortization model. We estimate the fair value of shares to be issued under our employee stock purchase plan, or ESPP, using the Black-Scholes model at the commencement of an offering period in March and September of each year. Stock-based compensation for our ESPP is expensed using an accelerated amortization model. Additionally, we estimate forfeitures annually based on historical experience and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates.

## Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. There are many uncertainties associated with any litigation or investigation, and we cannot be certain that these actions or other third-party claims against us will be resolved without litigation, fines and/or substantial settlement payments. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

### Foreign Currency Remeasurement

We use the United States dollar as our functional currency for all of our subsidiaries. Foreign currency monetary assets and liabilities are remeasured into United States dollars at end-of-period exchange rates. Non-monetary assets and liabilities such as property and equipment, and equity are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the previously noted balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income or expense in our Consolidated Statements of Income and to date have not been significant.

## Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 31, 2021, we had a valuation allowance of $728 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to jurisdictional projections of future taxable income, tax attributes usage limitation by certain jurisdictions, and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax assets as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

## Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Under the treasury stock method, the effect of equity awards outstanding is not included in the computation of diluted net income per share for periods when their effect is anti-dilutive.

## Cash and Cash Equivalents and Marketable Securities

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents. Marketable securities consist of highly liquid debt investments with maturities of greater than three months when purchased. We currently classify our investments as current based on the nature of the investments and their availability for use in current operations.

We generally classify our cash equivalents and marketable securities related to debt securities at the date of acquisition as available-for-sale. These available-for-sale debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. The fair value of interest-bearing debt securities includes accrued interest. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income (expense), net, section of our Consolidated Statements of Income.

All of our available-for-sale debt investments are subject to a periodic impairment review. If the estimated fair value of an available-for-sale debt securities is less than its amortized cost basis, we determine if the difference, if any, is caused by expected credit losses and write-down the amortized cost basis of the securities if it is more likely than not we will be required or we intend to sell the securities before recovery of its amortized cost basis. Allowances for credit losses and write-downs are recognized in other income (expense), net section of our Consolidated Statements of Income.

### Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their relatively short maturities as of January 31, 2021 and January 26, 2020. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains or losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as fair value hedges, the gains or losses are recognized in earnings in the periods of change together with the offsetting losses or gains on the hedged items attributed to the risk being hedged. For derivative instruments designated as cash-flow hedges, the effective portion of the gains or losses on the derivatives is initially reported as a component of other comprehensive income or loss and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. For derivative instruments not designated for hedge accounting, changes in fair value are recognized in earnings.

### Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities, and accounts receivable. Our investment policy requires the purchase of highly-rated fixed income securities, the diversification of investment type and credit exposures, and includes certain limits on our portfolio duration. We perform ongoing credit evaluations of our customers' financial condition and maintain an allowance for potential credit losses. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. Our overall estimated exposure excludes amounts covered by credit insurance and letters of credit.

### Accounts Receivable

We maintain an allowance for doubtful accounts receivable for expected losses resulting from the inability of our customers to make required payments. We determine this allowance by identifying amounts for specific customer issues as well as amounts based on overall estimated exposure. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the extent to which balances are covered by credit insurance or letters of credit.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write-down our inventory to the lower of cost or net realizable value or for obsolete or excess inventory. Most of our inventory provisions relate to excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets, generally three to five years. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded. The estimated useful lives of our buildings are up to thirty years. Depreciation expense includes the amortization of assets recorded under finance leases. Leasehold improvements and assets recorded under finance leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset.

### Leases

We determine if an arrangement is or contains a lease at inception. Operating leases with lease terms of more than 12 months are included in operating lease assets, accrued and other current liabilities, and long-term operating lease liabilities on our consolidated balance sheet. Operating lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments over the lease term.

Operating lease assets and liabilities are recognized based on the present value of the remaining lease payments discounted using our incremental borrowing rate. Operating lease assets also include initial direct costs incurred and prepaid lease payments, minus any lease incentives. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

We combine the lease and non-lease components in determining the operating lease assets and liabilities.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist. For the purposes of completing our impairment test, we perform either a qualitative or a quantitative analysis on a reporting unit basis.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting units.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. The income and market valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business.

### Intangible Assets and Other Long-Lived Assets

Intangible assets primarily represent acquired intangible assets including developed technology, in-process research and development, or IPR&D, and customer relationships, as well as rights acquired under technology licenses, patents, and acquired intellectual property. We currently amortize our intangible assets with finite lives over periods ranging from two to twenty years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up or, if that pattern cannot be reliably determined, using a straight-line amortization method. We initially capitalize the fair value of IPR&D as an intangible asset with an indefinite life. When IPR&D projects are completed, we reclassify the IPR&D as an amortizable purchased intangible asset and amortize over the asset's estimated useful life.

Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Fair value is determined based on the estimated discounted future cash flows expected to be generated by the asset or asset group. Assets and liabilities to be disposed of would be separately presented in the Consolidated Balance Sheet and the assets would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

### Business Combination

We allocate the fair value of the purchase price of an acquisition to the tangible assets acquired, liabilities assumed, and intangible assets acquired, including IPR&D, based on their estimated fair values. The excess of the fair value of the purchase price over the fair values of these net tangible and intangible assets acquired is recorded as goodwill. Management's estimates of fair value are based upon assumptions believed to be reasonable, but our estimates and assumptions are inherently uncertain and subject to refinement. The estimates and assumptions used in valuing intangible assets include, but are not limited to, the amount and timing of projected future cash flows, discount rate used to determine the present value of these cash flows and asset lives. These estimates are inherently uncertain and, therefore, actual results may differ from the estimates made. As a result, during the measurement period of up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of the purchase price of an acquisition, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Income.

Acquisition-related expenses are recognized separately from the business combination and expensed as incurred.

### Investment in Non-Affiliated Entities

Non-marketable equity investments in privately-held companies are recorded at fair value on a non-recurring basis only if an impairment or observable price adjustment occurs in the period with changes in fair value recorded through net income. These investments are valued using observable and unobservable inputs or data in an inactive market and the valuation requires our judgment due to the absence of market prices and inherent lack of liquidity. The estimated fair value is based on quantitative and qualitative factors including subsequent financing activities by the investee.

### Adoption of New and Recently Issued Accounting Pronouncements

**Recently Adopted Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board issued a new accounting standard to replace the existing incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates for accounts receivable and other financial instruments, including available-for-sale debt securities. We adopted the standard in the first quarter of fiscal year 2021 and the impact of the adoption was not material to our consolidated financial statements.

## Note 2 - Business Combination

### Pending Acquisition of Arm Limited

On September 13, 2020, we entered into a Purchase Agreement with Arm and SoftBank for us to acquire, from SoftBank all allotted and issued ordinary shares of Arm in a transaction valued at $40 billion. We paid $2 billion in Signing Consideration and will pay upon closing of the acquisition $10 billion in cash and issue to SoftBank 44.3 million shares of our common stock with an aggregate value of $21.5 billion. The transaction includes a potential earn out, which is contingent on the achievement of certain financial performance targets by Arm during the fiscal year ending March 31, 2022. If the financial targets are achieved, SoftBank can elect to receive either up to an additional $5 billion in cash or up to an additional 10.3 million shares of our common stock. We will issue up to $1.5 billion in restricted stock units to Arm employees after closing. The $2 billion paid upon signing was allocated between advanced consideration for the acquisition of $1.36 billion and the prepayment of intellectual property licenses from Arm of $0.17 billion and royalties of $0.47 billion, both with a 20-year term. The closing of the acquisition is subject to customary closing conditions, including receipt of specified governmental and regulatory consents and approvals and expiration of any related mandatory waiting period, and Arm's implementation of the reorganization and distribution of Arm’s IoT Services Group and certain other assets and liabilities. We are engaged with regulators in the United States, the United Kingdom, the European Union, China and other jurisdictions. If the Purchase Agreement is terminated under certain circumstances, we will be refunded $1.25 billion of the Signing Consideration. The $2 billion payment upon signing was allocated on a fair value basis and any refund of the Signing Consideration will use stated values in the Purchase Agreement. We believe the closing of the acquisition will likely occur in the first quarter of calendar year 2022.

### Acquisition of Mellanox Technologies, Ltd.

On April 27, 2020, we completed the acquisition of all outstanding shares of Mellanox for a total purchase consideration of $7.13 billion. Mellanox is a supplier of high-performance interconnect products for computing, storage and communications applications. We acquired Mellanox to optimize data center workloads to scale across the entire computing, networking, and storage stack.

## Purchase Price Allocation

The aggregate purchase consideration has been allocated as follows (in millions):

| | | |
|---|---|---|
| **Purchase Price** | | |
| Cash paid for outstanding Mellanox ordinary shares (1) | $ | 7,033 |
| Cash for Mellanox equity awards (2) | | 16 |
| Total cash consideration | | 7,049 |
| Fair value of Mellanox equity awards assumed by NVIDIA (3) | | 85 |
| Total purchase consideration | $ | 7,134 |
| | | |
| **Allocation** | | |
| Cash and cash equivalents | $ | 115 |
| Marketable securities | | 699 |
| Accounts receivable, net | | 216 |
| Inventories | | 320 |
| Prepaid expenses and other assets | | 179 |
| Property and equipment, net | | 144 |
| Goodwill | | 3,431 |
| Intangible assets | | 2,970 |
| Accounts payable | | (136) |
| Accrued and other current liabilities | | (236) |
| Income tax liability | | (191) |
| Deferred income tax liability | | (258) |
| Other long-term liabilities | | (119) |
| | $ | 7,134 |

(1) Represents the cash consideration of $125.00 per share paid to Mellanox shareholders for approximately 56 million shares of outstanding Mellanox ordinary shares.

(2) Represents the cash consideration for the settlement of approximately 249 thousand Mellanox stock options held by employees and non-employee directors of Mellanox.

(3) Represents the fair value of Mellanox's stock-based compensation awards attributable to pre-combination services.

We allocated the purchase price to tangible and identified intangible assets acquired and liabilities assumed based on the estimated fair values.

The goodwill is primarily attributable to the planned growth in the combined business of NVIDIA and Mellanox. Goodwill is not amortized to earnings, but instead is reviewed for impairment at least annually, absent any interim indicators of impairment. Goodwill recognized in the acquisition is not expected to be deductible for foreign tax purposes. Goodwill arising from the Mellanox acquisition has been allocated to the Compute and Networking segment. Refer to Note 17 – Segment Information for further details on segments.

The operating results of Mellanox have been included in our consolidated financial statements for fiscal year 2021 since the acquisition date of April 27, 2020. Revenue attributable to Mellanox was approximately 10% for fiscal year 2021. There is not a practical way to determine net income attributable to Mellanox due to integration. Acquisition-related costs attributable to Mellanox of $28 million were included in selling, general and administrative expense for fiscal year 2021.

## Intangible Assets

The estimated fair value and useful life of the acquired intangible assets are as follows:

| | Fair Value | Useful Lives |
|---|---|---|
| | *(In millions)* | |
| Developed technology (1) | $ 1,640 | 5 years |
| Customer relationships (2) | 440 | 3 years |
| Order backlog (3) | 190 | Based on actual shipments |
| Trade names (4) | 70 | 5 years |
| Total identified finite-lived intangible assets | 2,340 | |
| IPR&D (5) | 630 | N/A |
| Total identified intangible assets | $ 2,970 | |

(1) The fair value of developed technology was identified using the Multi-Period Excess Earnings Method.
(2) Customer relationships represent the fair value of the existing relationships using the With and Without Method.
(3) Order backlog represents primarily the fair value of purchase arrangements with customers using the Multi-Period Excess Earnings Method. The intangible asset was fully amortized as of January 31, 2021.
(4) Trade names primarily relate to Mellanox trade names and fair value was determined by applying the Relief-from-Royalty Method under the income approach.
(5) The fair value of IPR&D was determined using the Multi-Period Excess Earnings Method.

The fair value of the finite-lived intangible assets will be amortized over the estimated useful lives based on the pattern in which the economic benefits are expected to be received to cost of revenue and operating expenses.

Mellanox had an IPR&D project associated with the next generation interconnect product that had not yet reached technological feasibility as of the acquisition date. Accordingly, we recorded an indefinite-lived intangible asset of $630 million for the fair value of this project, which will initially not be amortized. Instead, the project will be tested for impairment annually and whenever events or changes in circumstances indicate that the project may be impaired or may have reached technological feasibility. Once the project reaches technological feasibility, we will begin to amortize the intangible asset over its estimated useful life.

## Supplemental Unaudited Pro Forma Information

The following unaudited pro forma financial information summarizes the combined results of operations for NVIDIA and Mellanox as if the companies were combined as of the beginning of fiscal year 2020:

| | Pro Forma | |
|---|---|---|
| | Year Ended | |
| | January 31, 2021 | January 26, 2020 |
| | *(In millions)* | |
| Revenue | $ 17,104 | $ 12,250 |
| Net income | $ 4,757 | $ 2,114 |

The unaudited pro forma information includes adjustments related to amortization of acquired intangible assets, adjustments to stock-based compensation expense, fair value of acquired inventory, and transaction costs. The unaudited pro forma information presented above is for informational purposes only and is not necessarily indicative of our consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of fiscal year 2020 or of the results of our future operations of the combined businesses.

The pro forma results reflect the inventory step-up expense of $161 million in the fiscal year 2020 and were excluded from the pro forma results for fiscal year 2021. There were no other material nonrecurring adjustments.

## Note 3 - Leases

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On January 28, 2019, we adopted the new lease accounting standard using the optional transition method.

Our lease obligations primarily consist of operating leases for our headquarters complex, domestic and international office facilities, and data center space, with lease periods expiring between fiscal years 2022 and 2035.

Future minimum lease payments under our non-cancelable operating leases as of January 31, 2021, are as follows:

| **Fiscal Year:** |
| --- |
| 2022 |
| 2023 |
| 2024 |
| 2025 |
| 2026 |
| 2027 and thereafter |
| Total |
| Less imputed interest |
| Present value of net future minimum lease payments |
| Less short-term operating lease liabilities |
| Long-term operating lease liabilities |

Operating lease expense for fiscal years 2021, 2020, and 2019 was $145 million, $114 million, $80 million, respectively. Short-term and variable lease expenses for fiscal years 2021 and 2020 were not significant.

Other information related to leases was as follows:

| | **Year Ended** | |
| --- | --- | --- |
| | **January 31, 2021** | **January 26, 2020** |
| | *(In millions)* | |
| **Supplemental cash flows information** | | |
| Operating cash flows used for operating leases | $ 141 | $ 103 |
| Operating lease assets obtained in exchange for lease obligations (1) | $ 200 | $ 238 |

(1) Fiscal year 2021 includes $80 million of operating lease assets addition due to a business combination.

As of January 31, 2021, our operating leases had a weighted average remaining lease term of 7.6 years and a weighted average discount rate of 2.87%. As of January 26, 2020, our operating leases had a weighted average remaining lease term of 8.3 years and a weighted average discount rate of 3.45%.

## Note 4 - Stock-Based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our ESPP.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

Our Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

| | Year Ended | | |
|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
| | | *(In millions)* | |
| Cost of revenue | $ 88 | $ 39 | $ 27 |
| Research and development | 860 | 540 | 336 |
| Sales, general and administrative | 449 | 265 | 194 |
| Total | $ 1,397 | $ 844 | $ 557 |

Stock-based compensation capitalized in inventories was not significant during fiscal years 2021, 2020, and 2019.

The following is a summary of equity awards granted under our equity incentive plans:

| | Year Ended | | |
|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
| | *(In millions, except per share data)* | | |
| **RSUs, PSUs and Market-based PSUs** | | | |
| Awards granted | 9 | 7 | 4 |
| Estimated total grant-date fair value | $ 2,764 | $ 1,282 | $ 1,109 |
| Weighted average grant-date fair value per share | $ 307.25 | $ 184.47 | $ 258.26 |
| **ESPP** | | | |
| Shares purchased | 1 | 1 | 1 |
| Weighted average price per share | $ 139.19 | $ 148.76 | $ 107.48 |
| Weighted average grant-date fair value per share | $ 67.65 | $ 64.87 | $ 38.51 |

As of January 31, 2021, there was $3.17 billion of aggregate unearned stock-based compensation expense, net of forfeitures. This amount is expected to be recognized over a weighted average period of 2.5 years for RSUs, PSUs, and market-based PSUs, and 0.9 years for ESPP.

The fair value of shares issued under our ESPP have been estimated with the following assumptions:

| | Year Ended | | |
|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
| | *(Using the Black-Scholes model)* | | |
| **ESPP** | | | |
| Weighted average expected life (in years) | 0.1-2.0 | 0.1-2.0 | 0.1-2.0 |
| Risk-free interest rate | 0.1%-1.6% | 1.5%-2.6% | 1.6%-2.8% |
| Volatility | 26%-89% | 30%-82% | 24%-75% |
| Dividend yield | 0.1%-0.3% | 0.3%-0.4% | 0.3%-0.4% |

For ESPP shares, the expected term represents the average term from the first day of the offering period to the purchase date. The risk-free interest rate assumption used to value ESPP shares is based upon observed interest rates on Treasury bills appropriate for the expected term. Our expected stock price volatility assumption for ESPP is estimated using historical volatility. For awards granted, we use the dividend yield at grant date. Our RSU, PSU, and market-based PSU awards are not eligible for cash dividends prior to vesting; therefore, the fair values of RSUs, PSUs, and market-based PSUs are discounted for the dividend yield.

Additionally, for RSU, PSU, and market-based PSU awards, we estimate forfeitures semi-annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

## Equity Incentive Program

We grant or have granted stock options, RSUs, PSUs, market-based PSUs, and stock purchase rights under the following equity incentive plans. In addition, in connection with our acquisitions of various companies, we have assumed the stock-based awards granted under their stock incentive plans and substituted them with our RSUs.

### Amended and Restated 2007 Equity Incentive Plan

In 2007, our shareholders approved the NVIDIA Corporation 2007 Equity Incentive Plan, as most recently amended and restated, the 2007 Plan.

The 2007 Plan authorizes the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards to employees, directors and consultants. Only our employees may receive incentive stock options. As of January 31, 2021, up to 244 million shares of our common stock could be issued pursuant to stock awards granted under the 2007 Plan, of which 2 million shares were issuable upon the exercise of outstanding stock options. All options are fully vested, the last of which will expire by May 2024 if not exercised. Currently, we grant RSUs, PSUs and market-based PSUs under the 2007 Plan, under which, as of January 31, 2021, there were 37 million shares available for future issuance.

Subject to certain exceptions, RSUs and PSUs granted to employees either vest (A) over a four-year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and 6.25% vesting quarterly thereafter, or (B) over a three-year period, subject to continued service, with 40% vesting on a pre-determined date that is close to the anniversary of the date of grant and 7.5% vesting quarterly thereafter. Market-based PSUs vest 100% on approximately the three-year anniversary of the date of grant. However, the number of shares subject to both PSUs and market-based PSUs that are eligible to vest is generally determined by the Compensation Committee based on achievement of pre-determined criteria.

### Amended and Restated 2012 Employee Stock Purchase Plan

In 2012, our shareholders approved the 2012 Employee Stock Purchase Plan, as most recently amended and restated, the 2012 Plan.

Employees who participate may have up to 10% of their earnings withheld to the purchase of shares of common stock. Starting in March 2021, employees who participate may have up to 15% of their earnings withheld to purchase shares of common stock. The Board may decrease this percentage at its discretion. Each offering period is approximately 24 months, which is generally divided into four purchase periods of six months. The price of common stock purchased under our 2012 Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period and the fair market value on each purchase date within the offering. As of January 31, 2021, we had 60 million shares reserved for future issuance under the 2012 Plan.

### Equity Award Activity

The following is a summary of our equity award transactions under our equity incentive plans:

| | RSUs, PSUs and Market-based PSUs Outstanding | |
|---|---|---|
| | Number of Shares | Weighted Average Grant-Date Fair Value |
| | (In millions, except years and per share data) | |
| Balances, January 26, 2020 | 14 | $ 176.72 |
| Granted | 9 | $ 307.25 |
| Vested restricted stock | (7) | $ 159.35 |
| Canceled and forfeited | (1) | $ 193.83 |
| Balances, January 31, 2021 | 15 | $ 264.69 |
| Vested and expected to vest after January 31, 2021 | 14 | $ 264.13 |

As of January 31, 2021 and January 26, 2020, there were 37 million and 29 million shares, respectively, of common stock reserved for future issuance under our equity incentive plans.

As of January 31, 2021, the total intrinsic value of options currently exercisable and outstanding was $1.20 billion, with an average exercise price of $14.40 per share and an average remaining term of 1.7 years. The total intrinsic value of options exercised was $521 million, $84 million, and $180 million for fiscal years 2021, 2020, and 2019, respectively. Upon the exercise of an option, we issue new shares of stock.

The total fair value of RSUs and PSUs, as of their respective vesting dates, during the years ended January 31, 2021, January 26, 2020, and January 27, 2019, was $2.67 billion, $1.45 billion, and $2.62 billion, respectively.

## Note 5 - Net Income Per Share

The following is a reconciliation of the denominator of the basic and diluted net income per share computations for the periods presented:

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| | *(In millions, except per share data)* | | |
| Numerator: | | | |
| Net income | $ 4,332 | $ 2,796 | $ 4,141 |
| Denominator: | | | |
| Basic weighted average shares | 617 | 609 | 608 |
| Dilutive impact of outstanding equity awards | 11 | 9 | 17 |
| Diluted weighted average shares | 628 | 618 | 625 |
| Net income per share: | | | |
| Basic (1) | $ 7.02 | $ 4.59 | $ 6.81 |
| Diluted (2) | $ 6.90 | $ 4.52 | $ 6.63 |
| Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive | 3 | 11 | 5 |

(1) Calculated as net income divided by basic weighted average shares.

(2) Calculated as net income divided by diluted weighted average shares.

## Note 6 - Goodwill

We changed our reportable segments to "Graphics" and "Compute & Networking" starting with the first quarter of fiscal year 2021, as discussed in Note 17 of these Notes to the Consolidated Financial Statements. As a result, our reporting units also changed, and we reassigned the goodwill balance to the new reporting units based on their relative fair values. Comparative periods presented reflect this change. We determined there was no goodwill impairment immediately prior to the reorganization. As of January 31, 2021, the total carrying amount of goodwill was $4.19 billion and the amount of goodwill allocated to our Graphics and Compute & Networking reporting units was $347 million and $3.85 billion, respectively. As of January 26, 2020, the total carrying amount of goodwill was $618 million and the amount of goodwill allocated to our Graphics and Compute & Networking reporting units was $347 million and $271 million, respectively. Goodwill increased by $3.57 billion in fiscal year 2021 due to goodwill of $3.43 billion arising from the Mellanox acquisition, and goodwill of $143 million from other acquisition activities, all of which were allocated to the Compute & Networking reporting unit. During the fourth quarters of fiscal years 2021, 2020, and 2019, we completed our annual impairment tests and concluded that goodwill was not impaired in any of these years.

## Note 7 - Amortizable Intangible Assets

The components of our amortizable intangible assets are as follows:

| | January 31, 2021 | | | January 26, 2020 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In millions) | | | (In millions) | |
| Acquisition-related intangible assets (1) | $ 3,280 | $ (774) | $ 2,506 | $ 195 | $ (192) | $ 3 |
| Patents and licensed technology | 706 | (475) | 231 | 520 | (474) | 46 |
| Total intangible assets | $ 3,986 | $ (1,249) | $ 2,737 | $ 715 | $ (666) | $ 49 |

(1) As of January 31, 2021, acquisition-related intangible assets include the fair value of a Mellanox IPR&D project of $630 million, which has not been amortized. Once the project reaches technological feasibility, we will begin to amortize the intangible asset over its estimated useful life. Refer to Note 2 of these Notes to the Consolidated Financial Statements for further details.

Amortization expense associated with intangible assets for fiscal years 2021, 2020, and 2019 was $612 million, $25 million, and $29 million, respectively. Future amortization expense related to the net carrying amount of intangible assets as of January 31, 2021 is estimated to be $548 million in fiscal year 2022, $545 million in fiscal year 2023, $423 million in fiscal year 2024, $367 million in fiscal year 2025, $97 million in fiscal year 2026, and $757 million in fiscal year 2027 and thereafter.

## Note 8 - Cash Equivalents and Marketable Securities

Our cash equivalents and marketable securities related to debt securities are classified as “available-for-sale” debt securities.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
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The following is a summary of cash equivalents and marketable securities as of January 31, 2021 and January 26, 2020:

| | January 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Corporate debt securities | $ 4,442 | $ 2 | $ — | $ 4,444 | $ 234 | $ 4,210 |
| Debt securities issued by United States government agencies | 2,975 | 1 | — | 2,976 | 28 | 2,948 |
| Debt securities issued by the United States Treasury | 2,846 | — | — | 2,846 | 25 | 2,821 |
| Certificates of deposit | 705 | — | — | 705 | 37 | 668 |
| Money market funds | 313 | — | — | 313 | 313 | — |
| Foreign government bonds | 67 | — | — | 67 | | 67 |
| Total | $ 11,348 | $ 3 | $ — | $ 11,351 | $ 637 | $ 10,714 |

| | January 26, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Money market funds | $ 7,507 | $ — | $ — | $ 7,507 | $ 7,507 | $ — |
| Debt securities issued by the United States Treasury | 1,358 | — | — | 1,358 | 1,358 | — |
| Debt securities issued by United States government agencies | 1,096 | — | — | 1,096 | 1,096 | — |
| Corporate debt securities | 592 | — | — | 592 | 592 | — |
| Foreign government bonds | 200 | — | — | 200 | 200 | — |
| Certificates of deposit | 27 | — | — | 27 | 27 | — |
| Asset-backed securities | 1 | — | — | 1 | — | 1 |
| Total | $ 10,781 | $ — | $ — | $ 10,781 | $ 10,780 | $ 1 |

Net realized gains and unrealized gains and losses were not significant for all periods presented.

The amortized cost and estimated fair value of cash equivalents and marketable securities as of January 31, 2021 and January 26, 2020 are shown below by contractual maturity.

| | January 31, 2021 | | January 26, 2020 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | (In millions) | | | |
| Less than one year | $ 10,782 | $ 10,783 | $ 10,781 | $ 10,781 |
| Due in 1 - 5 years | 566 | 568 | — | — |
| Total | $ 11,348 | $ 11,351 | $ 10,781 | $ 10,781 |

## Note 9 - Fair Value of Financial Assets and Liabilities

The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We review fair value hierarchy classification on a quarterly basis.

| | Pricing Category | Fair Value at January 31, 2021 | Fair Value at January 26, 2020 |
|---|---|---|---|
| | | (In millions) | |
| **Assets** | | | |
| Cash equivalents and marketable securities: | | | |
| Money market funds | Level 1 | $ 313 | $ 7,507 |
| Corporate debt securities | Level 2 | $ 4,444 | $ 592 |
| Debt securities issued by United States government agencies | Level 2 | $ 2,976 | $ 1,096 |
| Debt securities issued by the United States Treasury | Level 2 | $ 2,846 | $ 1,358 |
| Certificates of deposit | Level 2 | $ 705 | $ 27 |
| Foreign government bonds | Level 2 | $ 67 | $ 200 |
| Asset-backed securities | Level 2 | $ — | $ 1 |
| Other asset: | | | |
| Investment in non-affiliated entities (1) | Level 3 | $ 144 | $ 77 |
| **Liabilities** | | | |
| 2.20% Notes Due 2021 (2) | Level 2 | $ 1,011 | $ 1,006 |
| 3.20% Notes Due 2026 (2) | Level 2 | $ 1,124 | $ 1,065 |
| 2.85% Notes Due 2030 (2) | Level 2 | $ 1,654 | $ — |
| 3.50% Notes Due 2040 (2) | Level 2 | $ 1,152 | $ — |
| 3.50% Notes Due 2050 (2) | Level 2 | $ 2,308 | $ — |
| 3.70% Notes Due 2060 (2) | Level 2 | $ 602 | $ — |

(1) Investment in private non-affiliated entities is recorded at fair value on a non-recurring basis only if an impairment or observable price adjustment occurs in the period with changes in fair value recorded through net income. The amount recorded as of January 31, 2021 has not been significant.

(2) These liabilities are carried on our Consolidated Balance Sheets at their original issuance value, net of unamortized debt discount and issuance costs, and are not marked to fair value each period. Refer to Note 12 of these Notes to the Consolidated Financial Statements for additional information.

## Note 10 - Balance Sheet Components

Certain balance sheet components are as follows:

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | *(In millions)* | |
| **Inventories:** | | |
| Raw materials | $ 632 | $ 249 |
| Work in-process | 457 | 265 |
| Finished goods | 737 | 465 |
| Total inventories | $ 1,826 | $ 979 |

| | January 31, 2021 | January 26, 2020 | Estimated Useful Life |
|---|---|---|---|
| | *(In millions)* | | *(In years)* |
| **Property and Equipment:** | | | |
| Land | $ 218 | $ 218 | (A) |
| Building | 341 | 340 | 25-30 |
| Test equipment | 782 | 532 | 3-5 |
| Computer equipment and software | 1,187 | 908 | 3-5 |
| Leasehold improvements | 385 | 293 | (B) |
| Office furniture and equipment | 86 | 74 | 5 |
| Construction in process | 558 | 320 | (C) |
| Total property and equipment, gross | 3,557 | 2,685 | |
| Accumulated depreciation and amortization | (1,408) | (1,011) | |
| Total property and equipment, net | $ 2,149 | $ 1,674 | |

(A) Land is a non-depreciable asset.

(B) Leasehold improvements and finance leases are amortized based on the lesser of either the asset's estimated useful life or the expected lease term.

(C) Construction in process represents assets that are not available for their intended use as of the balance sheet date.

Depreciation expense for fiscal years 2021, 2020, and 2019 was $486 million, $355 million, and $233 million, respectively.

Accumulated amortization of leasehold improvements and finance leases was $223 million and $216 million as of January 31, 2021 and January 26, 2020, respectively.

| Other assets: | January 31, 2021 | January 26, 2020 |
| --- | --- | --- |
| | (In millions) | |
| Advanced consideration for acquisition | $ 1,357 | $ — |
| Prepaid royalties | 440 | 1 |
| Investment in non-affiliated entities | 144 | 77 |
| Deposits | 136 | 8 |
| Other | 67 | 32 |
| Total other assets | $ 2,144 | $ 118 |

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
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| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | *(In millions)* | |
| **Accrued and Other Current Liabilities:** | | |
| Customer program accruals | $ 630 | $ 462 |
| Accrued payroll and related expenses | 297 | 185 |
| Deferred revenue (1) | 288 | 141 |
| Licenses and royalties | 128 | 66 |
| Operating leases | 121 | 91 |
| Coupon interest on debt obligations | 74 | 20 |
| Taxes payable | 61 | 61 |
| Product warranty and return provisions | 39 | 24 |
| Professional service fees | 26 | 18 |
| Other | 61 | 29 |
| Total accrued and other current liabilities | $ 1,725 | $ 1,097 |

(1) Deferred revenue primarily includes customer advances and deferrals related to license and development arrangements and PCS.

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | *(In millions)* | |
| **Other Long-Term Liabilities:** | | |
| Income tax payable (1) | $ 836 | $ 528 |
| Deferred income tax | 241 | 29 |
| Deferred revenue (2) | 163 | 60 |
| Licenses payable | 56 | 110 |
| Employee benefits | 33 | 22 |
| Other | 46 | 26 |
| Total other long-term liabilities | $ 1,375 | $ 775 |

(1) As of January 31, 2021, income tax payable represents the long-term portion of the one-time transition tax payable of $284 million, long-term portion of the unrecognized tax benefits of $352 million, related interest and penalties of $43 million, and other foreign long-term tax payable of $157 million.
(2) Deferred revenue primarily includes deferrals related to PCS.

## Deferred Revenue

The following table shows the changes in deferred revenue during fiscal years 2021 and 2020.

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | *(In millions)* | |
| Balance at beginning of period | $ 201 | $ 138 |
| Deferred revenue added during the period | 536 | 334 |
| Addition due to business combinations | 75 | — |
| Revenue recognized during the period | (361) | (271) |
| Balance at end of period | $ 451 | $ 201 |

Revenue related to remaining performance obligations represents the remaining contracted license, development arrangements and PCS that has not been recognized. This includes related deferred revenue currently recorded and amounts that will be invoiced in future periods. As of January 31, 2021, the amount of our remaining performance that has not been recognized as revenue was $683 million, of which we expect to recognize approximately 44% as revenue over the next twelve months and the remainder thereafter. This amount excludes the value of remaining performance obligations for contracts with an original expected length of one year or less.

## Note 11 - Derivative Financial Instruments

We enter into foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. These contracts are designated as cash flow hedges for hedge accounting treatment. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss and reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur. The fair value of the contracts was not significant as of January 31, 2021 and January 26, 2020.

We enter into foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

The table below presents the notional value of our foreign currency forward contracts outstanding as of January 31, 2021 and January 26, 2020:

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | *(In millions)* | |
| Designated as cash flow hedges | $ 840 | $ 428 |
| Not designated for hedge accounting | $ 441 | $ 287 |

As of January 31, 2021, all designated foreign currency forward contracts mature within eighteen months. The expected realized gains and losses deferred into accumulated other comprehensive income (loss) related to foreign currency forward contracts within the next twelve months was not significant.

During fiscal years 2021 and 2020, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant and all such instruments were determined to be highly effective. Therefore, there were no gains or losses associated with ineffectiveness.

## Note 12 - Debt

### Long-Term Debt

In March 2020, we issued $1.50 billion of the 2.85% Notes Due 2030, $1.00 billion of the 3.50% Notes Due 2040, $2.00 billion of the 3.50% Notes Due 2050, and $500 million of the 3.70% Notes Due 2060, or collectively, the March 2020 Notes. Interest on the March 2020 Notes is payable on April 1 and October 1 of each year, beginning on October 1, 2020. Upon

30 days' notice to holders of the Notes, we may redeem the Notes for cash prior to maturity, at redemption prices that include accrued and unpaid interest, if any, and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Notes Due 2030 on or after January 1, 2030, the Notes Due 2040 on or after October 1, 2039, the Notes Due 2050 on or after October 1, 2049, or the Notes Due 2060 on or after October 1, 2059. The net proceeds from the March 2020 Notes were $4.97 billion, after deducting debt discount and issuance costs.

In September 2016, we issued $1.00 billion of the 2.20% Notes Due 2021, and $1.00 billion of the 3.20% Notes Due 2026, or collectively, the September 2016 Notes. Interest on the September 2016 Notes is payable on March 16 and September 16 of each year. Upon 30 days' notice to holders of the Notes, we may redeem the Notes for cash prior to maturity, at redemption prices that include accrued and unpaid interest, if any, and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Notes Due 2021 on or after August 16, 2021, or for redemptions of the Notes Due 2026 on or after June 16, 2026. The net proceeds from the September 2016 Notes were $1.98 billion, after deducting debt discount and issuance costs.

Both the September 2016 Notes and the March 2020 Notes, or collectively, the Notes, are our unsecured senior obligations and rank equally in right of payment with all existing and future unsecured and unsubordinated indebtedness. The Notes are structurally subordinated to the liabilities of our subsidiaries and are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. All existing and future liabilities of our subsidiaries will be effectively senior to the Notes.

The carrying value of the Notes and the associated interest rates were as follows:

| | Expected Remaining Term (years) | Effective Interest Rate | January 31, 2021 | January 26, 2020 |
|---|---|---|---|---|
| | | | (In millions) | |
| 2.20% Notes Due 2021 | 0.6 | 2.38% | $ 1,000 | $ 1,000 |
| 3.20% Notes Due 2026 | 5.6 | 3.31% | 1,000 | 1,000 |
| 2.85% Notes Due 2030 | 9.2 | 2.93% | 1,500 | — |
| 3.50% Notes Due 2040 | 19.2 | 3.54% | 1,000 | — |
| 3.50% Notes Due 2050 | 29.2 | 3.54% | 2,000 | — |
| 3.70% Notes Due 2060 | 39.2 | 3.73% | 500 | — |
| Unamortized debt discount and issuance costs | | | (37) | (9) |
| Net carrying amount | | | 6,963 | 1,991 |
| Less short-term portion | | | (999) | — |
| Total long-term portion | | | $ 5,964 | $ 1,991 |

As of January 31, 2021, we were in compliance with the required covenants under the Notes.

### Credit Facilities

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 31, 2021, we had not borrowed any amounts and were in compliance with the required covenants under this agreement. The Credit Agreement expires October 2021.

We have a $575 million commercial paper program to support general corporate purposes. As of January 31, 2021, we had not issued any commercial paper.

## Note 13 - Commitments and Contingencies

### Purchase Obligations

As of January 31, 2021, we had outstanding inventory purchase obligations totaling $2.54 billion, which are expected to occur over the next 12 months, and other purchase obligations totaling $317 million, which are primarily expected to occur over the next 18 months.

### Accrual for Product Warranty Liabilities

The estimated amount of product warranty liabilities was $22 million and $15 million as of January 31, 2021 and January 26, 2020, respectively.

In connection with certain agreements that we have entered in the past, we have provided indemnities to cover the indemnified party for matters such as tax, product, and employee liabilities. We have included intellectual property indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. We have not recorded any liability for such indemnifications.

## Litigation

Securities Class Action and Derivative Lawsuits

The plaintiffs in the putative securities class action lawsuit, captioned 4:18-cv-07669-HSG, initially filed on December 21, 2018 in the United States District Court for the Northern District of California, and titled In Re NVIDIA Corporation

Securities Litigation, filed an amended complaint on May 13, 2020. The amended complaint asserts that NVIDIA and certain NVIDIA executives violated Section 10(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and SEC Rule 10b-5, by making materially false or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand between May 10, 2017 and November 14, 2018. Plaintiffs also allege that the NVIDIA executives who they named as defendants violated Section 20(a) of the Exchange Act. Plaintiffs seek class certification, an award of unspecified compensatory damages, an award of reasonable costs and expenses, including attorneys' fees and expert fees, and further relief as the Court may deem just and proper. On June 29, 2020, NVIDIA moved to dismiss the amended complaint on the basis that plaintiffs failed to state any claims for violations of the securities laws by NVIDIA or the individual defendants. As of September 14, 2020, the motion was fully briefed but the Court has not yet issued a decision.

The putative derivative lawsuit pending in the United States District Court for the Northern District of California, captioned 4:19-cv-00341-HSG, initially filed January 18, 2019 and titled In re NVIDIA Corporation Consolidated Derivative Litigation, remains stayed pending resolution of NVIDIA's motion to dismiss the complaint in the In Re NVIDIA Corporation Securities Litigation action. The lawsuit asserts claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiffs are seeking unspecified damages and other relief, including reforms and improvements to NVIDIA's corporate governance and internal procedures.

The putative derivative actions initially filed September 24, 2019 and pending in the United States District Court for the District of Delaware, Lipchitz v. Huang, et al. (Case No. 1:19-cv-01795-UNA) and Nelson v. Huang, et. al. (Case No. 1:19-cv-01798- UNA), remain stayed pending resolution of NVIDIA's motion to dismiss the complaint in the In Re NVIDIA Corporation Securities Litigation action. The lawsuits assert claims for breach of fiduciary duty, unjust enrichment, insider trading, misappropriation of information, corporate waste and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false, and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiffs seek unspecified damages and other relief, including disgorgement of profits from the sale of NVIDIA stock and unspecified corporate governance measures.

It is possible that additional suits will be filed, or allegations received from shareholders, with respect to these same or other matters, naming NVIDIA and/or its officers and directors as defendants.

## Accounting for Loss Contingencies

As of January 31, 2021, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, except as specifically described above, any possible loss or range of loss in these matters cannot be reasonably estimated at this time. We are engaged in legal actions not described above arising in the ordinary course of business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

## Note 14 - Income Taxes

The income tax expense (benefit) applicable to income before income taxes consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| | | (In millions) | |
| Current income taxes: | | | |
| Federal | $ 197 | $ 65 | $ 1 |
| State | 1 | 4 | — |
| Foreign | 161 | 87 | 69 |
| Total current | 359 | 156 | 70 |
| Deferred taxes: | | | |
| Federal | (246) | 2 | (315) |
| Foreign | (36) | 16 | — |
| Total deferred | (282) | 18 | (315) |
| Income tax expense (benefit) | $ 77 | $ 174 | $ (245) |

Income before income tax consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| | | (In millions) | |
| Domestic | $ 1,437 | $ 620 | $ 1,843 |
| Foreign | 2,972 | 2,350 | 2,053 |
| Income before income tax | $ 4,409 | $ 2,970 | $ 3,896 |

The income tax expense (benefit) differs from the amount computed by applying the U.S. federal statutory rate of 21% to income before income taxes as follows:

| | Year Ended | | |
|---|---|---|---|
| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
| | | *(In millions)* | |
| Tax expense computed at federal statutory rate | $ 926 | $ 624 | $ 818 |
| Expense (benefit) resulting from: | | | |
| State income taxes, net of federal tax effect | 10 | 12 | 23 |
| Foreign tax rate differential | (561) | (301) | (412) |
| U.S. federal R&D tax credit | (173) | (110) | (141) |
| Stock-based compensation | (136) | (60) | (191) |
| Tax Cuts and Jobs Act of 2017 | — | — | (368) |
| Other | 11 | 9 | 26 |
| Income tax expense (benefit) | $ 77 | $ 174 | $ (245) |

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The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets and liabilities are presented below:

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| | (In millions) | |
| Deferred tax assets: | | |
| GILTI deferred tax assets | $ 709 | $ 428 |
| Research and other tax credit carryforwards | 650 | 605 |
| Operating lease liabilities | 120 | 114 |
| Net operating loss carryforwards | 100 | 62 |
| Accruals and reserves, not currently deductible for tax purposes | 59 | 39 |
| Stock-based compensation | 36 | 28 |
| Property, equipment and intangible assets | 32 | 12 |
| Gross deferred tax assets | 1,706 | 1,288 |
| Less valuation allowance | (728) | (621) |
| Total deferred tax assets | 978 | 667 |
| Deferred tax liabilities: | | |
| Acquired intangibles | (191) | (1) |
| Unremitted earnings of foreign subsidiaries | (111) | (40) |
| Operating lease assets | (111) | (107) |
| Gross deferred tax liabilities | (413) | (148) |
| Net deferred tax asset (1) | $ 565 | $ 519 |

(1) Net deferred tax asset includes long-term deferred tax assets of $806 million and $548 million and long-term deferred tax liabilities of $241 million and $29 million for fiscal years 2021 and 2020, respectively. Long-term deferred tax liabilities are included in other long-term liabilities on our Consolidated Balance Sheets.

We recognized an income tax expense of $77 million and $174 million for fiscal years 2021 and 2020, respectively, and income tax benefit of $245 million for fiscal year 2019. Our annual effective tax rate was 1.7%, 5.9%, and (6.3)% for fiscal years 2021, 2020, and 2019, respectively. The decrease in our effective tax rate in fiscal year 2021 as compared to fiscal year 2020 was primarily due to a decrease in the proportional amount of earnings subject to United States tax and an increase of tax benefits from stock-based compensation. The increase in our effective tax rate in fiscal year 2021 and fiscal year 2020 as compared to fiscal year 2019 was primarily due to an absence of tax benefits related to the enactment of the TCJA and a decrease of tax benefits from stock-based compensation.

Our effective tax rate for fiscal years 2021, 2020, and 2019 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including the British Virgin Islands, Israel and Hong Kong, where the tax rate was lower than the U.S. federal statutory tax rate, recognition of U.S. federal research tax credits, excess tax benefits related to stock-based compensation, and the finalization of the enactment-date income tax effects of the TCJA in 2019.

During the second quarter of fiscal year 2021, we completed the acquisition of Mellanox. As a result of the acquisition, we recorded $256 million of net deferred tax liabilities primarily on the excess of book basis over the tax basis of the acquired intangible assets and undistributed earnings in certain foreign subsidiaries. We also recorded $153 million of long-term tax liabilities related to tax basis differences in Mellanox. The net deferred tax liabilities and long-term tax liabilities are based upon certain assumptions underlying our purchase price allocation. As a result of the acquisition, as of January 31, 2021, we intend to indefinitely reinvest approximately $1.16 billion of cumulative undistributed earnings held by Mellanox non-U.S. subsidiaries. We have not provided the amount of unrecognized deferred tax liabilities for temporary differences related to investments in Mellanox non-U.S. subsidiaries as the determination of such amount is not practicable.

As of January 31, 2021 and January 26, 2020, we had a valuation allowance of $728 million and $621 million, respectively, related to state and certain foreign deferred tax assets that management determined not likely to be realized due, in part, to jurisdictional projections of future taxable income. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

As of January 31, 2021, we had federal, state and foreign net operating loss carryforwards of $333 million, $308 million and $344 million, respectively. The federal and state carryforwards will begin to expire in fiscal year 2023 and 2022, respectively. The foreign net operating loss carryforwards of $344 million may be carried forward indefinitely. As of January 31, 2021, we had federal research tax credit carryforwards of $238 million that will begin to expire in fiscal year 2035. We have state research tax credit carryforwards of $987 million, of which $944 million is attributable to the State of California and may be carried over indefinitely, and $43 million is attributable to various other states and will begin to expire in fiscal year 2022. Our tax attributes, net operating loss and tax credit carryforwards, remain subject to audit and may be adjusted for changes or modification in tax laws, other authoritative interpretations thereof, or other facts and circumstances. Utilization of federal, state, and foreign net operating losses and tax credit carryforwards may also be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state and foreign tax provisions. If any such limitations apply, the federal, state, or foreign net operating loss and tax credit carryforwards, as applicable, may expire or be denied before utilization.

As of January 31, 2021, we had $776 million of gross unrecognized tax benefits, of which $606 million would affect our effective tax rate if recognized. However, $132 million of the unrecognized tax benefits were related to state income tax positions taken, that, if recognized, would be in the form of a carryforward deferred tax asset that would likely attract a full valuation allowance. The $606 million of unrecognized tax benefits as of January 31, 2021 consisted of $352 million recorded in non-current income taxes payable, $5 million recorded in current income taxes payable, and $249 million reflected as a reduction to the related deferred tax assets.

A reconciliation of gross unrecognized tax benefits is as follows:

| | **January 31, 2021** | **January 26, 2020** | **January 27, 2019** |
|---|---|---|---|
| | | *(In millions)* | |
| Balance at beginning of period | $ 583 | $ 477 | $ 447 |
| Increases in tax positions for current year | 158 | 104 | 129 |
| Increases in tax positions for prior years (1) | 60 | 7 | 52 |
| Decreases in tax positions for prior years | (11) | — | (141) |
| Settlements | (5) | — | — |
| Lapse in statute of limitations | (9) | (5) | (10) |
| Balance at end of period | $ 776 | $ 583 | $ 477 |

(1) The fiscal year 2021 balance represents prior year gross unrecognized tax benefits recorded as a result of the Mellanox acquisition.

We classify an unrecognized tax benefit as a current liability, or amount refundable, to the extent that we anticipate payment or receipt of cash for income taxes within one year. The amount is classified as a long-term liability, or reduction of long-term deferred tax assets or amount refundable if we anticipate payment or receipt of cash for income taxes during a period beyond a year.

Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 31, 2021, January 26, 2020, and

January 27, 2019, we had accrued $44 million, $31 million, and $21 million, respectively, for the payment of interest and penalties related to unrecognized tax benefits, which is not included as a component of our unrecognized tax benefits. As of January 31, 2021, unrecognized tax benefits of $352 million and the related interest and penalties of $43 million are included in non-current income taxes payable, and unrecognized tax benefits of $5 million and the related interest and penalties of $1 million are included in current income taxes payable.

While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved. As of January 31, 2021, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

We are subject to taxation by taxing authorities both in the United States and other countries. As of January 31, 2021, the significant tax jurisdictions that may be subject to examination include the United States, Hong Kong, Taiwan, China, United Kingdom, Germany, Israel, and India for fiscal years 2005 through 2020. As of January 31, 2021, the significant tax jurisdictions for which we are currently under examination include the United States, United Kingdom, Germany, Israel and India, for fiscal years 2005 through 2019.

## Note 15 - Shareholders' Equity

### Capital Return Program

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Through January 31, 2021, we have repurchased an aggregate of 260 million shares under our share repurchase program for a total cost of $7.08 billion. All shares delivered from these repurchases have been placed into treasury stock. As of January 31, 2021, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022.

During fiscal year 2021, we paid $395 million in cash dividends to our shareholders.

## Note 16 - Employee Retirement Plans

We provide tax-qualified defined contribution plans to eligible employees in the U.S. and certain other countries. Our contribution expense for fiscal years 2021, 2020, and 2019 was $120 million, $76 million, and $70 million, respectively.

## Note 17 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making decisions and assessing financial performance. In the prior fiscal year, we had reported two operating segments: GPU and Tegra Processor. During the first quarter of fiscal year 2021, we changed our operating segments to be consistent with the revised manner in which our CODM reviews our financial performance and allocates resources. The two new operating segments are "Graphics" and "Compute & Networking". Comparative periods presented reflect this change. Our operating segments are equivalent to our reportable segments.

Our Graphics segment includes GeForce GPUs for gaming and PCs, the GeForce NOW game streaming service and related infrastructure, and solutions for gaming platforms; Quadro/NVIDIA RTX GPUs for enterprise design; GRID software for cloud-based visual and virtual computing; and automotive platforms for infotainment systems. Our Compute & Networking segment includes Data Center platforms and systems for AI, HPC, and accelerated computing; Mellanox networking and interconnect solutions; automotive AI Cockpit, autonomous driving development agreements, and autonomous vehicle solutions; and Jetson for robotics and other embedded platforms.

Operating results by segment include costs or expenses that are directly attributable to each segment, and costs or expenses that are leveraged across our unified architecture and therefore allocated between our two segments.

The "All Other" category includes the expenses that our CODM does not assign to either Graphics or Compute & Networking for purposes of making operating decisions or assessing financial performance. The expenses include stock-based compensation expense, corporate infrastructure and support costs, acquisition-related costs, legal settlement costs, and other non-recurring charges and benefits that our CODM deems to be enterprise in nature.

Our CODM does not review any information regarding total assets on a reportable segment basis. Depreciation and amortization expense directly attributable to each reportable segment is included in operating results for each segment. However, the CODM does not evaluate depreciation and amortization expense by operating segment and, therefore, it is not separately presented. There is no intersegment revenue. The accounting policies for segment reporting are the same as for our consolidated financial statements. The table below presents details of our reportable segments and the "All Other" category.

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| | Graphics | Compute & Networking | All Other | Consolidated |
|---|---|---|---|---|
| | | *(In millions)* | | |
| **Year Ended January 31, 2021:** | | | | |
| Revenue | $ 9,834 | $ 6,841 | $ — | $ 16,675 |
| Operating income (loss) | $ 4,612 | $ 2,548 | $ (2,628) | $ 4,532 |
| **Year Ended January 26, 2020:** | | | | |
| Revenue | $ 7,639 | $ 3,279 | $ — | $ 10,918 |
| Operating income (loss) | $ 3,267 | $ 751 | $ (1,172) | $ 2,846 |
| **Year Ended January 27, 2019:** | | | | |
| Revenue | $ 8,159 | $ 3,557 | $ — | $ 11,716 |
| Operating income (loss) | $ 3,417 | $ 1,251 | $ (864) | $ 3,804 |

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| | | *(In millions)* | |
| **Reconciling items included in "All Other" category:** | | | |
| Stock-based compensation expense | $ (1,397) | $ (844) | $ (557) |
| Acquisition-related intangible asset amortization | (591) | (6) | (6) |
| Unallocated cost of revenue and operating expenses | (357) | (283) | (261) |
| Acquisition-related inventory step-up charge | (161) | — | — |
| Acquisition-related and other costs | (84) | (25) | 4 |
| IP-related costs | (38) | (14) | (35) |
| Legal settlement costs | — | — | (9) |
| Total | $ (2,628) | $ (1,172) | $ (864) |

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| **Revenue:** | | *(In millions)* | |
| Taiwan | $ 4,531 | $ 3,025 | $ 3,360 |
| China (including Hong Kong) | 3,886 | 2,731 | 2,801 |
| United States | 3,214 | 886 | 1,506 |
| Other Asia Pacific | 3,093 | 2,685 | 2,368 |
| Europe | 1,118 | 992 | 914 |
| Other countries | 833 | 599 | 767 |
| Total revenue | $ 16,675 | $ 10,918 | $ 11,716 |

The following table summarizes information pertaining to our revenue by each of the specialized markets we serve:

| | Year Ended | | |
|---|---|---|---|
| | January 31, 2021 | January 26, 2020 | January 27, 2019 |
| **Revenue:** | | *(In millions)* | |
| Gaming | $ 7,759 | $ 5,518 | $ 6,246 |
| Professional Visualization | 1,053 | 1,212 | 1,130 |
| Data Center | 6,696 | 2,983 | 2,932 |
| Automotive | 536 | 700 | 641 |
| OEM & Other | 631 | 505 | 767 |
| Total revenue | $ 16,675 | $ 10,918 | $ 11,716 |

The following table presents summarized information for long-lived assets by geographic region. Long-lived assets consist of property and equipment and exclude other assets, operating lease assets, goodwill, and intangible assets.

| | January 31, 2021 | January 26, 2020 |
|---|---|---|
| **Long-lived assets:** | *(In millions)* | |
| United States | $ 1,643 | $ 1,451 |
| Taiwan | 183 | 114 |
| Israel | 147 | — |
| China (including Hong Kong) | 71 | 28 |
| India | 64 | 51 |
| Europe | 34 | 28 |
| Other countries | 7 | 2 |
| Total long-lived assets | $ 2,149 | $ 1,674 |

No customer represented 10% or more of total revenue for fiscal years 2021 and 2019. One customer represented 11% of our total revenue for fiscal year 2020 and was attributable primarily to the Graphics segment.

One customer represented 16% and 21% of our accounts receivable balance as of January 31, 2021 and January 26, 2020, respectively.

## NVIDIA CORPORATION AND SUBSIDIARIES
## SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

| Description | Balance at Beginning of Period | Additions | | Deductions | | Balance at End of Period |
|---|---|---|---|---|---|---|
| | | *(In millions)* | | | | |
| Fiscal year 2021 | | | | | | |
| Allowance for doubtful accounts | $ 2 | $ 2 | (1) | $ — | (1) | $ 4 |
| Sales return allowance | $ 9 | $ 30 | (2) | $ (22) | (4) | $ 17 |
| Deferred tax valuation allowance | $ 621 | $ 107 | (3) | $ — | | $ 728 |
| Fiscal year 2020 | | | | | | |
| Allowance for doubtful accounts | $ 2 | $ — | (1) | $ — | (1) | $ 2 |
| Sales return allowance | $ 8 | $ 18 | (2) | $ (17) | (4) | $ 9 |
| Deferred tax valuation allowance | $ 562 | $ 59 | (3) | $ — | | $ 621 |
| Fiscal year 2019 | | | | | | |
| Allowance for doubtful accounts | $ 4 | $ — | (1) | $ (2) | (1) | $ 2 |
| Sales return allowance | $ 9 | $ 21 | (2) | $ (22) | (4) | $ 8 |
| Deferred tax valuation allowance | $ 469 | $ 93 | (3) | $ — | | $ 562 |

(1) Additions represent allowance for doubtful accounts charged to expense and deductions represent amounts recorded as reduction to expense upon reassessment of allowance for doubtful accounts at period end.

(2) Represents allowance for sales returns estimated at the time revenue is recognized primarily based on historical return rates and is charged as a reduction to revenue.

(3) Represents change in valuation allowance primarily related to state and certain foreign deferred tax assets that management has determined not likely to be realized due, in part, to projections of future taxable income of the respective jurisdictions. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(4) Represents sales returns.

## EXHIBIT INDEX

| Exhibit No. | Exhibit Description | Incorporated by Reference Schedule/ Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|
| 2.1 | Agreement and Plan of Merger, dated March 10, 2019, by and among NVIDIA Corporation, NVIDIA International Holdings Inc., Mellanox Technologies Ltd. and Teal Barvaz Ltd. | 8-K | 0-23985 | 2.1 | 3/11/2019 |
| 2.2^ | Share Purchase Agreement, dated September 13, 2020, by and among NVIDIA, NVIDIA Holdings, Arm, SoftBank, and Vision Fund | 8-K | 0-23985 | 2.1 | 9/14/2020 |
| 3.1 | Amended and Restated Certificate of Incorporation | S-8 | 333-74905 | 4.1 | 3/23/1999 |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 10-Q | 0-23985 | 3.1 | 8/21/2008 |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 8-K | 0-23985 | 3.1 | 5/24/2011 |
| 3.4 | Bylaws of NVIDIA Corporation, Amended and Restated as of November 29, 2016 | 8-K | 0-23985 | 3.1 | 12/1/2016 |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4 | | | | |
| 4.2 | Specimen Stock Certificate | S-1/A | 333-47495 | 4.2 | 4/24/1998 |
| 4.3 | Indenture, dated as of September 16, 2016, by and between the Company and Wells Fargo Bank, National Association, as Trustee | 8-K | 0-23985 | 4.1 | 9/16/2016 |
| 4.4 | Officers' Certificate, dated as of September 16, 2016 | 8-K | 0-23985 | 4.2 | 9/16/2016 |
| 4.5 | Form of 2021 Note | 8-K | 0-23985 | Annex A to Exhibit 4.2 | 9/16/2016 |
| 4.6 | Form of 2026 Note | 8-K | 0-23985 | Annex B to Exhibit 4.2 | 9/16/2016 |
| 4.7* | Description of Securities | | | | |
| 4.8 | Officers' Certificate, dated as of March 31, 2020 | 8-K | 0-23985 | 4.2 | 3/31/2020 |
| 4.9 | Form of 2030 Note | 8-K | 0-23985 | Annex A-1 to Exhibit 4.2 | 3/31/2020 |
| 4.10 | Form of 2040 Note | 8-K | 0-23985 | Annex B-1 to Exhibit 4.2 | 3/31/2020 |
| 4.11 | Form of 2050 Note | 8-K | 0-23985 | Annex C-1 to Exhibit 4.2 | 3/31/2020 |
| 4.12 | Form of 2060 Note | 8-K | 0-23985 | Annex D-1 to Exhibit 4.2 | 3/31/2020 |
| 10.1 | Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers | 8-K | 0-23985 | 10.1 | 3/7/2006 |
| 10.2+ | Amended and Restated 2007 Equity Incentive Plan | 8-K | 0-23985 | 10.1 | 6/15/2020 |
| 10.3+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Annual Grant - Board Service (2011)) | 10-Q | 0-23985 | 10.41 | 5/27/2011 |
| 10.4+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Initial Grant - Board Service (2011)) | 8-K | 0-23985 | 10.1 | 12/14/2011 |
| 10.5+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Stock Option Grant (2012 Annual Board Retainer) | 10-Q | 0-23985 | 10.4 | 5/23/2012 |
| 10.6+ | 2007 Equity Incentive Plan - Non | 8-K | 0-23985 | 10.20 | 9/13/2010 |

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| | | | | | |
|---|---|---|---|---|---|
| 10.7+ | 2007 Equity Incentive Plan - Incentive Stock Option | 8-K | 0-23985 | 10.21 | 9/13/2010 |
| 10.8+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option | 10-Q | 0-23985 | 10.1 | 8/22/2012 |
| 10.9+ | Amended and Restated 2007 Equity Incentive Plan - Incentive Stock Option | 10-Q | 0-23985 | 10.2 | 8/22/2012 |
| 10.10+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (with deferral option) | 10-Q | 0-23985 | 10.3 | 5/23/2012 |
| 10.11+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option (Initial Grant - Board Service) | 8-K | 0-23985 | 10.1 | 7/23/2013 |
| 10.12+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2015) | 10-K | 0-23985 | 10.25 | 3/12/2015 |
| 10.13+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.26 | 3/12/2015 |
| 10.14+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.27 | 3/12/2015 |
| 10.15+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2015) | 10-Q | 0-23985 | 10.2 | 5/20/2015 |
| 10.16+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2018) | 10-Q | 0-23985 | 10.2 | 5/22/2018 |
| 10.17+ | Amended and Restated 2007 Equity Incentive Plan - Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2019) | 10-K | 0-23985 | 10.19 | 2/21/2019 |
| 10.18+ | Amended and Restated 2007 Equity Incentive Plan - Global Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2019) | 8-K | 0-23985 | 10.1 | 3/11/2019 |
| 10.19+ | Amended and Restated 2007 Equity Incentive Plan – Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2020) | 10-Q | 0-23985 | 10.2 | 5/21/2020 |
| 10.20+ | Amended and Restated 2012 Employee Stock Purchase Plan | 8-K | 0-23985 | 10.2 | 6/15/2020 |
| 10.21+ | Fiscal Year 2020 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/11/2019 |
| 10.22+ | Fiscal Year 2021 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/10/2020 |
| 10.23+ | Offer Letter between NVIDIA Corporation and Colette Kress, dated September 13, 2013 | 8-K | 0-23985 | 10.1 | 9/16/2013 |
| 10.24+ | Offer Letter between NVIDIA Corporation and Tim Teter, dated December 16, 2016 | 8-K | 0-23985 | 10.1 | 1/19/2017 |

| | | | | | |
|---|---|---|---|---|---|
| 10.26 | Credit Agreement, dated as of October 7, 2016 by and among NVIDIA Corporation, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto | 8-K | 0-23985 | 1.1 | 10/13/2016 |
| 10.27 | Form of Commercial Paper Dealer Agreement between NVIDIA Corporation, as Issuer, and the Dealer party thereto | 8-K | 0-23985 | 10.1 | 12/15/2017 |
| 21.1* | List of Registrant's Subsidiaries | | | | |
| 23.1* | Consent of PricewaterhouseCoopers LLP | | | | |
| 24.1* | Power of Attorney (included in signature page) | | | | |
| 31.1* | Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 31.2* | Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 32.1#* | Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 32.2#* | Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 101.INS* | XBRL Instance Document | | | | |
| 101.SCH* | XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document | | | | |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |
| 104 | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |

* Filed herewith.

\+ Management contract or compensatory plan or arrangement.

\# In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

^ Certain exhibits and schedules have been omitted in accordance with Regulation S-K Item 601(a)(5).

Copies of above exhibits not contained herein are available to any shareholder upon written request to:
Investor Relations: NVIDIA Corporation, 2788 San Tomas Expressway, Santa Clara, CA 95051

## ITEM 16. FORM 10-K SUMMARY

Not Applicable.

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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 26, 2021.

NVIDIA Corporation

By: /s/ Jen-Hsun Huang

Jen-Hsun Huang

President and Chief Executi

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jen-Hsun Huang and Colette M. Kress, and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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| Signature | Title | Date |
|---|---|---|
| /s/ JEN-HSUN HUANG<br>Jen-Hsun Huang | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | **February 26, 2021** |
| /s/ COLETTE M. KRESS<br>Colette M. Kress | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | **February 26, 2021** |
| /s/ DONALD ROBERTSON<br>Donald Robertson | Vice President and Chief Accounting Officer<br>(Principal Accounting Officer) | **February 26, 2021** |
| /s/ ROBERT BURGESS<br>Robert Burgess | Director | **February 26, 2021** |
| /s/ TENCH COXE<br>Tench Coxe | Director | **February 26, 2021** |
| /s/ JOHN O. DABIRI<br>John O. Dabiri | Director | **February 26, 2021** |
| /s/ PERSIS DRELL<br>Persis Drell | Director | **February 26, 2021** |
| /s/ DAWN HUDSON<br>Dawn Hudson | Director | **February 26, 2021** |
| /s/ HARVEY C. JONES<br>Harvey C. Jones | Director | **February 26, 2021** |
| /s/ MICHAEL MCCAFFERY<br>Michael McCaffery | Director | **February 26, 2021** |
| /s/ STEPHEN C. NEAL<br>Stephen C. Neal | Director | **February 26, 2021** |
| /s/ MARK L. PERRY<br>Mark L. Perry | Director | **February 26, 2021** |
| /s/ A. BROOKE SEAWELL<br>A. Brooke Seawell | Director | **February 26, 2021** |
| /s/ AARTI SHAH<br>Aarti Shah | Director | **February 26, 2021** |
| /s/ MARK STEVENS<br>Mark Stevens | Director | **February 26, 2021** |

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended January 26, 2020**

**OR**

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

**Commission file number: 0-23985**

nvidialogoa10.jpg

# NVIDIA CORPORATION

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **94-3177549** |
| **(State or other jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |

**2788 San Tomas Expressway**
**Santa Clara, California 95051**
**(408) 486-2000**

**(Address, including zip code, and telephone number, including area code, of principal executive offices)**
**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.001 par value per share | NVDA | 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 Act. 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company”, and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | |
|---|---|---|---|---|
| ☒ | Accelerated filer ☐ | Non-accelerated filer ☐ | Smaller reporting company ☐ | Emerging growth company ☐ |

Large accelerated filer

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 Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 26, 2019 was approximately $102.15 billion (based on the closing sales price of the registrant's common stock as reported by the Nasdaq Global Select Market on July 26, 2019). This calculation excludes 26 million shares held by directors and executive officers of the registrant. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that have represented to the registrant that they are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940.

The number of shares of common stock outstanding as of February 14, 2020 was 612 million.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2020 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

# NVIDIA CORPORATION
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## WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about the company, our products, our planned financial and other announcements and attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

NVIDIA Twitter Account (https://twitter.com/nvidia)

NVIDIA Company Blog (http://blogs.nvidia.com)

NVIDIA Facebook Page (https://www.facebook.com/nvidia)

NVIDIA LinkedIn Page (http://www.linkedin.com/company/nvidia)

NVIDIA Instagram Page (https://www.instagram.com/nvidia)

In addition, investors and others can view NVIDIA videos on YouTube.

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts and the blog, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on NVIDIA's investor relations website.

## Forward-Looking Statements

*This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail under the heading "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

*All references to "NVIDIA," "we," "us," "our" or the "Company" mean NVIDIA Corporation and its subsidiaries.*

*In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Annual Report on Form 10-K , and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.*

# PART I

## ITEM 1. BUSINESS

### Our Company

NVIDIA pioneered accelerated computing to help solve the most challenging computational problems. Starting with a focus on PC graphics, we extended our focus in recent years to the revolutionary field of artificial intelligence, or AI. Fueled by the sustained demand for exceptional 3D graphics and the scale of the gaming market, NVIDIA leveraged its GPU architecture to create platforms for virtual reality, or VR, high performance computing, or HPC, and AI.

The GPU was initially used to simulate human imagination, enabling the virtual worlds of video games and films. Today, it also simulates human intelligence, enabling a deeper understanding of the physical world. Its parallel processing capabilities, supported by up to thousands of computing cores, are essential to running deep learning algorithms. This form of AI, in which software writes itself by learning from data, can serve as the brain of computers, robots and self-driving cars that can perceive and understand the world. GPU-powered deep learning continues to be adopted by thousands of enterprises to deliver services and features that would have been impossible with traditional coding.

NVIDIA has a platform strategy, bringing together hardware, system software, programmable algorithms, libraries, systems, and services to create unique value for the markets we serve. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and software stacks. The programmable nature of our architecture allows us to support several multi-billion-dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. The large and growing number of developers across our platforms strengthens our ecosystem and increases the value of our platform to our customers.

Innovation is at our core. We invested over $20 billion in research and development since our inception, yielding inventions that are essential to modern computing. Our invention of the GPU in 1999 defined modern computer graphics and established NVIDIA as the leader in visual computing. With our introduction of the CUDA programming model in 2006, we opened the parallel processing capabilities of the GPU for general purpose computing. This approach significantly accelerates the performance of the most demanding applications in HPC in fields such as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. Today, our GPUs power many of the fastest supercomputers across the world. In addition, the massively parallel compute architecture of our GPUs and associated software are well suited for deep learning and machine learning, powering the era of AI. While traditional CPU-based approaches no longer deliver advances on the pace described by Moore’s Law, we deliver GPU performance improvements on a pace ahead of Moore’s Law, giving the industry a path forward.

Gamers choose NVIDIA GPUs to enjoy immersive, increasingly cinematic virtual worlds. GPUs also help underpin the world’s fastest growing spectator sport, eSports, which attracts hundreds of millions of viewers to watch top-quality gaming. A rapidly growing genre of Battle Royale games, such as Fortnite, is also expanding the gaming market.

Researchers use our GPUs to accelerate a wide range of important applications, from simulating molecular dynamics to weather forecasting. With support for more than over 600 applications - including the top 15 HPC applications - NVIDIA GPUs enable some of the most promising areas of discovery, from weather prediction to materials science and from wind tunnel simulation to genomics. NVIDIA GPUs power the top two supercomputers in the world, located at Oak Ridge and Lawrence Livermore National Laboratories in the United States, as well as the top supercomputers in Europe and Japan. In all, NVIDIA powers 136 of the TOP500 supercomputers.

The world's leading cloud service providers use our GPUs to enable, accelerate or enrich the services they deliver to billions of end-users, including search, social networking, online shopping, live video, translation, AI assistants, navigation, and cloud computing.

A rapidly growing number of enterprises and startups use our GPUs for deep learning that meets, and in several cases surpasses, human perception, in fields ranging from radiology to precision agriculture. For example, the transportation industry is turning to our GPUs and AI to enable autonomous vehicles, or AVs, with several hundred companies and organizations working with NVIDIA's DRIVE platform.

Professional designers use our GPUs to create visual effects in movies and design products ranging from soft drink bottles to commercial aircraft.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

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## Our Businesses

Our two reportable segments - GPU and Tegra Processor - are based on a single underlying architecture. Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

| | |
|---|---|
| **GPU** | · **GeForce** for PC gaming and mainstream PCs<br>· **GeForce NOW** for cloud-based gaming<br>· **Quadro** for design professionals working in computer-aided design, video editing, special effects, and other creative applications<br>· **Tesla** for AI utilizing deep learning and accelerated computing, leveraging the parallel computing capabilities of GPUs for general purpose computing<br>· **GRID** to provide the power of NVIDIA graphics through the cloud and data centers<br>· **DGX** for AI scientists, researchers and developers<br>· **EGX** for accelerated AI computing at the edge |
| **Tegra Processor** | · **Tegra** processors are primarily designed to enable branded platforms - AGX and SHIELD<br>· **SHIELD** devices and services designed to harness the power of mobile-cloud to revolutionize home entertainment, AI and gaming<br>· **AGX** is a power-efficient AI computing platform for intelligent edge devices, including:<br>- **DRIVE AGX** for self-driving vehicles<br>- **Clara AGX** for medical instruments<br>- **Jetson AGX** for robotics and other embedded use |

## Our Markets

We specialize in markets in which GPU-based visual computing and accelerated computing platforms can provide tremendous throughput for applications. These platforms incorporate processors, systems software, programmable algorithms, systems, and services to deliver value that is unique in the marketplace. From our proprietary processors, we created platforms that address four large markets where our expertise is critical: Gaming, Professional Visualization, Data Center, and Automotive.

### Gaming

Computer gaming is the largest entertainment industry. Many factors propel computer gaming’s growth, including new high production value games and franchises, the rise of competitive online gaming, eSports, and the rise of virtual and augmented reality.

Our GPUs enhance the gaming experience by improving the visual quality of graphics, increasing the frame rate for smoother gameplay and improving realism by incorporating the behavior of light and physical objects. These can be enjoyed independently or together to extend the gaming experience across platforms.

Our gaming platforms utilize sophisticated 3D software and algorithms, including our GameWorks libraries that provide special effects for games. We further enhance gaming with GeForce Experience, our gaming application that optimizes the PC user’s settings for each title and enables players to record and share gameplay.

We developed NVIDIA RTX ray tracing technology to enable real-time, cinematic-quality rendering in the RTX line-up of our gaming platforms. Ray tracing, which has long been used for special effects in the movie industry, is a computationally intensive technique that simulates the physical behavior of light to achieve greater realism in computer-generated scenes.

To enable VR, we provide developers with a suite of software libraries called VRWorks. VRWorks allows developers to create fully immersive experiences by enabling physically realistic visuals, sound, touch interactions, and simulated environments. VR requires advanced high-performance GPUs as the engine to simulate complete immersion.

Our products for the gaming market include GeForce RTX and GeForce GTX GPUs for PC gaming, SHIELD devices for gaming and streaming, GeForce NOW for cloud-based gaming, as well as platforms and development services for specialized console gaming devices.

### Professional Visualization

We serve the Professional Visualization market by working closely with independent software vendors to optimize their offerings for NVIDIA GPUs. Our GPU computing solutions enhance productivity and introduce new capabilities for critical parts of the workflow for such major industries as automotive, media and entertainment, architectural engineering, oil and gas, and medical imaging.

Designers who build the products we use every day need the images that they view digitally to mirror reality. This requires simulating the physical behavior of light and materials, or physically-based rendering, an emerging trend in professional design. Our DesignWorks software delivers this to designers and enables an architect designing a building with a computer-aided design package to interact with the model in real time, view it in greater detail, and generate photorealistic renderings for the client. It also allows an automotive designer to create a highly realistic 3D image of a car, which can be viewed from all angles, reducing reliance on costly, time-consuming full-scale clay models.

During fiscal year 2019, we introduced the NVIDIA RTX platform, making it possible to render film-quality, photorealistic objects and environments with physically accurate shadows, reflections and refractions using ray tracing in real-time. Through fiscal year 2020, many leading 3D design and content creation applications developed by our ecosystem partners enabled support for RTX, allowing professionals to accelerate and transform their workflows with NVIDIA RTX GPUs.

Just as VR is becoming more important in gaming, it is also being incorporated in a growing number of enterprise applications, including within medicine, architecture, product design, and retail. Virtual car showrooms, surgical training, architectural walkthroughs, and bringing historical scenes to life all deploy this technology, powered by our GPUs.

Visual computing is vital to productivity in many environments, including design and manufacturing and digital content creation. Design and manufacturing includes computer-aided design, architectural design, consumer-products manufacturing, medical instrumentation, and aerospace. Digital content creation includes professional video editing and post production, special effects for films, and broadcast-television graphics.

Our brand for this market is Quadro for workstations. Quadro GPUs enhance the productivity of designers by improving performance and adding functionality, such as photorealistic rendering, high color fidelity, and advanced scalable display capabilities.

### Data Center

The NVIDIA accelerated computing platform addresses AI and HPC applications. The platform consists of our energy efficient GPUs, our CUDA programming language, specific libraries such as cuDNN and TensorRT, and innovations such as NVLink and NVSwitch interconnects, which enable application scalability across multiple GPUs.

In the field of AI, NVIDIA’s platform accelerates both deep learning and machine learning workloads. Deep learning is a computer science approach where neural networks are trained to recognize patterns from massive amounts of data in the form of images, sounds and text - in some instances better than humans. Machine learning is a related approach that leverages algorithms as well as data to learn how to make determinations or predictions, often used in data science. HPC, also referred to as scientific computing, uses numerical computational approaches to solve large and complex problems. For both AI and HPC applications, the NVIDIA accelerated computing platform greatly increases the performance and power efficiency of high-performance computers and data centers, as GPUs excel at parallel workloads.

We are engaged with thousands of organizations working on AI in a multitude of industries, from automating tasks such as reading medical images, to enabling fraud detection in financial services, to optimizing oil exploration and drilling. These organizations include the world’s leading cloud services companies such as Amazon, Baidu, and Facebook, which are infusing AI in applications that enable highly accurate voice recognition and real-time translation; enterprises that are increasingly turning to AI to improve products and services; and startups seeking to implement AI in transformative ways across multiple industries. We partnered with industry leaders such as IBM, Microsoft, Oracle, SAP, and VMware to bring AI to enterprise users. We also have partnerships in healthcare and manufacturing, among others, to accelerate the adoption of AI.

To enable deep learning and machine learning, we provide a family of GPUs designed to speed up training and inferencing of neural networks. They are available in industry standard servers from every major computer maker worldwide, including Cisco, Dell, HP, Inspur, and Lenovo; from every major cloud service provider such as Alicloud, Amazon Web Services, Baidu Cloud, Google Cloud, IBM Cloud, Microsoft Azure, and Oracle Cloud; as well as in our DGX AI supercomputer, a purpose-built system for deep learning and GPU accelerated applications. DGX delivers performance equal to hundreds of conventional servers, comes fully integrated with hardware, software, development tools, support for AI frameworks, and runs popular accelerated applications. We also offer the NVIDIA GPU Cloud, or NGC, a comprehensive catalog of easy-to-use, optimized software stacks across a range of domains including scientific computing, deep learning, and machine learning. With NGC, AI developers, researchers and data scientists can get started with the development of AI and HPC applications and deploy them on DGX systems, NGC-ready workstations or servers from our systems partners, or with NVIDIA's cloud partners such as Amazon, Google Cloud, Microsoft Azure, or Oracle Cloud.

GPUs also increase the speed of applications used in such fields as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. GPUs have significantly impacted scientific discovery, including improving heart surgery, mapping human genome folds, seismic modeling, and weather simulations.

Accelerated computing is recognized as the path forward for computing amid the slowing of Moore's Law. The proportion of supercomputers utilizing accelerators has grown sharply over the past five years, now accounting for a significant proportion of both the total systems on the TOP500 list, which ranks the 500 most powerful commercially available computer systems, and the list's total floating-point operations per second. Tesla GPU accelerators power many of the world's fastest supercomputers, including the U.S. Department of Energy's Summit and Sierra supercomputers at Oak Ridge and Lawrence Livermore National Laboratories, Europe's fastest supercomputer - Piz Daint - in Switzerland, Japan's fastest supercomputer, ABCI; and the world's fastest industrial supercomputer by Italian energy company Eni.

We also serve the data center market with GRID for virtualized graphics and Virtual Compute Server for virtualized AI and data science. GRID makes it possible to run graphics-intensive applications remotely on a server in the data center. Applications include accelerating virtual desktop infrastructures and delivering graphics-intensive applications from the cloud for industries such as manufacturing, healthcare, and educational institutions, among others. Virtual Compute Server (vComputeServer) enables data centers to accelerate server virtualization with GPUs so that the most compute-intensive workloads, such as artificial intelligence, deep learning, and data science, can be run in a virtual machine.

**Automotive**

NVIDIA's Automotive market is comprised of cockpit infotainment solutions, AV platforms, and associated development agreements. Leveraging our technology leadership in AI and building on our long-standing automotive relationships, we are delivering a full solution for the AV market under the DRIVE brand. NVIDIA has demonstrated multiple applications of AI within the car. AI can drive the car itself as a pilot, in either partial or fully autonomous mode. AI can also be a co-pilot, assisting the human driver in creating a safer driving experience.

NVIDIA is working with several hundred partners in the automotive ecosystem including automakers, truck makers, tier-one suppliers, sensor manufacturers, automotive research institutions, HD mapping companies, and startups to develop and deploy AI systems for self-driving vehicles. Our unified AI computing architecture starts with training deep neural networks using our GPUs, and then running them within the vehicle on the NVIDIA DRIVE computing platform. The platform consists of high-performance, energy efficient hardware - DRIVE AGX, and open, modular software - including DRIVE AV for autonomous driving and DRIVE IX for in-vehicle AI assistance. In addition, we offer a scalable simulation solution, NVIDIA DRIVE Constellation, for testing and validating a self-driving platform before commercial deployment. This end-to-end, software-defined approach allows cars to receive over-the-air updates to add new features and capabilities throughout the life of a vehicle.

NVIDIA DRIVE can perceive and understand in real-time what's happening around the vehicle, precisely locate itself on an HD map, and plan a safe path forward. This advanced self-driving car platform combines deep learning, sensor fusion, and surround vision to change the driving experience. Our DRIVE platform scales from a palm-sized, energy-efficient module for automated highway-driving capabilities to a configuration with multiple systems aimed at enabling driverless cars. Our Xavier SoC, which started shipping in 2018, enables vehicles to use deep neural networks to process data from multiple cameras and sensors. It powers the DRIVE AutoPilot, NVIDIA's Level 2+ automated driving solution, combining the DRIVE AV self-driving solution with the DRIVE IX cockpit software, including a visualization system for allowing the driver to see what the car sees and plans to do. In fiscal year 2020, we announced our next-generation SoC, Orin, targeting mass production in 2022.

## Business Strategies

NVIDIA's key strategies that shape our overall business approach include:

**Advancing the GPU computing platform.** The massive parallel processing capabilities of NVIDIA GPUs can solve complex problems in significantly less time and with lower power consumption than alternative computational approaches. Indeed, GPUs can help solve problems that were previously deemed unsolvable. We work to deliver continued GPU performance leaps that outpace Moore's Law by leveraging innovation across the architecture, chip design, system, and software layers. Our strategy is to target markets where GPUs deliver order-of-magnitude performance advantages relative to legacy approaches. Our market platforms so far include Gaming, Professional Visualization, Data Center, and Automotive. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and CUDA as the fundamental building blocks. The programmable nature of our architecture allows us to make leveraged investments in R&D: we can support several multi-billion dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. We utilize this platform approach in each of our target markets.

**Extending our technology and platform leadership in AI.** We provide a complete, end-to-end GPU computing platform for deep learning and machine learning, addressing both training and inferencing. This includes GPUs, our CUDA programming language, algorithms, libraries, and system software. GPUs are uniquely suited to AI, and we will continue to add AI-specific features to our GPU architecture to further extend our leadership position. Our AI technology leadership is reinforced by our large and expanding ecosystem in a virtuous cycle. Our GPU platforms are available from virtually every major server maker and cloud service provider, as well as on our own AI supercomputer. There are over 1.6 million developers worldwide using CUDA and our other software tools to help deploy our technology in our target markets. We evangelize AI through partnerships with hundreds of universities and more than 3,600 startups through our Inception program. Additionally, our Deep Learning Institute provides instruction on the latest techniques on how to design, train, and deploy neural networks in applications using our accelerated computing platform.

**Extending our technology and platform leadership in visual computing.** We believe that visual computing is fundamental to the continued expansion and evolution of computing. We apply our research and development resources to extending our leadership in visual computing, enabling us to enhance the user experience for consumer entertainment and professional visualization applications. Our technologies are instrumental in driving gaming forward, as developers leverage our libraries and algorithms to create near-cinematic and VR experiences. Our close collaboration with game developers allows us to deliver an optimized gaming experience on our GeForce platform. Our GeForce Experience gaming application further enhances each gamer's experience by optimizing their PC's settings, as well as enabling the recording and sharing of gameplay. We also enable interactive graphics applications - such as games, movie and photo editing and design software - to be accessed by almost any device, almost anywhere, through our cloud platforms such as GRID for enterprise and GeForce NOW for gaming.

**Advancing the leading autonomous vehicle platform.** We believe the advent of AV will soon revolutionize the transportation industry. In our view, AI is the key technology enabler of this opportunity, as the algorithms required for autonomous driving - such as perception, localization, and planning - are too complex for legacy hand-coded approaches, and will run on multiple trained neural networks instead. Therefore, we provided a full functionally safe AI-based hardware and software solution for the AV market under the DRIVE brand, which we are bringing to market through our partnerships with automotive original equipment manufacturers, or OEMs, tier-1 suppliers, and start-ups. Our AV solution also includes the GPU-based hardware required to train the neural networks before their in-vehicle deployment, as well as to re-simulate their operation prior to any over-the-air software updates. We believe our comprehensive, top-to-bottom and end-to-end approach will enable the transportation industry to solve the complex problems arising from the shift to autonomous driving.

**Leveraging our intellectual property.** We believe our intellectual property is a valuable asset that can be accessed by our customers and partners through licenses and development agreements when they desire to build such capabilities directly into their own products, or have us do so through a custom development. Such license and development arrangements can further enhance the reach of our technology.

## Sales and Marketing

Our sales strategy involves working with end customers and various industry ecosystems through our partner network. Our worldwide sales and marketing strategy is key to achieving our objective of providing markets with our high-performance and efficient GPU and embedded system-on-a-chip, or SOC, platforms. Our sales and marketing teams, located across our global markets, work closely with end customers in each industry. Our partner network incorporates each industry's respective OEMs, original device manufacturers, or ODMs, system builders, add-in board manufacturers, or AIBs, retailers/ distributors, internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants.

Members of our sales team have technical expertise and product and industry knowledge. We also employ a team of application engineers to assist our partner network in designing, testing, and qualifying system designs that incorporate our platforms. We believe that the depth and quality of our design support are key to improving our partner network’s time-to-market, maintaining a high level of customer satisfaction, and fostering relationships that encourage our end customers and partner network to use the next generation of our products within each platform.

To encourage the development of applications optimized for our GPUs, we seek to establish and maintain strong relationships in the software development community. Engineering and marketing personnel engage with key software developers to promote and discuss our platforms, as well as to ascertain individual product requirements and solve technical problems.

Our developer program makes our products available to developers prior to launch in order to encourage the development of AI frameworks, Software Development Kits, and Application Programming Interfaces, or APIs, for software applications and game titles that are optimized for our platforms. Our Deep Learning Institute provides in-person and online training for developers in industries and organizations around the world to build AI and accelerated computing applications that leverage our GPU and CUDA platforms. We now have over 1.6 million registered developers across our platforms, including accelerated computing, gaming, deep learning, autonomous machines, and others.

As NVIDIA's business has evolved from a focus primarily on gaming products to broader markets, and from chips to platforms and complete systems, so, too, have our avenues to market. Thus, in addition to sales to customers in our partner network, certain of our platforms are also sold through e-tail channels, or direct to cloud service providers and enterprise customers.

Sales to Dell Technologies Inc., or Dell, accounted for 11% of our total revenue for fiscal year 2020.

## Backlog

Our sales are primarily made pursuant to standard purchase orders. The quantity of products purchased by our customers as well as our shipment schedules are subject to revisions that reflect changes in both the customers' requirements and in manufacturing availability. Our industry is characterized by relatively short lead time orders and delivery schedules, thus, we believe that only a small portion of our backlog is non-cancelable and that the dollar amount associated with the non-cancelable portion is not significant.

## Seasonality

Our GPU and Tegra processor platforms serve many markets from consumer PC gaming to enterprise workstations to government and cloud service provider data centers, although a majority of our revenue stems from the consumer industry. Our consumer products typically see stronger revenue in the second half of our fiscal year. In addition, based on the production schedules of key customers, some of our products for notebooks or game consoles typically generate stronger revenue in the second and third quarters, and weaker revenue in the fourth and first quarters. However, there can be no assurance that this trend will continue.

## Manufacturing

We do not directly manufacture semiconductors used for our products. Instead, we utilize a fabless manufacturing strategy, whereby we employ world-class suppliers for all phases of the manufacturing process, including wafer fabrication, assembly, testing, and packaging. This strategy uses the expertise of industry-leading suppliers that are certified by the International Organization for Standardization in such areas as fabrication, assembly, quality control and assurance, reliability, and testing. Additionally, we can avoid many of the significant costs and risks associated with owning and operating manufacturing operations. While we may directly procure certain raw materials used in the production of our products, such as substrates and a variety of components, our suppliers are responsible for procurement of the majority of the raw materials used in the production of our products. As a result, we can focus our resources on product design, additional quality assurance, marketing, and customer support.

We utilize industry-leading suppliers, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd, to produce our semiconductor wafers. We then utilize independent subcontractors, such as Advanced Semiconductor Engineering, Inc., Amkor Technology, BYD Auto Co. Ltd., Hon Hai Precision Industry Co., Ltd., JSI Logistics Ltd., King Yuan Electronics Co., Ltd., and Siliconware Precision Industries Company Ltd. to perform assembly, testing, and packaging of most of our products and platforms. We purchase substrates from IbidenCo. Ltd., Kinsus Interconnect Technology Corporation, and Unimicron Technology Corporation, and memory from Micron Technology, Samsung Semiconductor, Inc., and SK Hynix.

We typically receive semiconductor products from our subcontractors, perform incoming quality assurance and configuration, and then ship the semiconductors to contract equipment manufacturers, or CEMs, distributors, motherboard and AIB customers from our third-party warehouse in Hong Kong. Generally, these manufacturers assemble and test the boards based on our design kit and test specifications, and then ship our products to retailers, system builders, or OEMs as motherboard and AIB solutions.

We also utilize industry-leading contract manufacturers, or CMs, such as BYD and Hon Hai Precision Industry Co., and ODMs such as Quanta Computer and Wistron Corporation, to manufacture some of our products for sale directly to end customers. In those cases, key elements such as the GPU, SoC and memory are often consigned by us to the CMs, who are responsible for the procurement of other components used in the production process.

## Working Capital

We focus considerable attention on managing our inventories and other working-capital-related items. We manage inventories by communicating with our customers and partners and then using our industry experience to forecast demand on a platform-by-platform basis. We then place manufacturing orders for our products that are based on forecasted demand. We generally maintain substantial inventories of our products. A substantial amount of our inventories is maintained as semi-finished products that can be leveraged across a wide range of our processors to balance our customer demands.

Our existing cash, cash equivalents and marketable securities balances increased by 47% to $10.90 billion at the end of fiscal year 2020 compared with the end of fiscal year 2019.

## Competition

The market for our products is intensely competitive and is characterized by rapid technological change and evolving industry standards. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and partners and distribution channels, software support, conformity to industry standard APIs, manufacturing capabilities, processor pricing, and total system costs. We believe that our ability to remain competitive will depend on how well we are able to anticipate the features and functions that customers and partners will demand and whether we are able to deliver consistent volumes of our products at acceptable levels of quality and at competitive prices. We expect competition to increase from both existing competitors and new market entrants with products that may be lower priced than ours, or may provide better performance or additional features not provided by our products. In addition, it is possible that new competitors or alliances among competitors could emerge and acquire significant market share.

A significant source of competition comes from companies that provide or intend to provide GPUs, embedded SOCs, and other accelerated and AI computing processor products. Some of our competitors may have greater marketing, financial, distribution and manufacturing resources than we do and may be more able to adapt to customer or technological changes.

Our current competitors include:

- suppliers and licensors designing discrete and integrated GPUs and other accelerated computing solutions, including chipsets that incorporate 3D graphics, or HPC, such as Advanced Micro Devices, or AMD, Intel Corporation, or Intel, and Xilinx, Inc.;

- large internet services companies with internal teams designing chips that incorporates HPC or accelerated computing functionality as part of their internal solutions or platforms, such as Alphabet Inc.; and

- suppliers of SoC products that are embedded into automobiles, autonomous machines, and gaming devices, such as Ambarella, Inc., AMD, Broadcom Inc., Intel, Qualcomm Incorporated, Renesas Electronics Corporation, Samsung, and Xilinx, Inc. or companies with internal teams designing SoC products for internal use, such as Tesla Motors.

## Patents and Proprietary Rights

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, and licensing arrangements to protect our intellectual property in the United States and internationally. Our currently issued patents have expiration dates from March 2020 to October 2039. We have numerous patents issued, allowed, and pending in the United States and in foreign jurisdictions. Our patents and pending patent applications primarily relate to our products and the technology used in connection with our products. We also rely on international treaties, organizations, and foreign laws to protect our intellectual property. The laws of certain foreign countries in which our products are or may be manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as the laws of the United States. This decreased protection makes the possibility of piracy of our technology and products more likely. We continuously assess whether and where to seek formal protection for particular innovations and technologies based on such factors as:

- the location in which our products are manufactured;
- our strategic technology or product directions in different countries;
- the degree to which intellectual property laws exist and are meaningfully enforced in different jurisdictions; and
- the commercial significance of our operations and our competitors' operations in particular countries and regions.

We have also licensed technology from third parties and expect to continue to enter into such license agreements.

## Employees

As of January 26, 2020, we had 13,775 employees, 9,823 of whom were engaged in research and development and 3,952 of whom were engaged in sales, marketing, operations, and administrative positions.

### Environmental Regulatory Compliance

To date, we have not incurred significant expenses related to environmental regulatory compliance matters.

### Information About Our Executive Officers

The following sets forth certain information regarding our executive officers, their ages and positions as of February 14, 2020:

| Name | Age | Position |
|---|---|---|
| Jen-Hsun Huang | 56 | President and Chief Executive Officer |
| Colette M. Kress | 52 | Executive Vice President and Chief Financial Officer |
| Ajay K. Puri | 65 | Executive Vice President, Worldwide Field Operations |
| Debora Shoquist | 65 | Executive Vice President, Operations |
| Timothy S. Teter | 53 | Executive Vice President and General Counsel |

**Jen-Hsun Huang** co-founded NVIDIA in 1993 and has served as our President, Chief Executive Officer and a member of the Board of Directors since our inception. From 1985 to 1993, Mr. Huang was employed at LSI Logic Corporation, a computer chip manufacturer, where he held a variety of positions including as Director of Coreware, the business unit responsible for LSI's SOC. From 1983 to 1985, Mr. Huang was a microprocessor designer for Advanced Micro Devices, Inc., a semiconductor company. Mr. Huang holds a B.S.E.E. degree from Oregon State University and an M.S.E.E. degree from Stanford University.

**Colette M. Kress** joined NVIDIA in 2013 as Executive Vice President and Chief Financial Officer. Prior to NVIDIA, Ms. Kress most recently served as Senior Vice President and Chief Financial Officer of the Business Technology and Operations Finance organization at Cisco Systems, Inc., a networking equipment company, since 2010. At Cisco, Ms. Kress was responsible for financial strategy, planning, reporting and business development for all business segments, engineering and operations. From 1997 to 2010 Ms. Kress held a variety of positions at Microsoft Corporation, a software company, including, beginning in 2006, Chief Financial Officer of the Server and Tools division, where Ms. Kress was responsible for financial strategy, planning, reporting and business development for the division. Prior to joining Microsoft, Ms. Kress spent eight years at Texas Instruments Incorporated, a semiconductor company, where she held a variety of finance positions. Ms. Kress holds a B.S. degree in Finance from University of Arizona and an M.B.A. degree from Southern Methodist University.

**Ajay K. Puri** joined NVIDIA in 2005 as Senior Vice President, Worldwide Sales and became Executive Vice President, Worldwide Field Operations in 2009. Prior to NVIDIA, he held positions in sales, marketing, and general management over a 22-year career at Sun Microsystems, Inc., a computing systems company. Mr. Puri previously held marketing, management consulting, and product development positions at Hewlett-Packard Company, an information technology company, Booz Allen Hamilton Inc., a management and technology consulting company, and Texas Instruments Incorporated. Mr. Puri holds a B.S.E.E. degree from the University of Minnesota, an M.S.E.E. degree from the California Institute of Technology and an M.B.A. degree from Harvard Business School.

**Debora Shoquist** joined NVIDIA in 2007 as Senior Vice President of Operations and in 2009 became Executive Vice President of Operations. Her role has since expanded with responsibility added for Facilities in 2013, and for Information Technology in 2015. Prior to NVIDIA, Ms. Shoquist served from 2004 to 2007 as Executive Vice President of Operations at JDS Uniphase Corp., a provider of communications test and measurement solutions and optical products for the telecommunications industry. She served from 2002 to 2004 as Senior Vice President and General Manager of the Electro-Optics business at Coherent, Inc., a manufacturer of commercial and scientific laser equipment. Previously, she worked at Quantum Corp., a data protection company, as President of the Personal Computer Hard Disk Drive Division, and at Hewlett-Packard Corp. Ms. Shoquist holds a B.S. degree in Electrical Engineering from Kansas State University and a B.S. degree in Biology from Santa Clara University.

**Timothy S. Teter** joined NVIDIA in 2017 as Senior Vice President, General Counsel and Secretary and became Executive Vice President, General Counsel and Secretary in February 2018. Prior to NVIDIA, Mr. Teter spent more than two decades at the law firm of Cooley LLP. He was most recently a partner at Cooley, where he focused on litigating patent and technology related matters. Prior to attending law school, he worked as an engineer at Lockheed Missiles and Space Company. Mr. Teter holds a B.S. degree in Mechanical Engineering from the University of California at Davis and a J.D. degree from Stanford Law School.

### Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our web site, *http://www.nvidia.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. The SEC's website, *http://www.sec.gov*, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our web site and the information on it or connected to it are not a part of this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

*In evaluating NVIDIA and our business, the following factors should be considered in addition to the other information in this Annual Report on Form 10-K. Before you buy our common stock, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, which could cause our stock price to decline, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.*

### Risks Related to Our Business, Industry and Partners

**If we fail to meet the evolving needs of our markets, or identify new products, services or technologies, our revenue and financial results may be adversely impacted.**

We created GPU-based visual and accelerated computing platforms that address four large markets: Gaming, Professional Visualization, Data Center, and Automotive. These markets often experience rapid technological change, changes in customer requirements, new product introductions and enhancements, and evolving industry standards. Our success depends on our ability to identify emerging industry changes and to develop new (or enhance our existing) products, services and technologies that meet the evolving needs of these markets. Such activities may require considerable technical, financial, compliance, sales and marketing investments. We devote significant resources to the development of technologies and business offerings in markets where we have a limited operating history, such as the automotive and data center markets, which presents additional risks to our business. We must also continue to develop the infrastructure needed to scale our business in these areas, including customer service and support. We also must meet customer safety and compliance standards, which are subject to change. Additionally, we continue to make considerable investments in research and development, which may not produce significant revenue for several years, if at all. If our investments are unsuccessful and we fail to develop new products, services and technologies, or if we focus on technologies that do not become widely adopted, our business, revenue, financial condition and results of operations could be adversely affected. We cannot assure you that our strategic direction will result in innovative products and technologies that provide value to our customers, partners and ultimately, our shareholders. If we fail to anticipate the changing needs of our target markets and emerging technology trends, or if we do not appropriately adapt that strategy as market conditions evolve, in a timely manner to exploit potential market opportunities, our business will be harmed.

**Competition in our current and target markets could prevent us from growing our revenue.**

Our target markets remain extremely competitive, and we expect competition to intensify as current competitors expand their product and/or service offerings, industry standards continue to evolve, customer needs change and new competitors enter these markets. Our competitors' products, services and technologies may be less costly, or may offer superior functionality or better features, than ours, which may result, among other things, in lower than expected selling prices for our products. In addition, some of our competitors operate and maintain their own fabrication facilities, have longer operating histories, larger customer bases, more comprehensive intellectual property, or IP, portfolios and patent protections, and greater financial, sales, marketing and distribution resources than we do. These competitors may be able to more effectively identify and capitalize upon opportunities in new markets and end user customer trends, quickly transition their products, including semiconductor products, to increasingly smaller line width geometries, and obtain sufficient foundry capacity and packaging materials, which could harm our business. If we are unable to successfully compete in our target markets, respond to changes in our target markets or introduce new offerings to meet the needs of this competitive environment, including in significant international markets such as China, demand for our products, services and technologies could decrease, which would cause our revenue to decline and cause our results of operations to suffer. In addition, the competitive landscape in our target markets has changed and may continue to evolve due to a trend toward consolidation, which could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

**System security and data protection breaches, as well as cyber-attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which could adversely affect our stock price and damage our reputation.**

Security breaches, computer malware, phishing, and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These attacks have occurred on our systems in the past and are expected to occur in the future. Experienced computer programmers, hackers and employees may penetrate our security controls and misappropriate or compromise our confidential information, or that of our employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in our products, including consumer and automotive products, where we utilize over-the-air updates to improve functionality over time. For portions of our IT infrastructure, including business management and communication software products, we rely on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may impact our systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to our systems. To defend against security threats, both to our internal systems and those of our customers, we must continuously engineer more secure products and enhance security and reliability features, which may result in increased expenses.

Actual or perceived breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our partners, our customers or third parties could expose us and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to our brand and reputation or other harm to our business. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions could adversely affect our financial results, stock price and reputation.

**We depend on third parties and their technology to manufacture, assemble, test and/or package our products, which reduces our control over product quantity and quality, manufacturing yields, development, enhancement and product delivery schedule and could harm our business.**

We do not manufacture the silicon wafers used for our GPUs and Tegra processors and do not own or operate a wafer fabrication facility. Instead, we are dependent on industry-leading foundries, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd., to manufacture our semiconductor wafers using their fabrication equipment and techniques. Similarly, we do not directly assemble, test or package our products, but instead rely on independent subcontractors. We do not have long-term commitment contracts with these foundries or subcontractors. As a result, we face several significant risks which could have an adverse effect on our ability to meet customer demand and/or negatively impact our business operations, gross margin, revenue and/or financial results, including:

- a lack of guaranteed supply of wafers and other components and potential higher wafer and component prices due to supply constraints;

- a failure by our foundries to procure raw materials or to provide or allocate adequate or any manufacturing or test capacity for our products;

- a failure to develop, obtain or successfully implement high quality, leading-edge process technologies, including transitions to smaller geometry process technologies such as advanced process node technologies and memory designs needed to manufacture our products profitably or on a timely basis;

- a limited number of suppliers, including foundries, assembly and test providers, and memory manufacturers;

- loss of a supplier and additional expense and/or production delays as a result of qualifying a new foundry or subcontractor and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier;

- a lack of direct control over delivery schedules or product quantity and quality; and

- delays in product shipments, shortages, a decrease in product quality and/or higher expenses in the event our subcontractors or foundries prioritize our competitors' orders over our orders or otherwise.

In addition, low manufacturing yields could have an adverse effect on our ability to meet customer demand, increase manufacturing costs, harm customer or partner relationships, and/or negatively impact our business operations, gross margin, revenue and/or financial results. Manufacturing yields for our products are a function of product design, which is developed largely by us, and process technology, which typically is proprietary to the foundry. Low yields may result from either product design or process technology failure. We do not know whether a yield problem will exist until our design is actually manufactured by the foundry. As a result, yield problems may not be identified until well into the manufacturing process and require us and the foundry to cooperate to resolve the problem.

We also rely on third-party software development tools to assist us in the design, simulation and verification of new products or product enhancements, and to bring such new products and enhancements to market in a timely manner. In the past, we have experienced delays in the introduction of products and enhancements as a result of the inability of then available software development tools to fully simulate the complex features and functionalities of our products. The design requirements necessary to meet consumer demands for more features and greater functionality from our products may exceed the capabilities of available software development tools. If we miss design cycles or lose design wins due to the unavailability of such software development tools, we could lose market share and our revenues could decline. If we fail to achieve design wins for our products, our business will be harmed.

For our products that we do not sell directly to consumers, achieving design wins is an important success factor. Achieving design wins may involve a lengthy process in pursuit of a customer opportunity and depend on our ability to anticipate features and functionality that customers and consumers will demand. Failure to obtain a particular design win may prevent us from obtaining design wins in subsequent generations of a particular product. This could result in lost revenue and could weaken our position in future competitive bid selection processes.

Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers. Further, if our products are not in compliance with prevailing industry standards, including safety standards, our customers may not incorporate our products into their design strategies. Winning a product design does not guarantee sales to a customer or that we will realize as much revenue as anticipated, if any.

**If our products contain significant defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.**

Our products are complex and may contain defects or security vulnerabilities, or experience failures or unsatisfactory performance due to any number of issues in design, fabrication, packaging, materials and/or use within a system. These risks may increase as our products are introduced into new devices, markets, technologies and applications, including into the automotive market, or as new versions are released. Some errors in our products or services may only be discovered after a product or service has been shipped or used by customers or the end users of such product. Undiscovered vulnerabilities in our products or services could expose our customers or end users to hackers or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack our products or services. Failure of our products to perform to specifications, or other product defects, could lead to substantial damage to the products we sell directly to customers, the end product in which our device has been integrated by OEMs, ODMs, AIBs and Tier 1 automotive suppliers, and to the user of such end product. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write off the value of related inventory, cause us to lose market share, and divert the attention of our engineering personnel from our product development efforts to find and correct the issue. In addition, an error or defect in new products or releases or related software drivers after commencement of commercial shipments could result in failure to achieve market acceptance or loss of design wins, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Also, we may be required to reimburse our customers, partners or consumers, including costs to repair or replace products in the field. A product recall, including automotive recalls or a recall due to a bug in our products, or a significant number of product returns could be expensive, damage our reputation, harm our ability to attract new customers, result in the shifting of business to our competitors and result in litigation against us, such as product liability suits. If a product liability claim is brought against us, the cost of defending the claim could be significant and would divert the efforts of our technical and management personnel, and harm our business. Further, our business liability insurance may be inadequate or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results.

**Business disruptions could harm our business, lead to a decline in revenues and increase our costs.**

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, outages at cloud service providers, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, cyber-attacks, terrorist attacks, medical epidemics or pandemics and other natural or man-made disasters, catastrophic events or climate change. The occurrence of any of these disruptions could harm our business and result in significant losses, a decline in revenue and an increase in our costs and expenses. Any of these business disruptions could require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations, finished goods inventory, and some of our suppliers are located in Asia, near major earthquake faults known for seismic activity. In addition, a large portion of our current data center capacity is located in California, making our operations vulnerable to natural disasters or other business disruptions occurring in these geographical areas. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Taiwan, China, Hong Kong, and Korea. Additionally, a significant portion of our finished goods product distribution occurs through Hong Kong. Geopolitical change or changes in government regulations and policies in the United States or abroad may result in changing regulatory requirements, trade policies, import duties and economic disruptions that could impact our operating strategies, product demand, access to global markets, hiring, and profitability. In particular, revisions to laws or regulations or their interpretation and enforcement could result in increased taxation, trade sanctions, the imposition of import duties or tariffs, restrictions and controls on imports or exports, or other retaliatory actions, which could have an adverse effect on our business plans. For example, regulations to implement the Export Control Reform Act of 2018 could have an adverse effect on our business plans. Catastrophic events can also have an impact on third-party vendors who provide us critical infrastructure services for IT and research and development systems and personnel. Our operations could be harmed if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, high heat events or water shortages, information technology system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our third-party foundries and other suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown. In the event a major earthquake or other disaster or catastrophic event affects us or the third-party systems on which we rely, our business could be harmed as a result of declines in revenue, increases in expenses, substantial expenditures and time spent to fully resume operations.

In January 2020, a novel strain of coronavirus was identified in China, resulting in shutdowns of manufacturing and commerce, as well as global travel restrictions to contain the virus. The impact has extended to other regions. We have operations and employees in China, and the region represents an important end market for our products. Our customers and suppliers within China and neighboring countries are also affected by the coronavirus related restrictions and closures. The coronavirus is expected to have a negative effect on our financial results, though the full extent and duration is uncertain and could have a material negative impact on our business.

**If we fail to estimate customer demand properly, our financial results could be harmed.**

We manufacture our GPUs and Tegra processors based on estimates of customer demand and requirements. We sell many of our products through a channel model, and our channel customers sell to retailers, distributors, and/or end customers. As a result, the decisions made by our channel partners, retailers, and distributors in response to changing market conditions and the changing demand for our products could impact our financial results. In order to have shorter shipment lead times and quicker delivery schedules for our customers, we may build inventories for anticipated periods of growth which do not occur, may build inventory anticipating demand that does not materialize, or may build inventory to serve what we believe is pent-up demand. Such decisions may and have resulted in prolonged channel sell-through, as we experienced with our mid-range gaming GPUs in fiscal year 2019. In estimating demand, we make multiple assumptions, any of which may prove to be incorrect. Situations that may result in excess or obsolete inventory include:

- changes in business and economic conditions, including downturns in our target markets and/or overall economy;
- changes in consumer confidence caused by changes in market conditions, including changes in the credit market;
- a sudden and significant decrease in demand for our products;
- a higher incidence of inventory obsolescence because of rapidly changing technology or customer requirements;
- our introduction of new products resulting in lower demand for older products;
- less demand than expected for newly-introduced products; or

- increased competition, including competitive pricing actions.

The cancellation or deferral of customer purchase orders could result in our holding excess inventory, which could adversely affect our gross margins. In addition, because we often sell a substantial portion of our products in the last month of each quarter, we may not be able to reduce our inventory purchase commitments in a timely manner in response to customer cancellations or deferrals. We could be required to write-down our inventory to the lower of cost or market or write-off excess inventory, and we could experience a reduction in average selling prices if we incorrectly forecast product demand, any of which could harm our financial results.

Conversely, if we underestimate our customers' demand for our products, our foundry partners may not have adequate lead-time or capacity to increase production and we may not be able to obtain sufficient inventory to fill customers' orders on a timely basis. We may also face supply constraints caused by natural disasters or other events. In such cases, even if we are able to increase production levels to meet customer demand, we may not be able to do so in a cost-effective or timely manner. If we fail to fulfill our customers' orders on a timely basis, or at all, our customer relationships could be damaged, we could lose revenue and market share and our reputation could be damaged.

**We receive a significant amount of our revenue from a limited number of customers within our partner network and our revenue could be adversely affected if we lose or are prevented from selling to any of these customers.**

We receive a significant amount of our revenue from a limited number of customers within our distribution and partner network. With several of these distributors and partners, we are selling multiple target market platforms through their channels. For fiscal year 2020, 11% of our total revenue was from one customer, Dell. Our operating results in the foreseeable future will continue to depend on sales within our partner network, as well as the ability of these partners to sell products that incorporate our GPUs and Tegra processors. In the future, these partners may decide to purchase fewer products than they did in the past, not to incorporate our products into their ecosystem, or to alter their purchasing patterns in some other way, particularly because:

- most of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- our partners may develop their own solutions;
- our customers may purchase products from our competitors; or
- our partners may discontinue sales or lose market share in the markets for which they purchase our products.

We could also be restricted from selling our products or providing our technology and services due to U.S. trade restrictions. The loss of any of our large customers, a significant reduction in purchases by them, or our inability to sell to a customer due to U.S. trade restrictions would likely harm our financial condition and results of operations, and any difficulties in collecting accounts receivable could harm our operating results and financial condition.

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of certain of our customers to make required payments and obtain credit insurance over the purchasing credit extended to these customers. In the future, we may have to record additional provisions or write-offs and/or defer revenue on certain sales transactions, which could negatively impact our financial results, and we may not be able to acquire credit insurance on the credit we extend to these customers or in amounts that we deem sufficient.

**We are subject to risks and uncertainties associated with international operations, which may harm our business.**

We conduct our business worldwide and we have offices in various countries outside of the United States. Our semiconductor wafers are manufactured, assembled, tested and packaged by third parties located outside of the United States. We also generate a significant portion of our revenue from sales outside the United States. We allocate revenue to individual countries based on the location to which the products are initially billed even if our customers’ revenue is attributable to end customers that are located in a different location. Revenue from sales outside of the United States accounted for 92% of total revenue for fiscal year 2020, and 87% for each of fiscal years 2019 and 2018. Revenue from billings to China, including Hong Kong, was 25% of our revenue for fiscal year 2020, even if our customers' revenue is attributable to end customers that are located in a different location. Additionally, as of January 26, 2020, approximately 46% of our employees were located outside of the United States. The global nature of our business subjects us to a number of risks and uncertainties, which could have a material adverse effect on our business, financial condition and results of operations, including:

- international economic and political conditions, including as a result of the United Kingdom's vote to withdraw from the European Union, and other political tensions between countries in which we do business;
- unexpected changes in, or impositions of, legislative or regulatory requirements, including changes in tax laws;

- differing legal standards with respect to protection of intellectual property and employment practices;
- local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anticorruption laws and regulations;
- exporting or importing issues related to export or import restrictions, including deemed export restrictions, tariffs, quotas and other trade barriers and restrictions;
- disruptions of capital and trading markets and currency fluctuations; and
- increased costs due to imposition of climate change regulations, such as carbon taxes, fuel or energy taxes, and pollution limits.

If our sales outside of the United States are delayed or cancelled because of any of the above factors, our revenue may be negatively impacted.

**If we are unable to attract, retain and motivate our executives and key employees, we may not be able to execute our business strategy effectively.**

To be competitive and execute our business strategy successfully, we must attract, retain and motivate our executives and key employees. The market for highly skilled workers and leaders in our industry is extremely competitive. In particular, hiring qualified executives, scientists, engineers, technical staff and research and development personnel is critical to our business. Additionally, changes in immigration and work permit laws and regulations or the administration or interpretation of such laws or regulations could impair our ability to attract and retain highly qualified employees. If we are less successful in our recruiting efforts, or if we cannot retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Additionally, competition for personnel results in increased costs in the form of cash and stock-based compensation. The interpretation and application of employment related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

**We may not be able to realize the potential financial or strategic benefits of business acquisitions or strategic investments, including the Mellanox acquisition, and we may not be able to successfully integrate acquisition targets, which could hurt our ability to grow our business, develop new products or sell our products.**

We have in the past acquired and invested in, and may continue to acquire and invest in, other businesses that offer products, services and technologies that we believe will help expand or enhance our existing products, strategic objectives and business. In March 2019, we announced our agreement to acquire Mellanox for approximately $6.9 billion. The Mellanox acquisition and other past or future acquisitions or investments involve significant challenges and risks, and could impair our ability to grow our business, develop new products or sell our products, and ultimately could have a negative impact on our growth or our financial results. Given that our resources are limited, our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our strategic objectives. Additional risks related to the Mellanox acquisition, and other acquisitions or strategic investments include, but are not limited to:

- difficulty in combining the technology, products, operations or workforce of the acquired business with our business;
- diversion of capital and other resources, including management’s attention;
- assumption of liabilities and incurring amortization expenses, impairment charges to goodwill or write-downs of acquired assets;
- integrating financial forecasting and controls, procedures and reporting cycles;
- coordinating and integrating operations in countries in which we have not previously operated;
- difficulty in realizing a satisfactory return, if at all;
- difficulty in obtaining regulatory, other approvals or financing;
- failure and costs associated with the failure to consummate a proposed acquisition or other strategic investment;
- legal proceedings initiated as a result of an acquisition or investment;
- uncertainties and time needed to realize the benefits of an acquisition or strategic investment, if at all;
- negative changes in general economic conditions in the regions or the industries in which we or our target operate;
- the need to later divest acquired assets if an acquisition does not meet our expectations;

- potential failure of our due diligence processes to identify significant issues with the acquired assets or company; and

- impairment of relationships with, or loss of our or our target's, employees, vendors and customers, as a result of our acquisition or investment.

### Risks Related to Regulatory, Legal, Our Common Stock and Other Matters

**Actions to adequately protect our IP rights could result in substantial costs to us and our ability to compete could be harmed if we are unsuccessful in doing so or if we are prohibited from making or selling our products.**

We have in the past, currently are, and may in the future become involved in lawsuits or other legal proceedings alleging patent infringement or other intellectual property rights violations by us, our employees or parties that we have agreed to indemnify for certain claims of infringement. An unfavorable ruling in any such intellectual property related litigation could include significant damages, invalidation of a patent or family of patents, indemnification of customers, payment of lost profits, or, when it has been sought, injunctive relief. Claims that our products or processes infringe the IP rights of others, regardless of their merit, could cause us to incur significant costs to respond to, defend, and resolve such claims, and they may also divert the efforts and attention of management and technical personnel.

We may commence litigation or other legal proceedings in order to protect our intellectual property rights. Such proceedings may increase our operating expenses, which could negatively impact our operating results. Further, we could be subject to countersuits as a result of our initiation of litigation. If infringement claims are made against us or our products are found to infringe a third party's patent or intellectual property, we or one of our indemnitees may have to seek a license to the third party's patent or other intellectual property rights. However, we may not be able to obtain licenses at all or on terms acceptable to us particularly from our competitors. If we or one of our indemnitees is unable to obtain a license from a third party for technology that we use or that is used in one of our products, we could be subject to substantial liabilities or have to suspend or discontinue the manufacture and sale of one or more of our products. We may also have to make royalty or other payments, or cross license our technology. If these arrangements are not concluded on commercially reasonable terms, our business could be negatively impacted. Furthermore, the indemnification of a customer or other indemnitee may increase our operating expenses which could negatively impact our operating results.

Our success depends in part on protecting our intellectual property. To accomplish this, we rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, licensing arrangements, and the laws of the countries in which we operate to protect our intellectual property in the United States and internationally. We may be required to spend significant resources to monitor and protect our intellectual property rights, and even with significant expenditures we may not be able to protect our intellectual property rights that are valuable to our business. The laws of certain foreign countries may not protect our products or intellectual property rights to the same extent as the laws of the United States. This makes the possibility of piracy of our technology and products more likely. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in research and development, product development, and marketing could be reduced. We continuously assess whether and where to seek formal protection for existing and new innovations and technologies, but cannot be certain whether our applications for such protections will be approved, and, if approved, whether we will be able to enforce such protections.

**Our operating results have in the past fluctuated and may in the future fluctuate, and if our operating results are below the expectations of securities analysts or investors, our stock price could decline.**

Our operating results have in the past fluctuated and may in the future continue to fluctuate due to numerous factors. Therefore, investors should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Factors, other than those described elsewhere in these risk factors, that could affect our results of operations in the future include, but are not limited to:

- our ability to achieve volume production of our next-generation products;
- our inability to adjust spending to offset revenue shortfalls due to the multi-year development cycle for some of our products and services;
- fluctuations in the demand for our products related to cryptocurrencies;
- changes in the timing of product orders due to unexpected delays in the introduction of our partners’ products;
- our ability to cover the manufacturing and design costs of our products through competitive pricing;
- our ability to comply and continue to comply with our customers’ contractual obligations;
- product rates of return in excess of that forecasted or expected due to quality issues;
- our ability to secure appropriate safety certifications and meet industry safety standards;
-

supply constraints for and changes in the cost of the other components incorporated into our products

- inventory write-downs;
- our ability to continue generating revenue from our partner network, including by generating sales within our partner network and ensuring our products are incorporated into our partners product ecosystems, and our partner network's ability to sell products that incorporate our GPUs and Tegra processors;
- the inability of certain of our customers to make required payments to us, and our ability to obtain credit insurance over the purchasing credit extended to these customers;
- customer bad debt write-offs;
- any unanticipated costs associated with environmental liabilities;
- unexpected costs related to our ownership of real property;
- changes in financial accounting standards or interpretations of existing standards; and
- general macroeconomic or industry events and factors affecting the overall market and our target markets.

Any one or more of the factors discussed above could prevent us from achieving our expected future financial results. Any such failure to meet our expectations or the expectations of our investors or security analysts could cause our stock price to decline or experience substantial price volatility.

**Privacy concerns relating to our products and services could damage our reputation, deter current and potential users from using our products and services, result in liability, or result in legal or regulatory proceedings.**

Our products and services may provide us with access to sensitive, confidential or personal data or information that is subject to privacy and security laws and regulations. Concerns about our practices with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and adversely affect our operating results. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business or by one of our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, disruption of our business activities or increased costs related to defending legal claims.

Worldwide regulatory authorities are considering and have approved various legislative proposals concerning data protection, which continue to evolve and apply to our business. For example, the European Union adopted the General Data Protection Regulation, or GDPR, which requires companies to meet new requirements effective as of May 2018 regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet GDPR requirements could result in penalties of up to 4% of worldwide revenue. In addition, the interpretation and application of consumer and data protection laws in the United States, Europe and elsewhere are often uncertain and fluid, and may be interpreted and applied in a manner that is inconsistent with our data practices. If so, we may be ordered to change our data practices and/or be fined. Complying with these changing laws has caused, and could continue to cause, us to incur substantial costs, which could have an adverse effect on our business and results of operations. Further, failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity.

**We may have exposure to additional tax liabilities and our operating results may be adversely impacted by higher than expected tax rates.**

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenue and expenses in different jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Further, changes in United States federal, and state or international tax laws applicable to multinational corporations or other fundamental law changes may materially impact our tax expense and cash flows, as we experienced in fiscal year 2018 with the passage of the Tax Cuts and Jobs Act, or TCJA.

Our future effective tax rate may be affected by such factors as changes in tax laws, changes in our business or statutory rates, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in available tax credits, the resolution of issues arising from tax audits, changes in United States generally accepted accounting principles, adjustments to income taxes upon finalization of tax returns, increases in expenses not deductible for tax purposes, changes in the valuation of our deferred tax assets and liabilities and in deferred tax valuation allowances, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and the recognition of excess tax benefits and tax deficiencies within the income tax provision in the period in which they occur, the impact of accounting for business combinations, shifts in the amount of earnings in the United States compared with other regions in the world and overall levels of income before tax, changes in our international organization, as well as the expiration of statute of limitations and settlements of audits. Any changes in our effective tax rate may reduce our net income.

**Our business is exposed to the risks associated with litigation, investigations and regulatory proceedings.**

We currently and may in the future face legal, administrative and regulatory proceedings, claims, demands and/or investigations involving shareholder, consumer, competition and/or other issues relating to our business on a global basis. For example, multiple securities litigation claims have recently been filed against us and certain of our officers based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. In addition, a stockholder, purporting to act on behalf of the Company, filed a derivative lawsuit seeking to assert claims on behalf of the Company against the members of our board of directors and certain officers based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand.

Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome or settlement may result in a material adverse impact on our business, results of operations, financial position, and overall trends. In addition, regardless of the outcome, litigation can be costly, time-consuming, and disruptive to our operations.

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In addition, the laws and regulations our business is subject to are complex and change frequently. We may be required to incur significant expense to comply with changes in, or remedy violations of, these laws and regulations.

**Delaware law and provisions in our certificate of incorporation, our bylaws and our agreement with Microsoft Corporation could delay or prevent a change in control.**

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested shareholder for a period of three years after the person becomes an interested shareholder, even if a change of control would be beneficial to our existing shareholders. In addition, our certificate of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. These provisions include the following:

- the ability of our Board of Directors to create and issue preferred stock without prior shareholder approval;
- the prohibition of shareholder action by written consent;
- advance notice requirements for director nominations and shareholder proposals;
- the ability of our Board of Directors to increase or decrease the number of directors without shareholder approval;
- a super-majority voting requirement to amend some provisions in our certificate of incorporation and bylaws;
- the inability of our shareholders to call special meetings of shareholders; and
- the ability of our Board of Directors to make, amend or repeal our bylaws.

On March 5, 2000, we entered into an agreement with Microsoft in which we agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in the Xbox. Under the agreement, if an individual or corporation makes an offer to purchase shares equal to or greater than 30% of the outstanding shares of our common stock, Microsoft may have first and last rights of refusal to purchase the stock. The Microsoft provision and the other factors listed above could also delay or prevent a change in control of NVIDIA. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

Our headquarters complex is located in Santa Clara, California. It includes twelve leased commercial buildings totaling 1,093,529 square feet, and real property that we own totaling 720,046 square feet. Our owned property consists of two commercial buildings and a building under construction. The construction is targeted for completion in fiscal year 2022. In addition, we also lease data center space in Santa Clara, California.

Outside of Santa Clara, California, we lease facilities in a number of regional facilities in other U.S. locations that are used as research and development centers and/or sales and administrative offices. Outside of the United States, we own a building in Hyderabad, India, that is being used primarily as a research and development center. We also lease facilities in various international locations that are used as research and development centers and/or sales and administrative offices. These leased facilities are located primarily in Asia and Europe. In addition, we also lease data center space in various locations around the world.

We believe that we currently have sufficient facilities to conduct our operations for the next twelve months. For additional information regarding obligations under leases, refer to Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

## ITEM 3. LEGAL PROCEEDINGS

Please see Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of our legal proceedings.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

# PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol NVDA. Public trading of our common stock began on January 22, 1999. Prior to that, there was no public market for our common stock. As of February 14, 2020, we had approximately 301 registered shareholders, not including those shares held in street or nominee name.

### Issuer Purchases of Equity Securities

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Since the inception of our share repurchase program, we have repurchased an aggregate of 260 million shares for a total cost of $7.08 billion through January 26, 2020. All shares delivered from these repurchases have been placed into treasury stock.

As of January 26, 2020, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022.

The repurchases can be made in the open market, in privately negotiated transactions, or in structured share repurchase programs, and can be made in one or more larger repurchases, in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, and other factors. The program does not obligate NVIDIA to acquire any particular amount of common stock and the program may be suspended at any time at our discretion.

In November 2018, we communicated our intent to return $3.00 billion to shareholders by the end of fiscal year 2020, including $700 million in share repurchases made during the fourth quarter of fiscal year 2019. In fiscal year 2020, we returned $390 million in quarterly cash dividends. We did not repurchase any shares during fiscal year 2020. We intend to return to repurchasing shares after closing the acquisition of Mellanox.

### Restricted Stock Unit Share Withholding

We also withhold common stock shares associated with net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under our employee equity incentive program. During fiscal year 2020, we withheld approximately 3 million shares at a total cost of $551 million through net share settlements. Refer to Note 4 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding our equity incentive plans.

## Stock Performance Graphs

The following graph compares the cumulative total shareholder return for our common stock, the S&P 500 Index, and the Nasdaq 100 Index for the five years ended January 26, 2020. The graph assumes that $100 was invested on January 25, 2015 in our common stock and in each of the S&P 500 Index and the Nasdaq 100 Index. Our common stock is a component of each of the presented indices. Total return assumes reinvestment of dividends in each of the indices indicated. Total return is based on historical results and is not intended to indicate future performance.

chart-d49f47e1f5e55d9a813.jpg

*$100 invested on 1/25/15 in stock and in indices, including reinvestment of dividends.

The S&P 500 index is proprietary to and are calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, among other famous marks, are registered trademarks of Standard & Poor's Financial Services LLC, and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. © 2016 S&P Dow Jones Indices LLC, its affiliates and/or its licensors. All rights reserved.

| | 1/25/2015 | 1/31/2016 | 1/29/2017 | 1/28/2018 | 1/27/2019 | 1/26/2020 |
|---|---|---|---|---|---|---|
| NVIDIA Corporation | $ 100.00 | $ 141.43 | $ 539.69 | $ 1,174.93 | $ 773.30 | $ 1,209.46 |
| S&P 500 | $ 100.00 | $ 97.26 | $ 114.23 | $ 141.55 | $ 135.54 | $ 161.68 |
| Nasdaq 100 | $ 100.00 | $ 103.15 | $ 123.34 | $ 167.53 | $ 166.49 | $ 216.74 |

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## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our financial statements and the notes thereto, and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Consolidated Statements of Income data for fiscal years 2020, 2019, and 2018 and the Consolidated Balance Sheets data as of January 26, 2020 and January 27, 2019 have been derived from and should be read in conjunction with our audited consolidated financial statements and the notes thereto included in Part IV, Item 15 in this Annual Report on Form 10-K. We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2020, 2019, 2018, and 2017 were 52-week years and fiscal year 2016 was a 53-week year.

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | **January 26, 2020** | **January 27, 2019** | **January 28, 2018** | **January 29, 2017** | **January 31, 2016 (A)** |
| Consolidated Statements of Income Data: | *(In millions, except per share data)* | | | | |
| Revenue | $ 10,918 | $ 11,716 | $ 9,714 | $ 6,910 | $ 5,010 |
| Income from operations | $ 2,846 | $ 3,804 | $ 3,210 | $ 1,934 | $ 747 |
| Net income | $ 2,796 | $ 4,141 | $ 3,047 | $ 1,666 | $ 614 |
| Net income per share: | | | | | |
| Basic | $ 4.59 | $ 6.81 | $ 5.09 | $ 3.08 | $ 1.13 |
| Diluted | $ 4.52 | $ 6.63 | $ 4.82 | $ 2.57 | $ 1.08 |
| Weighted average shares used in per share computation: | | | | | |
| Basic | 609 | 608 | 599 | 541 | 543 |
| Diluted | 618 | 625 | 632 | 649 | 569 |

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | **January 26, 2020 (C)** | **January 27, 2019 (B,C)** | **January 28, 2018 (B,C)** | **January 29, 2017 (B,C)** | **January 31, 2016 (B)** |
| **Consolidated Balance Sheets Data:** | *(In millions, except per share data)* | | | | |
| Cash, cash equivalents and marketable securities | $ 10,897 | $ 7,422 | $ 7,108 | $ 6,798 | $ 5,037 |
| Total assets (D) | $ 17,315 | $ 13,292 | $ 11,241 | $ 9,841 | $ 7,370 |
| Debt obligations | $ 1,991 | $ 1,988 | $ 2,000 | $ 2,779 | $ 1,413 |
| Convertible debt conversion obligation | $ — | $ — | $ — | $ 31 | $ 87 |
| Total shareholders' equity | $ 12,204 | $ 9,342 | $ 7,471 | $ 5,762 | $ 4,469 |
| Cash dividends declared and paid per common share (E) | $ 0.640 | $ 0.610 | $ 0.570 | $ 0.485 | $ 0.395 |

(A) In fiscal year 2016, we began the wind down of our Icera modem operations. As a result, our income from operations for fiscal year 2016 included $131 million of restructuring and other charges.

(B) In fiscal year 2014, we issued Convertible Notes in the aggregate principal amount of $1.50 billion. The Convertible Notes first became convertible as of February 1, 2016 and matured on December 1, 2018.

(C) In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021, and $1.00 billion of the Notes Due 2026. Interest on the Notes is payable on March 16 and September 16 of each year, beginning on March 16, 2017. Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(D) In fiscal year 2020, we adopted the accounting standards update regarding the accounting for leases under which lease assets and liabilities are recognized on the balance sheet. Refer to Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(E) In May 2015, we increased the quarterly cash dividend from $0.085 per share, or $0.34 per share on an annual basis, to $0.0975 per share, or $0.39 per share on an annual basis. In November 2015, we increased the quarterly cash dividend to $0.115 per share, or $0.46 per share on an annual basis. In November 2016, we increased the quarterly cash dividend to $0.14 per share, or $0.56 per share on an annual basis. In November 2017, we increased the quarterly cash dividend to $0.15 per share, or $0.60 per share on an annual basis. In November 2018, we increased the quarterly cash dividend to $0.16 per share, or $0.64 per share on an annual basis.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 1A. Risk Factors", "Item 6. Selected Financial Data", our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K, before deciding to purchase, hold or sell shares of our common stock.

### Overview

#### Our Company and Our Businesses

NVIDIA pioneered accelerated computing to help solve the most challenging computational problems. Starting with a focus on PC graphics, we extended our focus in recent years to the revolutionary field of AI. Fueled by the sustained demand for exceptional 3D graphics and the scale of the gaming market, NVIDIA leveraged its GPU architecture to create platforms for VR, HPC, and AI.

Our two reportable segments - GPU and Tegra Processor - are based on a single underlying graphics architecture. From our proprietary processors, we have created platforms that address four large markets where our expertise is critical: Gaming, Professional Visualization, Data Center, and Automotive.

Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

### Recent Developments, Future Objectives and Challenges

#### Fiscal Year 2020 Summary

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | Change |
| | *($ in millions, except per share data)* | | |
| Revenue | $ 10,918 | $ 11,716 | Down 7% |
| Gross margin | 62.0 % | 61.2 % | Up 80 bps |
| Operating expenses | $ 3,922 | $ 3,367 | Up 16% |
| Income from operations | $ 2,846 | $ 3,804 | Down 25% |
| Net income | $ 2,796 | $ 4,141 | Down 32% |
| Net income per diluted share | $ 4.52 | $ 6.63 | Down 32% |

Revenue for fiscal year 2020 was $10.92 billion, down 7% from a year earlier. GPU business revenue was $9.47 billion, down 7% from a year earlier. Tegra Processor business revenue - which includes Automotive, SoCs for gaming platforms, and embedded edge AI platforms - was $1.45 billion, down 6% from a year earlier.

From a market platform perspective, Gaming revenue was $5.52 billion, down 12% from a year ago, reflecting lower sales of GeForce desktop GPUs and SoCs for gaming platforms, partially offset by growth in GeForce notebook GPUs.

Professional Visualization revenue was $1.21 billion, up 7% from a year ago, reflecting strength in desktop and notebook workstations.

Data Center revenue was $2.98 billion, up 2% from a year ago, driven by vertical industry growth partially offset by lower hyperscale sales.

Automotive revenue was $700 million, up 9% from a year ago, reflecting growth in AI cockpit solutions and development services agreements.

OEM and Other revenue was $505 million, down 34% from a year ago, primarily due to the absence of cryptocurrency-specific product sales.

Gross margin for fiscal year 2020 was 62.0%, up 80 basis points from a year ago, primarily driven by reduced inventory provisions and the sale of previously written-off components.

Operating expenses for fiscal year 2020 were $3.92 billion, up 16% from a year ago, reflecting primarily employee additions and increases in employee compensation and other related costs, including stock-based compensation and infrastructure costs.

Income from operations for fiscal year 2020 was $2.85 billion, down 25% from a year earlier. Net income and net income per diluted share for fiscal year 2020 were $2.80 billion and $4.52, respectively, both down 32% from a year earlier reflecting lower revenue and higher operating expenses.

On March 10, 2019, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with Mellanox Technologies Ltd., or Mellanox, pursuant to which we will acquire all of the issued and outstanding common shares of Mellanox for $125 per share in cash, representing a total enterprise value of approximately $6.9 billion as of the date of the Merger Agreement. The Merger Agreement contains customary representations, warranties and covenants. The consummation of the merger is conditioned on the receipt of the approval of Mellanox shareholders, as well as the satisfaction of other customary closing conditions, including domestic and foreign regulatory approvals and performance in all material respects by each party of its obligations under the Merger Agreement. In June 2019, Mellanox shareholders approved the consummation of the merger and we received regulatory approvals for the deal from Mexico in July 2019 and from the European Commission in December 2019. In addition, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with the proposed acquisition expired in May 2019. Discussions with China's regulatory agency, the State Administration for Market Regulation, are progressing and we believe the acquisition will likely close in the early part of calendar 2020. If the Merger Agreement is terminated under certain circumstances involving the failure to obtain the required regulatory approvals, we could be obligated to pay Mellanox a termination fee of $350 million.

In November 2018, we communicated our intent to return $3.00 billion to shareholders by the end of fiscal year 2020, including $700 million in share repurchases made during the fourth quarter of fiscal year 2019. In fiscal year 2020, we returned $390 million in quarterly cash dividends. We did not repurchase any shares during fiscal year 2020. We intend to return to repurchasing shares after closing the acquisition of Mellanox.

Cash, cash equivalents and marketable securities were $10.90 billion as of January 26, 2020, compared with $7.42 billion as of January 27, 2019. The increase primarily reflects growth in operating cash flow.

In January 2020, a novel strain of coronavirus was identified in China, resulting in shutdowns of manufacturing and commerce, as well as global travel restrictions to contain the virus. The impact has extended to other regions. We have operations and employees in China, and the region represents an important end market for our products. Our customers and suppliers within China and neighboring countries are also affected by the coronavirus related restrictions and closures. The coronavirus is expected to have a negative effect on our financial results, though the full extent and duration is uncertain and could have a material negative impact on our business.

**GPU Business**

In Gaming, we extended NVIDIA’s family of Turing-based GPUs with the GeForce GTX 1660 Ti, GTX 1660 and GTX 1650, as well as with our new SUPER line, including the GeForce RTX

2080 SUPER, RTX 2070 SUPER, RTX 2060 SUPER, GTX 1660 SUPER, and GTX 1650 SUPER; and accelerated momentum of ray-tracing games by supporting a growing list of titles; introduced new RTX Studio laptops powered by GeForce RTX and Quadro RTX GPUs for online and studio-based creatives and prosumer customers; unveiled two new models of the SHIELD TV streaming media player; and introduced two new service offerings for GeForce NOW cloud gaming service.

In Professional Visualization, we expanded adoption of NVIDIA RTX ray-tracing technology by 3D application providers; rolled out a full range of Turing-based Quadro GPUs for mobile workstations, incorporating ray tracing for product design, architecture, effects and scientific visualization; and unveiled the NVIDIA Omniverse open-collaboration platform to simplify creative workflows for content creation.

In Data Center, we introduced the NVIDIA CUDA-X AI platform for accelerating data science; announced availability of NVIDIA T4 Tensor Core GPUs from leading OEMs and cloud service providers; unveiled the DGX SuperPOD; and announced support for Arm CPUs, providing a new path to build AI-enabled exascale supercomputers, as well as a collaboration with Arm and others on a reference design for GPU accelerated Arm-based servers. We launched the NVIDIA EGX Intelligent Edge Computing Platform, bringing accelerated AI to vertical industries; and announced a collaboration to integrate Microsoft

Azure with EGX, as well as plans for a scalable GPU-accelerated supercomputer in the Microsoft Azure cloud. Additionally, we entered the 5G telecom market, enabling telcos to build efficient, virtualized 5G RANs; announced a collaboration to deliver software-defined 5G RAN; and announced that Alibaba and Baidu's recommendation engines run on NVIDIA AI.

### Tegra Processor Business

In our Automotive platform, we announced a partnership with Toyota Research Institute-Advanced Development to develop, train and validate self-driving vehicles; unveiled the NVIDIA DRIVE AP2X automated driving solution, encompassing DRIVE AutoPilot software, DRIVE AGX and DRIVE validation tools; introduced the NVIDIA DRIVE AV Safety Force Field to enable safe, comfortable driving experiences; and announced availability of the NVIDIA DRIVE Constellation autonomous vehicle simulation platform.

## Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, cost of revenue, expenses and related disclosure of contingencies. On an on-going basis, we evaluate our estimates, including those related to inventories, revenue recognition, income taxes, and goodwill. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our consolidated financial statements. Our management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosures relating to our critical accounting policies and estimates in this Annual Report on Form 10-K.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products or components, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions.

Situations that may result in excess or obsolete inventory include changes in business and economic conditions, changes in market conditions, sudden and significant decreases in demand for our products, inventory obsolescence because of changing technology and customer requirements, failure to estimate customer demand properly, or unexpected competitive pricing actions by our competition. In addition, cancellation or deferral of customer purchase orders could result in our holding excess inventory.

The overall net effect on our gross margin from inventory provisions and sales of items previously written down was insignificant in fiscal year 2020 and an unfavorable impact of 2.0% in fiscal year 2019. The charges we took to cost of sales for inventory provisions during fiscal year 2019 were primarily related to excess DRAM, other components, and prior architecture components and chips. As a fabless semiconductor company, we must make commitments to purchase inventory based on forecasts of future customer demand. In doing so, we must account for our third-party manufacturers' lead times and constraints. We also adjust to other market factors, such as product offerings and pricing actions by our competitors, new product transitions, and macroeconomic conditions - all of which may impact demand for our products.

Refer to the Gross Profit and Gross Margin discussion below in this Management's Discussion and Analysis for further discussion.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

### Product Sales Revenue

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners' activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 26, 2020, we had a valuation allowance of $621 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to jurisdictional projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier, if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value. We have identified two reporting units, GPU and Tegra Processor, for the purposes of completing our goodwill analysis. Goodwill assigned to the GPU and Tegra Processor reporting units as of January 26, 2020 was $210 million and $408 million, respectively. Determining the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We also make judgments and assumptions in allocating assets and liabilities to each of our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

We performed our annual goodwill assessment during the fourth quarter of fiscal year 2020 using a qualitative assessment and concluded there was no goodwill impairment.

Refer to Note 6 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Results of Operations

A discussion regarding our financial condition and results of operations for fiscal year 2020 compared to fiscal year 2019 is presented below. A discussion regarding our financial condition and results of operations for fiscal year 2019 compared to fiscal year 2018 can be found under Item 7 in our Annual Report on Form 10-K for the fiscal year ended January 27, 2019, filed with the SEC on February 21, 2019, which is available free of charge on the SEC's website at http://www.sec.gov and at our investor relations website, http://investor.nvidia.com.

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Income expressed as a percentage of revenue.

| | Year Ended | |
|---|---|---|
| | **January 26, 2020** | **January 27, 2019** |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 38.0 | 38.8 |
| Gross profit | 62.0 | 61.2 |
| Operating expenses: | | |
| Research and development | 25.9 | 20.3 |
| Sales, general and administrative | 10.0 | 8.5 |
| Total operating expenses | 35.9 | 28.7 |
| Income from operations | 26.1 | 32.5 |
| Interest income | 1.6 | 1.2 |
| Interest expense | (0.5) | (0.5) |
| Other, net | — | 0.1 |
| Total other income | 1.1 | 0.8 |
| Income before income tax expense | 27.2 | 33.3 |
| Income tax expense (benefit) | 1.6 | (2.1) |
| Net income | 25.6 % | 35.3 % |

### Revenue

**Revenue by Reportable Segments**

**Year Ended**

| | January 26, 2020 | January 27, 2019 | $ Change | % Change |
|---|---|---|---|---|
| | ($ in millions) | | | |
| GPU | $ 9,465 | $ 10,175 | $ (710) | (7%) |
| Tegra Processor | 1,453 | 1,541 | (88) | (6%) |
| Total | $ 10,918 | $ 11,716 | $ (798) | (7%) |

**GPU Business.** GPU business revenue decreased by 7% in fiscal year 2020 compared to fiscal year 2019, which reflects a decline in GPUs sold for gaming. GeForce GPU product sales for gaming decreased by 10%, reflecting lower sales of GeForce desktop GPUs and SoCs for gaming platforms, partially offset by growth in GeForce notebook GPUs. Revenue from Quadro GPUs for professional visualization increased by 7%, reflecting strength in desktop and notebook workstations. Data Center revenue, which includes Tesla, GRID and DGX, increased by 2%, driven by vertical industry growth partially offset by lower hyperscale sales.

**Tegra Processor Business.** Tegra Processor business revenue decreased by 6% in fiscal year 2020 compared to fiscal year 2019. This was driven by a decline in revenue from SoCs for gaming platforms, which was partially offset by an increase of 9% in Automotive revenue, reflecting growth in AI cockpit solutions and development services agreements.

**Concentration of Revenue**

Revenue from sales to customers outside of the United States accounted for 92% and 87% of total revenue for fiscal years 2020 and 2019, respectively. Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if the revenue is attributable to end customers in a different location.

Dell represented approximately 11% of our total revenue for fiscal year 2020 and was attributable to the GPU business. No customer represented 10% or more of total revenue for fiscal year 2019.

## Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowances, less cost of revenue. Cost of revenue consists primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, board and device costs, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, inventory and warranty provisions, memory and component costs, and shipping costs. Cost of revenue also includes development costs for license and service arrangements and stock-based compensation related to personnel associated with manufacturing.

Our overall gross margin was 62.0% and 61.2% for fiscal years 2020 and 2019, respectively. The increase in fiscal year 2020 was driven by reduced inventory provisions and the sale of previously written-off components.

Inventory provisions totaled $161 million and $270 million for fiscal years 2020 and 2019, respectively. Sales of inventory that was previously written-off or written-down totaled $145 million and $41 million for fiscal years 2020 and 2019, respectively. As a result, the overall net effect on our gross margin was insignificant in fiscal year 2020 and an unfavorable impact of 2.0% in fiscal year 2019.

A discussion of our gross margin results for each of our reportable segments is as follows:

GPU Business. The gross margin of our GPU business increased during fiscal year 2020 when compared to fiscal year 2019, primarily driven by reduced inventory provisions and the sale of previously written-off components.

Tegra Processor Business. The gross margin of our Tegra Processor business was relatively flat during fiscal year 2020 when compared to fiscal year 2019.

## Operating Expenses

| | Year Ended | | | |
|---|---|---|---|---|
| | | | **$** | **%** |

| | January 26, 2020 | January 27, 2019 | Change | Change |
|---|---|---|---|---|
| | | *($ in millions)* | | |
| Research and development expenses | $ 2,829 | $ 2,376 | $ 453 | 19 % |
| *% of net revenue* | *25.9 %* | *20.3 %* | | |
| Sales, general and administrative expenses | 1,093 | 991 | 102 | 10 % |
| *% of net revenue* | *10.0 %* | *8.5 %* | | |
| Total operating expenses | $ 3,922 | $ 3,367 | $ 555 | 16 % |

**Research and Development**

Research and development expenses increased by 19% in fiscal year 2020 compared to fiscal year 2019, driven primarily by employee additions and increases in employee compensation and other related costs, including infrastructure costs and stock-based compensation expense.

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### Sales, General and Administrative

Sales, general and administrative expenses increased by 10% in fiscal year 2020 compared to fiscal year 2019, driven primarily by employee additions and increases in employee compensation and other related costs, including infrastructure costs and stock-based compensation expense.

## Total Other Income, Net

### Interest Income and Interest Expense

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest income was $178 million and $136 million in fiscal years 2020 and 2019, respectively. The increase in interest income was primarily due to higher average invested balances.

Interest expense is primarily comprised of coupon interest and debt discount amortization related to the 2.20% Notes Due 2021 and 3.20% Notes Due 2026 issued in September 2016. Interest expense was $52 million and $58 million in fiscal years 2020 and 2019, respectively.

### Other, Net

Other, net, consists primarily of realized or unrealized gains and losses from non-affiliated investments and the impact of changes in foreign currency rates. Other, net, was not significant during fiscal year 2020 and was $14 million of income during fiscal year 2019, consisting primarily of $12 million unrealized gains from non-affiliated investments.

## Income Taxes

We recognized income tax expense of $174 million for fiscal year 2020 and income tax benefit of $245 million for fiscal year 2019. Our annual effective tax rate was 5.9% and (6.3)% for fiscal years 2020 and 2019, respectively. The increase in our effective tax rate in fiscal year 2020 as compared to fiscal year 2019 was primarily due to a decrease of tax benefits from stock-based compensation and an absence of tax benefits related to the enactment of the TCJA.

Our effective tax rate for fiscal years 2020 and 2019 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including the British Virgin Islands and Hong Kong, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of U.S. federal research tax credits, excess tax benefits related to stock-based compensation, and the finalization of the enactment-date income tax effects of the TCJA in 2019.

Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Liquidity and Capital Resources

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | *(In millions)* | |
| Cash and cash equivalents | $ 10,896 | $ 782 |
| Marketable securities | 1 | 6,640 |
| Cash, cash equivalents, and marketable securities | $ 10,897 | $ 7,422 |

| | Year Ended | |
|---|---|---|
| | January 26, 2020 | January 27, 2019 |
| | (In millions) | |
| Net cash provided by operating activities | $ 4,761 | $ 3,743 |
| Net cash provided by (used in) investing activities | $ 6,145 | $ (4,097) |
| Net cash used in financing activities | $ (792) | $ (2,866) |

As of January 26, 2020, we had $10.90 billion in cash, cash equivalents and marketable securities, an increase of $3.48 billion from the end of fiscal year 2019. Our investment policy requires the purchase of highly rated fixed income securities, the diversification of investment types and credit exposures, and certain limits on our portfolio duration.

Cash provided by operating activities increased in fiscal year 2020 compared to fiscal year 2019, primarily due to changes in working capital driven by a reduction in inventory, partially offset by a decrease in operating income.

Cash used in investing activities decreased in fiscal year 2020 compared to fiscal year 2019, primarily due to lower purchases, higher sales, and lower maturities of marketable securities in preparation for the acquisition of Mellanox.

Cash used in financing activities decreased in fiscal year 2020 compared to fiscal year 2019, primarily due to no share repurchases in fiscal year 2020 and lower tax payments related to employee stock plans.

### Liquidity

Our primary sources of liquidity are our cash and cash equivalents, our marketable securities, and the cash generated by our operations. As of January 26, 2020, we had $10.90 billion in cash, cash equivalents and marketable securities. We believe that we have sufficient liquidity to meet our operating requirements for at least the next twelve months, including our proposed acquisition of Mellanox. Refer to Note 2 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

Our marketable securities consist of debt securities issued by the United States government and its agencies, highly rated corporations and financial institutions, asset-backed issuers, and foreign government entities. These marketable securities are denominated in United States dollars. Refer to Note 8 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

During fiscal year 2021, we expect our capital investment to be approximately $700 million to $900 million to fund property and equipment including construction of a new building at our Santa Clara campus.

As a result of the TCJA, substantially all of our cash, cash equivalents and marketable securities held outside of the United States as of January 26, 2020 are available for use in the United States without incurring additional U.S. federal income taxes. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Capital Return to Shareholders

In November 2018, we communicated our intent to return $3.00 billion to shareholders by the end of fiscal year 2020, including $700 million in share repurchases made during the fourth quarter of fiscal year 2019. In fiscal year 2020, we returned $390 million in quarterly cash dividends. We did not repurchase any shares during fiscal year 2020. We intend to return to repurchasing shares after closing the acquisition of Mellanox. As of January 26, 2020, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022.

Our cash dividend program and the payment of future cash dividends under that program are subject to our Board's continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders. Refer to Note 15 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Outstanding Indebtedness and Credit Facilities

We have outstanding $1.00 billion of Notes due 2021 and $1.00 billion of Notes due 2026, collectively, the Notes.

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 26, 2020, we had not borrowed any amounts under this agreement.

We have a $575 million commercial paper program to support general corporate purposes. As of January 26, 2020, we had not issued any commercial paper.

Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Off-Balance Sheet Arrangements

As of January 26, 2020, we had no material off-balance sheet arrangements as defined by applicable SEC regulations.

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### Contractual Obligations

The following table summarizes our contractual obligations as of January 26, 2020:

| | Payment Due By Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 Year** | **1-3 Years** | **4-5 Years** | **More than 5 Years** |
| | *(In millions)* | | | | |
| Long-term debt (1) | $ 2,248 | $ 54 | $ 1,078 | $ 64 | $ 1,052 |
| Inventory purchase obligations | 1,156 | 1,156 | — | — | — |
| Transition tax payable (2) | 351 | 33 | 67 | 146 | 105 |
| Operating leases (3) | 773 | 121 | 219 | 141 | 292 |
| Capital purchase obligations | 186 | 186 | — | — | — |
| Total contractual obligations | $ 4,714 | $ 1,550 | $ 1,364 | $ 351 | $ 1,449 |

(1) Represents the aggregate principal amount of $2.00 billion and anticipated interest payments of $248 million for the Notes. Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

(2) Represents our remaining tax payable of the one-time transition tax that resulted from enactment of the TCJA in fiscal year 2018. As of January 26, 2020, we have paid the first two installments totaling $67 million. The remaining will be payable in six annual installments. The next installment of $33 million is classified as a current income tax payable. The installment amounts are equal to 8% of the total liability, payable in fiscal years 2019 through 2023, 15% in fiscal year 2024, 20% in fiscal year 2025 and 25% in fiscal year 2026. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

(3) For further information, refer to Note 3 of the Notes to Consolidated Financial Statements included in Part IV, Item 15 of this Annual Report on Form 10-K.

Excluded from the table above are unrecognized tax benefits of $211 million which consists of $180 million and the related interest and penalties of $31 million recorded in non-current income tax payable as of January 26, 2020. We are unable to reasonably estimate the timing of any potential tax liability or interest/penalty payments in individual years due to uncertainties in the underlying income tax positions and the timing of the effective settlement of such tax positions. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

### Adoption of New and Recently Issued Accounting Pronouncements

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of adoption of new and recently issued accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Investment and Interest Rate Risk

We are exposed to interest rate risk related to our floating and fixed-rate investment portfolio and outstanding debt. The investment portfolio is managed consistent with our overall liquidity strategy in support of both working capital needs and strategic growth of our businesses.

As of January 26, 2020, we performed a sensitivity analysis on our floating and fixed rate financial investments. According to our analysis, parallel shifts in the yield curve of both plus or minus 0.5% would result in changes in fair values for these investments of $1 million.

In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021 and $1.00 billion of the Notes Due 2026. We carry the Notes at face value less unamortized discount on our Consolidated Balance Sheets. As the Notes bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Foreign Exchange Rate Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Gains or losses from foreign currency remeasurement are included in other income or expense and to date have not been significant. The impact of foreign currency transaction gain or loss included in determining net income was not significant for fiscal years 2020 and 2019.

Sales and arrangements with third-party manufacturers provide for pricing and payment in United States dollars, and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the United States' dollar relative to other currencies would make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States' dollar relative to other currencies could result in our suppliers raising their prices in order to continue doing business with us. Additionally, we have international operations and incur expenditures in currencies other than U.S. dollars. Our operating expenses benefit from a stronger dollar and are adversely affected by a weaker dollar.

We use foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss, and then reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur.

We also use foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is set forth in our Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Controls and Procedures

#### Disclosure Controls and Procedures

Based on their evaluation as of January 26, 2020, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) were effective to provide reasonable assurance.

#### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 26, 2020 based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 26, 2020.

The effectiveness of our internal control over financial reporting as of January 26, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NVIDIA have been detected.

## ITEM 9B. OTHER INFORMATION

None.

# PART III

Certain information required by Part III is omitted from this report because we will file with the SEC a definitive proxy statement pursuant to Regulation 14A, or the 2020 Proxy Statement, no later than 120 days after the end of fiscal year 2020, and certain information included therein is incorporated herein by reference.

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors

Information regarding directors required by this item will be contained in our 2020 Proxy Statement under the caption "Proposal 1 - Election of Directors," and is hereby incorporated by reference.

### Identification of Executive Officers

Reference is made to the information regarding executive officers appearing under the heading "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

### Identification of Audit Committee and Financial Experts

Information regarding our Audit Committee required by this item will be contained in our 2020 Proxy Statement under the captions "Report of the Audit Committee of the Board of Directors" and "Information About the Board of Directors and Corporate Governance," and is hereby incorporated by reference.

### Material Changes to Procedures for Recommending Directors

Information regarding procedures for recommending directors required by this item will be contained in our 2020 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance," and is hereby incorporated by reference.

### Delinquent Section 16(a) Reports

Information regarding compliance with Section 16(a) of the Exchange Act required by this item will be contained in our 2020 Proxy Statement under the caption "Delinquent 16(a) Reports," and is hereby incorporated by reference.

### Code of Conduct

Information regarding our Code of Conduct required by this item will be contained in our 2020 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance - Code of Conduct," and is hereby incorporated by reference. The full text of our Code of Conduct and Financial Team Code of Conduct are published on the Investor Relations portion of our website, under Governance, at www.nvidia.com. The contents of our website are not a part of this Annual Report on Form 10-K.

## ITEM 11. EXECUTIVE COMPENSATION

Information regarding our executive compensation required by this item will be contained in our 2020 Proxy Statement under the captions "Executive Compensation", "Compensation Committee Interlocks and Insider Participation", "Director Compensation" and "Compensation Committee Report," and is hereby incorporated by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Ownership of NVIDIA Securities

Information regarding ownership of NVIDIA securities required by this item will be contained in our 2020 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management," and is hereby incorporated by reference.

### Equity Compensation Plan Information

Information regarding our equity compensation plans required by this item will be contained in our 2020 Proxy Statement under the caption "Equity Compensation Plan Information," and is hereby incorporated by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related transactions and director independence required by this item will be contained in our 2020 Proxy Statement under the captions "Review of Transactions with Related Persons" and "Information About the Board of Directors and Corporate Governance - Independence of the Members of the Board of Directors," and is hereby incorporated by reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding accounting fees and services required by this item will be contained in our 2020 Proxy Statement under the caption "Fees Billed by the Independent Registered Public Accounting Firm," and is hereby incorporated by reference.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of NVIDIA Corporation

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of NVIDIA Corporation and its subsidiaries (the "Company") as of January 26, 2020 and January 27, 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 26, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 26, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 26, 2020 and January 27, 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 26, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 26, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

*Change in Accounting Principle*

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in fiscal year 2020.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### *Critical Audit Matters*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Valuation of Inventories - Provisions for Excess or Obsolete Inventories*

As described in Note 1 to the consolidated financial statements, the Company charges cost of sales for inventory provisions to write down inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of the Company's inventory provisions relate to the write-off of excess quantities of products, based on the Company's inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Management applies significant judgment in the valuation of inventories, which involves estimating future demand and market conditions. As of January 26, 2020, the Company's consolidated inventories balance was $979 million.

The principal considerations for our determination that performing procedures relating to the valuation of inventories, specifically the provisions for excess or obsolete inventories, is a critical audit matter are that there was significant judgment by management when developing their provisions for excess or obsolete inventories, including management's assumptions related to future demand and market conditions. This in turn led to significant auditor judgment, subjectivity, and effort in performing procedures over the provisions for excess or obsolete inventories, which included evaluating management's assumptions related to future demand and market conditions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's provisions for excess or obsolete inventories, including controls over management's assumptions related to future demand and market conditions. These procedures also included, among others, testing management's process for developing the provisions for excess or obsolete inventories; evaluating the appropriateness of management's approach; testing the completeness, accuracy, and relevance of underlying data used in the approach; and evaluating the reasonableness of management's assumptions related to future demand and market conditions. Evaluating management's assumptions related to future demand and market conditions involved evaluating whether the assumptions used by management were reasonable considering (i) current and past results, including historical product life cycle, (ii) the consistency with external market and industry data, (iii) changes in technology, and (iv) comparing prior period estimates to actual results of the same period.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 20, 2020

We have served as the Company’s auditor since 2004.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(In millions, except per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **January 26, 2020** | **January 27, 2019** | **January 28, 2018** |
| Revenue | $ 10,918 | $ 11,716 | $ 9,714 |
| Cost of revenue | 4,150 | 4,545 | 3,892 |
| Gross profit | 6,768 | 7,171 | 5,822 |
| Operating expenses | | | |
| Research and development | 2,829 | 2,376 | 1,797 |
| Sales, general and administrative | 1,093 | 991 | 815 |
| Total operating expenses | 3,922 | 3,367 | 2,612 |
| Income from operations | 2,846 | 3,804 | 3,210 |
| Interest income | 178 | 136 | 69 |
| Interest expense | (52) | (58) | (61) |
| Other, net | (2) | 14 | (22) |
| Total other income (expense) | 124 | 92 | (14) |
| Income before income tax | 2,970 | 3,896 | 3,196 |
| Income tax expense (benefit) | 174 | (245) | 149 |
| Net income | $ 2,796 | $ 4,141 | $ 3,047 |
| | | | |
| Net income per share: | | | |
| Basic | $ 4.59 | $ 6.81 | $ 5.09 |
| Diluted | $ 4.52 | $ 6.63 | $ 4.82 |
| | | | |
| Weighted average shares used in per share computation: | | | |
| Basic | 609 | 608 | 599 |
| Diluted | 618 | 625 | 632 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | **January 26, 2020** | **January 27, 2019** | **January 28, 2018** |
| Net income | $ 2,796 | $ 4,141 | $ 3,047 |
| Other comprehensive income (loss), net of tax | | | |
| Available-for-sale debt securities: | | | |
| Net unrealized gain (loss) | 8 | 10 | (5) |
| Reclassification adjustments for net realized gain included in net income | — | 1 | 1 |
| Net change in unrealized gain (loss) | 8 | 11 | (4) |
| Cash flow hedges: | | | |
| Net unrealized gain (loss) | 10 | 6 | (1) |
| Reclassification adjustments for net realized gain (loss) included in net income | (5) | (11) | 3 |
| Net change in unrealized gain (loss) | 5 | (5) | 2 |
| Other comprehensive income (loss), net of tax | 13 | 6 | (2) |
| Total comprehensive income | $ 2,809 | $ 4,147 | $ 3,045 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In millions, except par value)**

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 10,896 | $ 782 |
| Marketable securities | 1 | 6,640 |
| Accounts receivable, net | 1,657 | 1,424 |
| Inventories | 979 | 1,575 |
| Prepaid expenses and other current assets | 157 | 136 |
| Total current assets | 13,690 | 10,557 |
| Property and equipment, net | 1,674 | 1,404 |
| Operating lease assets | 618 | — |
| Goodwill | 618 | 618 |
| Intangible assets, net | 49 | 45 |
| Deferred income tax assets | 548 | 560 |
| Other assets | 118 | 108 |
| Total assets | $ 17,315 | $ 13,292 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 687 | $ 511 |
| Accrued and other current liabilities | 1,097 | 818 |
| Total current liabilities | 1,784 | 1,329 |
| Long-term debt | 1,991 | 1,988 |
| Long-term operating lease liabilities | 561 | — |
| Other long-term liabilities | 775 | 633 |
| Total liabilities | 5,111 | 3,950 |
| Commitments and contingencies - see Note 13 | | |
| Shareholders' equity: | | |
| Preferred stock, $.001 par value; 2 shares authorized; none issued | — | — |
| Common stock, $.001 par value; 2,000 shares authorized; 955 shares issued and 612 outstanding as of January 26, 2020; 945 shares issued and 606 outstanding as of January 27, 2019 | 1 | 1 |
| Additional paid-in capital | 7,045 | 6,051 |
| Treasury stock, at cost (342 shares in 2020 and 339 shares in 2019) | (9,814) | (9,263) |
| Accumulated other comprehensive income (loss) | 1 | (12) |
| Retained earnings | 14,971 | 12,565 |
| Total shareholders' equity | 12,204 | 9,342 |
| Total liabilities and shareholders' equity | $ 17,315 | $ 13,292 |

See accompanying notes to the consolidated financial statements.

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# NVIDIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (In millions, except per share data) | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balances, January 29, 2017 | 585 | $ 1 | $ 4,708 | $ (5,039) | $ (16) | $ 6,108 | $ 5,762 |
| Retained earnings adjustment due to adoption of an accounting standard related to stock-based compensation | — | — | — | — | — | (27) | (27) |
| Other comprehensive loss | — | — | — | — | (2) | — | (2) |
| Net income | — | — | — | — | — | 3,047 | 3,047 |
| Issuance of common stock in exchange for warrants | 13 | — | — | — | — | — | — |
| Convertible debt conversion | 33 | — | (7) | — | — | — | (7) |
| Issuance of common stock from stock plans | 18 | — | 138 | — | — | — | 138 |
| Tax withholding related to vesting of restricted stock units | (4) | — | — | (612) | — | — | (612) |
| Share repurchase | (6) | — | — | (909) | — | — | (909) |
| Exercise of convertible note hedges | (33) | — | 90 | (90) | — | — | — |
| Cash dividends declared and paid ($0.570 per common share) | — | — | — | — | — | (341) | (341) |
| Stock-based compensation | — | — | 391 | — | — | — | 391 |
| Reclassification of convertible debt conversion obligation | — | — | 31 | — | — | — | 31 |
| Balances, January 28, 2018 | 606 | 1 | 5,351 | (6,650) | (18) | 8,787 | 7,471 |
| Retained earnings adjustment due to adoption of an accounting standard related to income tax consequences of an intra-entity transfer of an asset | — | — | — | — | — | 8 | 8 |
| Other comprehensive income | — | — | — | — | 6 | — | 6 |
| Net income | — | — | — | — | — | 4,141 | 4,141 |
| Convertible debt conversion | 1 | — | — | — | — | — | — |
| Issuance of common stock from stock plans | 13 | — | 137 | — | — | — | 137 |
| Tax withholding related to vesting of restricted stock units | (4) | — | — | (1,032) | — | — | (1,032) |
| Share repurchase | (9) | — | — | (1,579) | — | — | (1,579) |
| Exercise of convertible note hedges | (1) | — | 2 | (2) | — | — | — |
| Cash dividends declared and paid ($0.610 per common share) | — | — | — | — | — | (371) | (371) |
| Stock-based compensation | — | — | 561 | — | — | — | 561 |
| Balances, January 27, 2019 | 606 | 1 | 6,051 | (9,263) | (12) | 12,565 | 9,342 |
| Other comprehensive income | — | — | — | — | 13 | — | 13 |
| Net income | — | — | — | — | — | 2,796 | 2,796 |
| Issuance of common stock from stock plans | 9 | — | 149 | — | — | — | 149 |
| Tax withholding related to vesting of restricted stock units | (3) | — | — | (551) | — | — | (551) |
| Cash dividends declared and paid ($0.640 per common share) | — | — | — | — | — | (390) | (390) |
| Stock-based compensation | — | — | 845 | — | — | — | 845 |
| Balances, January 26, 2020 | 612 | $ 1 | $ 7,045 | $ (9,814) | $ 1 | $ 14,971 | $ 12,204 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| Cash flows from operating activities: | | | |
| Net income | $ 2,796 | $ 4,141 | $ 3,047 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 844 | 557 | 391 |
| Depreciation and amortization | 381 | 262 | 199 |
| Deferred income taxes | 18 | (315) | (359) |
| Loss on early debt conversions | — | — | 19 |
| Other | 5 | (45) | 20 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (233) | (149) | (440) |
| Inventories | 597 | (776) | — |
| Prepaid expenses and other assets | 77 | (55) | 21 |
| Accounts payable | 194 | (135) | 90 |
| Accrued and other current liabilities | 54 | 256 | 33 |
| Other long-term liabilities | 28 | 2 | 481 |
| Net cash provided by operating activities | 4,761 | 3,743 | 3,502 |
| Cash flows from investing activities: | | | |
| Proceeds from maturities of marketable securities | 4,744 | 7,232 | 1,078 |
| Proceeds from sales of marketable securities | 3,365 | 428 | 863 |
| Purchases of marketable securities | (1,461) | (11,148) | (36) |
| Purchases of property and equipment and intangible assets | (489) | (600) | (593) |
| Investments and other, net | (14) | (9) | (36) |
| Proceeds from sale of long-lived assets and investments | — | — | 2 |
| Net cash provided by (used in) investing activities | 6,145 | (4,097) | 1,278 |
| Cash flows from financing activities: | | | |
| Payments related to repurchases of common stock | — | (1,579) | (909) |
| Repayment of Convertible Notes | — | (16) | (812) |
| Dividends paid | (390) | (371) | (341) |
| Proceeds related to employee stock plans | 149 | 137 | 139 |
| Payments related to tax on restricted stock units | (551) | (1,032) | (612) |
| Other | — | (5) | (9) |
| Net cash used in financing activities | (792) | (2,866) | (2,544) |
| Change in cash and cash equivalents | 10,114 | (3,220) | 2,236 |
| Cash and cash equivalents at beginning of period | 782 | 4,002 | 1,766 |
| Cash and cash equivalents at end of period | $ 10,896 | $ 782 | $ 4,002 |

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| ***Supplemental disclosures of cash flow information:*** | | | |
| Cash paid for income taxes, net | $ 176 | $ 61 | $ 22 |
| Cash paid for interest | $ 54 | $ 55 | $ 55 |
| | | | |
| ***Non-cash investing and financing activity:*** | | | |
| Assets acquired by assuming related liabilities | $ 212 | $ 76 | $ 36 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## Note 1 - Organization and Summary of Significant Accounting Policies

### Our Company

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

All references to “NVIDIA,” “we,” “us,” “our” or the “Company” mean NVIDIA Corporation and its subsidiaries.

### Fiscal Year

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2020, 2019 and 2018 were 52-week years. Fiscal year 2021 will be a 53-week year.

### Reclassifications

Certain prior fiscal year balances have been reclassified to conform to the current fiscal year presentation.

### Principles of Consolidation

Our consolidated financial statements include the accounts of NVIDIA Corporation and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, litigation, investigation and settlement costs, restructuring and other charges, and other contingencies. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

### Product Sales Revenue

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners’ activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

### Software Licensing

Our software licenses provide our customers with a right to use the software when it is made available to the customer. Customers may purchase either perpetual licenses or subscriptions to licenses, which differ mainly in the duration over which the customer benefits from the software. Software licenses are frequently sold along with post-contract customer support, or PCS. For such arrangements, we allocate revenue to the software license and PCS on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation. Revenue from software licenses is recognized up front when the software is made available to the customer. PCS revenue is recognized ratably over the service period, or as services are performed.

## Advertising Expenses

We expense advertising costs in the period in which they are incurred. Advertising expenses for fiscal years 2020, 2019, and 2018 were $15 million, $21 million, and $25 million, respectively.

## Product Warranties

We generally offer a limited warranty to end-users that ranges from one to three years for products in order to repair or replace products for any manufacturing defects or hardware component failures. Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. We also accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

## Stock-based Compensation

We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs, and performance stock units that are based on our corporate financial performance targets, or PSUs. We use a Monte Carlo simulation on the date of grant to estimate the fair value of performance stock units that are based on market conditions, or market-based PSUs. The compensation expense for RSUs and market-based PSUs is recognized using a straight-line attribution method over the requisite employee service period while compensation expense for PSUs is recognized using an accelerated amortization model. We estimate the fair value of shares to be issued under our employee stock purchase plan, or ESPP, using the Black-Scholes model at the commencement of an offering period in March and September of each year. Stock-based compensation for our ESPP is expensed using an accelerated amortization model. Additionally, we estimate forfeitures annually based on historical experience and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates.

### Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. There are many uncertainties associated with any litigation or investigation, and we cannot be certain that these actions or other third-party claims against us will be resolved without litigation, fines and/or substantial settlement payments. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

### Foreign Currency Remeasurement

We use the United States dollar as our functional currency for all of our subsidiaries. Foreign currency monetary assets and liabilities are remeasured into United States dollars at end-of-period exchange rates. Non-monetary assets and liabilities such as property and equipment, and equity are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the previously noted balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income or expense in our Consolidated Statements of Income and to date have not been significant.

### Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 26, 2020, we had a valuation allowance of $621 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to jurisdictional projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

### Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Under the treasury stock method, the effect of equity awards outstanding is not included in the computation of diluted net income per share for periods when their effect is anti-dilutive.

### Cash and Cash Equivalents

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

### Marketable Securities

Marketable securities consist of highly liquid debt investments with maturities of greater than three months when purchased. We generally classify our marketable securities at the date of acquisition as available-for-sale. These debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. The fair value of interest-bearing debt securities includes accrued interest. Any unrealized losses which are considered to be other-than-temporary impairments are recorded in the other income or expense, net, section of our Consolidated Statements of Income. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income or expense, net, section of our Consolidated Statements of Income.

All of our available-for-sale debt investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary or have other indicators of impairments. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) we intend to sell the instrument, (2) it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or (3) a credit loss exists where we do not expect to recover the entire amortized cost basis of the instrument. In these situations, we recognize an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if we do not intend to sell and it is not likely that we will be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings while loss related to all other factors is recorded in accumulated other comprehensive income or loss.

### Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their relatively short maturities as of January 26, 2020 and January 27, 2019. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains or losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as fair value hedges, the gains or losses are recognized in earnings in the periods of change together with the offsetting losses or gains on the hedged items attributed to the risk being hedged. For derivative instruments designated as cash-flow hedges, the effective portion of the gains or losses on the derivatives is initially reported as a component of other comprehensive income or loss and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. For derivative instruments not designated for hedge accounting, changes in fair value are recognized in earnings.

### Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities, and accounts receivable. Our investment policy requires the purchase of highly-rated fixed income securities, the diversification of investment type and credit exposures, and includes certain limits on our portfolio duration. Accounts receivable from significant customers, those representing 10% or more of total accounts receivable, was approximately 21% of our accounts receivable balance from one customer as of January 26, 2020 and 19% of our accounts receivable balance from one customer as of January 27, 2019. We perform ongoing credit evaluations of our customers' financial condition and maintain an allowance for potential credit losses. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. Our overall estimated exposure excludes amounts covered by credit insurance and letters of credit.

### Accounts Receivable

We maintain an allowance for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make required payments. We determine this allowance by identifying amounts for specific customer issues as well as amounts based on overall estimated exposure. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the extent to which balances are covered by credit insurance or letters of credit.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets, generally three to five years. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded. The estimated useful lives of our buildings are up to thirty years. Depreciation expense includes the amortization of assets recorded under capital leases. Leasehold improvements and assets recorded under capital leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset.

### Leases

We determine if an arrangement is or contains a lease at inception. Operating leases with lease terms of more than 12 months are included in operating lease assets, accrued and other current liabilities, and long-term operating lease liabilities on our consolidated balance sheet. Operating lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments over the lease term.

Operating lease assets and liabilities are recognized based on the present value of the remaining lease payments discounted using our incremental borrowing rate. Operating lease assets also include initial direct costs incurred and prepaid lease payments, minus any lease incentives. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense is recognized on a straight-line basis over the lease term.

We combine the lease and non-lease components in determining the operating lease assets and liabilities.

Refer to Note 3 of these Notes to the Consolidated Financial Statements for additional information.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist. For the purposes of completing our impairment test, we perform either a qualitative or a quantitative analysis on a reporting unit basis.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting units.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. The income and market valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business. Refer to Note 6 of these Notes to the Consolidated Financial Statements for additional information.

### Intangible Assets and Other Long-Lived Assets

Intangible assets primarily represent rights acquired under technology licenses, patents, acquired intellectual property, trademarks and customer relationships. We currently amortize our intangible assets with definitive lives over periods ranging from three to ten years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up or, if that pattern cannot be reliably determined, using a straight-line amortization method.

Long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Fair value is determined based on the estimated discounted future cash flows expected to be generated by the asset or asset group. Assets and liabilities to be disposed of would be separately presented in the Consolidated Balance Sheet and the assets would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

## Adoption of New and Recently Issued Accounting Pronouncements

### Recently Adopted Accounting Pronouncements

The Financial Accounting Standards Board, or FASB, issued an accounting standards update regarding the accounting for leases under which lease assets and liabilities are recognized on the balance sheet. We adopted this guidance on January

28, 2019 using the optional transition method by recognizing a cumulative-effect adjustment to the consolidated balance sheet. Refer to Note 3 of these Notes to Condensed Consolidated Financial Statements for additional information.

### Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued a new accounting standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments, including available-for-sale debt securities. We plan to adopt the standard using the modified retrospective transition method beginning in the first quarter of fiscal year 2021. We do not currently believe it will have a material impact upon adoption.

## Note 2 - Acquisition of Mellanox Technologies, Ltd.

On March 10, 2019, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with Mellanox Technologies Ltd., or Mellanox, pursuant to which we will acquire all of the issued and outstanding common shares of Mellanox for $125 per share in cash, representing a total enterprise value of approximately $6.9 billion as of the date of the Merger Agreement. The Merger Agreement contains customary representations, warranties and covenants. The consummation of the merger is conditioned on the receipt of the approval of Mellanox shareholders, as well as the satisfaction of other customary closing conditions, including domestic and foreign regulatory approvals and performance in all material respects by each party of its obligations under the Merger Agreement. In June 2019, Mellanox shareholders approved the consummation of the merger and we received regulatory approvals for the deal from Mexico in July 2019 and from the European Commission in December 2019. In addition, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with the proposed acquisition expired in May 2019. Discussions with China's regulatory agency, the State Administration for Market Regulation, are progressing and we believe the acquisition will likely close in the early part of calendar 2020. If the Merger Agreement is terminated under certain circumstances involving the failure to obtain the required regulatory approvals, we could be obligated to pay Mellanox a termination fee of $350 million.

## Note 3 - New Lease Accounting Standard

### Method and Impact of Adoption

On January 28, 2019, we adopted the new lease accounting standard using the optional transition method by recognizing a cumulative-effect adjustment to the consolidated balance sheet and not adjusting comparative information for prior periods. In addition, we elected the package of practical expedients permitted under the transition guidance, which allowed us not to reassess (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases, and (3) initial direct costs for any existing leases.

The cumulative-effect adjustment upon adoption of the new lease accounting standard resulted in the recognition of $470 million of operating lease assets and $500 million of operating lease liabilities on our Consolidated Balance Sheet. The difference of $30 million represents deferred rent for leases that existed as of the date of adoption, which was an offset to the opening balance of operating lease assets.

### Lease Obligations

Our lease obligations consist of operating leases for our headquarters complex, domestic and international office facilities, and data center space, with lease periods expiring between fiscal years 2021 and 2035.

Future minimum lease payments under our operating leases as of January 26, 2020, are as follows:

| | | Operating Lease Obligations |
|---|---|---|
| | | *(In millions)* |
| **Fiscal Year:** | | |
| 2021 | $ | 121 |
| 2022 | | 117 |
| 2023 | | 102 |
| 2024 | | 79 |
| 2025 | | 62 |
| 2026 and thereafter | | 292 |
| Total | | 773 |
| Less imputed interest | | 121 |
| Present value of net future minimum lease payments | | 652 |
| Less short-term operating lease liabilities | | 91 |
| Long-term operating lease liabilities | $ | 561 |

Future minimum lease payments under our non-cancelable operating leases as of January 27, 2019, based on the previous lease accounting standard, are as follows:

| | | Lease Obligations |
|---|---|---|
| | | *(In millions)* |
| **Fiscal Year:** | | |
| 2020 | $ | 100 |
| 2021 | | 97 |
| 2022 | | 90 |
| 2023 | | 77 |
| 2024 | | 54 |
| 2025 and thereafter | | 265 |
| Total | $ | 683 |

Operating lease expense for fiscal years 2020, 2019, and 2018 was $114 million, $80 million, $54 million, respectively. Short-term and variable lease expenses for fiscal year 2020 were not significant.

Other information related to leases was as follows:

| | Year Ended |
|---|---|
| | January 26, 2020 |

| | | (In millions) |
|---|---|---|
| **Supplemental cash flows information** | | |
| Operating cash flows used for operating leases | $ | 103 |
| Operating lease assets obtained in exchange for lease obligations | $ | 238 |

As of January 26, 2020, our operating leases had a weighted average remaining lease term of 8.3 years and a weighted average discount rate of 3.45%.

## Note 4 - Stock-Based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our ESPP.

Our Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| | (In millions) | | |
| Cost of revenue | $ 39 | $ 27 | $ 21 |
| Research and development | 540 | 336 | 219 |
| Sales, general and administrative | 265 | 194 | 151 |
| Total | $ 844 | $ 557 | $ 391 |

Stock-based compensation capitalized in inventories was not significant during fiscal years 2020, 2019, and 2018.

The following is a summary of equity awards granted under our equity incentive plans:

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| | (In millions, except per share data) | | |
| **RSUs, PSUs and Market-based PSUs** | | | |
| Awards granted | 7 | 4 | 6 |
| Estimated total grant-date fair value | $ 1,282 | $ 1,109 | $ 929 |
| Weighted average grant-date fair value per share | $ 184.47 | $ 258.26 | $ 145.91 |
| | | | |
| **ESPP** | | | |
| Shares purchased | 1 | 1 | 5 |
| Weighted average price per share | $ 148.76 | $ 107.48 | $ 21.24 |
| Weighted average grant-date fair value per share | $ 64.87 | $ 38.51 | $ 7.12 |

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | (In millions) | |
| Aggregate unearned stock-based compensation expense, net of forfeitures | $ 1,803 | $ 1,580 |
| | | |
| **Estimated weighted average remaining amortization period** | (In years) | |
| RSUs, PSUs and market-based PSUs | 2.5 | 2.2 |
| ESPP | 0.9 | 0.8 |

The fair value of shares issued under our ESPP have been estimated with the following assumptions:

| | Year Ended | | |
|---|---|---|---|
| | **January 26, 2020** | **January 27, 2019** | **January 28, 2018** |
| | *(Using the Black-Scholes model)* | | |
| **ESPP** | | | |
| Weighted average expected life (in years) | 0.1-2.0 | 0.1-2.0 | 0.5-2.0 |
| Risk-free interest rate | 1.5%-2.6% | 1.6%-2.8% | 0.8%-1.4% |
| Volatility | 30%-82% | 24%-75% | 40%-54% |
| Dividend yield | 0.3%-0.4% | 0.3%-0.4% | 0.3%-0.5% |

For ESPP shares, the expected term represents the average term from the first day of the offering period to the purchase date. The risk-free interest rate assumption used to value ESPP shares is based upon observed interest rates on Treasury bills appropriate for the expected term. Our expected stock price volatility assumption for ESPP is estimated using historical volatility. For awards granted, we use the dividend yield at grant date. Our RSU, PSU, and market-based PSU awards are not eligible for cash dividends prior to vesting; therefore, the fair values of RSUs, PSUs, and market-based PSUs are discounted for the dividend yield.

Additionally, for RSU, PSU, and market-based PSU awards, we estimate forfeitures annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

## Equity Incentive Program

We grant or have granted stock options, RSUs, PSUs, market-based PSUs, and stock purchase rights under the following equity incentive plans.

### Amended and Restated 2007 Equity Incentive Plan

In 2007, our shareholders approved the NVIDIA Corporation 2007 Equity Incentive Plan, as most recently amended and restated, the 2007 Plan.

The 2007 Plan authorizes the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards to employees, directors and consultants. Only our employees may receive incentive stock options. Up to 230 million shares of our common stock may be issued pursuant to stock awards granted under the 2007 Plan. Currently, we grant RSUs, PSUs and market-based PSUs under the 2007 Plan, under which, as of January 26, 2020, there were 29 million shares available for future issuance.

Stock options previously granted to employees, subject to certain exceptions, vested over a four-year period, subject to continued service, with 25% vesting on the anniversary of the hire date in the case of new hires or the anniversary of the date of grant in the case of grants to existing employees and 6.25% vesting quarterly thereafter. These stock options generally expire ten years from the date of grant.

Subject to certain exceptions, RSUs and PSUs granted to employees vest over a four-year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and (i) for grants made prior to May 18, 2016, 12.5% vesting semi-annually thereafter, and (ii) for grants made on or after May 18, 2016, 6.25% vesting quarterly thereafter. Market-based PSUs vest 100% on approximately the three-year anniversary of the date of grant. However, the number of shares subject to both PSUs and market-based PSUs that are eligible to vest is generally determined by the Compensation Committee based on achievement of pre-determined criteria.

Unless terminated sooner, the 2007 Plan is scheduled to terminate on March 21, 2022. Our Board may suspend or terminate the 2007 Plan at any time. No awards may be granted under the 2007 Plan while the 2007 Plan is suspended or after it is terminated. The Board may also amend the 2007 Plan at any time. However, if legal, regulatory or listing requirements require shareholder approval, the amendment will not go into effect until the shareholders have approved the amendment.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

### Amended and Restated 2012 Employee Stock Purchase Plan

In 2012, our shareholders approved the 2012 Employee Stock Purchase Plan, as most recently amended and restated, the 2012 Plan, as the successor to the 1998 Employee Stock Purchase Plan.

Up to 89 million shares of our common stock may be issued pursuant to purchases under the 2012 Plan. As of January 26, 2020, we had issued 30 million shares and reserved 59 million shares for future issuance under the 2012 Plan.

The 2012 Plan is intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code. Under the current offerings adopted pursuant to the 2012 Plan, each offering period is approximately 24 months, which is generally divided into four purchase periods of six months.

Employees or those employed by an affiliate of ours are eligible to participate as designated by the Board. Employees who participate may have up to 10% of their earnings withheld to the purchase of shares of common stock. The Board may increase this percentage at its discretion, up to 15%. The price of common stock purchased under our 2012 Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period and the fair market value on each purchase date within the offering.

The following is a summary of our equity award transactions under our equity incentive plans:

| | RSUs, PSUs and Market-based PSUs Outstanding | | |
|---|---|---|---|
| | Number of Shares | | Weighted Average Grant-Date Fair Value |
| | (In millions, except years and per share data) | | |
| Balances, January 27, 2019 | 16 | $ | 129.92 |
| Granted (1)(2) | 7 | $ | 184.47 |
| Vested restricted stock | (8) | $ | 92.70 |
| Canceled and forfeited | (1) | $ | 185.46 |
| Balances, January 26, 2020 | 14 | $ | 176.72 |
| Vested and expected to vest after January 26, 2020 | 11 | $ | 176.46 |

(1) Includes the number of PSUs that will be issued and eligible to vest based on the corporate financial performance level achieved for fiscal year 2020.

(2) Includes the number of market-based PSUs granted that will be issued and eligible to vest if the maximum goal for total shareholder return, or TSR, over the 3-year measurement period is achieved. Depending on the ranking of our TSR compared to those companies comprising the Standard & Poor’s 500 Index during that period, the market-based PSUs issued could be up to 60 thousand shares.

As of January 26, 2020 and January 27, 2019, there were 29 million and 35 million shares, respectively, of common stock reserved for future issuance under our equity incentive plans.

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## Note 5 - Net Income Per Share

The following is a reconciliation of the denominator of the basic and diluted net income per share computations for the periods presented:

| | Year Ended | | |
|---|---|---|---|
| | **January 26, 2020** | **January 27, 2019** | **January 28, 2018** |
| | *(In millions, except per share data)* | | |
| Numerator: | | | |
| Net income | $ 2,796 | $ 4,141 | $ 3,047 |
| Denominator: | | | |
| Basic weighted average shares | 609 | 608 | 599 |
| Dilutive impact of outstanding securities: | | | |
| Equity awards | 9 | 17 | 24 |
| 1.00% Convertible Senior Notes | — | — | 5 |
| Warrants issued with the 1.00% Convertible Senior Notes | — | — | 4 |
| Diluted weighted average shares | 618 | 625 | 632 |
| Net income per share: | | | |
| Basic (1) | $ 4.59 | $ 6.81 | $ 5.09 |
| Diluted (2) | $ 4.52 | $ 6.63 | $ 4.82 |
| Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive | 11 | 5 | 4 |

(1) Calculated as net income divided by basic weighted average shares.

(2) Calculated as net income divided by diluted weighted average shares.

## Note 6 - Goodwill

The carrying amount of goodwill was $618 million, and the amount of goodwill allocated to our GPU and Tegra Processor reporting units was $210 million and $408 million, respectively, as of both January 26, 2020 and January 27, 2019. There were no changes to the carrying amount of goodwill during fiscal years 2020 and 2019. During the fourth quarters of fiscal years 2020, 2019, and 2018, we completed our annual impairment tests and concluded that goodwill was not impaired in any of these years.

## Note 7 - Amortizable Intangible Assets

The components of our amortizable intangible assets are as follows:

| | January 26, 2020 | January 27, 2019 |
|---|---|---|

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|---|---|
| | | *(In millions)* | | | *(In millions)* | |
| Acquisition-related intangible assets | $ 195 | $ (192) | $ 3 | $ 195 | $ (188) | $ 7 |
| Patents and licensed technology | 520 | (474) | 46 | 491 | (453) | 38 |
| Total intangible assets | $ 715 | $ (666) | $ 49 | $ 686 | $ (641) | $ 45 |

The increase in gross carrying amount of intangible assets is due to purchases of licensed technology during fiscal year 2020. Amortization expense associated with intangible assets for fiscal years 2020, 2019, and 2018 was $25 million, $29 million, and $55 million, respectively. Future amortization expense related to the net carrying amount of intangible assets as of

January 26, 2020 is estimated to be $19 million in fiscal year 2021, $12 million in fiscal year 2022, $9 million in fiscal year 2023, $6 million in fiscal year 2024, and $3 million in fiscal year 2025 and thereafter until fully amortized.

## Note 8 - Cash Equivalents and Marketable Securities

Our cash equivalents and marketable securities are classified as "available-for-sale" debt securities.

The following is a summary of cash equivalents and marketable securities as of January 26, 2020 and January 27, 2019:

| | January 26, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Money market funds | $ 7,507 | $ — | $ — | $ 7,507 | $ 7,507 | $ — |
| Debt securities issued by the United States Treasury | 1,358 | — | — | 1,358 | 1,358 | — |
| Debt securities issued by United States government agencies | 1,096 | — | — | 1,096 | 1,096 | — |
| Corporate debt securities | 592 | — | — | 592 | 592 | — |
| Foreign government bonds | 200 | — | — | 200 | 200 | — |
| Certificates of deposit | 27 | — | — | 27 | 27 | — |
| Asset-backed securities | 1 | — | — | 1 | — | 1 |
| Total | $ 10,781 | $ — | $ — | $ 10,781 | $ 10,780 | $ 1 |

| | January 27, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Corporate debt securities | $ 2,626 | $ — | $ (6) | $ 2,620 | $ 25 | $ 2,595 |
| Debt securities issued by United States government agencies | 2,284 | — | (4) | 2,280 | — | 2,280 |
| Debt securities issued by the United States Treasury | 1,493 | — | (1) | 1,492 | 176 | 1,316 |
| Money market funds | 483 | — | — | 483 | 483 | — |

| | | | | | | |
|---|---|---|---|---|---|---|
| Foreign government bonds | 209 | — | — | 209 | — | 209 |
| Asset-backed securities | 152 | — | (1) | 151 | — | 151 |
| Mortgage backed securities issued by United States government-sponsored enterprises | 88 | 1 | — | 89 | — | 89 |
| Total | $ 7,335 | $ 1 | $ (12) | $ 7,324 | $ 684 | $ 6,640 |

The unrealized losses as of January 26, 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position is not significant.

The gross unrealized losses are related to fixed income securities, temporary in nature, and driven primarily by changes in interest rates. We have the intent and ability to hold our investments until maturity. For fiscal years 2020, 2019, and 2018, there were no other-than-temporary impairment losses, and net realized gains/losses were not significant.

The amortized cost and estimated fair value of cash equivalents and marketable securities as of January 26, 2020 and January 27, 2019 are shown below by contractual maturity.

| | January 26, 2020 | | January 27, 2019 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | (In millions) | | | |
| Less than one year | $ 10,781 | $ 10,781 | $ 5,042 | $ 5,034 |
| Due in 1 - 5 years | — | — | 2,271 | 2,268 |
| Mortgage-backed securities issued by United States government-sponsored enterprises not due at a single maturity date | — | — | 22 | 22 |
| Total | $ 10,781 | $ 10,781 | $ 7,335 | $ 7,324 |

## Note 9 - Fair Value of Financial Assets and Liabilities

The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We review fair value hierarchy classification on a quarterly basis. There were no significant transfers between Levels 1 and 2 financial assets and liabilities for fiscal year 2020. Level 3 financial assets and liabilities are based on unobservable inputs to the valuation methodology and include our own data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

| | | Fair Value at | |
|---|---|---|---|
| | Pricing Category | January 26, 2020 | January 27, 2019 |
| | | (In millions) | |
| **Assets** | | | |
| Cash equivalents and marketable securities: | | | |
| Money market funds | Level 1 | $ 7,507 | $ 483 |
| Debt securities issued by the United States Treasury | Level 2 | $ 1,358 | $ 1,492 |
| Debt securities issued by United States government agencies | Level 2 | $ 1,096 | $ 2,280 |
| Corporate debt securities | Level 2 | $ 592 | $ 2,620 |
| Foreign government bonds | Level 2 | $ 200 | $ 209 |
| Certificates of Deposit | Level 2 | $ 27 | $ — |
| Asset-backed securities | Level 2 | $ 1 | $ 151 |
| Mortgage-backed securities issued by United States government-sponsored enterprises | Level 2 | $ — | $ 89 |

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Other noncurrent liabilities: | | | | | |
| 3.20% Notes Due 2026 (1) | Level 2 | $ | 1,065 | $ | 961 |
| 2.20% Notes Due 2021 (1) | Level 2 | $ | 1,006 | $ | 978 |

(1) These liabilities are carried on our Consolidated Balance Sheets at their original issuance value, net of unamortized debt discount and issuance costs, and are not marked to fair value each period. Refer to Note 12 of these Notes to the Consolidated Financial Statements for additional information.

## Note 10 - Balance Sheet Components

Certain balance sheet components are as follows:

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | (In millions) | |
| **Inventories:** | | |
| Raw materials | $ 249 | $ 613 |
| Work in-process | 265 | 238 |
| Finished goods | 465 | 724 |
| Total inventories | $ 979 | $ 1,575 |

| | January 26, 2020 | January 27, 2019 | Estimated Useful Life |
|---|---|---|---|
| | (In millions) | | (In years) |
| **Property and Equipment:** | | | |
| Land | $ 218 | $ 218 | (A) |
| Building | 340 | 339 | 25-30 |
| Test equipment | 532 | 516 | 3-5 |
| Computer equipment | 621 | 522 | 3-5 |
| Leasehold improvements | 293 | 291 | (B) |
| Software and licenses | 287 | 109 | 3-5 |
| Office furniture and equipment | 74 | 69 | 5 |
| Construction in process | 320 | 107 | (C) |
| Total property and equipment, gross | 2,685 | 2,171 | |
| Accumulated depreciation and amortization | (1,011) | (767) | |
| Total property and equipment, net | $ 1,674 | $ 1,404 | |

(A) Land is a non-depreciable asset.

(B) Leasehold improvements and capital leases are amortized based on the lesser of either the asset's estimated useful life or the expected lease term.

(C) Construction in process represents assets that are not available for their intended use as of the balance sheet date.

Depreciation expense for fiscal years 2020, 2019, and 2018 was $355 million, $233 million, and $144 million, respectively.

Accumulated amortization of leasehold improvements and capital leases was $216 million and $189 million as of January 26, 2020 and January 27, 2019, respectively.

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| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | *(In millions)* | |
| **Accrued and Other Current Liabilities:** | | |
| Customer program accruals | $ 462 | $ 302 |
| Accrued payroll and related expenses | 185 | 186 |
| Deferred revenue (1) | 141 | 92 |
| Operating lease liabilities | 91 | — |
| Taxes payable | 61 | 91 |
| Licenses payable | 54 | 12 |
| Professional service fees | 18 | 14 |
| Other | 85 | 121 |
| Total accrued and other current liabilities | $ 1,097 | $ 818 |

(1) Deferred revenue primarily includes customer advances and deferrals related to license and development arrangements and PCS.

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | *(In millions)* | |
| **Other Long-Term Liabilities:** | | |
| Income tax payable (1) | $ 528 | $ 513 |
| Licenses payable | 110 | 1 |
| Deferred revenue (2) | 60 | 46 |
| Deferred income tax liability | 29 | 19 |
| Employee benefits liability | 22 | 20 |
| Deferred rent | — | 21 |
| Other | 26 | 13 |
| Total other long-term liabilities | $ 775 | $ 633 |

(1) As of January 26, 2020, income tax payable represents the long-term portion of the one-time transition tax payable of $317 million, as well as unrecognized tax benefits of $180 million and related interest and penalties of $31 million.

(2) Deferred revenue primarily includes deferrals related to PCS.

## Deferred Revenue

The following table shows the changes in deferred revenue during fiscal years 2020 and 2019.

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | *(In millions)* | |

| | | |
|---|---|---|
| Balance at beginning of period | $ 138 | $ 63 |
| Deferred revenue added during the period | 334 | 344 |
| Revenue recognized during the period | (271) | (269) |
| Balance at end of period | $ 201 | $ 138 |

Revenue related to remaining performance obligations represents the amount of contracted license and development arrangements and PCS that has not been recognized. This includes related deferred revenue currently recorded and amounts that will be invoiced in future periods. As of January 26, 2020, the amount of our remaining performance that has not been recognized as revenue was $364 million, of which we expect to recognize approximately 46% as revenue over the next twelve months and the remainder thereafter. This amount excludes the value of remaining performance obligations for contracts with an original expected length of one year or less.

## Note 11 - Derivative Financial Instruments

We enter into foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. These contracts are designated as cash flow hedges for hedge accounting treatment. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss and reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur. The fair value of the contracts was not significant as of January 26, 2020 and January 27, 2019.

We enter into foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

The table below presents the notional value of our foreign currency forward contracts outstanding as of January 26, 2020 and January 27, 2019:

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | (In millions) | |
| Designated as cash flow hedges | $ 428 | $ 408 |
| Not designated for hedge accounting | $ 287 | $ 241 |

As of January 26, 2020, all designated foreign currency forward contracts mature within eighteen months. The expected realized gains and losses deferred into accumulated other comprehensive income (loss) related to foreign currency forward contracts within the next twelve months was not significant.

During fiscal years 2020 and 2019, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant and all such instruments were determined to be highly effective. Therefore, there were no gains or losses associated with ineffectiveness.

## Note 12 - Debt

### Long-Term Debt

#### 2.20% Notes Due 2021 and 3.20% Notes Due 2026

In fiscal year 2017, we issued $1.00 billion of the 2.20% Notes Due 2021, and $1.00 billion of the 3.20% Notes Due 2026, or collectively, the Notes. Interest on the Notes is payable on March 16 and September 16 of each year. Upon 30 days' notice to holders of the Notes, we may redeem the Notes for cash prior to maturity, at redemption prices that include accrued and unpaid interest, if any, and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Notes Due 2021 on or after August 16, 2021, or for redemptions of the Notes Due 2026 on or after June 16, 2026. The net proceeds from the Notes were $1.98 billion, after deducting debt discount and issuance costs.

The Notes are our unsecured senior obligations and rank equally in right of payment with all existing and future unsecured and unsubordinated indebtedness. The Notes are structurally subordinated to the liabilities of our subsidiaries and are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. All existing and future liabilities of our subsidiaries will be effectively senior to the Notes.

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The carrying value of the Notes and the associated interest rates were as follows:

| | Expected Remaining Term (years) | Effective Interest Rate | January 26, 2020 | January 27, 2019 |
|---|---|---|---|---|
| | | | *(In millions)* | |
| 2.20% Notes Due 2021 | 1.6 | 2.38% | $ 1,000 | $ 1,000 |
| 3.20% Notes Due 2026 | 6.6 | 3.31% | 1,000 | 1,000 |
| Unamortized debt discount and issuance costs | | | (9) | (12) |
| Net carrying amount | | | $ 1,991 | $ 1,988 |

### Revolving Credit Facility

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 26, 2020, we had not borrowed any amounts under this agreement.

### Commercial Paper

We have a $575 million commercial paper program to support general corporate purposes. As of January 26, 2020, we had not issued any commercial paper.

## Note 13 - Commitments and Contingencies

### Purchase Obligations

As of January 26, 2020, we had outstanding inventory purchase obligations totaling $1.16 billion and other purchase obligations totaling $186 million.

### Accrual for Product Warranty Liabilities

The estimated amount of product returns and warranty liabilities was $15 million and $18 million as of January 26, 2020 and January 27, 2019, respectively.

In connection with certain agreements that we have entered in the past, we have provided indemnities to cover the indemnified party for matters such as tax, product, and employee liabilities. We have included intellectual property indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. We have not recorded any liability in our Consolidated Financial Statements for such indemnifications.

### Litigation

Securities Class Action and Derivative Lawsuits

On December 21, 2018, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California, captioned Iron Workers Joint

Funds v. Nvidia Corporation, et al. (Case No. 18-cv-7669), naming as defendants NVIDIA and certain of NVIDIA’s officers. On December 28, 2018, a substantially similar purported securities class action was commenced in the Northern District of California, captioned Oto v. Nvidia Corporation, et al. (Case No. 18-cv-07783), naming the same defendants, and seeking substantially similar relief. On February 19, 2019, a number of shareholders filed motions to consolidate the two cases and to be appointed lead plaintiff and for their respective counsel to be appointed lead counsel. On March 12, 2019, the two cases were consolidated under case number 4:18-cv-07669-HSG and titled In Re NVIDIA Corporation Securities Litigation. On May 2, 2019, the Court appointed lead plaintiffs and lead counsel. On June 21, 2019, the lead plaintiffs filed a consolidated class action complaint. The consolidated complaint asserts that the defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and SEC Rule 10b-5, by making materially false or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand between May 10, 2017 and November 14, 2018. The plaintiffs also allege that the NVIDIA executives who they named as defendants violated Section 20(a) of the Exchange Act. The plaintiffs seek class certification, an award of unspecified compensatory damages, an award of reasonable costs and expenses, including attorneys’ fees and expert fees, and further relief as the Court may deem just and proper. On August 2, 2019, NVIDIA moved to dismiss the consolidated class action complaint on the basis that plaintiffs failed to state any claims for violations of the securities laws by NVIDIA or the named defendants.

On January 18, 2019, a shareholder, purporting to act on behalf of NVIDIA, filed a derivative lawsuit in the Northern District of California, captioned Han v. Huang, et al. (Case No. 19-cv-00341), seeking to assert claims on behalf of NVIDIA against the members of NVIDIA's board of directors and certain officers. The lawsuit asserts claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiff is seeking unspecified damages and other relief, including reforms and improvements to NVIDIA's corporate governance and internal procedures. On February 12, 2019, a substantially similar derivative lawsuit was filed in the Northern District of California captioned Yang v. Huang, et. al. (Case No. 19-cv-00766), naming the same named defendants, and seeking the same relief. On February 19, 2019, a third substantially similar derivative lawsuit was filed in the Northern District of California captioned The Booth Family Trust v. Huang, et. al. (Case No. 3:19-cv-00876), naming the same named defendants, and seeking substantially the same relief. On March 12, 2019, the three derivative actions were consolidated under case number 4:19-cv-00341-HSG, and titled In re NVIDIA Corporation Consolidated Derivative Litigation. The parties stipulated to stay the In Re NVIDIA Corporation Consolidated Derivative Litigation pending resolution of any motion to dismiss that NVIDIA may file in the In Re NVIDIA Corporation Securities Litigation.

On September 24, 2019, two shareholders, purporting to act on behalf of NVIDIA, filed two identical lawsuits in the District of Delaware. One is captioned Lipchitz v. Huang, et al. (Case No. 1:19-cv-01795-UNA) and the other is captioned Nelson v. Huang, et. al. (Case No. 1:19-cv-01798- UNA). The lawsuits assert claims for breach of fiduciary duty, unjust enrichment, insider trading, misappropriation of information, corporate waste and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false, and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiffs seek unspecified damages and other relief, including disgorgement of profits from the sale of NVIDIA stock and unspecified corporate governance measures. On December 11, 2019, the court approved the parties' stipulation to stay the Lipchitz and Huang actions pending resolution of the motion to dismiss filed by NVIDIA in the In Re NVIDIA Corporation Securities Litigation.

It is possible that additional suits will be filed, or allegations received from shareholders, with respect to these same or other matters, naming NVIDIA and/or its officers and directors as defendants.

**Accounting for Loss Contingencies**

We are engaged in legal actions not described above arising in the ordinary course of business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position. As of January 26, 2020, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, except as specifically described above, any possible loss or range of loss in these matters cannot be reasonably estimated at this time.

## Note 14 - Income Taxes

The income tax expense (benefit) applicable to income before income taxes consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| | | (In millions) | |
| Current income taxes: | | | |
| Federal | $ 65 | $ 1 | $ 464 |
| State | 4 | — | 1 |
| Foreign | 87 | 69 | 43 |
| Total current | 156 | 70 | 508 |
| Deferred taxes: | | | |
| Federal | 2 | (315) | (376) |
| State | — | — | — |
| Foreign | 16 | — | 17 |
| Total deferred | 18 | (315) | (359) |
| Income tax expense (benefit) | $ 174 | $ (245) | $ 149 |

Income before income tax consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| | | (In millions) | |
| Domestic | $ 620 | $ 1,843 | $ 1,600 |
| Foreign | 2,350 | 2,053 | 1,596 |
| Income before income tax | $ 2,970 | $ 3,896 | $ 3,196 |

The income tax expense (benefit) differs from the amount computed by applying the U.S. federal statutory rate of 21%, 21%, and 33.9% for fiscal years 2020, 2019, and 2018, respectively, to income before income taxes as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| | | (In millions) | |
| Tax expense computed at federal statutory rate | $ 624 | $ 818 | $ 1,084 |
| Expense (benefit) resulting from: | | | |
| State income taxes, net of federal tax effect | 12 | 23 | 10 |
| Foreign tax rate differential | (301) | (412) | (545) |

| | | | |
|---|---|---|---|
| Stock-based compensation | (60) | (191) | (181) |
| Tax Cuts and Jobs Act of 2017 | — | (368) | (133) |
| U.S. federal R&D tax credit | (110) | (141) | (87) |
| Other | 9 | 26 | 1 |
| Income tax expense (benefit) | $ 174 | $ (245) | $ 149 |

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The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets and liabilities are presented below:

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| | (In millions) | |
| Deferred tax assets: | | |
| Net operating loss carryforwards | $ 62 | $ 70 |
| Accruals and reserves, not currently deductible for tax purposes | 39 | 41 |
| Property, equipment and intangible assets | 12 | 2 |
| Operating lease liabilities | 114 | — |
| Research and other tax credit carryforwards | 605 | 626 |
| Stock-based compensation | 28 | 25 |
| GILTI deferred tax assets | 428 | 376 |
| Gross deferred tax assets | 1,288 | 1,140 |
| Less valuation allowance | (621) | (562) |
| Total deferred tax assets | 667 | 578 |
| Deferred tax liabilities: | | |
| Acquired intangibles | (1) | (2) |
| Unremitted earnings of foreign subsidiaries | (40) | (35) |
| Operating lease assets | (107) | — |
| Gross deferred tax liabilities | (148) | (37) |
| Net deferred tax asset (1) | $ 519 | $ 541 |

(1) Net deferred tax asset includes long-term deferred tax assets of $548 million and $560 million and long-term deferred tax liabilities of $29 million and $19 million for fiscal years 2020 and 2019, respectively. Long-term deferred tax assets are included in Other assets and long-term deferred tax liabilities are included in Other long-term liabilities on our Consolidated Balance Sheets.

We recognized an income tax expense of $174 million and $149 million for fiscal years 2020 and 2018, respectively, and income tax benefit of $245 million for fiscal year 2019. Our annual effective tax rate was 5.9%, (6.3)%, and 4.7% for fiscal years 2020, 2019, and 2018, respectively. The increase in our effective tax rate in fiscal year 2020 as compared to fiscal years 2019 and 2018 was primarily due to a decrease of tax benefits from stock-based compensation and an absence of tax benefits related to the enactment of the TCJA.

The decrease in our effective tax rate in fiscal year 2019 as compared to fiscal year 2018 was primarily due to a decrease in the U.S. statutory tax rate from 33.9% to 21%, the finalization of the enactment-date income tax effects of the TCJA, higher U.S federal research tax credits and excess tax benefits related to stock-based compensation in fiscal year 2019.

Our effective tax rate for fiscal years 2020 and 2019 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including the British Virgin Islands and Hong Kong, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of U.S. federal research tax credits, excess tax benefits related to stock-based compensation, and the finalization of the enactment-date income tax effects of the TCJA in 2019.

Our effective tax rate for fiscal year 2018 was lower than the blended U.S. federal statutory rate of 33.9% due primarily to income earned in jurisdictions, including the British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of U.S. federal research tax credits, the provisional impact of the tax law changes, and excess tax benefits related to stock-based compensation.

As of January 26, 2020 and January 27, 2019, we had a valuation allowance of $621 million and $562 million, respectively, related to state and certain foreign deferred tax assets that management determined not likely to be realized due, in part, to jurisdictional projections of future taxable income. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

As of January 26, 2020, we had federal, state and foreign net operating loss carryforwards of $70 million, $153 million and $295 million, respectively. The federal and state carryforwards will begin to expire in fiscal year 2023 and 2021, respectively. The foreign net operating loss carryforwards of $295 million may be carried forward indefinitely. As of January 26, 2020, we had federal research tax credit carryforwards of $314 million that will begin to expire in fiscal year 2039. We have state research tax credit carryforwards of $814 million, of which $774 million is attributable to the State of California and may be carried over indefinitely, and $40 million is attributable to various other states and will begin to expire in fiscal year 2021. Our tax attributes, net operating loss and tax credit carryforwards, remain subject to audit and may be adjusted for changes or modification in tax laws, other authoritative interpretations thereof, or other facts and circumstances. Utilization of federal, state, and foreign net operating losses and tax credit carryforwards may also be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state and foreign tax provisions. If any such limitations apply, the federal, states, or foreign net operating loss and tax credit carryforwards, as applicable, may expire or be denied before utilization.

As of January 26, 2020, we had $583 million of gross unrecognized tax benefits, of which $464 million would affect our effective tax rate if recognized. However, $104 million of the unrecognized tax benefits were related to state income tax positions taken, that, if recognized, would be in the form of a carryforward deferred tax asset that would likely attract a full valuation allowance. The $464 million of unrecognized tax benefits as of January 26, 2020 consisted of $180 million recorded in non-current income taxes payable and $284 million reflected as a reduction to the related deferred tax assets.

A reconciliation of gross unrecognized tax benefits is as follows:

| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
|---|---|---|---|
| | | (In millions) | |
| Balance at beginning of period | $ 477 | $ 447 | $ 224 |
| Increases in tax positions for prior years | 7 | 52 | 7 |
| Decreases in tax positions for prior years | — | (141) | (1) |
| Increases in tax positions for current year | 104 | 129 | 222 |
| Lapse in statute of limitations | (5) | (10) | (5) |
| Balance at end of period | $ 583 | $ 477 | $ 447 |

We classify an unrecognized tax benefit as a current liability, or amount refundable, to the extent that we anticipate payment or receipt of cash for income taxes within one year. The amount is classified as a long-term liability, or reduction of long-term deferred tax assets or amount refundable if we anticipate payment or receipt of cash for income taxes during a period beyond a year.

Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 26, 2020, January 27, 2019, and January 28, 2018, we had accrued $31 million, $21 million, and $15 million, respectively, for the payment of interest and penalties related to unrecognized tax benefits, which is not included as a component of our unrecognized tax benefits. As of January 26, 2020, unrecognized tax benefits of $180 million and the related interest and penalties of $31 million are included in non-current income taxes payable.

While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved. As of January 26, 2020, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

We are subject to taxation by taxing authorities both in the United States and other countries. As of January 26, 2020, the significant tax jurisdictions that may be subject to examination include the United States, Hong Kong, Taiwan, China, United Kingdom, Germany, and India for fiscal years 2003 through 2019. As of January 26, 2020, the significant tax jurisdictions for which we are currently under examination include India, China, and United Kingdom for fiscal years 2003 through 2019.

## Note 15 - Shareholders' Equity

### Capital Return Program

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Through January 26, 2020, we have repurchased an aggregate of 260 million shares under our share repurchase program for a total cost of $7.08 billion. All shares delivered from these repurchases have been placed into treasury stock. As of January 26, 2020, we are authorized, subject to certain specifications, to repurchase shares of our common stock up to $7.24 billion through December 2022.

During fiscal year 2020, we paid $390 million in cash dividends to our shareholders.

### Preferred Stock

As of January 26, 2020 and January 27, 2019, there were no shares of preferred stock outstanding.

### Common Stock

We are authorized to issue up to 2.00 billion shares of our common stock at $0.001 per share par value.

## Note 16 - Employee Retirement Plans

We have a 401(k) retirement plan covering substantially all of our U.S. employees. Under the plan, participating employees may defer up to 80% of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limits and we match a portion of the employee contributions. Our contribution expense for fiscal years 2020, 2019, and 2018 was $44 million, $39 million, and $23 million, respectively. We also have defined contribution retirement plans outside of the United States to which we contributed $32 million, $31 million, and $25 million for fiscal years 2020, 2019, and 2018, respectively.

## Note 17 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. Our operating segments are equivalent to our reportable segments.

We report our business in two primary reportable segments - the GPU business and the Tegra Processor business - based on a single underlying graphics architecture.

Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

Under the single unifying architecture for our GPU and Tegra Processors, we leverage our visual computing expertise by charging the operating expenses of certain core engineering functions to the GPU business, while charging the Tegra Processor business for the incremental cost of the teams working directly for that business. In instances where the operating expenses of certain functions benefit both reportable segments, our CODM assigns 100% of those expenses to the reportable segment that benefits the most.

The "All Other" category presented below represents the revenue and expenses that our CODM does not assign to either the GPU business or the Tegra Processor business for purposes of making operating decisions or assessing financial performance. The revenue included in all other is Intel licensing revenue and the expenses include stock-based compensation expense, corporate infrastructure and support costs, legal settlement costs, acquisition-related and other costs, and other non-recurring charges and benefits that our CODM deems to be enterprise in nature.

Our CODM does not review any information regarding total assets on a reportable segment basis. Reportable segments do not record inter-segment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for our consolidated financial statements. The table below presents details of our reportable segments and the "All Other" category.

| | GPU | Tegra Processor | All Other | Consolidated |
|---|---|---|---|---|
| | (In millions) | | | |
| **Year Ended January 26, 2020:** | | | | |
| Revenue | $ 9,465 | $ 1,453 | $ — | $ 10,918 |
| Depreciation and amortization expense | $ 322 | $ 44 | $ 15 | $ 381 |
| Operating income (loss) | $ 3,806 | $ 196 | $ (1,156) | $ 2,846 |
| | | | | |
| **Year Ended January 27, 2019:** | | | | |
| Revenue | $ 10,175 | $ 1,541 | $ — | $ 11,716 |
| Depreciation and amortization expense | $ 197 | $ 47 | $ 18 | $ 262 |
| Operating income (loss) | $ 4,443 | $ 241 | $ (880) | $ 3,804 |
| | | | | |
| **Year Ended January 28, 2018:** | | | | |
| Revenue | $ 8,137 | $ 1,534 | $ 43 | $ 9,714 |
| Depreciation and amortization expense | $ 123 | $ 37 | $ 39 | $ 199 |
| Operating income (loss) | $ 3,507 | $ 303 | $ (600) | $ 3,210 |

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| | (In millions) | | |
| **Reconciling items included in "All Other" category:** | | | |
| Unallocated revenue | $ — | $ — | $ 43 |
| Stock-based compensation expense | (844) | (557) | (391) |
| Unallocated cost of revenue and operating expenses | (267) | (277) | (237) |
| Acquisition-related and other costs | (30) | (2) | (15) |
| Legal settlement costs | (15) | (44) | — |
| Total | $ (1,156) | $ (880) | $ (600) |

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

| | Year Ended |
|---|---|

| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
|---|---|---|---|
| **Revenue:** | | *(In millions)* | |
| Taiwan | $ 3,025 | $ 3,360 | $ 2,991 |
| China (including Hong Kong) | 2,731 | 2,801 | 1,896 |
| Other Asia Pacific | 2,685 | 2,368 | 2,066 |
| Europe | 992 | 914 | 768 |
| United States | 886 | 1,506 | 1,274 |
| Other countries | 599 | 767 | 719 |
| Total revenue | $ 10,918 | $ 11,716 | $ 9,714 |

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

The following table summarizes information pertaining to our revenue by each of the specialized markets we serve:

| | Year Ended | | |
|---|---|---|---|
| | January 26, 2020 | January 27, 2019 | January 28, 2018 |
| **Revenue:** | | (In millions) | |
| Gaming | $ 5,518 | $ 6,246 | $ 5,513 |
| Professional Visualization | 1,212 | 1,130 | 934 |
| Data Center | 2,983 | 2,932 | 1,932 |
| Automotive | 700 | 641 | 558 |
| OEM & Other | 505 | 767 | 777 |
| Total revenue | $ 10,918 | $ 11,716 | $ 9,714 |

The following table presents summarized information for long-lived assets by geographic region. Long-lived assets consist of property and equipment and deposits and other assets, and exclude operating lease assets, goodwill, and intangible assets.

| | January 26, 2020 | January 27, 2019 |
|---|---|---|
| **Long-lived assets:** | (In millions) | |
| United States | $ 1,568 | $ 1,266 |
| Taiwan | 114 | 137 |
| India | 51 | 44 |
| China (including Hong Kong) | 28 | 38 |
| Europe | 28 | 26 |
| Other countries | 2 | 1 |
| Total long-lived assets | $ 1,791 | $ 1,512 |

One customer represented 11% of our total revenue for fiscal year 2020 and was attributable to the GPU business. No customer represented 10% or more of total revenue for fiscal years 2019 and 2018.

One customer represented 21% of our accounts receivable balance as of January 26, 2020, and one customer represented 19% of our accounts receivable balance as of January 27, 2019.

## Note 18 - Quarterly Summary (Unaudited)

The following table sets forth our unaudited consolidated financial results, for the last eight fiscal quarters:

| | Fiscal Year 2020 Quarters Ended | | | |
|---|---|---|---|---|
| | January 26, 2020 | October 27, 2019 | July 28, 2019 | April 28, 2019 |
| | (In millions, except per share data) | | | |
| **Statements of Income Data:** | | | | |
| Revenue | $ 3,105 | $ 3,014 | $ 2,579 | $ 2,220 |
| Cost of revenue | $ 1,090 | $ 1,098 | $ 1,038 | $ 924 |
| Gross profit | $ 2,015 | $ 1,916 | $ 1,541 | $ 1,296 |
| Net income | $ 950 | $ 899 | $ 552 | $ 394 |
| Net income per share: | | | | |
| Basic | $ 1.55 | $ 1.47 | $ 0.91 | $ 0.65 |
| Diluted | $ 1.53 | $ 1.45 | $ 0.90 | $ 0.64 |

| | Fiscal Year 2019 Quarters Ended | | | |
|---|---|---|---|---|
| | January 27, 2019 | October 28, 2018 | July 29, 2018 | April 29, 2018 |
| | (In millions, except per share data) | | | |
| Statements of Income Data: | | | | |
| Revenue | $ 2,205 | $ 3,181 | $ 3,123 | $ 3,207 |
| Cost of revenue | $ 998 | $ 1,260 | $ 1,148 | $ 1,139 |
| Gross profit | $ 1,207 | $ 1,921 | $ 1,975 | $ 2,068 |
| Net income (1) | $ 567 | $ 1,230 | $ 1,101 | $ 1,244 |
| Net income per share (1): | | | | |
| Basic | $ 0.93 | $ 2.02 | $ 1.81 | $ 2.05 |
| Diluted | $ 0.92 | $ 1.97 | $ 1.76 | $ 1.98 |

(1) In the third and fourth quarters of fiscal year 2019, we recorded U.S. tax reform benefits of $138 million and $230 million, respectively, associated with the completion of our accounting for the enactment-date income tax effects of the TCJA.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**

| Description | Balance at Beginning of Period | Additions | | Deductions | | Balance at End of Period |
|---|---|---|---|---|---|---|
| | | *(In millions)* | | | | |
| Fiscal year 2020 | | | | | | |
| Allowance for doubtful accounts | $ 2 | $ — | (1) | $ — | (1) | $ 2 |
| Sales return allowance | $ 8 | $ 18 | (2) | $ (17) | (4) | $ 9 |
| Deferred tax valuation allowance | $ 562 | $ 59 | (3) | $ — | | $ 621 |
| Fiscal year 2019 | | | | | | |
| Allowance for doubtful accounts | $ 4 | $ — | (1) | $ (2) | (1) | $ 2 |
| Sales return allowance | $ 9 | $ 21 | (2) | $ (22) | (4) | $ 8 |
| Deferred tax valuation allowance | $ 469 | $ 93 | (3) | $ — | | $ 562 |
| Fiscal year 2018 | | | | | | |
| Allowance for doubtful accounts | $ 3 | $ 1 | (1) | $ — | (1) | $ 4 |
| Sales return allowance | $ 10 | $ 15 | (2) | $ (16) | (4) | $ 9 |
| Deferred tax valuation allowance | $ 353 | $ 116 | (3) | $ — | | $ 469 |

(1) Additions represent allowance for doubtful accounts charged to expense and deductions represent amounts recorded as reduction to expense upon reassessment of allowance for doubtful accounts at period end.

(2) Represents allowance for sales returns estimated at the time revenue is recognized primarily based on historical return rates and is charged as a reduction to revenue.

(3) Represents change in valuation allowance primarily related to state and certain foreign deferred tax assets that management has determined not likely to be realized due, in part, to projections of future taxable income of the respective jurisdictions. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(4) Represents sales returns.

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**EXHIBIT INDEX**

| Exhibit No. | Exhibit Description | Incorporated by Reference Schedule/ Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|
| 2.1 | Agreement and Plan of Merger, dated March 10, 2019, by and among NVIDIA Corporation, NVIDIA International Holdings Inc., Mellanox Technologies Ltd. And Teal Barvaz Ltd. | 8-K | 0-23985 | 2.1 | 3/11/2019 |
| 3.1 | Amended and Restated Certificate of Incorporation | S-8 | 333-74905 | 4.1 | 3/23/1999 |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 10-Q | 0-23985 | 3.1 | 8/21/2008 |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 8-K | 0-23985 | 3.1 | 5/24/2011 |
| 3.4 | Bylaws of NVIDIA Corporation, Amended and Restated as of November 29, 2016 | 8-K | 0-23985 | 3.1 | 12/1/2016 |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4 | | | | |
| 4.2 | Specimen Stock Certificate | S-1/A | 333-47495 | 4.2 | 4/24/1998 |
| 4.3 | Indenture, dated as of September 16, 2016, by and between the Company and Wells Fargo Bank, National Association, as Trustee | 8-K | 0-23985 | 4.1 | 9/16/2016 |
| 4.4 | Officers' Certificate, dated as of September 16, 2016 | 8-K | 0-23985 | 4.2 | 9/16/2016 |
| 4.5 | Form of 2021 Note | 8-K | 0-23985 | Annex A to Exhibit 4.2 | 9/16/2016 |
| 4.6 | Form of 2026 Note | 8-K | 0-23985 | Annex B to Exhibit 4.2 | 9/16/2016 |
| 4.7* | Description of Securities | | | | |
| 10.1 | Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers | 8-K | 0-23985 | 10.1 | 3/7/2006 |
| 10.2+ | Amended and Restated 2007 Equity Incentive Plan | 8-K | 0-23985 | 10.1 | 5/21/2018 |
| 10.3+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Annual Grant - Board Service (2011)) | 10-Q | 0-23985 | 10.41 | 5/27/2011 |
| 10.4+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option | 8-K | 0-23985 | 10.1 | 12/14/2011 |

| | | | | | |
|---|---|---|---|---|---|
| | (Initial Grant - Board Service (2011)) | | | | |
| 10.5+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Stock Option Grant (2012 Annual Board Retainer) | 10-Q | 0-23985 | 10.4 | 5/23/2012 |
| 10.6+ | 2007 Equity Incentive Plan - Non Statutory Stock Option | 8-K | 0-23985 | 10.20 | 9/13/2010 |
| 10.7+ | 2007 Equity Incentive Plan - Incentive Stock Option | 8-K | 0-23985 | 10.21 | 9/13/2010 |
| 10.8+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option | 10-Q | 0-23985 | 10.1 | 8/22/2012 |
| 10.9+ | Amended and Restated 2007 Equity Incentive Plan - Incentive Stock Option | 10-Q | 0-23985 | 10.2 | 8/22/2012 |
| 10.10+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Purchase Agreement | 10-Q | 0-23985 | 10.3 | 8/22/2012 |

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| | | | | | |
|---|---|---|---|---|---|
| 10.11+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (with deferral option) | 10-Q | 0-23985 | 10.3 | 5/23/2012 |
| 10.12+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option (Initial Grant - Board Service) | 8-K | 0-23985 | 10.1 | 7/23/2013 |
| 10.13+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2015) | 10-K | 0-23985 | 10.25 | 3/12/2015 |
| 10.14+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.26 | 3/12/2015 |
| 10.15+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.27 | 3/12/2015 |
| 10.16+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (Initial Grant - with deferral options) | 10-Q | 0-23985 | 10.1 | 5/20/2015 |
| 10.17+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2015) | 10-Q | 0-23985 | 10.2 | 5/20/2015 |
| 10.18+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2018) | 10-Q | 0-23985 | 10.2 | 5/22/2018 |
| 10.19+ | Amended and Restated 2007 Equity Incentive Plan - Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2019) | 10-K | 0-23985 | 10.19 | 2/21/2019 |
| 10.20+ | Amended and Restated 2007 Equity Incentive Plan - Global | 8-K | 0-23985 | 10.1 | 3/11/2019 |

| | | | | | |
|---|---|---|---|---|---|
| | Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2019) | | | | |
| 10.21+ | Amended and Restated 2012 Employee Stock Purchase Plan | 10-Q | 0-23985 | 10.2 | 5/21/2018 |
| 10.22+ | Fiscal Year 2019 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/13/2018 |
| 10.23+ | Fiscal Year 2020 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/11/2019 |
| 10.24+ | Offer Letter between NVIDIA Corporation and Colette Kress, dated September 13, 2013 | 8-K | 0-23985 | 10.1 | 9/16/2013 |
| 10.25+ | Offer Letter between NVIDIA Corporation and Tim Teter, dated December 16, 2016 | 8-K | 0-23985 | 10.1 | 1/19/2017 |
| 10.26+ | Offer Letter between NVIDIA Corporation and Donald Robertson, dated May 21, 2019 | 8-K | 0-23985 | 10.1 | 6/17/2019 |
| 10.27 | Base Convertible Note Hedge Transaction Confirmation | 8-K | 0-23985 | 99.1 | 12/2/2013 |
| 10.28 | Additional Convertible Note Hedge Transaction Confirmation | 8-K | 0-23985 | 99.3 | 12/2/2013 |

| | | | | | |
|---|---|---|---|---|---|
| 10.29 | Credit Agreement, dated as of October 7, 2016 by and among NVIDIA Corporation, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto | 8-K | 0-23985 | 1.1 | 10/13/2016 |
| 10.30 | Form of Commercial Paper Dealer Agreement between NVIDIA Corporation, as Issuer, and the Dealer party thereto | 8-K | 0-23985 | 10.1 | 12/15/2017 |
| 21.1* | List of Registrant's Subsidiaries | | | | |
| 23.1* | Consent of PricewaterhouseCoopers LLP | | | | |
| 24.1* | Power of Attorney (included in signature page) | | | | |
| 31.1* | Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 31.2* | Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 32.1#* | Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 32.2#* | Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 101.INS* | XBRL Instance Document | | | | |
| 101.SCH* | XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document | | | | |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |
| 104 | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |

* Filed herewith.

+ Management contract or compensatory plan or arrangement.

# In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

Copies of above exhibits not contained herein are available to any shareholder upon written request to:
Investor Relations: NVIDIA Corporation, 2788 San Tomas Expressway, Santa Clara, CA 95051

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## SIGNATURES

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 20, 2020.**

NVIDIA Corporation
By: /s/ Jen-Hsun Huang
Jen-Hsun Huang
President and Chief Executive Officer

## POWER OF ATTORNEY

**KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jen-Hsun Huang and Colette M. Kress, and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof.**

**Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.**

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| Signature | Title | Date |
|---|---|---|
| /s/ JEN-HSUN HUANG<br>Jen-Hsun Huang | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | **February 20, 2020** |
| /s/ COLETTE M. KRESS<br>Colette M. Kress | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | **February 20, 2020** |
| /s/ DONALD ROBERTSON<br>Donald Robertson | Vice President and Chief Accounting Officer<br>(Principal Accounting Officer) | **February 20, 2020** |
| /s/ ROBERT BURGESS<br>Robert Burgess | Director | **February 20, 2020** |
| /s/ TENCH COXE<br>Tench Coxe | Director | **February 20, 2020** |
| /s/ PERSIS DRELL<br>Persis Drell | Director | **February 20, 2020** |
| /s/ JAMES C. GAITHER<br>James C. Gaither | Director | **February 20, 2020** |
| /s/ DAWN HUDSON<br>Dawn Hudson | Director | **February 20, 2020** |
| /s/ HARVEY C. JONES<br>Harvey C. Jones | Director | **February 20, 2020** |
| /s/ MICHAEL MCCAFFERY<br>Michael McCaffery | Director | **February 20, 2020** |
| /s/ STEPHEN C. NEAL<br>Stephen C. Neal | Director | **February 20, 2020** |
| /s/ MARK L. PERRY<br>Mark L. Perry | Director | **February 20, 2020** |
| /s/ A. BROOKE SEAWELL<br>A. Brooke Seawell | Director | **February 20, 2020** |
| /s/ MARK STEVENS<br>Mark Stevens | Director | **February 20, 2020** |

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended January 27, 2019**

**OR**

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

**Commission file number: 0-23985**

nvidialogoa07.jpg

# NVIDIA CORPORATION

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **94-3177549** |
|---|---|
| **(State or other jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |

**2788 San Tomas Expressway**
**Santa Clara, California 95051**
**(408) 486-2000**

**(Address, including zip code, and telephone number, including area code, of principal executive offices)**
**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, $0.001 par value 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 Act.    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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes ☒ No ☐

Indicate by check mark 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| Large accelerated filer ☒ | Accelerated filer ☐ | Non-accelerated filer ☐ | Smaller reporting company ☐ | Emerging growth company ☐ |
|---|---|---|---|---|

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 27, 2018 was approximately $146.66 billion (based on the closing sales price of the registrant's common stock as reported by the Nasdaq Global Select Market on July 27, 2018). This calculation excludes 26 million shares held by directors and executive officers of the registrant. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that have represented to the registrant that they are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940.

The number of shares of common stock outstanding as of February 15, 2019 was 606 million.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2019 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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## WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about the company, our products, our planned financial and other announcements and attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

NVIDIA Twitter Account (https://twitter.com/nvidia)

NVIDIA Company Blog (http://blogs.nvidia.com)

NVIDIA Facebook Page (https://www.facebook.com/nvidia)

NVIDIA LinkedIn Page (http://www.linkedin.com/company/nvidia)

NVIDIA Instagram Page (https://www.instagram.com/nvidia)

In addition, investors and others can view NVIDIA videos on YouTube.

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts and the blog, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on NVIDIA's investor relations website.

## Forward-Looking Statements

*This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail under the heading "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

*All references to "NVIDIA," "we," "us," "our" or the "Company" mean NVIDIA Corporation and its subsidiaries.*

*In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the filing date of this Annual Report on Form 10-K , and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.*

# PART I

## ITEM 1. BUSINESS

### Our Company

Starting with a focus on PC graphics, NVIDIA invented the graphics processing unit, or GPU, to solve some of the most complex problems in computer science. We have extended our focus in recent years to the revolutionary field of artificial intelligence, or AI. Fueled by the sustained demand for better 3D graphics and the scale of the gaming market, NVIDIA has evolved the GPU into a computer brain at the intersection of virtual reality, or VR, high performance computing, or HPC, and AI.

The GPU was initially used to simulate human imagination, enabling the virtual worlds of video games and films. Today, it also simulates human intelligence, enabling a deeper understanding of the physical world. Its parallel processing capabilities, supported by up to thousands of computing cores, are essential to running deep learning algorithms. This form of AI, in which software writes itself by learning from data, can serve as the brain of computers, robots and self-driving cars that can perceive and understand the world. GPU-powered deep learning continues to be adopted by thousands of enterprises to deliver services and features that would have been impossible with traditional coding.

NVIDIA has a platform strategy, bringing together hardware, system software, programmable algorithms, libraries, systems, and services to create unique value for the markets we serve. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and Compute Unified Device Architecture, or CUDA, as the fundamental building blocks. The programmable nature of our architecture allows us to support several multi-billion dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. The large and growing number of developers across our platforms strengthens our ecosystem and increases the value of our platform to our customers.

Innovation is at our core. We have invested over $17 billion in research and development since our inception, yielding inventions that are essential to modern computing. Our invention of the GPU in 1999 defined modern computer graphics and established NVIDIA as the leader in visual computing. With our introduction of the CUDA programming model in 2006, we opened the parallel processing capabilities of the GPU for general purpose computing. This approach significantly accelerates the performance of the most demanding applications in HPC in fields such as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. Today, our GPUs power the fastest supercomputers across the world. In addition, the massively parallel compute architecture of our GPUs and associated software have proven to be well suited for deep learning and are now expanding into machine learning, powering the era of AI. As the laws of physics have begun to slow down Moore’s Law, we continue to deliver GPU performance improvements ahead of Moore’s Law, giving the industry a path forward.

Gamers choose NVIDIA GPUs to enjoy immersive, increasingly cinematic virtual worlds. GPUs also help underpin the world’s fastest growing spectator sport, eSports, which attracts hundreds of millions of viewers to watch top-quality gaming. A rapidly growing new genre of Battle Royale games, such as Fortnite, is also expanding the gaming market.

Researchers use our GPUs to accelerate a wide range of important applications, from simulating viruses to exploring the origins of the universe. With support for more than 550 applications - including the top 15 HPC applications - NVIDIA GPUs enable some of the most promising areas of discovery, from weather prediction to materials science and from wind tunnel simulation to genomics. In 2018, NVIDIA GPUs powered the top two supercomputers in the world, located at Oak Ridge and Lawrence Livermore National Laboratories in the United States, as well as the top supercomputers in Europe and Japan. Five of the six finalists for the Gordon Bell Prize, awarded by the Association for Computing Machinery for outstanding achievement in the field of computing for applications in science, engineering and large-scale data science, did their work on the NVIDIA-powered top-two supercomputers.

The world's leading cloud service providers use our GPUs to enable, accelerate or enrich the services they deliver to billions of end-users, including search, social networking, online shopping, live video, translation, AI assistants, navigation, and cloud computing.

A rapidly growing number of enterprises and startups use our GPUs to facilitate deep learning that meets, and in several cases surpasses, human perception, in fields ranging from radiology to precision agriculture. For example, the transportation industry is turning to our GPUs and AI to enable autonomous vehicles, or AVs, with several hundred companies and organizations working with NVIDIA's DRIVE platform.

Professional designers use our GPUs to create visual effects in movies and design products ranging from soft drink bottles to commercial aircraft.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

## Our Businesses

Our two reportable segments - GPU and Tegra Processor - are based on a single underlying architecture. Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

| | |
|---|---|
| **GPU** | · **GeForce** for PC gaming and mainstream PCs<br>· **GeForce NOW** for cloud-based game-streaming service<br>· **Quadro** for design professionals working in computer-aided design, video editing, special effects, and other creative applications<br>· **Tesla** for AI utilizing deep learning and accelerated computing, leveraging the parallel computing capabilities of GPUs for general purpose computing<br>· **GRID** to provide the power of NVIDIA graphics through the cloud and datacenters<br>· **DGX** for AI scientists, researchers and developers |
| **Tegra Processor** | · **Tegra** processors are primarily designed to enable branded platforms - DRIVE and SHIELD<br>· **DRIVE AGX** automotive supercomputers and software stacks that provide self-driving capabilities<br>· **Clara AGX** for intelligent medical instruments<br>· **SHIELD** devices and services designed to harness the power of mobile-cloud to revolutionize home entertainment, AI and gaming<br>· **Jetson AGX** is a power-efficient AI computing platform for robotics and other embedded use |

## Our Markets

We specialize in markets in which GPU-based visual computing and accelerated computing platforms can provide tremendous throughput for applications. These platforms incorporate processors, systems software, programmable algorithms, systems, and services to deliver value that is unique in the marketplace. From our proprietary processors, we have created platforms that address four large markets where our expertise is critical: Gaming, Professional Visualization, Datacenter, and Automotive.

### Gaming

Computer gaming is the largest entertainment industry. Many factors propel computer gaming's growth, including new high production value games and franchises, the rise of competitive online gaming, eSports, and the rise of virtual and augmented reality.

Our GPUs enhance the gaming experience by improving the visual quality of graphics, increasing the frame rate for smoother gameplay and improving realism by incorporating the behavior of light and physical objects. These can be enjoyed independently or together to extend the gaming experience across platforms.

Our gaming platforms utilize sophisticated 3D software and algorithms, including our GameWorks libraries that provide special effects for games. We further enhance gaming with GeForce Experience, our gaming application that optimizes the PC user’s settings for each title and enables players to record and share gameplay. It has been downloaded by more than 100 million users.

To enable VR, we provide developers with a suite of software libraries called VRWorks. VRWorks allows developers to create fully immersive experiences by enabling physically realistic visuals, sound, touch interactions, and simulated environments. VR requires advanced high-performance GPUs as the engine to simulate complete immersion.

Our products for the gaming market include GeForce RTX and GeForce GTX GPUs for PC gaming, SHIELD devices for gaming and streaming, GeForce NOW for cloud-based gaming, as well as platforms and development services for specialized console gaming devices.

### Professional Visualization

We serve the Professional Visualization market by working closely with independent software vendors to optimize their offerings for NVIDIA GPUs. Our GPU computing solutions enhance productivity and introduce new capabilities for critical parts of the workflow for such major industries as automotive, media and entertainment, architectural engineering, oil and gas, and medical imaging.

Designers who build the products we use every day need the images that they view digitally to mirror reality. This requires simulating the physical behavior of light and materials, or physically-based rendering, an emerging trend in professional design. Our DesignWorks software delivers this to designers and enables an architect designing a building with a computer-aided design package to interact with the model in real time, view it in greater detail, and generate photorealistic renderings for the client. It also allows an automotive designer to create a highly realistic 3D image of a car, which can be viewed from all angles, reducing reliance on costly, time-consuming full-scale clay models.

Just as VR is becoming more important in gaming, it is also being incorporated in a growing number of enterprise applications, including within medicine, architecture, product design, and retail. Virtual car showrooms, surgical training, architectural walkthroughs, and bringing historical scenes to life all deploy this technology, powered by our GPUs.

Visual computing is vital to productivity in many environments, including design and manufacturing and digital content creation. Design and manufacturing includes computer-aided design, architectural design, consumer-products manufacturing, medical instrumentation, and aerospace. Digital content creation includes professional video editing and post production, special effects for films, and broadcast-television graphics.

Our brand for this market is Quadro for workstations. Quadro GPUs enhance the productivity of designers by improving performance and adding functionality, such as photorealistic rendering, high color fidelity, and advanced scalable display capabilities. During fiscal year 2019, we introduced the NVIDIA RTX platform, making it possible to render film-quality, photorealistic objects and environments with physically accurate shadows, reflections and refractions using ray tracing in real-time.

### Datacenter

The NVIDIA accelerated computing platform addresses AI and HPC applications. The platform consists of our energy efficient GPUs, our CUDA programming language, specific libraries such as cuDNN and TensorRT, and innovations such as NVLink, which enables application scalability across multiple GPUs.

In the field of AI, NVIDIA's platform accelerates both deep learning and machine learning workloads. Deep learning is a computer science approach where neural networks are trained to recognize patterns from massive amounts of data in the form of images, sounds and text - in some instances better than humans. Machine learning is a related approach that leverages algorithms as well as data to learn how to make determinations or predictions, often used in data science. HPC, also referred to as scientific computing, uses numerical computational approaches to solve large and complex problems. For both AI and HPC applications, the NVIDIA accelerated computing platform greatly increases the performance and power efficiency of high-performance computers and datacenters, as GPUs excel at parallel workloads. For example, an NVIDIA GPU-accelerated machine learning cluster for data science is 1/8 the cost, 1/15 the space, and 1/18 the power of a traditional CPU-based cluster.

We are engaged with thousands of organizations working on AI in a multitude of industries, from automating tasks such as reading medical images, to enabling fraud detection in financial services, to optimizing oil exploration and drilling. These organizations include the world's leading cloud services companies such as Amazon, Baidu, and Facebook, which are infusing AI in applications that enable highly accurate voice recognition and real-time translation; enterprises that are increasingly turning to AI to improve products and services; and startups seeking to implement AI in transformative ways across multiple industries. We have partnered with industry leaders such as IBM, Microsoft, Oracle, and SAP to bring AI to enterprise users. We also have partnerships in healthcare and manufacturing, among others, to accelerate the adoption of AI.

To enable deep learning and machine learning, we provide a family of GPUs designed to speed up training and inferencing of neural networks. They are available in industry standard servers from every major computer maker worldwide, including Cisco, Dell, HP, Inspur, and Lenovo; from every major cloud service provider such as Alicloud, Amazon Web Services, Baidu Cloud, Google Cloud, IBM Cloud, Microsoft Azure, and Oracle Cloud; as well as in our DGX AI supercomputer, a purpose-built system for deep learning and GPU accelerated applications. DGX delivers performance equal to hundreds of conventional servers, comes fully integrated with hardware, software, development tools, support for AI frameworks, and runs popular accelerated applications. We also offer the NVIDIA GPU Cloud, or NGC, a comprehensive catalog of easy-to-use, optimized software stacks across a range of domains including scientific computing, deep learning, and machine learning. With NGC, AI developers, researchers and data scientists can get started with the development of AI and HPC applications and deploy them on DGX systems, NGC-ready workstations or servers from our systems partners, or with NVIDIA's cloud partners such as Amazon, Google Cloud, Microsoft Azure, or Oracle Cloud.

GPUs also increase the speed of applications used in such fields as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. They have already had a significant impact on scientific discovery, including improving heart surgery, mapping human genome folds, seismic modeling, and weather simulations.

Accelerated computing is recognized as the path forward for computing amid the slowing of Moore's Law. The proportion of supercomputers utilizing accelerators has grown sharply over the past five years, now accounting for a significant proportion of both the total systems on the TOP500 list, which ranks the 500 most powerful commercially available computer systems, and the list's total floating-point operations per second. Tesla GPU accelerators power many of the world's fastest supercomputers, including the U.S. Department of Energy's new generation of supercomputers, Summit and Sierra, at Oak Ridge and Lawrence Livermore National Laboratories, Europe's fastest supercomputer - Piz Daint - in Switzerland, and Japan's fastest supercomputer, ABCI.

We also serve the datacenter market with GRID for virtualized graphics. GRID makes it possible to run graphics-intensive applications remotely on a server in the datacenter. Applications include accelerating virtual desktop infrastructures and delivering graphics-intensive applications from the cloud for industries such as manufacturing, healthcare, and educational institutions, among others.

### Automotive

NVIDIA's Automotive market is comprised of cockpit infotainment solutions, AV platforms, and associated development agreements. Leveraging our technology leadership in AI and building on our long-standing automotive relationships, we are delivering a full solution for the AV market under the DRIVE brand. NVIDIA has demonstrated multiple applications of AI within the car. AI can drive the car itself as a pilot, in either partial or fully autonomous mode. AI can also be a co-pilot, assisting the human driver in creating a safer driving experience.

NVIDIA is working with several hundred partners in the automotive ecosystem including automakers, truck makers, tier-one suppliers, sensor manufacturers, automotive research institutions, HD mapping companies, and startups to develop and deploy AI systems for self-driving vehicles. Our unified AI computing architecture starts with training deep neural networks using our Tesla GPUs, and then running them within the vehicle on the NVIDIA DRIVE computing platform. The platform consists of high-performance, energy efficient hardware - DRIVE AGX, and open, modular software - including DRIVE AV for autonomous driving and DRIVE IX for in-vehicle AI assistance. In addition, we offer a scalable simulation solution, NVIDIA DRIVE Constellation, for testing and validating a self-driving platform before commercial deployment. This end-to-end, software-defined approach allows cars to receive over-the-air updates to add new features and capabilities throughout the life of a vehicle.

NVIDIA DRIVE can perceive and understand in real-time what's happening around the vehicle, precisely locate itself on an HD map, and plan a safe path forward. This advanced self-driving car platform combines deep learning, sensor fusion, and surround vision to change the driving experience. Our DRIVE platform scales from a palm-sized, energy-efficient module for automated highway-driving capabilities to a configuration with multiple systems aimed at enabling driverless cars. Our Xavier SoC, which started shipping in 2018, enables vehicles to use deep neural networks to process data from multiple cameras and sensors. It powers the DRIVE AutoPilot, the first commercially available Level 2+ automated driving system, combining the DRIVE AV self-driving solution with the DRIVE IX cockpit software, including a visualization system for allowing the driver to see what the car sees and plans to do.

### Business Strategies

NVIDIA's key strategies that shape our overall business approach include:

**Advancing the GPU computing platform.** The massive parallel processing capabilities of NVIDIA GPUs can solve complex problems in significantly less time and with lower power consumption than alternative computational approaches. Indeed, GPUs can help solve problems that were previously deemed unsolvable. We work to deliver continued GPU performance leaps that outpace Moore's Law by leveraging innovation across the architecture, chip design, system, and software layers. Our strategy is to target markets where GPUs deliver order-of-magnitude performance advantages relative to legacy approaches. Our target markets so far include gaming, professional visualization, datacenter, and automotive. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and CUDA as the fundamental building blocks. The programmable nature of our architecture allows us to make leveraged investments in R&D: we can support several multi-billion dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. We utilize this platform approach in each of our target markets.

**Extending our technology and platform leadership in AI.** We provide a complete, end-to-end GPU computing platform for deep learning and machine learning, addressing both training and inferencing. This includes GPUs, our CUDA programming language, algorithms, libraries, and system software. GPUs are uniquely suited to AI, and we will continue to add AI-specific features to our GPU architecture to further extend our leadership position. Our AI technology leadership is reinforced by our large and expanding ecosystem in a virtuous cycle. Our GPU platforms are available from virtually every major server maker and cloud service provider, as well as on our own AI supercomputer. There are over 1.2 million developers worldwide using CUDA and our other software tools to help deploy our technology in our target markets. We evangelize AI through partnerships with hundreds of universities and more than 3,600 startups through our Inception program. Additionally, our Deep Learning Institute provides instruction on the latest techniques on how to design, train, and deploy neural networks in applications using our accelerated computing platform.

**Extending our technology and platform leadership in visual computing.** We believe that visual computing is fundamental to the continued expansion and evolution of computing. We apply our research and development resources to extending our leadership in visual computing, enabling us to enhance the user experience for consumer entertainment and professional visualization applications. Our technologies are instrumental in driving gaming forward, as developers leverage our libraries and algorithms to create near-cinematic and VR experiences. Our close collaboration with game developers allows us to deliver an optimized gaming experience on our GeForce platform. Our GeForce Experience gaming application further enhances each gamer's experience by optimizing their PC's settings, as well as enabling the recording and sharing of gameplay. We also enable interactive graphics applications - such as games, movie and photo editing and design software - to be accessed by almost any device, almost anywhere, through our cloud platforms such as GRID for enterprise and GeForce NOW for gaming.

**Advancing the leading autonomous vehicle platform.** We believe the advent of AV will soon revolutionize the transportation industry. In our view, AI is the key technology enabler of this opportunity, as the algorithms required for autonomous driving - such as perception, localization, and planning - are too complex for legacy hand-coded approaches, and will run on multiple trained neural networks instead. Therefore, we have provided a full functionally safe AI-based hardware and software solution for the AV market under the DRIVE brand, which we are bringing to market through our partnerships with automotive original equipment manufacturers, or OEMs, tier-1 suppliers, and start-ups. Our AV solution also includes the GPU-based hardware required to train the neural networks before their in-vehicle deployment, as well as to re-simulate their operation prior to any over-the-air software updates. We believe our comprehensive, top-to-bottom and end-to-end approach will enable the transportation industry to solve the complex problems arising from the shift to autonomous driving.

**Leveraging our intellectual property.** We believe our intellectual property is a valuable asset that can be accessed by our customers and partners through licenses and development agreements when they desire to build such capabilities directly into their own products, or have us do so through a custom development. Such license and development arrangements can further enhance the reach of our technology.

## Sales and Marketing

Our sales strategy involves working with end customers and various industry ecosystems through our partner network. Our worldwide sales and marketing strategy is key to achieving our objective of providing markets with our high-performance and efficient GPU and embedded system-on-a-chip, or SOC, platforms. Our sales and marketing teams, located across our global markets, work closely with end customers in each industry. Our partner network incorporates each industry's respective OEMs, original device manufacturers, or ODMs, system builders, add-in board manufacturers, or AIBs, retailers/distributors, internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants.

Members of our sales team have technical expertise and product and industry knowledge. We also employ a team of application engineers to assist our partner network in designing, testing, and qualifying system designs that incorporate our platforms. We believe that the depth and quality of our design support are key to improving our partner network’s time-to-market, maintaining a high level of customer satisfaction, and fostering relationships that encourage our end customers and partner network to use the next generation of our products within each platform.

To encourage the development of applications optimized for our GPUs, we seek to establish and maintain strong relationships in the software development community. Engineering and marketing personnel engage with key software developers to promote and discuss our platforms, as well as to ascertain individual product requirements and solve technical problems. Our developer program makes our products available to developers prior to launch in order to encourage the development of AI frameworks, Software Development Kits, and Application Programming Interfaces, or APIs, for software applications and game titles that are optimized for our platforms. Our Deep Learning Institute provides in-person and online training for developers in industries and organizations around the world to build AI and accelerated computing applications that leverage our GPU and CUDA platforms. We now have over 700 thousand registered developers across our platforms, including accelerated computing, gaming, deep learning, autonomous machines, and others.

As NVIDIA's business has evolved from a focus primarily on gaming products to broader markets, and from chips to platforms and complete systems, so, too, have our avenues to market. Thus, in addition to sales to customers in our partner network, certain of our platforms are also sold through e-tail channels, or direct to cloud service providers and enterprise customers.

## Backlog

Our sales are primarily made pursuant to standard purchase orders. The quantity of products purchased by our customers as well as our shipment schedules are subject to revisions that reflect changes in both the customers' requirements and in manufacturing availability. Our industry is characterized by relatively short lead time orders and delivery schedules, thus, we believe that only a small portion of our backlog is non-cancelable and that the dollar amount associated with the non-cancelable portion is not significant.

## Seasonality

Our GPU and Tegra processor platforms serve many markets from consumer PC gaming to enterprise workstations to government and cloud service provider datacenters, although a majority of our revenue stems from the consumer industry. Our consumer products have typically seen stronger revenue in the second half of our fiscal year. However, there can be no assurance that this trend will continue; for example, in fiscal year 2019 second half revenue was weaker than the first half.

## Manufacturing

We do not directly manufacture semiconductors used for our products. Instead, we utilize a fabless manufacturing strategy, whereby we employ world-class suppliers for all phases of the manufacturing process, including wafer fabrication, assembly, testing, and packaging. This strategy uses the expertise of industry-leading suppliers that are certified by the International Organization for Standardization in such areas as fabrication, assembly, quality control and assurance, reliability, and testing. Additionally, we can avoid many of the significant costs and risks associated with owning and operating manufacturing operations. While we may directly procure certain raw materials used in the production of our products, such as substrates and a variety of components, our suppliers are responsible for procurement of the majority of the raw materials used in the production of our products. As a result, we can focus our resources on product design, additional quality assurance, marketing, and customer support.

We utilize industry-leading suppliers, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd, to produce our semiconductor wafers. We then utilize independent subcontractors, such as Advanced Semiconductor Engineering, Inc., Amkor Technology, BYD Auto Co. Ltd., Hon Hai Precision Industry Co., Ltd., JSI Logistics Ltd., King Yuan Electronics Co., Ltd., and Siliconware Precision Industries Company Ltd. to perform assembly, testing, and packaging of most of our products and platforms. We purchase substrates from IbidenCo. Ltd., Kinsus Interconnect Technology Corporation, and Unimicron Technology Corporation, and memory from Micron Technology, Samsung Semiconductor, Inc., and SK Hynix.

We typically receive semiconductor products from our subcontractors, perform incoming quality assurance and configuration, and then ship the semiconductors to contract equipment manufacturers, or CEMs, distributors, motherboard and AIB customers from our third-party warehouse in Hong Kong. Generally, these manufacturers assemble and test the boards based on our design kit and test specifications, and then ship our products to retailers, system builders, or OEMs as motherboard and AIB solutions.

We also utilize industry-leading contract manufacturers, or CMs, such as BYD and Hon Hai Precision Industry Co., and ODMs such as Quanta Computer and Wistron Corporation, to manufacture some of our products for sale directly to end customers. In those cases, key elements such as the GPU, SOC and memory are often consigned by us to the CMs, who are responsible for the procurement of other components used in the production process.

### Working Capital

We focus considerable attention on managing our inventories and other working-capital-related items. We manage inventories by communicating with our customers and partners and then using our industry experience to forecast demand on a platform-by-platform basis. We then place manufacturing orders for our products that are based on forecasted demand. We generally maintain substantial inventories of our products because the semiconductor industry is characterized by short lead time orders and quick delivery schedules. A substantial amount of our inventories is maintained as semi-finished products that can be leveraged across a wide range of our processors to balance our customer demands.

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Our existing cash, cash equivalents and marketable securities balances increased by 4% to $7.42 billion at the end of fiscal year 2019 compared with the end of fiscal year 2018.

## Competition

The market for our products is intensely competitive and is characterized by rapid technological change and evolving industry standards. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and partners and distribution channels, software support, conformity to industry standard APIs, manufacturing capabilities, processor pricing, and total system costs. We believe that our ability to remain competitive will depend on how well we are able to anticipate the features and functions that customers and partners will demand and whether we are able to deliver consistent volumes of our products at acceptable levels of quality and at competitive prices. We expect competition to increase from both existing competitors and new market entrants with products that may be less costly than ours, or may provide better performance or additional features not provided by our products. In addition, it is possible that new competitors or alliances among competitors could emerge and acquire significant market share.

A significant source of competition comes from companies that provide or intend to provide GPUs, embedded SOCs, and accelerated and AI computing processor products. Some of our competitors may have greater marketing, financial, distribution and manufacturing resources than we do and may be more able to adapt to customer or technological changes.

Our current competitors include:

- suppliers or licensors of discrete and integrated GPUs and accelerated computing solutions, including chipsets that incorporate 3D graphics, or HPC or accelerated computing functionality as part of their solutions or platforms, such as Advanced Micro Devices, or AMD, Intel Corporation, or Intel, and Xilinx, Inc.; and

- suppliers of SOC products that are embedded into automobiles, autonomous machines, and gaming devices, such as Ambarella, Inc., AMD, Broadcom Inc., Intel, Qualcomm Incorporated, Renesas Electronics Corporation, Samsung, Texas Instruments Incorporated, and Xilinx Inc.

## Patents and Proprietary Rights

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, and licensing arrangements to protect our intellectual property in the United States and internationally. Our currently issued patents have expiration dates from February 2019 to February 2038. We have numerous patents issued, allowed, and pending in the United States and in foreign jurisdictions. Our patents and pending patent applications primarily relate to our products and the technology used in connection with our products. We also rely on international treaties, organizations, and foreign laws to protect our intellectual property. The laws of certain foreign countries in which our products are or may be manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as the laws of the United States. This decreased protection makes the possibility of piracy of our technology and products more likely. We continuously assess whether and where to seek formal protection for particular innovations and technologies based on such factors as:

- the location in which our products are manufactured;

- our strategic technology or product directions in different countries;

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- the degree to which intellectual property laws exist and are meaningfully enforced in different jurisdictions; and

- the commercial significance of our operations and our competitors' operations in particular countries and regions.

We have also licensed technology from third parties for incorporation in some of our products and for defensive reasons, and expect to continue to enter into such license agreements.

## Employees

As of January 27, 2019, we had 13,277 employees, 9,486 of whom were engaged in research and development and 3,791 of whom were engaged in sales, marketing, operations, and administrative positions.

## Environmental Regulatory Compliance

To date, we have not incurred significant expenses related to environmental regulatory compliance matters.

## Executive Officers of the Registrant

The following sets forth certain information regarding our executive officers, their ages and positions as of February 15, 2019:

| Name | Age | Position |
|---|---|---|
| Jen-Hsun Huang | 55 | President and Chief Executive Officer |
| Colette M. Kress | 51 | Executive Vice President and Chief Financial Officer |
| Ajay K. Puri | 64 | Executive Vice President, Worldwide Field Operations |
| Debora Shoquist | 64 | Executive Vice President, Operations |
| Timothy S. Teter | 52 | Executive Vice President and General Counsel |

**Jen-Hsun Huang** co-founded NVIDIA in 1993 and has served as our President, Chief Executive Officer and a member of the Board of Directors since our inception. From 1985 to 1993, Mr. Huang was employed at LSI Logic Corporation, a computer chip manufacturer, where he held a variety of positions including as Director of Coreware, the business unit responsible for LSI's SOC. From 1983 to 1985, Mr. Huang was a microprocessor designer for Advanced Micro Devices, Inc., a semiconductor company. Mr. Huang holds a B.S.E.E. degree from Oregon State University and an M.S.E.E. degree from Stanford University.

**Colette M. Kress** joined NVIDIA in 2013 as Executive Vice President and Chief Financial Officer. Prior to NVIDIA, Ms. Kress most recently served as Senior Vice President and Chief Financial Officer of the Business Technology and Operations Finance organization at Cisco Systems, Inc., a networking equipment company, since 2010. At Cisco, Ms. Kress was responsible for financial strategy, planning, reporting and business development for all business segments, engineering and operations. From 1997 to 2010 Ms. Kress held a variety of positions at Microsoft Corporation, a software company, including, beginning in 2006, Chief Financial Officer of the Server and Tools division, where Ms. Kress was responsible for financial strategy, planning, reporting and business development for the division. Prior to joining Microsoft, Ms. Kress spent eight years at Texas Instruments Incorporated, a semiconductor company, where she held a variety of finance positions. Ms. Kress holds a B.S. degree in Finance from University of Arizona and an M.B.A. degree from Southern Methodist University.

**Ajay K. Puri** joined NVIDIA in 2005 as Senior Vice President, Worldwide Sales and became Executive Vice President, Worldwide Field Operations in 2009. Prior to NVIDIA, he held positions in sales, marketing, and general management over a 22-year career at Sun Microsystems, Inc., a computing systems company. Mr. Puri previously held marketing, management consulting, and product development positions at Hewlett-Packard Company, an information technology company, Booz Allen Hamilton Inc., a management and technology consulting company, and Texas Instruments Incorporated. Mr. Puri holds a B.S.E.E. degree from the University of Minnesota, an M.S.E.E. degree from the California Institute of Technology and an M.B.A. degree from Harvard Business School.

**Debora Shoquist** joined NVIDIA in 2007 as Senior Vice President of Operations and in 2009 became Executive Vice President of Operations. Her role has since expanded with responsibility added for Facilities in 2013, and for Information Technology in 2015. Prior to NVIDIA, Ms. Shoquist served from 2004 to 2007 as Executive Vice President of Operations at JDS Uniphase Corp., a provider of communications test and measurement solutions and optical products for the telecommunications industry. She served from 2002 to 2004 as Senior Vice President and General Manager of the Electro-Optics business at Coherent, Inc., a manufacturer of commercial and scientific laser equipment. Previously, she worked at Quantum Corp., a data protection company, as President of the Personal Computer Hard Disk Drive Division, and at Hewlett-Packard Corp. Ms. Shoquist holds a B.S. degree in Electrical Engineering from Kansas State University and a B.S. degree in Biology from Santa Clara University.

**Timothy S. Teter** joined NVIDIA in 2017 as Senior Vice President, General Counsel and Secretary and became Executive Vice President, General Counsel and Secretary in February 2018. Prior to NVIDIA, Mr. Teter spent more than two decades at the law firm of Cooley LLP. He was most recently a partner at Cooley, where he focused on litigating patent and technology related matters. Prior to attending law school, he worked as an engineer at Lockheed Missiles and Space Company. Mr. Teter holds a B.S. degree in Mechanical Engineering from the University of California at Davis and a J.D. degree from Stanford Law School.

## Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our web site, *http://www.nvidia.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. The SEC’s website, *http://www.sec.gov*, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our web site and the information on it or connected to it are not a part of this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

*In evaluating NVIDIA and our business, the following factors should be considered in addition to the other information in this Annual Report on Form 10-K. Before you buy our common stock, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, which could cause our stock price to decline, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.*

### Risks Related to Our Business, Industry and Partners

**If we fail to meet the evolving needs of our markets, or identify new products, services or technologies, our revenue and financial results may be adversely impacted.**

We have created GPU-based visual and accelerated computing platforms that address four large markets: Gaming, Professional Visualization, Datacenter, and Automotive. These markets often experience rapid technological change, changes in customer requirements, new product introductions and enhancements, and evolving industry standards. Our success depends on our ability to identify these emerging industry changes and to develop new (or enhance our existing) products, services and technologies that meet the evolving needs of these markets. Such activities may require considerable technical, financial, compliance, sales and marketing investments. We currently devote significant resources to the development of technologies and business offerings in markets where we have a limited operating history, such as the automotive and datacenter markets, which presents additional risks to our business. We must also continue to develop the infrastructure needed to appropriately scale our business in these areas, including customer service and customer support. We also must meet customer safety and compliance standards, which are subject to change. Additionally, we continue to make considerable investments in research and development, which may not produce significant revenue for several years, if at all. If our investments are unsuccessful and we fail to develop new products, services and technologies, or if we focus on technologies that do not become widely adopted, our business, revenue, financial condition and results of operations could be adversely affected. We cannot assure you that our strategic direction will result in innovative products and technologies that provide value to our customers, partners and ultimately, our shareholders. If we fail to anticipate the changing needs of our target markets and emerging technology trends, or if we do not appropriately adapt that strategy as market conditions evolve, in a timely manner to exploit potential market opportunities, our business will be harmed.

**Competition in our current and target markets could prevent us from growing our revenue.**

Our target markets remain extremely competitive, and we expect competition to intensify as current competitors expand their product and/or service offerings, industry standards continue to evolve, customer needs change and new competitors enter these markets. Our competitors' products, services and technologies may be less costly, or may offer superior functionality or better features, than ours, which may result, among other things, in lower than expected selling prices for our products. In addition, some of our competitors operate and maintain their own fabrication facilities, have longer operating histories, larger customer bases, more comprehensive intellectual property, or IP, portfolios and patent protections, and greater financial, sales, marketing and distribution resources than we do. These competitors may be able to more effectively identify and capitalize upon opportunities in new markets and end user customer trends, quickly transition their products, including semiconductor products, to increasingly smaller line width geometries, and obtain sufficient foundry capacity and packaging materials, which could harm our business. If we are unable to successfully compete in our target markets, respond to changes in our target markets or introduce new offerings to meet the needs of this competitive environment, including in significant international markets such as China, demand for our products, services and technologies could decrease, which would cause our revenue to decline and cause our results of operations to suffer. In addition, the competitive landscape in our target markets has changed and may continue to evolve due to a trend toward consolidation, which could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

**System security and data protection breaches, as well as cyber-attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which could adversely affect our stock price and damage our reputation.**

Security breaches, computer malware and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These attacks have occurred on our systems in the past and are expected to occur in the future. Experienced computer programmers, hackers and employees may penetrate our security controls and misappropriate or compromise our confidential information, or that of our employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in our products, including consumer and automotive products, where we utilize over-the-air updates to improve functionality over time. For portions of our IT infrastructure, including business management and communication software products, we rely on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may impact our systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to our systems. To defend against security threats, both to our internal systems and those of our customers, we must continuously engineer more secure products and enhance security and reliability features, which may result in increased expenses.

Actual or perceived breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our partners, our customers or third parties could expose us and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to our brand and reputation or other harm to our business. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions could adversely affect our financial results, stock price and reputation.

**If our products contain significant defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.**

Our products are complex and may contain defects or security vulnerabilities, or experience failures or unsatisfactory performance due to any number of issues in design, fabrication, packaging, materials and/or use within a system. These risks may increase as our products are introduced into new devices, markets, technologies and applications, including into the automotive market, or as new versions are released. Some errors in our products or services may only be discovered after a product or service has been shipped or used by customers or the end users of such product. Undiscovered vulnerabilities in our products or services could expose our customers or end users to hackers or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack our products or services. Failure of our products to perform to specifications, or other product defects, could lead to substantial damage to the products we sell directly to customers, the end product in which our device has been integrated by OEMs, ODMs, AIBs and Tier 1 automotive suppliers, and to the user of such end product. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write off the value of related inventory, cause us to lose market share, and divert the attention of our engineering personnel from our product development efforts to find and correct the issue. In addition, an error or defect in new products or releases or related software drivers after commencement of commercial shipments could result in failure to achieve market acceptance or loss of design wins, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Also, we may be required to reimburse our customers, partners or consumers, including costs to repair or replace products in the field. A product recall, including automotive recalls or a recall due to a bug in our products, or a significant number of product returns could be expensive, damage our reputation, harm our ability to attract new customers, result in the shifting of business to our competitors and result in litigation against us, such as product liability suits. If a product liability claim is brought against us, the cost of defending the claim could be significant and would divert the efforts of our technical and management personnel, and harm our business. Further, our business liability insurance may be inadequate or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results.

**We depend on third parties and their technology to manufacture, assemble, test and/or package our products, which reduces our control over product quantity and quality, manufacturing yields, development, enhancement and product delivery schedule and could harm our business.**

We do not manufacture the silicon wafers used for our GPUs and Tegra processors and do not own or operate a wafer fabrication facility. Instead, we are dependent on industry-leading foundries, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd., to manufacture our semiconductor wafers using their fabrication equipment and techniques. Similarly, we do not directly assemble, test or package our products, but instead rely on independent subcontractors. We do not have long-term commitment contracts with these foundries or subcontractors. As a result, we face several significant risks which could have an adverse effect on our ability to meet customer demand and/or negatively impact our business operations, gross margin, revenue and/or financial results, including:

- a lack of guaranteed supply of wafers and other components and potential higher wafer and component prices due to supply constraints;

- a failure by our foundries to procure raw materials or to provide or allocate adequate or any manufacturing or test capacity for our products;

- a failure to develop, obtain or successfully implement high quality, leading-edge process technologies, including transitions to smaller geometry process technologies such as advanced process node technologies and memory designs needed to manufacture our products profitably or on a timely basis;
- loss of a supplier and additional expense and/or production delays as a result of qualifying a new foundry or subcontractor and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier;
- a lack of direct control over delivery schedules or product quantity and quality; and
- delays in product shipments, shortages, a decrease in product quality and/or higher expenses in the event our subcontractors or foundries prioritize our competitors' orders over our orders or otherwise.

In addition, low manufacturing yields could have an adverse effect on our ability to meet customer demand, increase manufacturing costs, harm customer or partner relationships, and/or negatively impact our business operations, gross margin, revenue and/or financial results. Manufacturing yields for our products are a function of product design, which is developed largely by us, and process technology, which typically is proprietary to the foundry. Low yields may result from either product design or process technology failure. We do not know whether a yield problem will exist until our design is actually manufactured by the foundry. As a result, yield problems may not be identified until well into the manufacturing process and require us and the foundry to cooperate to resolve the problem.

We also rely on third-party software development tools to assist us in the design, simulation and verification of new products or product enhancements, and to bring such new products and enhancements to market in a timely manner. In the past, we have experienced delays in the introduction of products and enhancements as a result of the inability of then available software development tools to fully simulate the complex features and functionalities of our products. The design requirements necessary to meet consumer demands for more features and greater functionality from our products may exceed the capabilities of available software development tools. If we miss design cycles or lose design wins due to the unavailability of such software development tools, we could lose market share and our revenues could decline. If we fail to achieve design wins for our products, our business will be harmed.

For our products that we do not sell directly to consumers, achieving design wins is an important success factor. Achieving design wins may involve a lengthy process in pursuit of a customer opportunity and depend on our ability to anticipate features and functionality that customers and consumers will demand. Failure to obtain a particular design win may prevent us from obtaining design wins in subsequent generations of a particular product. This could result in lost revenue and could weaken our position in future competitive bid selection processes.

Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers. Further, if our products are not in compliance with prevailing industry standards, including safety standards, our customers may not incorporate our products into their design strategies. Winning a product design does not guarantee sales to a customer or that we will realize as much revenue as anticipated, if any.

**Business disruptions could harm our business, lead to a decline in revenues and increase our costs.**

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, outages at cloud service providers, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, cyber-attacks, terrorist attacks, medical epidemics or pandemics and other natural or man-made disasters, catastrophic events or climate change. The occurrence of any of these disruptions could harm our business and result in significant losses, a decline in revenue and an increase in our costs and expenses. Any of these business disruptions could require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations, finished goods inventory, and some of our suppliers are located in Asia, near major earthquake faults known for seismic activity. In addition, a large portion of our current datacenter capacity is located in California, making our operations vulnerable to natural disasters or other business disruptions occurring in these geographical areas. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Taiwan, China, and Korea. Geopolitical change or changes in government regulations and policies in the United States or abroad also may result in changing regulatory requirements, trade policies, import duties and economic disruptions that could impact our operating strategies, product demand, access to global markets, hiring, and profitability. In particular, revisions to laws or regulations or their interpretation and enforcement could result in increased taxation, trade sanctions, the imposition of import duties or tariffs, restrictions and controls on imports or exports, or other retaliatory actions, which could have an adverse effect on our business plans. For example, regulations to implement the Export Control Reform Act of 2018 could have an adverse effect on our business plans. Catastrophic events can also have an impact on third-party vendors who provide us critical infrastructure services for IT and research and development systems and personnel. Our operations could be harmed if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, high heat events or water shortages, information technology system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our third-party foundries and other suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown. In the event a major earthquake or other disaster or catastrophic event affects us or the third-party systems on which we rely, our business could be harmed as a result of declines in revenue, increases in expenses, substantial expenditures and time spent to fully resume operations.

**If we fail to estimate customer demand properly, our financial results could be harmed.**

We manufacture our GPUs and Tegra processors based on estimates of customer demand and requirements. We sell many of our products through a channel model, and our channel customers sell to retailers, distributors, and/or end customers. As a result, the decisions made by our channel partners, retailers, and distributors in response to changing market conditions and the changing demand for our products could impact our financial results. In order to have shorter shipment lead times and quicker delivery schedules for our customers, we may build inventories for anticipated periods of growth which do not occur, may build inventory anticipating demand that does not materialize, or may build inventory to serve what we believe is pent-up demand. Such decisions may and have resulted in prolonged channel sell-through, as we experienced with our mid-range gaming GPUs in fiscal year 2019. In estimating demand, we make multiple assumptions, any of which may prove to be incorrect. Situations that may result in excess or obsolete inventory include:

- changes in business and economic conditions, including downturns in our target markets and/or overall economy;
- changes in consumer confidence caused by changes in market conditions, including changes in the credit market;
- a sudden and significant decrease in demand for our products;
- a higher incidence of inventory obsolescence because of rapidly changing technology or customer requirements;
- our introduction of new products resulting in lower demand for older products;
- less demand than expected for newly-introduced products; or
- increased competition, including competitive pricing actions.

The cancellation or deferral of customer purchase orders could result in our holding excess inventory, which could adversely affect our gross margins. In addition, because we often sell a substantial portion of our products in the last month of each quarter, we may not be able to reduce our inventory purchase commitments in a timely manner in response to customer cancellations or deferrals. We could be required to write-down our inventory to the lower of cost or market or write-off excess inventory, and we could experience a reduction in average selling prices if we incorrectly forecast product demand, any of which could harm our financial results.

Conversely, if we underestimate our customers' demand for our products, our foundry partners may not have adequate lead-time or capacity to increase production and we may not be able to obtain sufficient inventory to fill customers' orders on a timely basis. We may also face supply constraints caused by natural disasters or other events. In such cases, even if we are able to increase production levels to meet customer demand, we may not be able to do so in a cost-effective or timely manner. If we fail to fulfill our customers' orders on a timely basis, or at all, our customer relationships could be damaged, we could lose revenue and market share and our reputation could be damaged.

**We are subject to risks and uncertainties associated with international operations, which may harm our business.**

We conduct our business worldwide and we have offices in various countries outside of the United States. Our semiconductor wafers are manufactured, assembled, tested and packaged by third parties located outside of the United States. We also generate a significant portion of our revenue from sales outside the United States. We allocate revenue to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. Revenue from sales outside of the United States accounted for 87% of total revenue for each of fiscal years 2019, 2018, and 2017. Revenue from billings to China, including Hong Kong, was 24% of our revenue for fiscal year 2019, even if our customers' revenue is attributable to end customers that are located in a different location. Additionally, as of January 27, 2019, approximately 46% of our employees were located outside of the United States. The global nature of our business subjects us to a number of risks and uncertainties, which could have a material adverse effect on our business, financial condition and results of operations, including:

- international economic and political conditions, including as a result of the United Kingdom's vote to withdraw from the European Union, and other political tensions between countries in which we do business;
- unexpected changes in, or impositions of, legislative or regulatory requirements, including changes in tax laws;
- differing legal standards with respect to protection of intellectual property and employment practices;

- local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anticorruption laws and regulations;
- exporting or importing issues related to export or import restrictions, including deemed export restrictions, tariffs, quotas and other trade barriers and restrictions;
- disruptions of capital and trading markets and currency fluctuations; and
- increased costs due to imposition of climate change regulations, such as carbon taxes, fuel or energy taxes, and pollution limits.

If our sales outside of the United States are delayed or cancelled because of any of the above factors, our revenue may be negatively impacted.

**If we are unable to attract, retain and motivate our executives and key employees, we may not be able to execute our business strategy effectively.**

To be competitive and execute our business strategy successfully, we must attract, retain and motivate our executives and key employees. The market for highly skilled workers and leaders in our industry is extremely competitive. In particular, hiring qualified executives, scientists, engineers, technical staff and research and development personnel is critical to our business. Additionally, changes in immigration and work permit laws and regulations or the administration or interpretation of such laws or regulations could impair our ability to attract and retain highly qualified employees. If we are less successful in our recruiting efforts, or if we cannot retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Additionally, competition for personnel results in increased costs in the form of cash and stock-based compensation. The interpretation and application of employment related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

**We may not be able to realize the potential financial or strategic benefits of business acquisitions or strategic investments and we may not be able to successfully integrate acquisition targets, which could hurt our ability to grow our business, develop new products or sell our products.**

We have in the past acquired and invested in, and may continue to acquire and invest in, other businesses that offer products, services and technologies that we believe will help expand or enhance our existing products, strategic objectives and business. The risks associated with past or future acquisitions or investments could impair our ability to grow our business, develop new products or sell our products, and ultimately could have a negative impact on our growth or our financial results. Given that our resources are limited, our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our strategic objectives. Additional risks related to acquisitions or strategic investments include, but are not limited to:

- difficulty in combining the technology, products, operations or workforce of the acquired business with our business;
- diversion of capital and other resources, including management's attention;
- assumption of liabilities and incurring amortization expenses, impairment charges to goodwill or write-downs of acquired assets;

- difficulty in realizing a satisfactory return, if at all;
- difficulty in obtaining regulatory, other approvals or financing;
- failure and costs associated with the failure to consummate a proposed acquisition or other strategic investment;
- legal proceedings initiated as a result of an acquisition or investment;
- uncertainties and time needed to realize the benefits of an acquisition or strategic investment, if at all;
- the need to later divest acquired assets if an acquisition does not meet our expectations;
- potential failure of our due diligence processes to identify significant issues with the acquired assets or company; and
- impairment of relationships with, or loss of our or our target's, employees, vendors and customers, as a result of our acquisition or investment.

## Risks Related to Regulatory, Legal, Our Common Stock and Other Matters

**Actions to adequately protect our IP rights could result in substantial costs to us and our ability to compete could be harmed if we are unsuccessful in doing so or if we are prohibited from making or selling our products.**

We have in the past, currently are, and may in the future become involved in lawsuits or other legal proceedings alleging patent infringement or other intellectual property rights violations by us, our employees or parties that we have agreed to indemnify for certain claims of infringement. An unfavorable ruling in any such intellectual property related litigation could include significant damages, invalidation of a patent or family of patents, indemnification of customers, payment of lost profits, or, when it has been sought, injunctive relief. Claims that our products or processes infringe the IP rights of others, regardless of their merit, could cause us to incur significant costs to respond to, defend, and resolve such claims, and they may also divert the efforts and attention of management and technical personnel.

We may commence litigation or other legal proceedings in order to protect our intellectual property rights. Such proceedings may increase our operating expenses, which could negatively impact our operating results. Further, we could be subject to countersuits as a result of our initiation of litigation. If infringement claims are made against us or our products are found to infringe a third party's patent or intellectual property, we or one of our indemnitees may have to seek a license to the third party's patent or other intellectual property rights. However, we may not be able to obtain licenses at all or on terms acceptable to us particularly from our competitors. If we or one of our indemnitees is unable to obtain a license from a third party for technology that we use or that is used in one of our products, we could be subject to substantial liabilities or have to suspend or discontinue the manufacture and sale of one or more of our products. We may also have to make royalty or other payments, or cross license our technology. If these arrangements are not concluded on commercially reasonable terms, our business could be negatively impacted. Furthermore, the indemnification of a customer or other indemnitee may increase our operating expenses which could negatively impact our operating results.

Our success depends in part on protecting our intellectual property. To accomplish this, we rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, licensing arrangements, and the laws of the countries in which we operate to protect our intellectual property in the United States and internationally. We may be required to spend significant resources to monitor and protect our intellectual property rights, and even with significant expenditures we may not be able to protect our intellectual property rights that are valuable to our business. The laws of certain foreign countries may not protect our products or intellectual property rights to the same extent as the laws of the United States. This makes the possibility of piracy of our technology and products more likely. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in research and development, product development, and marketing could be reduced. We continuously assess whether and where to seek formal protection for existing and new innovations and technologies, but cannot be certain whether our applications for such protections will be approved, and, if approved, whether we will be able to enforce such protections.

**Our operating results have in the past fluctuated and may in the future fluctuate, and if our operating results are below the expectations of securities analysts or investors, our stock price could decline.**

Our operating results have in the past fluctuated and may in the future continue to fluctuate due to numerous factors. Therefore, investors should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Factors, other than those described elsewhere in these risk factors, that could affect our results of operations in the future include, but are not limited to:

- our ability to achieve volume production of our next-generation products;
- our inability to adjust spending to offset revenue shortfalls due to the multi-year development cycle for some of our products and services;
- fluctuations in the demand for our products related to cryptocurrencies;
- changes in the timing of product orders due to unexpected delays in the introduction of our partners' products;
- our ability to cover the manufacturing and design costs of our products through competitive pricing;
- our ability to comply and continue to comply with our customers' contractual obligations;
- product rates of return in excess of that forecasted or expected due to quality issues;
- our ability to secure appropriate safety certifications and meet industry safety standards;
- supply constraints for and changes in the cost of the other components incorporated into our products
- inventory write-downs;

- our ability to continue generating revenue from our partner network, including by generating sales within our partner network and ensuring our products are incorporated into our partners product ecosystems, and our partner network's ability to sell products that incorporate our GPUs and Tegra processors;

- the inability of certain of our customers to make required payments to us, and our ability to obtain credit insurance over the purchasing credit extended to these customers;

- customer bad debt write-offs;

- any unanticipated costs associated with environmental liabilities;

- unexpected costs related to our ownership of real property;

- changes in financial accounting standards or interpretations of existing standards; and

- general macroeconomic or industry events and factors affecting the overall market and our target markets.

Any one or more of the factors discussed above could prevent us from achieving our expected future financial results. Any such failure to meet our expectations or the expectations of our investors or security analysts could cause our stock price to decline or experience substantial price volatility.

**Privacy concerns relating to our products and services could damage our reputation, deter current and potential users from using our products and services, result in liability, or result in legal or regulatory proceedings.**

Our products and services may provide us with access to sensitive, confidential or personal data or information that is subject to privacy and security laws and regulations. Concerns about our practices with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and adversely affect our operating results. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business or by one of our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, disruption of our business activities or increased costs related to defending legal claims.

Worldwide regulatory authorities are considering and have approved various legislative proposals concerning data protection, which continue to evolve and apply to our business. For example, the European Union adopted the General Data Protection Regulation, or GDPR, which requires companies to meet new requirements beginning in May 2018 regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet GDPR requirements could result in penalties of up to 4% of worldwide revenue. In addition, the interpretation and application of consumer and data protection laws in the United States, Europe and elsewhere are often uncertain and fluid, and may be interpreted and applied in a manner that is inconsistent with our data practices. If so, we may be ordered to change our data practices and/or be fined. Complying with these changing laws has caused, and could continue to cause, us to incur substantial costs, which could have an adverse effect on our business and results of operations. Further, failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity.

**We may have exposure to additional tax liabilities and our operating results may be adversely impacted by higher than expected tax rates.**

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenue and expenses in different jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Further, changes in United States federal, and state or international tax laws applicable to multinational corporations or other fundamental law changes may materially impact our tax expense and cash flows, as we experienced in fiscal year 2018 with the passage of the Tax Cuts and Jobs Act, or TCJA.

Our future effective tax rate may be affected by such factors as changes in tax laws, changes in our business or statutory rates, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in available tax credits, the resolution of issues arising from tax audits, changes in United States generally accepted accounting principles, adjustments to income taxes upon finalization of tax returns, increases in expenses not deductible for tax purposes, changes in the valuation of our deferred tax assets and liabilities and in deferred tax valuation allowances, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and the recognition of excess tax benefits and tax deficiencies within the income tax provision in the period in which they occur, the impact of accounting for business combinations, shifts in the amount of earnings in the United States compared with other regions in the world and overall levels of income before tax, changes in our international organization, as well as the expiration of statute of limitations and settlements of audits. Any changes in our effective tax rate may reduce our net income.

### Our business is exposed to the risks associated with litigation, investigations and regulatory proceedings.

We currently and may in the future face legal, administrative and regulatory proceedings, claims, demands and/or investigations involving shareholder, consumer, competition and/or other issues relating to our business on a global basis. For example, multiple securities litigation claims have recently been filed against us and certain of our officers based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. In addition, a stockholder, purporting to act on behalf of the Company, filed a derivative lawsuit seeking to assert claims on behalf of the Company against the members of our board of directors and certain officers based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand.

Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome or settlement may result in a material adverse impact on our business, results of operations, financial position, and overall trends. In addition, regardless of the outcome, litigation can be costly, time-consuming, and disruptive to our operations.

In addition, the laws and regulations our business is subject to are complex, and change frequently. We may be required to incur significant expense to comply with, or remedy violations of, these regulations.

### Delaware law and provisions in our certificate of incorporation, our bylaws and our agreement with Microsoft Corporation could delay or prevent a change in control.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested shareholder for a period of three years after the person becomes an interested shareholder, even if a change of control would be beneficial to our existing shareholders. In addition, our certificate of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. These provisions include the following:

- the ability of our Board of Directors to create and issue preferred stock without prior shareholder approval;
- the prohibition of shareholder action by written consent;
- advance notice requirements for director nominations and shareholder proposals;
- the ability of our Board of Directors to increase or decrease the number of directors without shareholder approval;
- a super-majority voting requirement to amend some provisions in our certificate of incorporation and bylaws;
- the inability of our shareholders to call special meetings of shareholders; and
- the ability of our Board of Directors to make, amend or repeal our bylaws.

On March 5, 2000, we entered into an agreement with Microsoft in which we agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in the Xbox. Under the agreement, if an individual or corporation makes an offer to purchase shares equal to or greater than 30% of the outstanding shares of our common stock, Microsoft may have first and last rights of refusal to purchase the stock. The Microsoft provision and the other factors listed above could also delay or prevent a change in control of NVIDIA. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

Our headquarters complex is located in Santa Clara, California. It includes ten leased commercial buildings totaling 981,389 square feet, and real property that we own totaling 1,257,346 square feet. Our owned property consists of two commercial buildings on 36 acres of land. In addition, we also lease datacenter space in Santa Clara, California.

Outside of Santa Clara, California, we lease facilities in Austin, Texas and a number of regional facilities in other U.S. locations that are used as research and development centers and/or sales and administrative offices. Outside of the United States, we own a building in Hyderabad, India, that is being used primarily as a research and development center. We also lease facilities in various international locations that are used as research and development centers and/or sales and administrative offices. These leased facilities are located primarily in Asia and Europe. In addition, we also lease datacenter space in various locations around the world.

We believe that we currently have sufficient facilities to conduct our operations for the next twelve months. For additional information regarding obligations under leases, refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K under the subheading "Lease Obligations," which information is hereby incorporated by reference.

## ITEM 3. LEGAL PROCEEDINGS

Please see Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of our legal proceedings.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

# PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol NVDA. Public trading of our common stock began on January 22, 1999. Prior to that, there was no public market for our common stock. As of February 15, 2019, we had approximately 317 registered shareholders, not including those shares held in street or nominee name.

### Issuer Purchases of Equity Securities

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

Since the inception of our share repurchase program, we have repurchased an aggregate of 260 million shares for a total cost of $7.08 billion through January 27, 2019. All shares delivered from these repurchases have been placed into treasury stock.

In November 2018, the Board authorized an additional $7.00 billion under our share repurchase program and extended it through the end of December 2022. As of January 27, 2019, we were authorized to repurchase additional shares of our common stock up to $7.24 billion.

We intend to return $3.00 billion to shareholders by the end of fiscal year 2020, including $700 million of share repurchases we made in the fourth quarter of fiscal year 2019.

The repurchases can be made in the open market, in privately negotiated transactions, or in structured share repurchase programs, and can be made in one or more larger repurchases, in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, and other factors. The program does not obligate NVIDIA to acquire any particular amount of common stock and the program may be suspended at any time at our discretion.

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The following table presents details of our share repurchase transactions during the fourth quarter of fiscal year 2019:

| Period | Total Number of Shares Purchased (In thousands) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program (In thousands) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (In billions) |
|---|---|---|---|---|
| October 29, 2018 - November 25, 2018 | 123 | $ 195.72 | 123 | $ 7.94 |
| November 26, 2018 - December 23, 2018 | 3,304 | $ 142.05 | 3,304 | $ 7.47 |
| December 24, 2018 - January 27, 2019 | 1,777 | $ 129.87 | 1,777 | $ 7.24 |
| **Total** | **5,204** | | **5,204** | |

**Transactions Related to our 1.00% Convertible Senior Notes Due 2018 and Note Hedges**

During fiscal year 2019, we issued an aggregate of 714 thousand shares of our common stock upon settlement of $16 million in principal amount of 1.00% Convertible Senior Notes Due 2018, or the Convertible Notes, submitted for conversion. In connection with these conversions, we exercised a portion of our Note Hedges to acquire an equal number of shares of our common stock. The counterparty to the Note Hedges may be deemed an "affiliated purchaser" and may have purchased the shares of our common stock deliverable to us upon this exercise of our option. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding the Convertible Notes and the Note Hedges.

**Restricted Stock Unit Share Withholding**

We also withhold common stock shares associated with net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under our employee equity incentive program. During fiscal year 2019, we withheld approximately 4 million shares at a total cost of $1.03 billion through net share settlements. Refer to Note 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding our equity incentive plans.

## Stock Performance Graphs

The following graph compares the cumulative total shareholder return for our common stock, the S&P 500 Index, and the Nasdaq 100 Index for the five years ended January 27, 2019. The graph assumes that $100 was invested on January 26, 2014 in our common stock and in each of the S&P 500 Index and the Nasdaq 100 Index. Our common stock is a component of each of the presented indices. Total return assumes reinvestment of dividends in each of the indices indicated. Total return is based on historical results and is not intended to indicate future performance.

chart-57babe66b53459e39d0.jpg

*$100 invested on 1/26/14 in stock and in indices, including reinvestment of dividends.



| | 1/26/2014 | 1/25/2015 | 1/31/2016 | 1/29/2017 | 1/28/2018 | 1/27/2019 |
|---|---|---|---|---|---|---|
| NVIDIA Corporation | $ 100.00 | $ 135.49 | $ 194.78 | $ 750.36 | $ 1,639.87 | $ 1,082.30 |
| S&P 500 | $ 100.00 | $ 111.92 | $ 108.84 | $ 127.84 | $ 158.41 | $ 151.70 |
| Nasdaq 100 | $ 100.00 | $ 119.26 | $ 124.52 | $ 150.83 | $ 207.18 | $ 208.13 |

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## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our financial statements and the notes thereto, and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Consolidated Statements of Income data for fiscal years 2019, 2018, and 2017 and the Consolidated Balance Sheets data as of January 27, 2019 and January 28, 2018 have been derived from and should be read in conjunction with our audited consolidated financial statements and the notes thereto included in Part IV, Item 15 in this Annual Report on Form 10-K. We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2019, 2018, 2017, and 2015 were 52-week years and fiscal year 2016 was a 53-week year.

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | **January 27, 2019** | **January 28, 2018** | **January 29, 2017** | **January 31, 2016 (A)** | **January 25, 2015** |
| **Consolidated Statements of Income Data:** | *(In millions, except per share data)* | | | | |
| Revenue | $ 11,716 | $ 9,714 | $ 6,910 | $ 5,010 | $ 4,682 |
| Income from operations | $ 3,804 | $ 3,210 | $ 1,934 | $ 747 | $ 759 |
| Net income | $ 4,141 | $ 3,047 | $ 1,666 | $ 614 | $ 631 |
| Net income per share: | | | | | |
| Basic | $ 6.81 | $ 5.09 | $ 3.08 | $ 1.13 | $ 1.14 |
| Diluted | $ 6.63 | $ 4.82 | $ 2.57 | $ 1.08 | $ 1.12 |
| Weighted average shares used in per share computation: | | | | | |
| Basic | 608 | 599 | 541 | 543 | 552 |
| Diluted | 625 | 632 | 649 | 569 | 563 |

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | **January 27, 2019 (B,C)** | **January 28, 2018 (B,C)** | **January 29, 2017 (B,C)** | **January 31, 2016 (B)** | **January 25, 2015** |
| **Consolidated Balance Sheets Data:** | *(In millions, except per share data)* | | | | |
| Cash, cash equivalents and marketable securities | $ 7,422 | $ 7,108 | $ 6,798 | $ 5,037 | $ 4,623 |
| Total assets | $ 13,292 | $ 11,241 | $ 9,841 | $ 7,370 | $ 7,201 |
| Debt obligations | $ 1,988 | $ 2,000 | $ 2,779 | $ 1,413 | $ 1,384 |
| Convertible debt conversion obligation | $ — | $ — | $ 31 | $ 87 | $ — |
| Total shareholders' equity | $ 9,342 | $ 7,471 | $ 5,762 | $ 4,469 | $ 4,418 |
| Cash dividends declared and paid per common share (D) | $ 0.610 | $ 0.570 | $ 0.485 | $ 0.395 | $ 0.340 |

(A) In fiscal year 2016, we began the wind down of our Icera modem operations. As a result, our income from operations for fiscal year 2016 included $131 million of restructuring and other charges.

(B) In fiscal year 2014, we issued Convertible Notes in the aggregate principal amount of $1.50 billion. The Convertible Notes first became convertible as of February 1, 2016 and matured on December 1, 2018. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(C) In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021, and $1.00 billion of the Notes Due 2026. Interest on the Notes is payable on March 16 and September 16 of each year, beginning on March 16, 2017.

Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(D) In November 2012, we initiated a quarterly dividend payment of $0.075 per share, or $0.30 per share on an annual basis. In May 2015, we increased the quarterly cash dividend to $0.0975 per share, or $0.39 per share on an annual basis. In November 2015, we increased the quarterly cash dividend to $0.115 per share, or $0.46 per share on an annual basis. In November 2016, we increased the quarterly cash dividend to $0.14 per share, or $0.56 per share on an annual basis. In November 2017, we increased the quarterly cash dividend to $0.15 per share, or $0.60 per share on an annual basis. In November 2018, we increased the quarterly cash dividend to $0.16 per share, or $0.64 per share on an annual basis.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 1A. Risk Factors", "Item 6. Selected Financial Data", our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K, before deciding to purchase, hold or sell shares of our common stock.

## Overview

### Our Company and Our Businesses

Starting with a focus on PC graphics, NVIDIA invented the GPU to solve some of the most complex problems in computer science. We have extended our focus in recent years to the revolutionary field of AI. Fueled by the sustained demand for better 3D graphics and the scale of the gaming market, NVIDIA has evolved the GPU into a computer brain at the intersection of VR, HPC, and AI.

Our two reportable segments - GPU and Tegra Processor - are based on a single underlying architecture. From our proprietary processors, we have created platforms that address four large markets where our expertise is critical: Gaming, Professional Visualization, Datacenter, and Automotive.

Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

## Recent Developments, Future Objectives and Challenges

### Fiscal Year 2019 Summary

| | Year Ended | | |
|---|---|---|---|
| | **January 27, 2019** | **January 28, 2018** | **Change** |
| | *($ in millions, except per share data)* | | |
| Revenue | $ 11,716 | $ 9,714 | Up 21% |
| Gross margin | 61.2 % | 59.9 % | Up 130 bps |
| Operating expenses | $ 3,367 | $ 2,612 | Up 29% |
| Income from operations | $ 3,804 | $ 3,210 | Up 19% |
| Net income | $ 4,141 | $ 3,047 | Up 36% |
| Net income per diluted share | $ 6.63 | $ 4.82 | Up 38% |

Revenue for fiscal year 2019 increased 21% year over year, reflecting growth in each of our market platforms - gaming, professional visualization, datacenter, and automotive. GPU business revenue was $10.17 billion, up 25% from a year earlier. Tegra Processor business revenue - which includes automotive, SOC modules for gaming platforms, and embedded edge AI platforms - was $1.54 billion, up slightly from a year ago.

Gaming revenue was $6.25 billion, up 13% from a year ago driven by growth in gaming GPUs. Gaming GPU growth was fueled by Turing-based GPUs for desktops and by gaming notebooks based on our Max-Q technology. We experienced significant volatility in our Gaming revenue during fiscal year 2019. We believe demand for our desktop gaming GPU products used by end users for cryptocurrency mining and its after-effects have distorted trends in Gaming revenue. We also believe that deteriorating macroeconomic conditions, particularly in China have impacted consumer demand for our GeForce gaming GPU products. In addition, sales of certain high-end GeForce gaming GPUs using our new Turing architecture that we released during fiscal year 2019 were lower than we expected for the launch of a new architecture. As a result, during a portion of fiscal year 2019, we shipped a higher amount of desktop gaming GPU products relative to where end user demand turned out to be and subsequently compensated by shipping a lower amount of desktop gaming GPU products relative to end user demand to allow the channel to work down that inventory. For fiscal year 2020, we expect our Gaming revenue to be slightly down compared to fiscal year 2019, with expected growth from sales of Turing-based GPU products and notebook GPU products partially offsetting decreases that we believe were caused by the previously-noted factors.

Professional visualization revenue was $1.13 billion, up 21% from a year earlier driven by strength across both desktop and mobile workstation products.

Datacenter revenue was $2.93 billion, up 52% from a year ago, led by strong sales of our Volta architecture-based products, including NVIDIA Tesla V100 and DGX systems. Toward the end of fiscal year 2019, we believe that customers across broad-based vertical markets and geographies became increasingly cautious due to economic uncertainty, and a number of

Datacenter deals did not close. While we believe the pause is temporary, our visibility remains relatively low and we do not expect a meaningful recovery in the Datacenter market until later in fiscal year 2020.

Automotive revenue of $641 million was up 15% from a year earlier, driven by infotainment modules, production DRIVE platforms, and development agreements with automotive companies.

OEM and IP revenue was $767 million, down 1% from a year ago, driven by the absence of Intel licensing revenue, which concluded in the first quarter of fiscal year 2018. Revenue from cryptocurrency-specific products in fiscal years 2019 and 2018 was $306 million and $273 million, respectively. We expect revenue from cryptocurrency-specific products to be negligible going forward.

Gross margin for fiscal year 2019 was 61.2%, compared with 59.9% a year earlier, which reflects our continued shift toward higher-value platforms, which more than offset the impact of approximately $128 million in charges for excess DRAM and other components we recorded in the fourth quarter of fiscal year 2019 and a charge of $57 million we recorded during the third quarter of fiscal year 2019 related to prior architecture components and chips.

Operating expenses for fiscal year 2019 were $3.37 billion, up 29% from a year earlier, reflecting primarily employee additions and increases in employee compensation and other related costs, including infrastructure costs.

Income from operations for fiscal year 2019 was $3.80 billion, up 19% from a year earlier. Net income and net income per diluted share for fiscal year 2019 were $4.14 billion and $6.63, respectively, up 36% and 38%, respectively, from a year earlier, fueled primarily by revenue growth and improved gross margin, as well as the impact of the U.S. tax reform benefit.

During fiscal year 2019, we returned $1.95 billion to shareholders through a combination of $1.58 billion in share repurchases and $371 million in quarterly cash dividends. We intend to return $3.00 billion to shareholders by the end of fiscal year 2020, including $700 million of share repurchases we made in the fourth quarter of fiscal year 2019.

Cash, cash equivalents and marketable securities were $7.42 billion as of January 27, 2019, compared with $7.11 billion as of January 28, 2018. The increase was primarily related to the increase in net income, partially offset by changes in working capital and the increases in stock repurchases, dividends and taxes paid related to restricted stock units.

### GPU Business

During fiscal year 2019, for gaming, we announced NVIDIA RTX - a computer graphics technology using our Turing architecture that produces movie-quality images in real time using ray tracing and AI. During the year, we released many new GeForce RTX desktop gaming GPU products, including RTX 2080Ti, 2080, 2070 and 2060, as well as many new Max-Q GeForce gaming notebook GPU products - the most recent of which are powered by RTX GPUs.

For our professional visualization platform, we announced the Quadro GV100 GPU with RTX technology, making real-time ray tracing possible on professional design and content creation applications. We also unveiled the Quadro RTX series, which is designed to revolutionize the workflow of designers and artists on the desktop, and announced the NVIDIA CUDA-accelerated REDCODE RAW decode SDK, enabling developers and studios to edit 8K video.

For our datacenter platform, we unveiled many advances to our deep learning computing platform - including NVIDIA Tesla V100 GPUs with 32GB memory, NVIDIA NVSwitch GPU interconnect fabric, the NVIDIA DGX-2 and HGX-2 for AI and HPC, the NVIDIA RTX Server, and TensorRT 4 AI inference accelerator software. In addition, we introduced RAPIDS, an open-source GPU-acceleration platform for data science and machine learning, launched the NVIDIA T4 cloud GPU and NVIDIA TensorRT Hyperscale Inference Platform for advanced acceleration in hyperscale datacenters, announced GPU acceleration for Kubernetes to facilitate enterprise inference deployment on multi-cloud GPU clusters, and announced that five of the world’s seven fastest supercomputers are powered by NVIDIA GPUs.

**Tegra Processor Business**

During fiscal year 2019, for the automotive market, we introduced the NVIDIA DRIVE AutoPilot Level 2+ automated driving system, announced NVIDIA DRIVE AGX design wins with Toyota, Volvo Cars and Isuzu Motors, and announced that Daimler and Bosch have selected NVIDIA’s DRIVE platform to bring automated and driverless vehicles to city streets. We also began production of our Xavier single-chip autopilot SOC, started shipping the NVIDIA DRIVE AGX Xavier developer kit, and introduced the NVIDIA DRIVE Constellation server with DRIVE Sim software to safely test drive autonomous vehicles over billions of miles in virtual reality by leveraging NVIDIA GPUs and NVIDIA DRIVE Pegasus.

In addition, we launched the NVIDIA Jetson AGX Xavier module to help build the next-generation of autonomous machines and announced that Yamaha Motor Co. will use NVIDIA to power its upcoming lineup of autonomous machines.

## Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, cost of revenue, expenses and related disclosure of contingencies. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, inventories, income taxes, goodwill, cash equivalents and marketable securities, stock-based compensation, and litigation, investigation and settlement costs and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our consolidated financial statements. Our management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosures relating to our critical accounting policies and estimates in this Annual Report on Form 10-K.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

#### Product Sales Revenue

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners' activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

#### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

**Software Licensing**

Our software licenses provide our customers with a right to use the software when it is made available to the customer. Customers may purchase either perpetual licenses or subscriptions to licenses, which differ mainly in the duration over which the customer benefits from the software. Software licenses are frequently sold along with post-contract customer support, or PCS. For such arrangements, we allocate revenue to the software license and PCS on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation. Revenue from software licenses is recognized up front when the software is made available to the customer. PCS revenue is recognized ratably over the service period, or as services are performed.

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions.

Situations that may result in excess or obsolete inventory include changes in business and economic conditions, changes in market conditions, sudden and significant decreases in demand for our products, inventory obsolescence because of changing technology and customer requirements, failure to estimate customer demand properly, or unexpected competitive pricing actions by our competition. In addition, cancellation or deferral of customer purchase orders could result in our holding excess inventory.

The overall net effect on our gross margin from inventory provisions and sales of items previously written down was an unfavorable impact of 2.0% in fiscal year 2019 and insignificant in fiscal years 2018 and 2017. The higher amount of charges we took to cost of sales for inventory provisions during fiscal year 2019 were primarily related to excess DRAM, other components, and prior architecture components and chips, whereas the charges we took during fiscal years 2018 and 2017 were primarily related to the write-off of excess quantities of GPU and Tegra products whose inventory levels were higher than our updated forecasts of future demand for those products. As a fabless semiconductor company, we must make commitments to purchase inventory based on forecasts of future customer demand. In doing so, we must account for our third-party manufacturers' lead times and constraints. We also adjust to other market factors, such as product offerings and pricing actions by our competitors, new product transitions, and macroeconomic conditions - all of which may impact demand for our products.

Refer to the Gross Profit and Gross Margin discussion below in this Management's Discussion and Analysis for further discussion.

## Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 27, 2019, we had a valuation allowance of $562 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The TCJA, which was enacted in December 2017, significantly changed U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred, and the creation of new taxes (global intangible low-taxed income, or GILTI) on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions impacted us beginning in fiscal year 2019. The SEC had provided guidance in Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed companies to record provisional amounts during a measurement period up to one year from the enactment date. As of January 27, 2019, we completed our accounting for all of the enactment-date income tax effects of the TCJA and elected to account for GILTI in deferred taxes. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information specific to accounting for income taxes and the impacts from the enactment of the TCJA.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier, if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value. We have identified two reporting units, GPU and Tegra Processor, for the purposes of completing our goodwill analysis. Goodwill assigned to the GPU and Tegra Processor reporting units as of January 27, 2019 was $210 million and $408 million, respectively. Determining the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We also make judgments and assumptions in allocating assets and liabilities to each of our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

During the fourth quarter of fiscal year 2019, we used the qualitative assessment to test goodwill for impairment for each reporting unit and concluded there was no impairment.

Refer to Note 5 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Cash Equivalents and Marketable Securities

Cash equivalents consist of financial instruments which are readily convertible into cash and have original maturities of three months or less at the time of acquisition. Marketable securities consist of highly liquid debt investments with maturities greater than three months when purchased. We measure our cash equivalents and marketable securities at fair value. The fair values of our financial assets are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. All of our available-for-sale debt investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary, or have other indicators of impairments.

We performed an impairment review of our debt investment portfolio as of January 27, 2019. We concluded that our debt investments were appropriately valued and that no other-than-temporary impairment charges were necessary on our portfolio of available-for-sale debt investments as of January 27, 2019.

Refer to Notes 7 and 8 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Stock-based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our employee stock purchase plan. The number of PSUs and market-based PSUs that will ultimately be awarded is contingent on the Company's level of achievement compared with the corporate financial performance target established by our Compensation Committee in the beginning of each fiscal year.

Refer to Notes 1 and 3 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. We are aggressively defending our current litigation matters. However, there are many uncertainties associated with any litigation or investigations, and we cannot be certain that these actions or other third-party claims against us will be resolved without costly litigation, fines and/or substantial settlement payments. If that occurs, our business, financial condition and results of operations could be materially and adversely affected. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

## Results of Operations

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Income expressed as a percentage of revenue.

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| Revenue | 100.0 % | 100.0 % | 100.0 % |
| Cost of revenue | 38.8 | 40.1 | 41.2 |
| Gross profit | 61.2 | 59.9 | 58.8 |
| Operating expenses: | | | |
| Research and development | 20.3 | 18.5 | 21.2 |
| Sales, general and administrative | 8.5 | 8.4 | 9.6 |
| Total operating expenses | 28.7 | 26.9 | 30.8 |
| Income from operations | 32.5 | 33.0 | 28.0 |
| Interest income | 1.2 | 0.7 | 0.8 |
| Interest expense | (0.5) | (0.6) | (0.8) |
| Other, net | 0.1 | (0.2) | (0.4) |
| Total other income (expense) | 0.8 | (0.1) | (0.4) |
| Income before income tax expense | 33.3 | 32.9 | 27.6 |
| Income tax expense (benefit) | (2.1) | 1.5 | 3.5 |
| Net income | 35.3 % | 31.4 % | 24.1 % |

## Revenue

### Revenue by Reportable Segments

| | Year Ended | | | | Year Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | $ Change | % Change | January 28, 2018 | January 29, 2017 | $ Change | % Change |
| | | ($ in millions) | | | | ($ in millions) | | |
| GPU | $ 10,175 | $ 8,137 | $ 2,038 | 25 % | $ 8,137 | $ 5,822 | $ 2,315 | 40 % |
| Tegra Processor | 1,541 | 1,534 | 7 | — % | 1,534 | 824 | 710 | 86 % |
| All Other | — | 43 | (43) | (100)% | 43 | 264 | (221) | (84)% |
| Total | $ 11,716 | $ 9,714 | $ 2,002 | 21 % | $ 9,714 | $ 6,910 | $ 2,804 | 41 % |

**GPU Business.** GPU business revenue increased by 25% in fiscal year 2019 compared to fiscal year 2018. This increase was due primarily to 18% growth in sales of GeForce GPU products for gaming, driven by initial sales of Turing-based GPUs for desktops and by high-performance notebooks based on our Max-Q technology. Datacenter revenue, including Tesla, GRID and DGX, increased 52%, reflecting strong sales of our Volta architecture products, including NVIDIA Tesla V100 and DGX systems. Revenue from Quadro GPUs for professional visualization increased 21% due primarily to higher sales across desktop and mobile workstation products. Our PC OEM revenue decreased by 1% driven by the absence of Intel licensing revenue in fiscal year 2019. Revenue from cryptocurrency-specific products in fiscal years 2019 and 2018 was $306 million and $273 million, respectively. We expect cryptocurrency-related revenue to be negligible going forward.

GPU business revenue increased by 40% in fiscal year 2018 compared to fiscal year 2017 led by growth in gaming, datacenter and professional visualization. Revenue from sales of GeForce GPU products for gaming increased over 20%, reflecting continued strong demand for our Pascal-based GPU products. Datacenter revenue, including Tesla, GRID and DGX, increased 133%, reflecting strong demand from hyperscale and cloud customers for deep learning training and accelerated GPU computing as well as demand for HPC, DGX AI supercomputing and GRID virtualization platforms. Revenue from Quadro GPUs for professional visualization increased by 12% due primarily to higher sales in both high-end desktop and mobile workstation products. Revenue from GeForce GPU products for mainstream PC OEMs increased by over 90% due primarily to strong demand for GPU products targeted for cryptocurrency mining.

**Tegra Processor Business.** Tegra Processor business revenue was up slightly in fiscal year 2019 compared to fiscal year 2018. This was driven by an increase of over 15% in automotive revenue, primarily from infotainment modules, production DRIVE PX platforms, and development agreements with automotive companies, offset by a decline of approximately 15% in SOC modules for gaming platforms and related development services.

Tegra Processor business revenue increased by 86% in fiscal year 2018 compared to fiscal year 2017. This was driven by an increase of over 300% in revenue from SOC modules for gaming platforms and development services, and an increase of 15% in automotive revenue, primarily from infotainment modules, DRIVE PX platforms and development agreements for self-driving cars.

**All Other.** Our patent license agreement with Intel concluded in the first quarter of fiscal year 2018. For fiscal year 2018, we recognized related revenue of $43 million, down from $264 million for fiscal year 2017.

### Concentration of Revenue

Revenue from sales to customers outside of the United States accounted for 87% of total revenue for each of fiscal years 2019, 2018, and 2017. Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if the revenue is attributable to end customers in a different location.

No single customer represented more than 10% of total revenue for fiscal years 2019 and 2018. In fiscal year 2017, we had one customer that represented 12% of our total revenue.

## Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowances, less cost of revenue. Cost of revenue consists primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, board and device costs, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, inventory and warranty provisions, memory and component costs, and shipping costs. Cost of revenue also includes development costs for license and service arrangements and stock-based compensation related to personnel associated with manufacturing.

Our overall gross margin was 61.2%, 59.9%, and 58.8% for fiscal years 2019, 2018, and 2017, respectively. The increase in fiscal year 2019 reflects our continued shift toward higher-value platforms, which more than offset the impact of approximately $128 million in charges for excess DRAM and other components we recorded in the fourth quarter of fiscal year 2019 and a charge of $57 million we recorded during the third quarter of fiscal year 2019 related to prior architecture components and chips. The increase in fiscal year 2018 was driven primarily by a favorable shift in mix, the growth of our GeForce gaming GPU revenue, and the growth of our datacenter revenue for cloud, deep learning, AI, and graphics virtualization. The increase in fiscal year 2018 was partially offset by the conclusion of our patent license agreement with Intel in the first quarter of fiscal year 2018.

Inventory provisions totaled $270 million, $48 million, and $62 million for fiscal years 2019, 2018, and 2017, respectively. Sales of inventory that was previously written-off or written-down totaled $41 million, $35 million, and $51 million for fiscal years 2019, 2018, and 2017, respectively. As a result, the overall net effect on our gross margin was an unfavorable impact of 2.0% in fiscal year 2019 and insignificant in fiscal years 2018 and 2017.

A discussion of our gross margin results for each of our reportable segments is as follows:

**GPU Business.** The gross margin of our GPU business increased during fiscal year 2019 when compared to fiscal year 2018, primarily due to strong sales of high-end GeForce gaming GPUs and revenue growth in Datacenter, including Tesla, GRID and DGX, for cloud, deep learning, AI, and graphics virtualization. The gross margin of our GPU business increased during fiscal year 2018 when compared to fiscal year 2017 primarily due to strong sales of our GeForce gaming GPU products and revenue growth in datacenter, including Tesla, GRID and DGX, for cloud, deep learning, AI, and graphics virtualization.

**Tegra Processor Business.** The gross margin of our Tegra Processor business increased during fiscal year 2019 when compared to fiscal year 2018, primarily due to a favorable mix shift. The gross margin of our Tegra Processor business increased during fiscal year 2018 when compared to fiscal year 2017, primarily due to revenue growth in gaming development platforms and automotive.

## Operating Expenses

| | Year Ended | | | | Year Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | $ Change | % Change | January 28, 2018 | January 29, 2017 | $ Change | % Change |
| | ($ in millions) | | | | ($ in millions) | | | |
| Research and development expenses | $ 2,376 | $ 1,797 | $ 579 | 32 % | $ 1,797 | $ 1,463 | $ 334 | 23 % |
| *% of net revenue* | *20.3 %* | *18.5 %* | | | *18.5 %* | *21.2 %* | | |
| Sales, general and administrative expenses | 991 | 815 | 176 | 22 % | 815 | 663 | 152 | 23 % |
| *% of net revenue* | *8.5 %* | *8.4 %* | | | *8.4 %* | *9.6 %* | | |
| Restructuring and other charges | — | — | — | — % | — | 3 | (3 ) | (100 %) |
| *% of net revenue* | *— %* | *— %* | | | *— %* | *— %* | | |
| Total operating expenses | $ 3,367 | $ 2,612 | $ 755 | 29 % | $ 2,612 | $ 2,129 | $ 483 | 23 % |

### Research and Development

Research and development expenses increased by 32% in fiscal year 2019 compared to fiscal year 2018 and increased by 23% in fiscal year 2018 compared to fiscal year 2017, driven primarily by employee additions and increases in employee compensation and other related costs, including infrastructure costs and stock-based compensation expense.

### Sales, General and Administrative

Sales, general and administrative expenses increased by 22% in fiscal year 2019 compared to fiscal year 2018 and increased by 23% in fiscal year 2018 compared to fiscal year 2017, driven primarily by employee additions and increases in employee compensation and other related costs, including infrastructure costs and stock-based compensation expense.

## Total Other Income (Expense)

### Interest Income and Interest Expense

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest income was $136 million, $69 million, and $54 million in fiscal years 2019, 2018, and 2017, respectively. The increase in interest income was primarily due to higher average invested balances and higher rates from our floating rate securities and the purchase of new securities.

Interest expense is primarily comprised of coupon interest and debt discount amortization related to the 2.20% Notes Due 2021 and 3.20% Notes Due 2026 issued in September 2016, and the Convertible Notes issued in December 2013. Interest expense was $58 million, $61 million, and $58 million in fiscal years 2019, 2018, and 2017, respectively.

### Other, Net

Other, net, consists primarily of realized or unrealized gains and losses from non-affiliated investments, losses on early debt conversions of the Convertible Notes, and the impact of changes in foreign currency rates. Other, net, was $14 million of income during fiscal year 2019, consisting primarily of $12 million unrealized gains from non-affiliated investments. Other, net, was $22 million and $25 million of expense in fiscal years 2018 and 2017, respectively, consisting primarily of $19 million and $21 million of losses recognized from early conversions of the Convertible Notes during fiscal years 2018 and 2017, respectively.

## Income Taxes

The TCJA, which was enacted in December 2017, significantly changed U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes (GILTI) on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions impacted us beginning in fiscal year 2019.

We recognized income tax benefit of $245 million for fiscal year 2019, and income tax expense of $149 million and $239 million for fiscal years 2018, and 2017, respectively. Our annual effective tax rate was (6.3)%, 4.7%, and 12.5% for fiscal years 2019, 2018, and 2017, respectively. The decrease in our effective tax rate in fiscal year 2019 as compared to fiscal years 2018 and 2017 was primarily due to a decrease in the U.S. statutory tax rate from 33.9% to 21%, the finalization of the enactment-date income tax effects of the TCJA, higher U.S federal research tax credits and excess tax benefits related to stock-based compensation in fiscal year 2019.

The decrease in our effective tax rate in fiscal year 2018 as compared to fiscal year 2017 was primarily due to the provisional impact of the tax law changes and recognition of excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal year 2019 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, the finalization of the enactment-date income tax effects of the TCJA, favorable recognition of U.S. federal research tax credits, and excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal years 2018 and 2017 was lower than the blended U.S. federal statutory rate of 33.9% for fiscal year 2018 and 35% for fiscal year 2017 due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of U.S. federal research tax credits, the provisional impact of the tax law changes in 2018, and excess tax benefits related to stock-based compensation.

In fiscal year 2018 and the first nine months of fiscal year 2019, we recorded provisional amounts for certain enactment-date effects of the TCJA by applying the SEC guidance in SAB 118 because we had not yet completed our accounting for these effects. Furthermore, under U.S. GAAP, we can make an accounting policy election to either treat taxes due on the GILTI as a current period expense or factor such amounts into our measurement of deferred taxes. Because we were still evaluating the GILTI provisions as of January 28, 2018, we recorded no GILTI-related deferred balances. After further evaluation, we elected to account for GILTI deferred taxes. As of January 27, 2019, we completed our accounting for all of the enactment-date income tax effects of the TCJA and recognized a reduction of $368 million to the provisional amount recorded at January 28, 2018, primarily relating to the effects of electing to account for GILTI in deferred taxes.

Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## Liquidity and Capital Resources

| | **January 27, 2019** | **January 28, 2018** |
|---|---|---|
| | *(In millions)* | |
| Cash and cash equivalents | $ 782 | $ 4,002 |
| Marketable securities | 6,640 | 3,106 |
| Cash, cash equivalents, and marketable securities | $ 7,422 | $ 7,108 |

| | **Year Ended** | | |
|---|---|---|---|
| | **January 27, 2019** | **January 28, 2018** | **January 29, 2017** |

| | | | |
|---|---|---|---|
| | | (In millions) | |
| Net cash provided by operating activities | $ 3,743 | $ 3,502 | $ 1,672 |
| Net cash provided by (used in) investing activities | $ (4,097) | $ 1,278 | $ (793) |
| Net cash provided by (used in) financing activities | $ (2,866) | $ (2,544) | $ 291 |

As of January 27, 2019, we had $7.42 billion in cash, cash equivalents and marketable securities, an increase of $314 million from the end of fiscal year 2018. Our investment policy requires the purchase of highly rated fixed income securities, the diversification of investment types and credit exposures, and certain limits on our portfolio duration.

Cash provided by operating activities increased in fiscal year 2019 compared to fiscal year 2018, primarily due to higher net income, partially offset by changes in working capital. Cash provided by operating activities increased in fiscal year 2018 compared to fiscal year 2017, primarily due to higher net income and changes in working capital.

Cash used in investing activities increased in fiscal year 2019 compared to fiscal year 2018, due to higher purchases and lower sales of marketable securities, partially offset by higher maturities of marketable securities. Cash provided by investing activities for fiscal year 2018 increased from fiscal year 2017, primarily due to a reduction in purchases of marketable securities, partially offset by the purchase of our previously-financed Santa Clara campus building.

Cash used in financing activities increased in fiscal year 2019 compared to fiscal year 2018, due to higher share repurchases and higher tax payments related to employee stock plans, partially offset by lower repayments of Convertible Notes. Cash used in financing activities in fiscal year 2018 increased from fiscal year 2017, primarily due to cash provided from the issuance of $2.00 billion of Notes in fiscal year 2017 as well as higher repayments of Convertible Notes, tax payments related to employee stock plans, share repurchases and dividend payments in fiscal year 2018.

**Liquidity**

Our primary sources of liquidity are our cash and cash equivalents, our marketable securities, and the cash generated by our operations. As of January 27, 2019 and January 28, 2018, we had $7.42 billion and $7.11 billion, respectively, in cash, cash equivalents and marketable securities. Our marketable securities consist of debt securities issued by the U.S. government and its agencies, highly rated corporations and financial institutions, asset-backed issuers, mortgage-backed securities by government-sponsored enterprises, and foreign government entities. These marketable securities are denominated in United States dollars. Refer to Critical Accounting Policies and Estimates in Part II, Item 7, Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A and Note 7 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

As a result of the TCJA, substantially all of our cash, cash equivalents and marketable securities held outside of the United States as of January 27, 2019 are available for use in the United States without incurring additional U.S. federal income taxes. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

**Capital Return to Shareholders**

We previously announced our plan to return $1.25 billion to shareholders in fiscal year 2019 and an additional $3.00 billion by the end of fiscal year 2020 - some of which would begin in the fourth quarter of fiscal year 2019. During fiscal year 2019, we repurchased a total of 9 million shares for $1.58 billion, including $700 million of the $3.00 billion, and paid $371 million in cash dividends.

We intend to return the remaining $2.30 billion of the $3.00 billion to shareholders by the end of fiscal year 2020 through a combination of share repurchases and cash dividends.

In November 2018, the Board authorized an additional $7.00 billion under our share repurchase program and extended it through the end of December 2022. As of January 27, 2019, we were authorized to repurchase additional shares of our common stock up to $7.24 billion.

In November 2018, we also announced a 7% increase in our quarterly cash dividend to $0.16 per share from $0.15 per share.

Our cash dividend program and the payment of future cash dividends under that program are subject to our Board's continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders. Refer to

Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Notes Due 2021 and Notes Due 2026

In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021 and $1.00 billion of the Notes Due 2026, collectively, the Notes. The net proceeds from the Notes were $1.98 billion, after deducting debt discounts and issuance costs.

### Revolving Credit Facility

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 27, 2019, we had not borrowed any amounts under this agreement.

### Commercial Paper

We have a $575 million commercial paper program to support general corporate purposes. As of January 27, 2019, we had not issued any commercial paper.

Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Operating Capital and Capital Expenditure Requirements

In fiscal year 2019, we began construction on a 750 thousand square foot building on our Santa Clara campus, which is currently targeted for completion in fiscal year 2022. We believe that our existing cash balances and anticipated cash flows from operations will be sufficient to meet our operating requirements for at least the next twelve months.

### Off-Balance Sheet Arrangements

As of January 27, 2019, we had no material off-balance sheet arrangements as defined by applicable SEC regulations.

### Contractual Obligations

The following table summarizes our contractual obligations as of January 27, 2019:

| | Payment Due By Period | | | | | |
|---|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 Year** | **1-3 Years** | **4-5 Years** | **More than 5 Years** | **All Other** |
| | *(In millions)* | | | | | |
| Long-term debt (1) | $ 2,302 | $ 54 | $ 1,100 | $ 64 | $ 1,084 | $ — |
| Inventory purchase obligations | 912 | 912 | — | — | — | — |
| Transition tax payable (2) | 384 | 33 | 67 | 96 | 188 | — |
| Uncertain tax positions, interest and penalties (3) | 163 | — | — | — | — | 163 |
| Operating leases | 683 | 100 | 187 | 131 | 265 | — |
| Capital purchase obligations | 258 | 192 | 66 | — | — | — |
| Total contractual obligations | $ 4,702 | $ 1,291 | $ 1,420 | $ 291 | $ 1,537 | $ 163 |

(1) Represents the aggregate principal amount of $2.00 billion and anticipated interest payments of $302 million for the Notes. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

(2) Represents our remaining tax payable of the one-time transition tax that resulted from enactment of the TCJA in fiscal year 2018. As of January 27, 2019, we have paid the first installment of $33 million. The remaining will be payable in seven annual installments. The next installment of $33 million is classified as a current income tax payable. The installment amounts are equal to 8% of the total liability, payable in fiscal years 2019 through 2023, 15% in fiscal year 2024, 20% in fiscal year 2025 and 25% in fiscal year 2026. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, for additional information about the one-time transition tax.

(3) Represents unrecognized tax benefits of $163 million which consists of $142 million and the related interest and penalties of $21 million recorded in non-current income tax payable as of January 27, 2019. We are unable to reasonably estimate the timing of any potential tax liability or interest/penalty payments in individual years due to uncertainties in the underlying income tax positions and the timing of the effective settlement of such tax positions.

## Adoption of New and Recently Issued Accounting Pronouncements

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of adoption of new and recently issued accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Investment and Interest Rate Risk

We are exposed to interest rate risk related to our floating and fixed-rate investment portfolio and outstanding debt. The investment portfolio is managed consistent with our overall liquidity strategy in support of both working capital needs and strategic growth of our businesses.

As of January 27, 2019, we performed a sensitivity analysis on our floating and fixed rate financial investments. According to our analysis, parallel shifts in the yield curve of plus or minus 0.5% would result in a decrease in fair value for these investments of $8 million, or an increase in fair value for these investments of $7 million, respectively.

In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021 and $1.00 billion of the Notes Due 2026. We carry the Notes at face value less unamortized discount on our Consolidated Balance Sheets. As the Notes bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

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### Foreign Exchange Rate Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Gains or losses from foreign currency remeasurement are included in other income or expense and to date have not been significant. The impact of foreign currency transaction gain or loss included in determining net income was not significant for fiscal years 2019, 2018, and 2017.

Sales and arrangements with third-party manufacturers provide for pricing and payment in United States dollars, and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the United States' dollar relative to other currencies would make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States' dollar relative to other currencies could result in our suppliers raising their prices in order to continue doing business with us. Additionally, we have international operations and incur expenditures in currencies other than U.S. dollars. Our operating expenses benefit from a stronger dollar and are adversely affected by a weaker dollar.

We use foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss, and then reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur.

We also use foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

Refer to Note 10 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is set forth in our Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Controls and Procedures

#### Disclosure Controls and Procedures

Based on their evaluation as of January 27, 2019, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) were effective to provide reasonable assurance.

### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 27, 2019 based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 27, 2019.

The effectiveness of our internal control over financial reporting as of January 27, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NVIDIA have been detected.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

Certain information required by Part III is omitted from this report because we will file with the SEC a definitive proxy statement pursuant to Regulation 14A, or the 2019 Proxy Statement, no later than 120 days after the end of fiscal year 2019, and certain information included therein is incorporated herein by reference.

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors

Information regarding directors required by this item will be contained in our 2019 Proxy Statement under the caption "Proposal 1 - Election of Directors," and is hereby incorporated by reference.

### Identification of Executive Officers

Reference is made to the information regarding executive officers appearing under the heading "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

### Identification of Audit Committee and Financial Experts

Information regarding our Audit Committee required by this item will be contained in our 2019 Proxy Statement under the captions "Report of the Audit Committee of the Board of Directors" and "Information About the Board of Directors and Corporate Governance," and is hereby incorporated by reference.

### Material Changes to Procedures for Recommending Directors

Information regarding procedures for recommending directors required by this item will be contained in our 2019 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance," and is hereby incorporated by reference.

### Compliance with Section 16(a) of the Exchange Act

Information regarding compliance with Section 16(a) of the Exchange Act required by this item will be contained in our 2019 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," and is hereby incorporated by reference.

### Code of Conduct

Information regarding our Code of Conduct required by this item will be contained in our 2019 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance - Code of Conduct," and is hereby incorporated by reference. The full text of our Code of Conduct and Financial Team Code of Conduct are published on the Investor Relations portion of our website, under Corporate Governance, at www.nvidia.com. The contents of our website are not a part of this Annual Report on Form 10-K.

## ITEM 11. EXECUTIVE COMPENSATION

Information regarding our executive compensation required by this item will be contained in our 2019 Proxy Statement under the captions "Executive Compensation", "Compensation Committee Interlocks and Insider Participation", "Director Compensation" and "Compensation Committee Report," and is hereby incorporated by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Ownership of NVIDIA Securities

Information regarding ownership of NVIDIA securities required by this item will be contained in our 2019 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management," and is hereby incorporated by reference.

### Equity Compensation Plan Information

Information regarding our equity compensation plans required by this item will be contained in our 2019 Proxy Statement under the caption "Equity Compensation Plan Information," and is hereby incorporated by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related transactions and director independence required by this item will be contained in our 2019 Proxy Statement under the captions "Review of Transactions with Related Persons" and "Information About the Board of Directors and Corporate Governance - Independence of the Members of the Board of Directors," and is hereby incorporated by reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding accounting fees and services required by this item will be contained in our 2019 Proxy Statement under the caption "Fees Billed by the Independent Registered Public Accounting Firm," and is hereby incorporated by reference.

## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of NVIDIA Corporation

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of NVIDIA Corporation and its subsidiaries as of January 27, 2019 and January 28, 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 27, 2019, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 27, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 27, 2019 and January 28, 2018, and the results of its operations and its cash flows for each of the three years in the period ended January 27, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 27, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 21, 2019

We have served as the Company’s auditor since 2004.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(In millions, except per share data)**

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| Revenue | $ 11,716 | $ 9,714 | $ 6,910 |
| Cost of revenue | 4,545 | 3,892 | 2,847 |
| Gross profit | 7,171 | 5,822 | 4,063 |
| Operating expenses | | | |
| Research and development | 2,376 | 1,797 | 1,463 |
| Sales, general and administrative | 991 | 815 | 663 |
| Restructuring and other charges | — | — | 3 |
| Total operating expenses | 3,367 | 2,612 | 2,129 |
| Income from operations | 3,804 | 3,210 | 1,934 |
| Interest income | 136 | 69 | 54 |
| Interest expense | (58) | (61) | (58) |
| Other, net | 14 | (22) | (25) |
| Total other income (expense) | 92 | (14) | (29) |
| Income before income tax | 3,896 | 3,196 | 1,905 |
| Income tax expense (benefit) | (245) | 149 | 239 |
| Net income | $ 4,141 | $ 3,047 | $ 1,666 |
| | | | |
| Net income per share: | | | |
| Basic | $ 6.81 | $ 5.09 | $ 3.08 |
| Diluted | $ 6.63 | $ 4.82 | $ 2.57 |
| | | | |
| Weighted average shares used in per share computation: | | | |
| Basic | 608 | 599 | 541 |
| Diluted | 625 | 632 | 649 |
| | | | |
| Cash dividends declared and paid per common share | $ 0.610 | $ 0.570 | $ 0.485 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| Net income | $ 4,141 | $ 3,047 | $ 1,666 |
| Other comprehensive income (loss), net of tax | | | |
| Available-for-sale debt securities: | | | |
| Net unrealized gain (loss) | 10 | (5) | (17) |
| Reclassification adjustments for net realized gain included in net income | 1 | 1 | 1 |
| Net change in unrealized gain (loss) | 11 | (4) | (16) |
| Cash flow hedges: | | | |
| Net unrealized gain (loss) | 6 | (1) | 2 |
| Reclassification adjustments for net realized gain (loss) included in net income | (11) | 3 | 2 |
| Net change in unrealized gain (loss) | (5) | 2 | 4 |
| Other comprehensive income (loss), net of tax | 6 | (2) | (12) |
| Total comprehensive income | $ 4,147 | $ 3,045 | $ 1,654 |

See accompanying notes to the consolidated financial statements.

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**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In millions, except par value)**

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 782 | $ 4,002 |
| Marketable securities | 6,640 | 3,106 |
| Accounts receivable, net | 1,424 | 1,265 |
| Inventories | 1,575 | 796 |
| Prepaid expenses and other current assets | 136 | 86 |
| Total current assets | 10,557 | 9,255 |
| Property and equipment, net | 1,404 | 997 |
| Goodwill | 618 | 618 |
| Intangible assets, net | 45 | 52 |
| Other assets | 668 | 319 |
| Total assets | $ 13,292 | $ 11,241 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 511 | $ 596 |
| Accrued and other current liabilities | 818 | 542 |
| Convertible short-term debt | — | 15 |
| Total current liabilities | 1,329 | 1,153 |
| Long-term debt | 1,988 | 1,985 |
| Other long-term liabilities | 633 | 632 |
| Total liabilities | 3,950 | 3,770 |
| Commitments and contingencies - see Note 12 | | |
| Shareholders’ equity: | | |
| Preferred stock, $.001 par value; 2 shares authorized; none issued | — | — |
| Common stock, $.001 par value; 2,000 shares authorized; 945 shares issued and 606 outstanding as of January 27, 2019; 932 shares issued and 606 outstanding as of January 28, 2018 | 1 | 1 |
| Additional paid-in capital | 6,051 | 5,351 |
| Treasury stock, at cost (339 shares in 2019 and 326 shares in 2018) | (9,263) | (6,650) |
| Accumulated other comprehensive loss | (12) | (18) |
| Retained earnings | 12,565 | 8,787 |
| Total shareholders' equity | 9,342 | 7,471 |
| Total liabilities and shareholders' equity | $ 13,292 | $ 11,241 |

See accompanying notes to the consolidated financial statements.

# NVIDIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (In millions, except per share data) | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balances, January 31, 2016 | 539 | $ 1 | $ 4,170 | $ (4,048) | $ (4 ) | $ 4,350 | $ 4,469 |
| Retained earnings adjustment due to adoption of an accounting standard related to stock-based compensation | — | — | — | — | — | 353 | 353 |
| Other comprehensive loss | — | — | — | — | (12 ) | — | (12 ) |
| Net income | — | — | — | — | — | 1,666 | 1,666 |
| Issuance of common stock in exchange for warrants | 44 | — | (1 ) | — | — | — | (1 ) |
| Convertible debt conversion | 23 | — | (6 ) | — | — | — | (6 ) |
| Issuance of common stock from stock plans | 20 | — | 167 | — | — | — | 167 |
| Tax withholding related to vesting of restricted stock units | (3 ) | — | — | (177 ) | — | — | (177 ) |
| Share repurchase | (15 ) | — | — | (739 ) | — | — | (739 ) |
| Exercise of convertible note hedges | (23 ) | — | 75 | (75 ) | — | — | — |
| Cash dividends declared and paid ($0.485 per common share) | — | — | — | — | — | (261 ) | (261 ) |
| Stock-based compensation | — | — | 248 | — | — | — | 248 |
| Reclassification of convertible debt conversion obligation | — | — | 55 | — | — | — | 55 |
| Balances, January 29, 2017 | 585 | 1 | 4,708 | (5,039 ) | (16 ) | 6,108 | 5,762 |
| Retained earnings adjustment due to adoption of an accounting standard related to income tax consequences of an intra-entity transfer of an asset | — | — | — | — | — | (27 ) | (27 ) |
| Other comprehensive loss | — | — | — | — | (2 ) | — | (2 ) |
| Net income | — | — | — | — | — | 3,047 | 3,047 |
| Issuance of common stock in exchange for warrants | 13 | — | — | — | — | — | — |
| Convertible debt conversion | 33 | — | (7 ) | — | — | — | (7 ) |
| Issuance of common stock from stock plans | 18 | — | 138 | — | — | — | 138 |
| Tax withholding related to vesting of restricted stock units | (4 ) | — | — | (612 ) | — | — | (612 ) |
| Share repurchase | (6 ) | — | — | (909 ) | — | — | (909 ) |
| Exercise of convertible note hedges | (33 ) | — | 90 | (90 ) | — | — | — |
| Cash dividends declared and paid ($0.570 per common share) | — | — | — | — | — | (341 ) | (341 ) |
| Stock-based compensation | — | — | 391 | — | — | — | 391 |
| Reclassification of convertible debt conversion obligation | — | — | 31 | — | — | — | 31 |
| Balances, January 28, 2018 | 606 | 1 | 5,351 | (6,650 ) | (18 ) | 8,787 | 7,471 |
| Retained earnings adjustment due to adoption of new revenue accounting standard | — | — | — | — | — | 8 | 8 |
| Other comprehensive loss | — | — | — | — | 6 | — | 6 |
| Net income | — | — | — | — | — | 4,141 | 4,141 |
| Convertible debt conversion | 1 | — | — | — | — | — | — |
| Issuance of common stock from stock plans | 13 | — | 137 | — | — | — | 137 |
| Tax withholding related to vesting of restricted stock units | (4 ) | — | — | (1,032 ) | — | — | (1,032 ) |
| Share repurchase | (9 ) | — | — | (1,579 ) | — | — | (1,579 ) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Exercise of convertible note hedges | (1 ) | — | 2 | (2 ) | — | — | — |
| Cash dividends declared and paid ($0.610 per common share) | — | — | — | — | — | (371 ) | (371 ) |
| Stock-based compensation | — | — | 561 | — | — | — | 561 |
| Balances, January 27, 2019 | 606 | $ 1 | $ 6,051 | $ (9,263 ) | $ (12 ) | $ 12,565 | $ 9,342 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | **January 27, 2019** | **January 28, 2018** | **January 29, 2017** |
| Cash flows from operating activities: | | | |
| Net income | $ 4,141 | $ 3,047 | $ 1,666 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 557 | 391 | 247 |
| Depreciation and amortization | 262 | 199 | 187 |
| Deferred income taxes | (315) | (359) | 197 |
| Loss on early debt conversions | — | 19 | 21 |
| Other | (45) | 20 | 33 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (149) | (440) | (321) |
| Inventories | (776) | — | (375) |
| Prepaid expenses and other assets | (55) | 21 | (18) |
| Accounts payable | (135) | 90 | 184 |
| Accrued and other current liabilities | 256 | 33 | (135) |
| Other long-term liabilities | 2 | 481 | (14) |
| Net cash provided by operating activities | 3,743 | 3,502 | 1,672 |
| Cash flows from investing activities: | | | |
| Proceeds from maturities of marketable securities | 7,232 | 1,078 | 969 |
| Proceeds from sales of marketable securities | 428 | 863 | 1,546 |
| Purchases of marketable securities | (11,148) | (36) | (3,134) |
| Purchases of property and equipment and intangible assets | (600) | (593) | (176) |
| Investment in non-affiliates | (9) | (36) | (5) |
| Proceeds from sale of long-lived assets and investments | — | 2 | 7 |
| Net cash provided by (used in) investing activities | (4,097) | 1,278 | (793) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of debt | — | — | 1,988 |
| Payments related to repurchases of common stock | (1,579) | (909) | (739) |
| Repayment of Convertible Notes | (16) | (812) | (673) |
| Dividends paid | (371) | (341) | (261) |
| Proceeds related to employee stock plans | 137 | 139 | 167 |
| Payments related to tax on restricted stock units | (1,032) | (612) | (176) |
| Other | (5) | (9) | (15) |
| Net cash provided by (used in) financing activities | (2,866) | (2,544) | 291 |
| Change in cash and cash equivalents | (3,220) | 2,236 | 1,170 |
| Cash and cash equivalents at beginning of period | 4,002 | 1,766 | 596 |
| Cash and cash equivalents at end of period | $ 782 | $ 4,002 | $ 1,766 |

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| ***Supplemental disclosures of cash flow information:*** | | | |
| Cash paid for income taxes, net | $ 61 | $ 22 | $ 14 |
| Cash paid for interest | $ 55 | $ 55 | $ 13 |
| | | | |
| ***Non-cash investing and financing activity:*** | | | |
| Assets acquired by assuming related liabilities | $ 76 | $ 36 | $ 16 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## Note 1 - Organization and Summary of Significant Accounting Policies

### Our Company

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

All references to "NVIDIA," "we," "us," "our" or the "Company" mean NVIDIA Corporation and its subsidiaries.

### Fiscal Year

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2019, 2018 and 2017 were 52-week years.

### Reclassifications

Certain prior fiscal year balances have been reclassified to conform to the current fiscal year presentation.

### Principles of Consolidation

Our consolidated financial statements include the accounts of NVIDIA Corporation and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, litigation, investigation and settlement costs, restructuring and other charges, and other contingencies. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

### Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

**Product Sales Revenue**

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners’ activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

### License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

### Software Licensing

Our software licenses provide our customers with a right to use the software when it is made available to the customer. Customers may purchase either perpetual licenses or subscriptions to licenses, which differ mainly in the duration over which the customer benefits from the software. Software licenses are frequently sold along with post-contract customer support, or PCS. For such arrangements, we allocate revenue to the software license and PCS on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation. Revenue from software licenses is recognized up front when the software is made available to the customer. PCS revenue is recognized ratably over the service period, or as services are performed.

## Advertising Expenses

We expense advertising costs in the period in which they are incurred. Advertising expenses for fiscal years 2019, 2018, and 2017 were $21 million, $25 million, and $17 million, respectively.

## Product Warranties

We generally offer a limited warranty to end-users that ranges from one to three years for products in order to repair or replace products for any manufacturing defects or hardware component failures. Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. We also accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

## Stock-based Compensation

We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs, and performance stock units that are based on our corporate financial performance targets, or PSUs. We use a Monte Carlo simulation on the date of grant to estimate the fair value of performance stock units that are based on market conditions, or market-based PSUs. The compensation expense for RSUs and market-based PSUs is recognized using a straight-line attribution method over the requisite employee service period while compensation expense for PSUs is recognized using an accelerated amortization model. We estimate the fair value of shares to be issued under our employee stock purchase plan, or ESPP, using the Black-Scholes model at the commencement of an offering period in March and September of each year. Stock-based compensation for our ESPP is expensed using an accelerated amortization model. Additionally, we estimate forfeitures annually based on historical experience and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates.

### Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. There are many uncertainties associated with any litigation or investigation, and we cannot be certain that these actions or other third-party claims against us will be resolved without litigation, fines and/or substantial settlement payments. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

### Foreign Currency Remeasurement

We use the United States dollar as our functional currency for all of our subsidiaries. Foreign currency monetary assets and liabilities are remeasured into United States dollars at end-of-period exchange rates. Non-monetary assets and liabilities such as property and equipment, and equity are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the previously noted balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income or expense in our Consolidated Statements of Income and to date have not been significant.

## Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 27, 2019, we had a valuation allowance of $562 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The Tax Cuts and Jobs Act, or TCJA, which was enacted in December 2017, significantly changes U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred, and the creation of new taxes (global intangible low-taxed income, or GILTI) on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions impacted us beginning in fiscal year 2019. The Securities and Exchange Commission, or the SEC, had provided guidance in Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed companies to record provisional amounts during a measurement period up to one year from the enactment date. As of January 27, 2019, we completed our accounting for all of the enactment-date income tax effects of the TCJA and elected to account for GILTI in deferred taxes. Refer to Note 13 of these Notes to the Consolidated Financial Statements for additional information.

## Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Under the treasury stock method, the effect of equity awards outstanding is not included in the computation of diluted net income per share for periods when their effect is anti-dilutive. Additionally, we issued convertible notes with a net settlement feature that required us, upon conversion, to settle the principal amount of debt for cash and the conversion premium for cash or shares of our common stock. Our Convertible Notes, Note Hedges, and related Warrants contained various conversion features, which are further described in Note 11 of these Notes to the Consolidated Financial Statements. The potentially dilutive shares resulting from the Convertible Notes and Warrants under the treasury stock method were included in the calculation of diluted income per share when their inclusion was dilutive. However, the Note Hedges were not included in the calculation of diluted net income per share unless actually exercised, as their pre-exercised effect would have been anti-dilutive under the treasury stock method.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

### Cash and Cash Equivalents

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

### Marketable Securities

Marketable securities consist of highly liquid debt investments with maturities of greater than three months when purchased. We generally classify our marketable securities at the date of acquisition as available-for-sale. These debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. The fair value of interest-bearing debt securities includes accrued interest. Any unrealized losses which are considered to be other-than-temporary impairments are recorded in the other income or expense, net, section of our Consolidated Statements of Income. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income or expense, net, section of our Consolidated Statements of Income.

All of our available-for-sale debt investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary or have other indicators of impairments. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) we intend to sell the instrument, (2) it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or (3) a credit loss exists where we do not expect to recover the entire amortized cost basis of the instrument. In these situations, we recognize an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if we do not intend to sell and it is not more likely than not that we will not be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings while loss related to all other factors is recorded in accumulated other comprehensive income or loss.

### Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their relatively short maturities as of January 27, 2019 and January 28, 2018. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains or losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as fair value hedges, the gains or losses are recognized in earnings in the periods of change together with the offsetting losses or gains on the hedged items attributed to the risk being hedged. For derivative instruments designated as cash-flow hedges, the effective portion of the gains or losses on the derivatives is initially reported as a component of other comprehensive income or loss and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. For derivative instruments not designated for hedge accounting, changes in fair value are recognized in earnings.

### Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities, and accounts receivable. Our investment policy requires the purchase of highly-rated fixed income securities, the diversification of investment type and credit exposures, and includes certain limits on our portfolio duration. Accounts receivable from significant customers, those representing 10% or more of total accounts receivable, aggregated approximately 19% of our accounts receivable balance from one customer as of January 27, 2019 and 28% of our account receivable balance from two customers as of January 28, 2018. We perform ongoing credit evaluations of our customers' financial condition and maintain an allowance for potential credit losses. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. Our overall estimated exposure excludes amounts covered by credit insurance and letters of credit.

### Accounts Receivable

We maintain an allowance for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make required payments. We determine this allowance by identifying amounts for specific customer issues as well as amounts based on overall estimated exposure. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the extent to which balances are covered by credit insurance or letters of credit.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets, generally three to five years. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded. The estimated useful lives of our buildings are up to thirty years. Depreciation expense includes the amortization of assets recorded under capital leases. Leasehold improvements and assets recorded under capital leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist. For the purposes of completing our impairment test, we perform either a qualitative or a quantitative analysis on a reporting unit basis.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting units.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. The income and market valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business. Refer to Note 5 of these Notes to the Consolidated Financial Statements for additional information.

### Intangible Assets and Other Long-Lived Assets

Intangible assets primarily represent rights acquired under technology licenses, patents, acquired intellectual property, trademarks and customer relationships. We currently amortize our intangible assets with definitive lives over periods ranging from three to ten years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up or, if that pattern cannot be reliably determined, using a straight-line amortization method.

Long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Fair value is determined based on the estimated discounted future cash flows expected to be generated by the asset or asset group. Assets and liabilities to be disposed of would be separately presented in the

Consolidated Balance Sheet and the assets would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

## Adoption of New and Recently Issued Accounting Pronouncements

### Recently Adopted Accounting Pronouncements

The Financial Accounting Standards Board, or FASB, issued an accounting standards update that creates a single source of revenue guidance under U.S. GAAP for all companies, in all industries. We adopted this guidance on January 29, 2018 using the modified retrospective approach. Refer to Note 2 of these Notes to the Consolidated Financial Statements for additional information.

In January 2016, the FASB issued an accounting standards update to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. We are now required to recognize changes in the fair value of our equity investments through net income rather than other comprehensive income. We adopted this guidance in the first quarter of fiscal year 2019 and applied it prospectively. The adoption of this guidance did not have a significant impact on our Consolidated Financial Statements.

### Recent Accounting Pronouncements Not Yet Adopted

The FASB issued an accounting standards update regarding the accounting for leases under which we will begin recognizing lease assets and liabilities on the balance sheet for lease terms of more than 12 months. We will adopt this guidance using the optional transition method at the beginning of fiscal year 2020 and will not restate comparative prior periods. Additionally, we will elect the package of practical expedients as permitted by the guidance. We are in the process of finalizing changes to our systems and processes in conjunction with our review of lease agreements and currently expect the adoption of this accounting guidance to result in an increase in lease assets and a corresponding increase in lease liabilities on our Consolidated Balance Sheet of approximately $500 million.

In June 2016, the FASB issued a new accounting standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments, including available-for-sale debt securities. The standard will be effective for us beginning in the first quarter of fiscal year 2021, with early adoption permitted. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

## Note 2 - New Revenue Accounting Standard

### Method and Impact of Adoption

On January 29, 2018, we adopted the new revenue accounting standard using the modified retrospective method and applied it to contracts that were not completed as of that date. Upon adoption, we recognized the cumulative effect of the new standard as a $7 million increase to opening retained earnings, net of tax. Comparative information for prior periods has not been adjusted. The impact of the new standard on our consolidated financial statements for fiscal year 2019 was not significant.

### Deferred Revenue and Performance Obligations

Deferred revenue is comprised mainly of customer advances and deferrals related to license and development arrangements and PCS related to software licensing. The following table shows the changes in deferred revenue during fiscal year 2019:

| | January 27, 2019 |
|---|---|
| | *(in millions)* |
| Balance as of January 28, 2018 | $ 68 |
| Adjustment to retained earnings upon adoption of new revenue standard | (5) |
| Balance as of January 29, 2018 | 63 |
| Deferred revenue added during the period | 344 |
| Revenue recognized during the period | (269) |
| Balance as of January 27, 2019 | $ 138 |

Revenue related to remaining performance obligations represents the amount of contracted license and development arrangements and PCS that has not been recognized. As of January 27, 2019, the amount of our remaining performance obligations that has not been recognized as revenue was $305 million, of which we expect to recognize approximately 50% as revenue over the next twelve months and the remainder thereafter. This amount excludes the value of remaining performance obligations for contracts with an original expected length of one year or less.

Refer to Note 16 of these Notes to the Consolidated Financial Statements for additional information, including disaggregated revenue disclosures.

## Note 3 - Stock-Based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our ESPP.

Our Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| | | *(In millions)* | |
| Cost of revenue | $ 27 | $ 21 | $ 15 |
| Research and development | 336 | 219 | 134 |
| Sales, general and administrative | 194 | 151 | 98 |
| Total | $ 557 | $ 391 | $ 247 |

Stock-based compensation capitalized in inventories was not significant during fiscal years 2019, 2018, and 2017.

The following is a summary of equity awards granted under our equity incentive plans:

| Year Ended | | |
|---|---|---|
| January 27, 2019 | January 28, 2018 | January 29, 2017 |

| | | | |
|---|---|---|---|
| | *(In millions, except per share data)* | | |
| **RSUs, PSUs and Market-based PSUs** | | | |
| Awards granted | 4 | 6 | 12 |
| Estimated total grant-date fair value | $ 1,109 | $ 929 | $ 591 |
| Weighted average grant-date fair value (per share) | $ 258.26 | $ 145.91 | $ 50.57 |
| | | | |
| **ESPP** | | | |
| Shares purchased | 1 | 5 | 4 |
| Weighted average price (per share) | $ 107.48 | $ 21.24 | $ 18.51 |
| Weighted average grant-date fair value (per share) | $ 38.51 | $ 7.12 | $ 5.80 |

**NVIDIA CORPORATION AND SUBSIDIARIES**
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Beginning fiscal year 2015, we shifted away from granting stock options and toward granting RSUs, PSUs and market-based PSUs to reflect changing market trends for equity incentives at our peer companies. The number of PSUs that will ultimately vest is contingent on the Company's level of achievement versus the corporate financial performance target established by our Compensation Committee in the beginning of each fiscal year.

Of the total fair value of equity awards, we estimated that the stock-based compensation expense related to the equity awards that are not expected to vest for fiscal year 2019 was $88 million.

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| | *(In millions)* | |
| Aggregate unearned stock-based compensation expense | $ 1,580 | $ 1,091 |
| | | |
| **Estimated weighted average remaining amortization period** | *(In years)* | |
| RSUs, PSUs and market-based PSUs | 2.2 | 2.3 |
| ESPP | 0.8 | 0.7 |

The fair value of shares issued under our ESPP have been estimated with the following assumptions:

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| | *(Using the Black-Scholes model)* | | |
| **ESPP** | | | |
| Weighted average expected life (in years) | 0.1-2.0 | 0.5-2.0 | 0.5-2.0 |
| Risk-free interest rate | 1.6%-2.8% | 0.8%-1.4% | 0.5%-0.9% |
| Volatility | 24%-75% | 40%-54% | 30%-39% |
| Dividend yield | 0.3%-0.4% | 0.3%-0.5% | 0.7%-1.4% |

For ESPP shares, the expected term represents the average term from the first day of the offering period to the purchase date. The risk-free interest rate assumption used to value ESPP shares is based upon observed interest rates on Treasury bills appropriate for the expected term. Our expected stock price volatility assumption for ESPP is estimated using historical volatility. For awards granted, we use the dividend yield at grant date. Our RSU, PSU, and market-based PSU awards are not eligible for cash dividends prior to vesting; therefore, the fair values of RSUs, PSUs, and market-based PSUs are discounted for the dividend yield.

Additionally, for RSU, PSU, and market-based PSU awards, we estimate forfeitures annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

### Equity Incentive Program

We grant or have granted stock options, RSUs, PSUs, market-based PSUs, and stock purchase rights under the following equity incentive plans.

### Amended and Restated 2007 Equity Incentive Plan

In 2007, our shareholders approved the NVIDIA Corporation 2007 Equity Incentive Plan, as most recently amended and restated, the 2007 Plan.

The 2007 Plan authorizes the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards to employees, directors and consultants. Only our employees may receive incentive stock options. Up to 230 million shares of our common stock may be issued pursuant to stock awards granted under the 2007 Plan. Currently, we grant RSUs, PSUs and market-based PSUs under the 2007 Plan, under which, as of January 27, 2019, there were 35 million shares available for future issuance.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

Stock options previously granted to employees, subject to certain exceptions, vest over a four-year period, subject to continued service, with 25% vesting on the anniversary of the hire date in the case of new hires or the anniversary of the date of grant in the case of grants to existing employees and 6.25% vesting quarterly thereafter. These stock options generally expire ten years from the date of grant.

Subject to certain exceptions, RSUs and PSUs granted to employees vest over a four-year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and (i) for grants made prior to May 18, 2016, 12.5% vesting semi-annually thereafter, and (ii) for grants made on or after May 18, 2016, 6.25% vesting quarterly thereafter. Market-based PSUs vest 100% on approximately the three-year anniversary of the date of grant. However, the number of shares subject to both PSUs and market-based PSUs that are eligible to vest is generally determined by the Compensation Committee based on achievement of pre-determined criteria.

Unless terminated sooner, the 2007 Plan is scheduled to terminate on March 21, 2022. Our Board may suspend or terminate the 2007 Plan at any time. No awards may be granted under the 2007 Plan while the 2007 Plan is suspended or after it is terminated. The Board may also amend the 2007 Plan at any time. However, if legal, regulatory or listing requirements require shareholder approval, the amendment will not go into effect until the shareholders have approved the amendment.

**Amended and Restated 2012 Employee Stock Purchase Plan**

In 2012, our shareholders approved the 2012 Employee Stock Purchase Plan, as most recently amended and restated, the 2012 Plan, as the successor to the 1998 Employee Stock Purchase Plan.

Up to 89 million shares of our common stock may be issued pursuant to purchases under the 2012 Plan. As of January 27, 2019, we had issued 29 million shares and reserved 60 million shares for future issuance under the 2012 Plan.

The 2012 Plan is intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code. Under the current offerings adopted pursuant to the 2012 Plan, each offering period is approximately 24 months, which is generally divided into four purchase periods of six months.

Employees are eligible to participate if they are employed by us or an affiliate of us as designated by the Board. Employees who participate in an offering may have up to 10% of their earnings withheld up to certain limitations and applied on specified dates determined by the Board to the purchase of shares of common stock. The Board may increase this percentage at its discretion, up to 15%. The price of common stock purchased under our 2012 Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period and the fair market value on each purchase date within the offering. Employees may end their participation in the 2012 Plan at any time during the offering period, and participation ends automatically on termination of employment with us. In each case, the employee’s contributions are refunded.

The following is a summary of our equity award transactions under our equity incentive plans:

| | RSUs, PSUs and Market-based PSUs Outstanding |
|---|---|

| | Number of Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| | (In millions, except years and per share data) | |
| Balances, January 28, 2018 | 22 | $ 66.72 |
| Granted (1)(2) | 4 | $ 258.26 |
| Vested restricted stock | (10) | $ 52.56 |
| Canceled and forfeited | — | $ — |
| Balances, January 27, 2019 | 16 | $ 129.92 |
| Vested and expected to vest after January 27, 2019 | 13 | $ 129.44 |

(1) Includes PSUs that will be issued and eligible to vest based on the corporate financial performance level achieved for fiscal year 2019.

(2) Includes market-based PSUs that will be issued and eligible to vest if the maximum target for total shareholder return, or TSR, over the 3-year measurement period is achieved. Depending on the ranking of our TSR compared to the respective TSRs of the companies comprising the Standard & Poor's 500 Index during that period, the market-based PSUs issued could be up to 45 thousand shares.

As of January 27, 2019 and January 28, 2018, there were 35 million and 16 million shares, respectively, of common stock reserved for future issuance under our equity incentive plans.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

The total intrinsic value of options exercised was $180 million, $318 million, and $246 million for fiscal years 2019, 2018, and 2017, respectively. Upon exercise of an option, we issue new shares of stock.

## Note 4 - Net Income Per Share

The following is a reconciliation of the denominator of the basic and diluted net income per share computations for the periods presented:

| | Year Ended | | |
|---|---|---|---|
| | **January 27, 2019** | **January 28, 2018** | **January 29, 2017** |
| | *(In millions, except per share data)* | | |
| Numerator: | | | |
| Net income | $ 4,141 | $ 3,047 | $ 1,666 |
| Denominator: | | | |
| Basic weighted average shares | 608 | 599 | 541 |
| Dilutive impact of outstanding securities: | | | |
| Equity awards | 17 | 24 | 26 |
| 1.00% Convertible Senior Notes | — | 5 | 44 |
| Warrants issued with the 1.00% Convertible Senior Notes | — | 4 | 38 |
| Diluted weighted average shares | 625 | 632 | 649 |
| Net income per share: | | | |
| Basic (1) | $ 6.81 | $ 5.09 | $ 3.08 |
| Diluted (2) | $ 6.63 | $ 4.82 | $ 2.57 |
| Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive | 5 | 4 | 8 |

(1) Calculated as net income divided by basic weighted average shares.

(2) Calculated as net income divided by diluted weighted average shares.

The 1.00% Convertible Senior Notes Due 2018, or the Convertible Notes, were included in the calculation of diluted net income per share. The Convertible Notes had a dilutive impact on net income per share if our average stock price for the reporting period exceeded the adjusted conversion price of $20.02 per share. The warrants associated with our Convertible Notes, or the Warrants, outstanding were also included in the calculation of diluted net income per share. As of January 27, 2019, there were no Convertible Notes or Warrants outstanding.

Refer to Note 11 of these Notes to the Consolidated Financial Statements for additional discussion regarding the Convertible Notes, Note Hedges, and Warrants.

## Note 5 - Goodwill

The carrying amount of goodwill was $618 million, and the amount of goodwill allocated to our GPU and Tegra Processor reporting units was $210 million and $408 million, respectively, as of both January 27, 2019 and January 28, 2018. There were no changes to the carrying amount of goodwill during fiscal years 2019 and 2018. During the fourth quarters of fiscal years 2019, 2018, and 2017, we completed our annual impairment tests and concluded that goodwill was not impaired in any of these years.

## Note 6 - Amortizable Intangible Assets

The components of our amortizable intangible assets are as follows:

| | January 27, 2019 | | | January 28, 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In millions) | | | (In millions) | |
| Acquisition-related intangible assets | $ 195 | $ (188) | $ 7 | $ 195 | $ (180) | $ 15 |
| Patents and licensed technology | 491 | (453) | 38 | 469 | (432) | 37 |
| Total intangible assets | $ 686 | $ (641) | $ 45 | $ 664 | $ (612) | $ 52 |

The increase in gross carrying amount of intangible assets is due to purchases of licensed technology during fiscal year 2019. Amortization expense associated with intangible assets for fiscal years 2019, 2018, and 2017 was $29 million, $55 million, and $68 million, respectively. Future amortization expense related to the net carrying amount of intangible assets as of January 27, 2019 is estimated to be $21 million in fiscal year 2020, $12 million in fiscal year 2021, $5 million in fiscal year 2022, and $5 million in fiscal year 2023, and $2 million in fiscal year 2024.

## Note 7 - Marketable Securities

Our cash equivalents and marketable securities are classified as "available-for-sale" debt securities.

The following is a summary of cash equivalents and marketable securities as of January 27, 2019 and January 28, 2018:

| | January 27, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | | | (In millions) | | | |
| Corporate debt securities | $ 2,626 | $ — | $ (6) | $ 2,620 | $ 25 | $ 2,595 |
| Debt securities of United States government agencies | 2,284 | — | (4) | 2,280 | — | 2,280 |
| Debt securities issued by the United States Treasury | 1,493 | — | (1) | 1,492 | 176 | 1,316 |
| Money market funds | 483 | — | — | 483 | 483 | — |

| | | | | | | |
|---|---|---|---|---|---|---|
| Foreign government bonds | 209 | — | — | 209 | — | 209 |
| Asset-backed securities | 152 | — | (1) | 151 | — | 151 |
| Mortgage-backed securities issued by United States government-sponsored enterprises | 88 | 1 | — | 89 | — | 89 |
| Total | $ 7,335 | $ 1 | $ (12) | $ 7,324 | $ 684 | $ 6,640 |

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| | January 28, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | *(In millions)* | | | | | |
| Money market funds | $ 3,789 | $ — | $ — | $ 3,789 | $ 3,789 | $ — |
| Corporate debt securities | 1,304 | — | (9) | 1,295 | — | 1,295 |
| Debt securities of United States government agencies | 822 | — | (7) | 815 | — | 815 |
| Debt securities issued by the United States Treasury | 577 | — | (4) | 573 | — | 573 |
| Asset-backed securities | 254 | — | (2) | 252 | — | 252 |
| Mortgage backed securities issued by United States government-sponsored enterprises | 128 | 2 | — | 130 | — | 130 |
| Foreign government bonds | 42 | — | (1) | 41 | — | 41 |
| Total | $ 6,916 | $ 2 | $ (23) | $ 6,895 | $ 3,789 | $ 3,106 |

The following table provides the breakdown of unrealized losses as of January 27, 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

| | Less than 12 Months | | 12 Months or Greater | | Total | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses | Estimated Fair Value | Gross Unrealized Losses |
| | (In millions) | | | | | |
| Debt securities issued by United States government agencies | $ 1,674 | $ (1) | $ 401 | $ (3) | $ 2,075 | $ (4) |
| Corporate debt securities | 915 | (3) | 649 | (3) | 1,564 | (6) |
| Debt securities issued by the United States Treasury | 1,015 | — | 161 | (1) | 1,176 | (1) |
| Asset-backed securities | — | — | 151 | (1) | 151 | (1) |
| Total | $ 3,604 | $ (4) | $ 1,362 | $ (8) | $ 4,966 | $ (12) |

The gross unrealized losses are related to fixed income securities, temporary in nature, and driven primarily by changes in interest rates. We have the intent and ability to hold our investments until maturity. For fiscal years 2019, 2018, and 2017, there were no other-than-temporary impairment losses and net realized gains were not significant.

The amortized cost and estimated fair value of cash equivalents and marketable securities as of January 27, 2019 and January 28, 2018 are shown below by contractual maturity.

| | **January 27, 2019** | | **January 28, 2018** | |
|---|---|---|---|---|
| | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| | *(In millions)* | | | |
| Less than one year | $ 5,042 | $ 5,034 | $ 5,381 | $ 5,375 |
| Due in 1 - 5 years | 2,271 | 2,268 | 1,500 | 1,485 |
| Mortgage-backed securities issued by United States government-sponsored enterprises not due at a single maturity date | 22 | 22 | 35 | 35 |
| Total | $ 7,335 | $ 7,324 | $ 6,916 | $ 6,895 |

## Note 8 - Fair Value of Financial Assets and Liabilities

The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We review fair value hierarchy classification on a quarterly basis. There were no significant transfers between Levels 1 and 2 financial assets and liabilities for fiscal year 2019. Level 3 financial assets and liabilities are based on unobservable inputs to the valuation methodology and include our own data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

| | | Fair Value at | |
|---|---|---|---|
| | Pricing Category | January 27, 2019 | January 28, 2018 |
| | | *(In millions)* | |
| **Assets** | | | |
| Cash equivalents and marketable securities: | | | |
| Corporate debt securities | Level 2 | $ 2,620 | $ 1,295 |
| Debt securities of United States government agencies | Level 2 | $ 2,280 | $ 815 |
| Debt securities issued by the United States Treasury | Level 2 | $ 1,492 | $ 573 |
| Money market funds | Level 1 | $ 483 | $ 3,789 |
| Foreign government bonds | Level 2 | $ 209 | $ 41 |
| Asset-backed securities | Level 2 | $ 151 | $ 252 |
| Mortgage-backed securities issued by United States government-sponsored enterprises | Level 2 | $ 89 | $ 130 |
| | | | |
| **Liabilities** | | | |
| Current liability: | | | |
| 1.00% Convertible Senior Notes (1) | Level 2 | $ — | $ 189 |
| Other noncurrent liabilities: | | | |
| 2.20% Notes Due 2021 (1) | Level 2 | $ 978 | $ 982 |
| 3.20% Notes Due 2026 (1) | Level 2 | $ 961 | $ 986 |

(1) These liabilities are carried on our Consolidated Balance Sheets at their original issuance value, net of unamortized debt discount and issuance costs, and are not marked to fair value each period. Refer to Note 11 of these Notes to the Consolidated Financial Statements for additional information.

## Note 9 - Balance Sheet Components

Certain balance sheet components are as follows:

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| | *(In millions)* | |

**Inventories:**

| | | |
|---|---|---|
| Raw materials | $ 613 | $ 227 |
| Work in-process | 238 | 192 |
| Finished goods | 724 | 377 |
| Total inventories | $ 1,575 | $ 796 |

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| | January 27, 2019 | January 28, 2018 | Estimated Useful Life |
|---|---|---|---|
| | (In millions) | | (In years) |
| **Property and Equipment:** | | | |
| Land | $ 218 | $ 218 | (A) |
| Building | 339 | 348 | 25-30 |
| Test equipment | 516 | 462 | 3-5 |
| Computer equipment | 522 | 285 | 3-5 |
| Leasehold improvements | 263 | 198 | (B) |
| Software and licenses | 109 | 88 | 3-5 |
| Office furniture and equipment | 69 | 79 | 5 |
| Capital leases | 28 | 28 | (B) |
| Construction in process | 107 | 31 | (C) |
| Total property and equipment, gross | 2,171 | 1,737 | |
| Accumulated depreciation and amortization | (767) | (740) | |
| Total property and equipment, net | $ 1,404 | $ 997 | |

(A) Land is a non-depreciable asset.

(B) Leasehold improvements and capital leases are amortized based on the lesser of either the asset's estimated useful life or the remaining expected lease term.

(C) Construction in process represents assets that are not available for their intended use as of the balance sheet date.

Depreciation expense for fiscal years 2019, 2018, and 2017 was $233 million, $144 million, and $118 million, respectively.

Accumulated amortization of leasehold improvements and capital leases was $189 million and $178 million as of January 27, 2019 and January 28, 2018, respectively.

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| | (In millions) | |
| **Accrued and Other Current Liabilities:** | | |
| Customer program accruals | $ 302 | $ 181 |
| Accrued payroll and related expenses | 186 | 172 |
| Deferred revenue (1) | 92 | 53 |
| Taxes payable | 91 | 33 |
| Accrued legal settlement costs | 24 | — |
| Coupon interest on debt obligations | 20 | 20 |
| Warranty accrual (2) | 18 | 15 |
| Professional service fees | 14 | 15 |
| Accrued royalties | 10 | 17 |
| Other | 61 | 36 |
| Total accrued and other current liabilities | $ 818 | $ 542 |

(1) Deferred revenue primarily includes customer advances and deferrals related to license and development arrangements and PCS.

(2) Refer to Note 12 of these Notes to the Consolidated Financial Statements for a discussion regarding warranties.

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| | *(In millions)* | |
| **Other Long-Term Liabilities:** | | |
| Income tax payable (1) | $ 513 | $ 559 |
| Deferred revenue (2) | 46 | 15 |
| Deferred rent | 21 | 9 |
| Employee benefits liability | 20 | 12 |
| Deferred income tax liability | 19 | 18 |
| Other | 14 | 19 |
| Total other long-term liabilities | $ 633 | $ 632 |

(1) As of January 27, 2019, represents the long-term portion of the one-time transition tax payable of $350 million, as well as unrecognized tax benefits of $142 million and related interest and penalties of $21 million.

(2) Deferred revenue primarily includes deferrals related to license and development arrangements and PCS.

## Note 10 - Derivative Financial Instruments

We enter into foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss and reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur. The fair value of the contracts was not significant as of January 27, 2019 and January 28, 2018.

We also enter into foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

The table below presents the notional value of our foreign currency forward contracts outstanding as of January 27, 2019 and January 28, 2018:

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| | *(In millions)* | |
| Designated as cash flow hedges | $ 408 | $ 104 |
| Not designated for hedge accounting | $ 241 | $ 94 |

As of January 27, 2019, all designated foreign currency forward contracts mature within eighteen months. The expected realized gains and losses deferred into accumulated other comprehensive income (loss) related to foreign currency forward contracts within the next twelve months was not significant.

During fiscal years 2019 and 2018, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant and all such instruments were determined to be highly effective. Therefore, there were no gains or losses associated with ineffectiveness.

## Note 11 - Debt

### Long-Term Debt

**2.20% Notes Due 2021 and 3.20% Notes Due 2026**

In fiscal year 2017, we issued $1.00 billion of the 2.20% Notes Due 2021, and $1.00 billion of the 3.20% Notes Due 2026, or collectively, the Notes. Interest on the Notes is payable on March 16 and September 16 of each year, beginning on March 16, 2017. Upon 30 days' notice to holders of the Notes, we may redeem the Notes for cash prior to maturity, at redemption prices that include accrued and unpaid interest, if any, and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Notes Due 2021 on or after August 16, 2021, or for redemptions of the Notes Due 2026 on or after June 16, 2026. The net proceeds from the Notes were $1.98 billion, after deducting debt discount and issuance costs.

The Notes are our unsecured senior obligations and rank equally in right of payment with all existing and future unsecured and unsubordinated indebtedness. The Notes are structurally subordinated to the liabilities of our subsidiaries and are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. All existing and future liabilities of our subsidiaries will be effectively senior to the Notes.

The carrying value of the Notes and the associated interest rates were as follows:

| | Expected Remaining Term (years) | Effective Interest Rate | January 27, 2019 | January 28, 2018 |
|---|---|---|---|---|
| | | | *(In millions)* | |
| 2.20% Notes Due 2021 | 2.6 | 2.38% | $ 1,000 | $ 1,000 |
| 3.20% Notes Due 2026 | 7.6 | 3.31% | 1,000 | 1,000 |
| Unamortized debt discount and issuance costs | | | (12) | (15) |
| Net carrying amount | | | $ 1,988 | $ 1,985 |

## Convertible Debt

### 1.00% Convertible Senior Notes Due 2018

In fiscal year 2014, we issued $1.50 billion of Convertible Notes. During fiscal year 2019, we paid cash to settle an aggregate of $16 million in principal amount of the Convertible Notes and issued 714 thousand shares of our common stock for the excess conversion value. The related loss on early conversions was not significant. As of January 27, 2019, there were no Convertible Notes outstanding.

## Note Hedges

Concurrently with the issuance of the Convertible Notes, we entered into the Note Hedges. Through January 27, 2019, we had received 57 million shares of our common stock from the exercise of a portion of the Note Hedges related to the settlement of $1.50 billion in principal amount of the Convertible Notes. As of January 27, 2019, there were no Note Hedges outstanding.

## Revolving Credit Facility

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 27, 2019, we had not borrowed any amounts under this agreement.

## Commercial Paper

We have a $575 million commercial paper program to support general corporate purposes. As of January 27, 2019, we had not issued any commercial paper.

## Note 12 - Commitments and Contingencies

### Inventory Purchase Obligations

As of January 27, 2019, we had outstanding inventory purchase obligations totaling $912 million.

### Capital Purchase Obligations

As of January 27, 2019, we had outstanding capital purchase obligations totaling $258 million.

## Lease Obligations

Our headquarters complex is located in Santa Clara, California and includes ten buildings that are leased properties. Future minimum lease payments related to headquarters operating leases total $326 million over the remaining terms of the leases, including predetermined rent escalations, and are included in the future minimum lease payment schedule below.

Additionally, we have other domestic and international office facilities, including datacenter space, under operating leases expiring through fiscal year 2035.

Future minimum lease payments under our non-cancelable operating leases as of January 27, 2019, are as follows:

| | Future Minimum Lease Obligations |
|---|---|
| | *(In millions)* |
| **Fiscal Year:** | |
| 2020 | $ 100 |
| 2021 | 97 |
| 2022 | 90 |
| 2023 | 77 |
| 2024 | 54 |
| 2025 and thereafter | 265 |
| Total | $ 683 |

Rent expense for fiscal years 2019, 2018, and 2017 was $80 million, $54 million, and $46 million, respectively.

## Accrual for Product Warranty Liabilities

The estimated amount of product returns and warranty liabilities was $18 million and $15 million as of January 27, 2019 and January 28, 2018, respectively.

In connection with certain agreements that we have entered in the past, we have provided indemnities to cover the indemnified party for matters such as tax, product, and employee liabilities. We have included intellectual property indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. We have not recorded any liability in our Consolidated Financial Statements for such indemnifications.

## Litigation

### Polaris Innovations Limited

On May 16, 2016, Polaris Innovations Limited, or Polaris, a non-practicing entity and wholly-owned subsidiary of Quarterhill Inc. (formerly WiLAN Inc.), filed a complaint against NVIDIA for patent infringement in the United States District Court for the Western District of Texas.

Polaris alleges that NVIDIA has infringed and is continuing to infringe six U.S. patents relating to the control of dynamic random-access memory, or DRAM. The complaint seeks unspecified monetary damages, enhanced damages, interest, fees, expenses, and costs against NVIDIA. On September 14, 2016, NVIDIA answered the Polaris Complaint and asserted various defenses including non-infringement and invalidity of the six Polaris patents.

On December 5, 2016, the Texas Court granted NVIDIA's motion to transfer and ordered the case transferred to the Northern District of California.

Between December 7, 2016 and July 25, 2017, NVIDIA filed multiple petitions for inter partes review, or IPR, at the United States Patent and Trademark Office, or USPTO, challenging the validity of each of the patents asserted by Polaris in the U.S. litigation. The USPTO instituted IPRs for four U.S. patents and declined to institute IPRs on two U.S. patents. On June 19, 2018, the USPTO issued a Final Written Decision on one IPR, finding claims 1-23 and 28 unpatentable but that claims 24-27 were not proved unpatentable. On November 20, 2018, the USPTO issued Final Written Decisions on two IPRs, finding claims 1, 4, 8-12, 16, 18, 43, 45, and 48-51 unpatentable but that claims 2-3, 5, 14, 17, 19-23, 26-31, and 44 were not proved unpatentable. On December 4, 2018, the USPTO issued a Final Written Decision on one IPR, finding all claims unpatentable. On December 19, 2018, the USPTO issued a Final Written Decision on one IPR, finding claims 1-14 unpatentable.

On June 15, 2017, the California Court granted NVIDIA’s motion to stay the district court litigation pending resolution of the petitions for IPR. The California Court has not set a trial date.

On December 30, 2016, Polaris filed a complaint against NVIDIA for patent infringement in the Regional Court of Düsseldorf, Germany. Polaris alleges that NVIDIA has infringed and is continuing to infringe three patents relating to control of DRAM. On July 14, 2017, NVIDIA filed defenses to the infringement allegations including non-infringement with respect to each of the three asserted patents. On September 3, 2018, NVIDIA filed a rejoinder with additional noninfringement arguments. On December 4, 2018, NVIDIA filed a further rejoinder with additional noninfringement, nullity, and FRAND arguments.

An oral hearing is scheduled for February 21, 2019.

Between March 31, 2017 and June 12, 2017, NVIDIA filed nullity actions with the German Patent Court challenging the validity of each of the patents asserted by Polaris in the German litigation.

**ZiiLabs 1 Patents Lawsuit**

On October 2, 2017, ZiiLabs Inc., Ltd., or ZiiLabs, a non-practicing entity, filed a complaint in the United States District Court for the District of Delaware alleging that NVIDIA has infringed and is continuing to infringe four U.S. patents relating to GPUs, or the ZiiLabs 1 Patents. ZiiLabs is a Bermuda corporation and a wholly-owned subsidiary of Creative Technology Asia Limited, a Hong Kong company which is itself is a wholly-owned subsidiary of Creative Technology Ltd., a publicly traded Singapore company. The complaint seeks unspecified monetary damages, enhanced damages, interest, costs, and fees against NVIDIA and an injunction against further direct or indirect infringement of the ZiiLabs 1 Patents. On November 27, 2017, NVIDIA answered the ZiiLabs complaint and asserted various defenses including non-infringement and invalidity of the ZiiLabs 1 Patents.

On January 10, 2018, ZiiLabs filed a first amended complaint asserting infringement of a fifth U.S. patent.

On February 22, 2018, the Delaware Court stayed the ZiiLabs 1 case pending the resolution of the U.S. International Trade Commission, or USITC, investigation over the ZiiLabs 2 patents.

On February 1, 2019, NVIDIA entered into an immaterial agreement in which it receives a license to the ZiiLabs patents and a dismissal of the ZiiLabs 1 and 2 Patent Lawsuits. The ZiiLabs 1 and 2 district court cases were dismissed pursuant to a stipulation of dismissal filed on February 8, 2019. The Administrative Law Judge issued an Initial Determination on February 12, 2019, granting the motion to terminate the USITC investigation addressing the ZiiLabs 2 patents.

**ZiiLabs 2 Patents Lawsuits**

On December 27, 2017, ZiiLabs filed a second complaint in the United States District Court for the District of Delaware alleging that NVIDIA has infringed four additional U.S. patents, or the ZiiLabs 2 Patents. The second complaint also seeks unspecified monetary damages, enhanced damages, interest, costs, and fees against NVIDIA and an injunction against further direct or indirect infringement of the ZiiLabs 2 Patents.

On February 22, 2018, the Delaware Court stayed the district court action on the ZiiLabs 2 patents pending the resolution of the USITC Investigation over the ZiiLabs 2 patents.

On December 29, 2017, ZiiLabs filed a request with the USITC to commence an Investigation pursuant to Section 337 of the Tariff Act of 1930 relating to the unlawful importation of certain graphics processors and products containing the same. ZiiLabs alleges that the unlawful importation results from the infringement of the ZiiLabs 2 Patents by products from respondents NVIDIA, ASUSTeK Computer Inc., ASUS Computer International, EVGA Corporation, Gigabyte Technology Co., Ltd., G.B.T. Inc., Micro-Star International Co., Ltd., MSI Computer Corp., Nintendo Co., Ltd., Nintendo of America Inc., PNY Technologies Inc., Zotac International (MCO) Ltd., and Zotac USA Inc.

On February 28, 2018, NVIDIA and the other respondents answered the USITC complaint and asserted various defenses including non-infringement and invalidity of the four asserted ZiiLabs 2 patents.

On May 10, 2018, the Administrative Law Judge then presiding over the investigation issued an Initial Determination terminating the investigation with respect to one of the patents. On July 17, 2018, the USITC affirmed this decision on modified grounds.

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**(Continued)**

On October 18, 2018, the Administrative Law Judge currently presiding over the investigation issued an order construing certain claims of the three remaining patents in the investigation.

The hearing in the investigation is currently scheduled to begin on April 8, 2019. The target date for completion of the investigation is September 9, 2019.

On February 1, 2019, NVIDIA entered into an immaterial agreement in which it receives a license to the ZiiLabs patents and a dismissal of the ZiiLabs 1 and 2 Patent Lawsuits. The ZiiLabs 1 and 2 district court cases were dismissed pursuant to a stipulation of dismissal filed on February 8, 2019. The Administrative Law Judge issued an Initial Determination on February 12, 2019, granting the motion to terminate the USITC investigation addressing the ZiiLabs 2 patents.

### Securities Class Action and Derivative Lawsuits

On December 21, 2018, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California, captioned Iron Workers Joint Funds v. Nvidia Corporation, et al. (Case No. 18-cv-7669), naming as defendants NVIDIA and certain of NVIDIA's officers. The complaint asserts that the defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and SEC Rule 10b-5, by making materially false or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand between August 10, 2017 and November 15, 2018. The plaintiff also alleges that the NVIDIA officers who they named as defendants violated Section 20(a) of the Exchange Act. The plaintiff seeks class certification, an award of unspecified compensatory damages, an award of equitable/ injunctive or other further relief as the Court may deem just and proper. On December 28, 2018, a substantially similar purported securities class action was commenced in the Northern District of California, captioned Oto v. Nvidia Corporation, et al. (Case No. 18-cv-07783), naming the same defendants, and seeking substantially similar relief. The two cases have been related and are before the same judge. A stipulation to consolidate the Iron Workers and Oto actions is pending before the Court. On February 19, 2019, a number of shareholders filed motions to consolidate the two cases and to be appointed lead plaintiff and for their respective counsel to be appointed lead counsel.

On January 18, 2019, a shareholder, purporting to act on the behalf of NVIDIA, filed a derivative lawsuit in the Northern District of California, captioned Han v. Huang, et al. (Case No. 19-cv-00341), seeking to assert claims on behalf of NVIDIA against the members of NVIDIA's board of directors and certain officers. The lawsuit asserts claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiff is seeking unspecified damages and other relief, including reforms and improvements to NVIDIA's corporate governance and internal procedures. On February 12, 2019, a substantially similar derivative lawsuit was filed in the Northern District of California captioned Yang v. Huang, et. al. (Case No. 19-cv-00766), naming the same named defendants, and seeking the same relief. On February 19, 2019, a third substantially similar derivative lawsuit was filed in the Northern District of California captioned The Booth Family Trust v. Huang, et. al. (Case No. 3:19-cv-00876), naming the same named defendants, and seeking substantially the same relief.

It is possible that additional suits will be filed, or allegations received from shareholders, with respect to these same or other matters, naming us and/or our officers and directors as defendants.

## Accounting for Loss Contingencies

We are engaged in legal actions not described above arising in the ordinary course of business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position. As of January 27, 2019, with the exception of immaterial amounts, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, except as specifically described above, any possible loss or range of loss in these matters cannot be reasonably estimated at this time.

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## Note 13 - Income Taxes

The income tax expense (benefit) applicable to income before income taxes consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| | | (In millions) | |
| Current income taxes: | | | |
| Federal | $ 1 | $ 464 | $ 7 |
| State | — | 1 | 1 |
| Foreign | 69 | 43 | 34 |
| Total current | 70 | 508 | 42 |
| Deferred taxes: | | | |
| Federal | (315) | (376) | 199 |
| State | — | — | — |
| Foreign | — | 17 | (2) |
| Total deferred | (315) | (359) | 197 |
| Income tax expense (benefit) | $ (245) | $ 149 | $ 239 |

Income before income tax consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| | | (In millions) | |
| Domestic (1) | $ 1,843 | $ 1,600 | $ 600 |
| Foreign | 2,053 | 1,596 | 1,305 |
| Income before income tax | $ 3,896 | $ 3,196 | $ 1,905 |

(1) The increase in domestic income is primarily due to jurisdictional allocation of stock-based compensation charges.

The income tax expense (benefit) differs from the amount computed by applying the U.S. federal statutory rate of 21%, 33.9%, and 35% for fiscal years 2019, 2018, and 2017, respectively, to income before income taxes as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| | | (In millions) | |
| Tax expense computed at federal statutory rate | $ 818 | $ 1,084 | $ 667 |
| Expense (benefit) resulting from: | | | |
| State income taxes, net of federal tax effect | 23 | 10 | 4 |
| Foreign tax rate differential | (412) | (545) | (315) |

| | | | |
|---|---|---|---|
| Stock-based compensation | (191) | (181) | (70) |
| Tax Cuts and Jobs Act of 2017 | (368) | (133) | — |
| U.S. federal R&D tax credit | (141) | (87) | (52) |
| Other | 26 | 1 | 5 |
| Income tax expense (benefit) | $ (245) | $ 149 | $ 239 |

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The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets and liabilities are presented below:

| | January 27, 2019 | January 28, 2018 |
|---|---|---|
| | *(In millions)* | |
| **Deferred tax assets:** | | |
| Net operating loss carryforwards | $ 70 | $ 67 |
| Accruals and reserves, not currently deductible for tax purposes | 41 | 24 |
| Property, equipment and intangible assets | 2 | 32 |
| Research and other tax credit carryforwards | 626 | 579 |
| Stock-based compensation | 25 | 24 |
| GILTI deferred tax assets | 376 | — |
| Gross deferred tax assets | 1,140 | 726 |
| Less valuation allowance | (562) | (469) |
| Total deferred tax assets | 578 | 257 |
| **Deferred tax liabilities:** | | |
| Acquired intangibles | (2) | (4) |
| Unremitted earnings of foreign subsidiaries | (35) | (26) |
| Gross deferred tax liabilities | (37) | (30) |
| **Net deferred tax asset (1)** | $ 541 | $ 227 |

(1) Net deferred tax asset includes long-term deferred tax assets of $560 million and $245 million and long-term deferred tax liabilities of $19 million and $18 million for fiscal years 2019 and 2018, respectively. Long-term deferred tax assets are included in Other assets and long-term deferred tax liabilities are included in Other long-term liabilities on our Consolidated Balance Sheets.

We recognized an income tax benefit of $245 million for fiscal year 2019, and income tax expense of $149 million and $239 million for fiscal years 2018, and 2017, respectively. Our annual effective tax rate was (6.3)%, 4.7%, and 12.5% for fiscal years 2019, 2018, and 2017, respectively.

In December 2017, the TCJA was enacted into law. The TCJA significantly changed U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes (global intangible low-taxed income, or GILTI) on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions impacted us beginning in fiscal year 2019.

In fiscal year 2018 and the first nine months of fiscal year 2019, we recorded provisional amounts for certain enactment-date effects of the TCJA by applying the SEC guidance in SAB 118 because we had not yet completed our accounting for these effects. As of January 27, 2019, we completed our accounting for all of the enactment-date income tax effects of the TCJA and recognized a reduction of $368 million to the provisional amount recorded at January 28, 2018 as a component of income tax expense (benefit). This adjustment primarily relates to the effects of electing to account for GILTI in deferred taxes, as described below. Our final tax benefit from the TCJA was $501 million.

The one-time transition tax is based on the post-1986 earnings and profits, or E&P, of our foreign subsidiaries. We had previously accrued deferred taxes on a portion of these same earnings. We recorded a provisional one-time transition tax liability of $971 million at January 28, 2018. Upon further analysis of the TCJA and Notices and regulations issued by the US Department of the Treasury and Internal Revenue Service, we finalized our calculations of the transition tax liability during fiscal year 2019. For fiscal year 2019, we increased our transition tax provisional amount by $33 million.

As a result of the reduction of the corporate income tax rate to 21%, companies were required to remeasure their deferred tax assets and liabilities as of the date of enactment. As a result, at January 28, 2018 we had recorded a provisional income tax expense of $43 million on the write-down of our deferred tax balance. Upon further analysis of certain aspects of the TJCA, including immediate expensing of qualified capital expenditures and refinement of our calculations, we reduced our provisional tax expense amount by $20 million.

The TCJA subjects a U.S. corporation to tax on its GILTI. Under U.S. GAAP, we can make an accounting policy election to either treat taxes due on the GILTI as a current period expense or factor such amounts into our measurement of deferred taxes. Because we were still evaluating the GILTI provisions as of January 28, 2018, we recorded no GILTI-related deferred balances. After further evaluation, we elected to account for GILTI deferred taxes. In fiscal year 2019, we recorded additional deferred tax assets as a net $370 million income tax benefit related to GILTI in deferred taxes.

The decrease in the effective tax rate in fiscal year 2019 as compared to fiscal years 2018 and 2017 was primarily due to a decrease in the U.S. statutory tax rate from 33.9% to 21%, the finalization of the enactment-date income tax effects of the TCJA, higher U.S federal research tax credits and excess tax benefits related to stock-based compensation in fiscal year 2019.

The decrease in the effective tax rate in fiscal year 2018 as compared to fiscal year 2017 was primarily due to the provisional impact of the tax law changes and recognition of excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal year 2019 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, the finalization of the enactment-date income tax effects of the TCJA, favorable recognition of the U.S. federal research tax credits, and excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal years 2018 and 2017 was lower than the blended U.S. federal statutory rate of 33.9% for fiscal year 2018 and 35% for fiscal year 2017 due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of U.S. federal research tax credits, the provisional impact of the tax law changes in 2018, and excess tax benefits related to stock-based compensation.

As of January 27, 2019 and January 28, 2018, we had a valuation allowance of $562 million and $469 million, respectively, related to state and certain foreign deferred tax assets that management determined not likely to be realized due, in part, to projections of future taxable income. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

As of January 27, 2019, we had federal, state and foreign net operating loss carryforwards of $72 million, $291 million and $290 million, respectively. The federal and state carryforwards will expire beginning in fiscal year 2023 and 2020, respectively. The foreign net operating loss carryforwards of $290 million may be carried forward indefinitely. As of January 27, 2019, we had federal research tax credit carryforwards of $347 million that will begin to expire in fiscal year 2037. We have state research tax credit carryforwards of $718 million, of which $687 million is attributable to the State of California and may be carried over indefinitely, and $31 million is attributable to various other states and will expire beginning in fiscal year 2020. Our tax attributes, net operating loss and tax credit carryforwards, remain subject to audit and may be adjusted for changes or modification in tax laws, other authoritative interpretations thereof, or other facts and circumstances. Utilization of federal, state, and foreign net operating losses and tax credit carryforwards may also be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state and foreign tax provisions. If any such limitations apply, the federal, states, or foreign net operating loss and tax credit carryforwards, as applicable, may expire or be denied before utilization.

As of January 27, 2019, we had $477 million of gross unrecognized tax benefits, of which $432 million would affect our effective tax rate if recognized. However, approximately $82 million of the unrecognized tax benefits were related to state income tax positions taken, that, if recognized, would be in the form of a carryforward deferred tax asset that would likely attract a full valuation allowance. The $432 million of unrecognized tax benefits as of January 27, 2019 consisted of $142 million recorded in non-current income taxes payable and $290 million reflected as a reduction to the related deferred tax assets.

A reconciliation of gross unrecognized tax benefits is as follows:

| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
|---|---|---|---|
| | | *(In millions)* | |
| Balance at beginning of period | $ 447 | $ 224 | $ 230 |
| Increases in tax positions for prior years | 52 | 7 | 3 |
| Decreases in tax positions for prior years | (141) | (1) | — |
| Increases in tax positions for current year | 129 | 222 | 46 |
| Settlements | — | — | (48) |
| Lapse in statute of limitations | (10) | (5) | (7) |
| Balance at end of period | $ 477 | $ 447 | $ 224 |

We classify an unrecognized tax benefit as a current liability, or amount refundable, to the extent that we anticipate payment or receipt of cash for income taxes within one year. The amount is classified as a long-term liability, or reduction of long-term deferred tax assets or amount refundable if we anticipate payment or receipt of cash for income taxes during a period beyond a year.

Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 27, 2019, January 28, 2018, and January 29, 2017, we had accrued $21 million, $15 million, and $13 million, respectively, for the payment of interest and penalties related to unrecognized tax benefits, which is not included as a component of our unrecognized tax benefits. As of January 27, 2019, unrecognized tax benefits of $142 million and the related interest and penalties of $21 million are included in non-current income taxes payable.

While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved. As of January 27, 2019, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

We are subject to taxation by a number of taxing authorities both in the United States and throughout the world. As of January 27, 2019, the significant tax jurisdictions that may be subject to examination include the United States, Hong Kong, Taiwan, China, United Kingdom, Germany, and India for fiscal years 2003 through 2018. As of January 27, 2019, the significant tax jurisdictions for which we are currently under examination include India, Taiwan, China and UK for fiscal years 2003 through 2018.

## Note 14 - Shareholders’ Equity

### Capital Return Program

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

During fiscal year 2019, we repurchased a total of 9 million shares for $1.58 billion and also paid $371 million in cash dividends to our shareholders.

Through January 27, 2019, we have repurchased an aggregate of 260 million shares under our share repurchase program for a total cost of $7.08 billion. All shares delivered from these repurchases have been placed into treasury stock. In November 2018, our board of directors authorized an additional $7.00 billion under our share repurchase program. As of January 27, 2019, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $7.24 billion through December 2022.

### Preferred Stock

As of January 27, 2019 and January 28, 2018, there were no shares of preferred stock outstanding.

### Common Stock

We are authorized to issue up to 2.00 billion shares of our common stock at $0.001 per share par value.

## Note 15 - Employee Retirement Plans

We have a 401(k) retirement plan covering substantially all of our U.S. employees. Under the plan, participating employees may defer up to 80% of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limits and we match a portion of the employee contributions. Our contribution expense for fiscal years 2019, 2018, and 2017 was $39 million, $23 million, and $12 million, respectively. We also have defined contribution retirement plans outside of the United States to which we contributed $31 million, $25 million, and $23 million for fiscal years 2019, 2018, and 2017, respectively.

## Note 16 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. Our operating segments are equivalent to our reportable segments.

We report our business in two primary reportable segments - the GPU business and the Tegra Processor business - based on a single underlying graphics architecture.

Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

Under the single unifying architecture for our GPU and Tegra Processors, we leverage our visual computing expertise by charging the operating expenses of certain core engineering functions to the GPU business, while charging the Tegra Processor business for the incremental cost of the teams working directly for that business. In instances where the operating expenses of certain functions benefit both reportable segments, our CODM assigns 100% of those expenses to the reportable segment that benefits the most.

The “All Other” category presented below represents the revenue and expenses that our CODM does not assign to either the GPU business or the Tegra Processor business for purposes of making operating decisions or assessing financial performance. The revenue includes primarily patent licensing revenue and the expenses include stock-based compensation expense, corporate infrastructure and support costs, acquisition-related costs, legal settlement costs, contributions, restructuring and other charges, product warranty charge, and other non-recurring charges and benefits that our CODM deems to be enterprise in nature.

Our CODM does not review any information regarding total assets on a reportable segment basis. Reportable segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for our consolidated financial statements. The table below presents details of our reportable segments and the “All Other” category.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

| | GPU | Tegra Processor | All Other | Consolidated |
|---|---|---|---|---|
| | *(In millions)* | | | |
| **Year Ended January 27, 2019:** | | | | |
| Revenue | $ 10,175 | $ 1,541 | $ — | $ 11,716 |
| Depreciation and amortization expense | $ 197 | $ 47 | $ 18 | $ 262 |
| Operating income (loss) | $ 4,443 | $ 241 | $ (880) | $ 3,804 |
| | | | | |
| **Year Ended January 28, 2018:** | | | | |
| Revenue | $ 8,137 | $ 1,534 | $ 43 | $ 9,714 |
| Depreciation and amortization expense | $ 123 | $ 37 | $ 39 | $ 199 |
| Operating income (loss) | $ 3,507 | $ 303 | $ (600) | $ 3,210 |
| | | | | |
| **Year Ended January 29, 2017:** | | | | |
| Revenue | $ 5,822 | $ 824 | $ 264 | $ 6,910 |
| Depreciation and amortization expense | $ 116 | $ 29 | $ 42 | $ 187 |
| Operating income (loss) | $ 2,180 | $ (9) | $ (237) | $ 1,934 |

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| | *(In millions)* | | |
| **Reconciling items included in "All Other" category:** | | | |
| Unallocated revenue | $ — | $ 43 | $ 264 |
| Stock-based compensation expense | (557) | (391) | (247) |
| Unallocated cost of revenue and operating expenses | (277) | (237) | (215) |
| Legal settlement costs | (44) | — | (16) |
| Acquisition-related and other costs | (2) | (15) | (23) |
| Total | $ (880) | $ (600) | $ (237) |

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

| | Year Ended | | |
|---|---|---|---|
| | January 27, 2019 | January 28, 2018 | January 29, 2017 |
| **Revenue:** | *(In millions)* | | |

| | | | |
|---|---|---|---|
| Taiwan | $ 3,360 | $ 2,991 | $ 2,546 |
| China (including Hong Kong) | 2,801 | 1,896 | 1,305 |
| Other Asia Pacific | 2,368 | 2,066 | 1,010 |
| United States | 1,506 | 1,274 | 904 |
| Europe | 914 | 768 | 659 |
| Other countries | 767 | 719 | 486 |
| Total revenue | $ 11,716 | $ 9,714 | $ 6,910 |

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

The following table summarizes information pertaining to our revenue by each of the specialized markets we serve:

| | Year Ended | | |
|---|---|---|---|
| | **January 27, 2019** | **January 28, 2018** | **January 29, 2017** |
| **Revenue:** | | *(In millions)* | |
| Gaming | $ 6,246 | $ 5,513 | $ 4,060 |
| Professional Visualization | 1,130 | 934 | 835 |
| Datacenter | 2,932 | 1,932 | 830 |
| Automotive | 641 | 558 | 487 |
| OEM & IP | 767 | 777 | 698 |
| Total revenue | $ 11,716 | $ 9,714 | $ 6,910 |

The following table presents summarized information for long-lived assets by geographic region. Long-lived assets consist of property and equipment and deposits and other assets, and exclude goodwill and intangible assets.

| | **January 27, 2019** | **January 28, 2018** |
|---|---|---|
| **Long-lived assets:** | *(In millions)* | |
| United States | $ 1,266 | $ 928 |
| Taiwan | 137 | 58 |
| India | 44 | 40 |
| China (including Hong Kong) | 38 | 33 |
| Europe | 26 | 11 |
| Other Asia Pacific | 1 | 1 |
| Total long-lived assets | $ 1,512 | $ 1,071 |

No customer represented 10% or more of total revenue for fiscal years 2019 and 2018. In fiscal year 2017, we had one customer that represented 12% of our total revenue. The revenue was attributable to the GPU business.

Accounts receivable from significant customers, those representing 10% or more of total accounts receivable, aggregated approximately 19% of our accounts receivable balance from one customer as of January 27, 2019, and approximately 28% of our accounts receivable balance from two customers as of January 28, 2018.

## Note 17 - Quarterly Summary (Unaudited)

The following table sets forth our unaudited consolidated financial results, for the last eight fiscal quarters:

| | Fiscal Year 2019 Quarters Ended | | | |
|---|---|---|---|---|
| | January 27, 2019 | October 28, 2018 | July 29, 2018 | April 29, 2018 |
| | (In millions, except per share data) | | | |
| **Statements of Income Data:** | | | | |
| Revenue | $ 2,205 | $ 3,181 | $ 3,123 | $ 3,207 |
| Cost of revenue | $ 998 | $ 1,260 | $ 1,148 | $ 1,139 |
| Gross profit | $ 1,207 | $ 1,921 | $ 1,975 | $ 2,068 |
| Net income (1) | $ 567 | $ 1,230 | $ 1,101 | $ 1,244 |
| Net income per share (1): | | | | |
| Basic | $ 0.93 | $ 2.02 | $ 1.81 | $ 2.05 |
| Diluted | $ 0.92 | $ 1.97 | $ 1.76 | $ 1.98 |

(1) In the third and fourth quarters of fiscal year 2019, we recorded U.S. tax reform benefits of $138 million and $230 million, respectively, associated with the completion of our accounting for the enactment-date income tax effects of the TCJA. Refer to Note 13 of these Notes to the Consolidated Financial Statements for a discussion regarding the U.S. tax reform.

| | Fiscal Year 2018 Quarters Ended | | | |
|---|---|---|---|---|
| | January 28, 2018 | October 28, 2017 | July 29, 2017 | April 29, 2017 |
| | (In millions, except per share data) | | | |
| Statements of Income Data: | | | | |
| Revenue | $ 2,911 | $ 2,636 | $ 2,230 | $ 1,937 |
| Cost of revenue | $ 1,110 | $ 1,067 | $ 928 | $ 787 |
| Gross profit | $ 1,801 | $ 1,569 | $ 1,302 | $ 1,150 |
| Net income (1) | $ 1,118 | $ 838 | $ 583 | $ 507 |
| Net income per share (1): | | | | |
| Basic | $ 1.84 | $ 1.39 | $ 0.98 | $ 0.86 |
| Diluted | $ 1.78 | $ 1.33 | $ 0.92 | $ 0.79 |

(1) In the fourth quarter of fiscal year 2018, we recorded a U.S. tax reform provisional net tax benefit of $133 million associated with the one-time transition tax on our historical foreign earnings and the adjustment of deferred tax balances to the lower corporate tax rate. Refer to Note 13 of these Notes to the Consolidated Financial Statements for a discussion regarding the U.S. tax reform.

## NVIDIA CORPORATION AND SUBSIDIARIES
## SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

| Description | Balance at Beginning of Period | Additions | | Deductions | | Balance at End of Period |
|---|---|---|---|---|---|---|
| | | (In millions) | | | | |
| Fiscal year 2019 | | | | | | |
| Allowance for doubtful accounts | $ 4 | $ — | (1) | $ (2) | (1) | $ 2 |
| Sales return allowance | $ 9 | $ 21 | (2) | $ (22) | (4) | $ 8 |
| Deferred tax valuation allowance | $ 469 | $ 93 | (3) | $ — | | $ 562 |
| Fiscal year 2018 | | | | | | |
| Allowance for doubtful accounts | $ 3 | $ 1 | (1) | $ — | (1) | $ 4 |
| Sales return allowance | $ 10 | $ 15 | (2) | $ (16) | (4) | $ 9 |
| Deferred tax valuation allowance | $ 353 | $ 116 | (3) | $ — | | $ 469 |
| Fiscal year 2017 | | | | | | |
| Allowance for doubtful accounts | $ 2 | $ 1 | (1) | $ — | (1) | $ 3 |
| Sales return allowance | $ 9 | $ 9 | (2) | $ (8) | (4) | $ 10 |
| Deferred tax valuation allowance | $ 272 | $ 81 | (3) | $ — | | $ 353 |

(1) Additions represent allowance for doubtful accounts charged to expense and deductions represent amounts recorded as reduction to expense upon reassessment of allowance for doubtful accounts at period end.

(2) Represents allowance for sales returns estimated at the time revenue is recognized primarily based on historical return rates and is charged as a reduction to revenue.

(3) Represents change in valuation allowance primarily related to state and certain foreign deferred tax assets that management has determined not likely to be realized due, in part, to projections of future taxable income of the respective jurisdictions. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(4) Represents sales returns.

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## EXHIBIT INDEX

| | | Incorporated by Reference | | | |
|---|---|---|---|---|---|
| Exhibit No. | Exhibit Description | Schedule/ Form | File Number | Exhibit | Filing Date |
| 3.1 | Amended and Restated Certificate of Incorporation | S-8 | 333-74905 | 4.1 | 3/23/1999 |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 10-Q | 0-23985 | 3.1 | 8/21/2008 |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 8-K | 0-23985 | 3.1 | 5/24/2011 |
| 3.4 | Bylaws of NVIDIA Corporation, Amended and Restated as of November 29, 2016 | 8-K | 0-23985 | 3.1 | 12/1/2016 |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4 | | | | |
| 4.2 | Specimen Stock Certificate | S-1/A | 333-47495 | 4.2 | 4/24/1998 |
| 4.3 | Indenture (including the form of Notes) dated December 2, 2013 between NVIDIA Corporation and Wells Fargo Bank, National Association | 8-K | 0-23985 | 4.1 | 12/2/2013 |
| 4.4 | Form of 1.00% Convertible Senior Note due 2018 | 8-K | 0-23985 | Exhibit A to Exhibit 4.1 | 12/2/2013 |
| 4.5 | Indenture, dated as of September 16, 2016, by and between the Company and Wells Fargo Bank, National Association, as Trustee | 8-K | 0-23985 | 4.1 | 9/16/2016 |
| 4.6 | Officers' Certificate, dated as of September 16, 2016 | 8-K | 0-23985 | 4.2 | 9/16/2016 |
| 4.7 | Form of 2021 Note | 8-K | 0-23985 | Annex A to Exhibit 4.2 | 9/16/2016 |
| 4.8 | Form of 2026 Note | 8-K | 0-23985 | Annex B to Exhibit 4.2 | 9/16/2016 |
| 10.1 | Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers | 8-K | 0-23985 | 10.1 | 3/7/2006 |
| 10.2+ | Amended and Restated 2007 Equity Incentive Plan | 8-K | 0-23985 | 10.1 | 5/21/2018 |
| 10.3+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Annual Grant - Board Service (2011)) | 10-Q | 0-23985 | 10.41 | 5/27/2011 |
| 10.4+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option | 8-K | 0-23985 | 10.1 | 12/14/2011 |

| | | | | | |
|---|---|---|---|---|---|
| | (Initial Grant - Board Service (2011)) | | | | |
| 10.5+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Stock Option Grant (2012 Annual Board Retainer) | 10-Q | 0-23985 | 10.4 | 5/23/2012 |
| 10.6+ | 2007 Equity Incentive Plan - Non Statutory Stock Option | 8-K | 0-23985 | 10.2 | 9/13/2010 |
| 10.7+ | 2007 Equity Incentive Plan - Incentive Stock Option | 8-K | 0-23985 | 10.21 | 9/13/2010 |
| 10.8+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option | 10-Q | 0-23985 | 10.1 | 8/22/2012 |
| 10.9+ | Amended and Restated 2007 Equity Incentive Plan - Incentive Stock Option | 10-Q | 0-23985 | 10.2 | 8/22/2012 |

| | | | | | |
|---|---|---|---|---|---|
| 10.10+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Purchase Agreement | 10-Q | 0-23985 | 10.3 | 8/22/2012 |
| 10.11+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (with deferral option) | 10-Q | 0-23985 | 10.3 | 5/23/2012 |
| 10.12+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option (Initial Grant - Board Service) | 8-K | 0-23985 | 10.1 | 7/23/2013 |
| 10.13+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2015) | 10-K | 0-23985 | 10.25 | 3/12/2015 |
| 10.14+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.26 | 3/12/2015 |
| 10.15+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.27 | 3/12/2015 |
| 10.16+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (Initial Grant - with deferral options) | 10-Q | 0-23985 | 10.1 | 5/20/2015 |
| 10.17+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2015) | 10-Q | 0-23985 | 10.2 | 5/20/2015 |
| 10.18+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2018) | 10-Q | 0-23985 | 10.2 | 5/22/2018 |
| 10.19+* | Amended and Restated 2007 Equity Incentive Plan - Global | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2019) | | | | |
| 10.20+ | Amended and Restated 2012 Employee Stock Purchase Plan | 10-Q | 0-23985 | 10.2 | 5/21/2018 |
| 10.21+ | Fiscal Year 2018 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/13/2017 |
| 10.22+ | Fiscal Year 2019 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/13/2018 |
| 10.23+ | Offer Letter between NVIDIA Corporation and Colette Kress, dated September 13, 2013 | 8-K | 0-23985 | 10.1 | 9/16/2013 |
| 10.24+ | Offer Letter between NVIDIA Corporation and Tim Teter, dated December 16, 2016 | 8-K | 0-23985 | 10.1 | 1/19/2017 |
| 10.25 | Base Convertible Note Hedge Transaction Confirmation | 8-K | 0-23985 | 99.1 | 12/2/2013 |
| 10.26 | Additional Convertible Note Hedge Transaction Confirmation | 8-K | 0-23985 | 99.3 | 12/2/2013 |

| | | | | | |
|---|---|---|---|---|---|
| 10.27 | Credit Agreement, dated as of October 7, 2016 by and among NVIDIA Corporation, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto | 8-K | 0-23985 | 1.1 | 10/13/2016 |
| 10.28 | Form of Commercial Paper Dealer Agreement between NVIDIA Corporation, as Issuer, and the Dealer party thereto | 8-K | 0-23985 | 10.1 | 12/15/2017 |
| 21.1* | List of Registrant's Subsidiaries | | | | |
| 23.1* | Consent of PricewaterhouseCoopers LLP | | | | |
| 24.1* | Power of Attorney (included in signature page) | | | | |
| 31.1* | Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 31.2* | Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 32.1#* | Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 32.2#* | Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 | | | | |
| 101.INS* | XBRL Instance Document | | | | |
| 101.SCH* | XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document | | | | |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |

* Filed herewith.

\+ Management contract or compensatory plan or arrangement.

\# In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

Copies of above exhibits not contained herein are available to any shareholder upon written request to:
Investor Relations: NVIDIA Corporation, 2788 San Tomas Expressway, Santa Clara, CA 95051

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## SIGNATURES

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 21, 2019.**

NVIDIA Corporation

By: /s/ Jen-Hsun Huang

Jen-Hsun Huang

President and Chief Executive Officer

## POWER OF ATTORNEY

**KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jen-Hsun Huang and Colette M. Kress, and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof.**

**Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.**

| Signature | Title | Date |
|---|---|---|
| /s/ JEN-HSUN HUANG<br>Jen-Hsun Huang | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | **February 21, 2019** |
| /s/ COLETTE M. KRESS<br>Colette M. Kress | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | **February 21, 2019** |
| /s/ MICHAEL J. BYRON<br>Michael J. Byron | Vice President and Chief Accounting Officer<br>(Principal Accounting Officer) | **February 21, 2019** |
| Robert Burgess | Director | **February 21, 2019** |
| /s/ TENCH COXE<br>Tench Coxe | Director | **February 21, 2019** |
| /s/ PERSIS DRELL<br>Persis Drell | Director | **February 21, 2019** |
| /s/ JAMES C. GAITHER<br>James C. Gaither | Director | **February 21, 2019** |
| /s/ DAWN HUDSON<br>Dawn Hudson | Director | **February 21, 2019** |
| /s/ HARVEY C. JONES<br>Harvey C. Jones | Director | **February 21, 2019** |
| /s/ MICHAEL MCCAFFERY<br>Michael McCaffery | Director | **February 21, 2019** |
| /s/ MARK L. PERRY<br>Mark L. Perry | Director | **February 21, 2019** |
| /s/ A. BROOKE SEAWELL<br>A. Brooke Seawell | Director | **February 21, 2019** |
| Mark Stevens | Director | **February 21, 2019** |

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended January 28, 2018**

**OR**

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

**Commission file number: 0-23985**

nvidialogoa05.jpg

# NVIDIA CORPORATION

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **94-3177549** |
| **(State or other jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |

**2788 San Tomas Expressway**
**Santa Clara, California 95051**
**(408) 486-2000**

**(Address, including zip code, and telephone number, including area code, of principal executive offices)**
**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, $0.001 par value 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 Act. 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 (§232.405 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Non-accelerated filer ☐

| 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 Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of July 28, 2017 was approximately $94.31 billion (based on the closing sales price of the registrant's common stock as reported by the NASDAQ Global Select Market on July 28, 2017). This calculation excludes 26 million shares held by directors and executive officers of the registrant. This calculation does not exclude shares held by such organizations whose ownership exceeds 5% of the registrant's outstanding common stock that have represented to the registrant that they are registered investment advisers or investment companies registered under section 8 of the Investment Company Act of 1940.

The number of shares of common stock outstanding as of February 26, 2018 was 605 million.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2018 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III, Items 10-14 of this Annual Report on Form 10-K.

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## WHERE YOU CAN FIND MORE INFORMATION

Investors and others should note that we announce material financial information to our investors using our investor relations website, press releases, SEC filings and public conference calls and webcasts. We also use the following social media channels as a means of disclosing information about the company, our products, our planned financial and other announcements and attendance at upcoming investor and industry conferences, and other matters and for complying with our disclosure obligations under Regulation FD:

NVIDIA Twitter Account (https://twitter.com/NVIDIA)

NVIDIA Company Blog (http://blogs.nvidia.com)

NVIDIA Facebook Page (https://www.facebook.com/NVIDIA)

NVIDIA LinkedIn Page (http://www.linkedin.com/company/nvidia?trk=hb_tab_compy_id_3608)

NVIDIA Instagram Page (https://www.instagram.com/nvidia/)

NVIDIA Flipboard Page (https://flipboard.com/@NVIDIACorp)

In addition, investors and others can view NVIDIA videos on YouTube.

The information we post through these social media channels may be deemed material. Accordingly, investors should monitor these accounts and the blog, in addition to following our press releases, SEC filings and public conference calls and webcasts. This list may be updated from time to time. The information we post through these channels is not a part of this Annual Report on Form 10-K. These channels may be updated from time to time on NVIDIA's investor relations website.

## Forward-Looking Statements

*This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. We discuss many of these risks, uncertainties and other factors in this Annual Report on Form 10-K in greater detail under the heading "Risk Factors." Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this filing. You should read this Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify our forward-looking statements by these cautionary statements. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.*

*All references to “NVIDIA,” “we,” “us,” “our” or the “Company” mean NVIDIA Corporation and its subsidiaries, except where it is made clear that the term means only the parent company.*

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# PART I

## ITEM 1. BUSINESS

### Our Company

Starting with a focus on PC graphics, NVIDIA invented the graphics processing unit, or GPU, to solve some of the most complex problems in computer science. We have extended our focus in recent years to the revolutionary field of artificial intelligence, or AI. Fueled by the sustained demand for better 3D graphics and the scale of the gaming market, NVIDIA has evolved the GPU into a computer brain at the intersection of virtual reality, or VR, high performance computing, or HPC, and AI.

The GPU was initially used to simulate human imagination, enabling the virtual worlds of video games and films. Today, it also simulates human intelligence, enabling a deeper understanding of the physical world. Its parallel processing capabilities, supported by up to thousands of computing cores, are essential to running deep learning algorithms. This form of AI, in which software writes itself by learning from data, can serve as the brain of computers, robots and self-driving cars that can perceive and understand the world. GPU-powered deep learning is being rapidly adopted by thousands of enterprises to deliver services and features that would have been impossible with traditional coding.

NVIDIA has a platform strategy, bringing together hardware, system software, programmable algorithms, libraries, systems, and services to create unique value for the markets we serve. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and Compute Unified Device Architecture, or CUDA, as the fundamental building blocks. The programmable nature of our architecture allows us to support several multi-billion dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. The large and growing number of developers for each of our platforms strengthens our ecosystem and increases the value of our platform to our customers.

Innovation is at our core. We have invested over $15 billion in research and development since our inception, yielding inventions that are essential to modern computing. Our invention of the GPU in 1999 defined modern computer graphics and established NVIDIA as the leader in visual computing. With our introduction of the CUDA programming model in 2006, we opened the parallel processing capabilities of the GPU for general purpose computing. This approach significantly accelerates the performance of the most demanding applications in HPC in fields such as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. Today, GPUs power the fastest supercomputers across the world. In addition, the massively parallel compute architecture of our GPUs and associated software have proven to be well suited for deep learning, an approach we believe will power the era of AI. As the laws of physics have begun to slow down Moore’s Law, we continue to deliver GPU performance improvements ahead of Moore’s Law, giving the industry a path forward.

Gamers choose NVIDIA GPUs to enjoy immersive, increasingly cinematic virtual worlds. GPUs also help underpin the world’s fastest growing spectator sport, eSports, which attracts hundreds of millions of viewers to watch top-quality gaming. More than 100 million people participate in MOBA - multiplayer online battle area - games, which are powered by GPUs.

Researchers use our GPUs to accelerate a wide range of important applications, from simulating viruses to exploring the origins of the universe. With support for more than 500 applications - including the top 15 HPC applications - NVIDIA GPUs enable some of the most promising areas of discovery, from weather prediction to materials science and from wind tunnel simulation to genomics. In 2017, NVIDIA's GPU computing supported the Nobel Prize-winning discoveries in physics and chemistry.

The world's leading cloud service providers use our GPUs to enable, accelerate or enrich the services they deliver to billions of end-users, including search, social networking, online shopping, live video, translation, AI assistants, navigation, and cloud computing.

A rapidly growing number of enterprises and startups use our GPUs to facilitate deep learning that meets, and in several cases surpasses, human perception, in fields ranging from radiology to precision agriculture. For example, the transportation industry is turning to our GPUs and AI to enable autonomous vehicles, or AVs, with more than 320 companies and organizations working with NVIDIA's DRIVE platform.

Professional designers use our GPUs to create visual effects in movies and design products ranging from soft drink bottles to commercial aircraft.

While our GPU and CUDA architecture is unified, our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for consoles and mobile gaming and entertainment devices.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

## Our Businesses

Our two reportable segments - GPU and Tegra Processor - are based on a single underlying architecture.

| | |
|---|---|
| **GPU** | ▪ **GeForce** for PC gaming and mainstream PCs<br>▪ **GeForce NOW** for cloud-based game-streaming service<br>▪ **Quadro** for design professionals working in computer-aided design, video editing, special effects, and other creative applications<br>▪ **Tesla** for AI utilizing deep learning and accelerated computing, leveraging the parallel computing capabilities of GPUs for general purpose computing<br>▪ **GRID** to provide the power of NVIDIA graphics through the cloud and datacenters<br>▪ **DGX** for AI scientists, researchers and developers<br>▪ Cryptocurrency-specific GPUs |
| **Tegra Processor** | ▪ **Tegra** processors are primarily designed to enable branded platforms - DRIVE and SHIELD<br>▪ **DRIVE** automotive supercomputers and software stacks that provide self-driving capabilities<br>▪ **SHIELD** devices and services designed to harness the power of mobile-cloud to revolutionize home entertainment, AI and gaming<br>▪ **Jetson TX 2** is a power-efficient AI computing platform for embedded use |

## Our Markets

We specialize in markets in which GPU-based visual computing and accelerated computing platforms can provide tremendous throughput for applications. These platforms incorporate processors, systems software, programmable algorithms, systems, and services to deliver value that is unique in the marketplace. From our proprietary processors, we have created platforms that address four large markets where our expertise is critical: Gaming, Professional Visualization, Datacenter, and Automotive.

### Gaming

Computer gaming is the largest entertainment industry. Many factors propel computer gaming’s growth, including new high production value games and franchises, the rise of competitive online gaming, eSports, and the rise of virtual and augmented reality.

Our GPUs enhance the gaming experience by improving the visual quality of graphics, increasing the frame rate for smoother gameplay and improving realism by incorporating the behavior of light and physical objects. These can be enjoyed independently or together to extend the gaming experience across platforms.

Our gaming platforms utilize sophisticated 3D software and algorithms, including our GameWorks libraries that provide special effects for games. These enable us to deliver realism and immersion, even when playing games remotely from the cloud. We further enhance gaming with GeForce Experience, our gaming application that optimizes the PC user's settings for each title and enables players to record and share gameplay. It has been downloaded by more than 90 million users.

To enable VR, we provide developers with a suite of software libraries called VRWorks. VRWorks allows developers to create fully immersive experiences by enabling physically realistic visuals, sound, touch interactions, and simulated environments. VR requires advanced high-performance GPUs as the engine to simulate complete immersion.

Our products for the gaming market include GeForce GTX GPUs for PC gaming, SHIELD devices for gaming and streaming, GeForce NOW for cloud-based gaming, as well as platforms and development services for specialized console gaming devices.

### Professional Visualization

We serve the Professional Visualization market by working closely with independent software vendors to optimize their offerings for NVIDIA GPUs. Our GPU computing solutions enhance productivity and introduce new capabilities for critical parts of the workflow for such major industries as automotive, media and entertainment, architectural engineering, oil and gas, and medical imaging.

Designers who build the products we use every day need the images that they view digitally to mirror reality. This requires simulating the physical behavior of light and materials, or physically-based rendering, an emerging trend in professional design. Our DesignWorks software delivers this to designers and enables an architect designing a building with a computer-aided design package to interact with the model in real time, view it in greater detail, and generate photorealistic renderings for the client. It also allows an automotive designer to create a highly realistic 3D image of a car, which can be viewed from all angles, reducing reliance on costly, time-consuming full-scale clay models.

Just as VR is becoming more important in gaming, it is also being incorporated in a growing number of enterprise applications, including within medicine, architecture, product design, and retail. Virtual car showrooms, surgical training, architectural walkthroughs, and bringing historical scenes to life all deploy this technology, powered by our GPUs.

Visual computing is vital to productivity in many environments, including design and manufacturing and digital content creation. Design and manufacturing includes computer-aided design, architectural design, consumer-products manufacturing, medical instrumentation, and aerospace. Digital content creation includes professional video editing and post production, special effects for films, and broadcast-television graphics.

Our brand for this market is Quadro for workstations. Quadro GPUs enhance the productivity of designers by improving performance and adding functionality, such as photorealistic rendering, high color fidelity, and advanced scalable display capabilities. During fiscal year 2018, we also introduced Holodeck, a photorealistic, collaborative VR environment that allows creators and designers to import high-fidelity, full-resolution models into VR and leverage physics simulation to make design decisions easier and faster.

### Datacenter

The NVIDIA accelerated computing platform addresses AI, in which systems learn using unstructured data, and HPC, in which it speeds work toward reaching answers for more narrowly defined problems. The platform consists of our energy efficient GPUs, our CUDA programming language, specific libraries such as cuDNN and TensorRT, and innovations such as NVLink, which enables application scalability across multiple GPUs.

Deep learning is a new AI computer model where neural networks are trained to recognize patterns from massive amounts of data in the form of images, sounds and text - in some instances better than humans. It also greatly increases the performance and power efficiency of high-performance computers and datacenter systems. GPUs excel at parallel workloads, speeding applications by 10-75x compared with CPUs, reducing each of the many data training iterations from weeks to days. In the past year alone, GPUs have sped up training of deep neural networks for AI by as much as 12x.

We are engaged with thousands of organizations working on AI in a multitude of industries, from automating tasks such as reading medical images, to enabling fraud detection in financial services, to optimizing oil exploration and drilling. These organizations include the world’s leading cloud services companies such as Amazon, Baidu, and Facebook, which are infusing AI in applications that enable highly accurate voice recognition and real-time translation; enterprises that are increasingly turning to AI to improve products and services; and startups seeking to implement AI in disruptive ways across multiple industries. We have partnered with industry leaders such as IBM, Microsoft, and SAP to bring AI to enterprise users. We also have partnerships in healthcare and manufacturing, among others, to accelerate the adoption of AI.

To enable deep learning, we provide a family of GPUs designed to speed up training and inferencing of neural networks. They are available in industry standard servers from every major computer maker worldwide, including Cisco, Dell, HP, Inspur, and Lenovo; from every major cloud service provider such as Alicloud, Amazon Web Services, Baidu Cloud, Google Cloud, IBM Cloud, Microsoft Azure, and Oracle Cloud; as well as in our DGX AI supercomputer, a purpose-built system for deep learning and GPU accelerated applications. DGX delivers performance equal to hundreds of conventional servers, comes fully integrated with hardware, deep learning software, development tools, support for existing AI frameworks, and runs popular accelerated applications. We also offer the NVIDIA GPU Cloud, or NGC, a cloud-based service for AI developers that provides comprehensive, easy-to-use, optimized deep learning software stacks. With NGC, AI developers can get started with deep learning development and deploy it with NVIDIA's cloud partners such as Amazon.

GPUs also increase the speed of applications used in such fields as aerospace, bio-science research, mechanical and fluid simulations, and energy exploration. They have already had a significant impact on scientific discovery, including improving heart surgery, mapping human genome folds, seismic modeling, and weather simulations.

Accelerated computing is recognized as the path forward for computing amid the slowing of Moore’s Law. The proportion of supercomputers utilizing accelerators has grown sharply over the past five years, now accounting for a significant proportion of both the total systems on the TOP500 list, which ranks the 500 most powerful commercially available computer systems, and the list’s total floating-point operations per second. Tesla GPU accelerators power many of the world’s fastest supercomputers, including the U.S. Department of Energy’s next generation of supercomputers, Summit and Sierra, at Oak Ridge and Lawrence Livermore National Laboratories, and Japan’s ABCI supercomputer.

We also serve the datacenter market with GRID for virtualized graphics. GRID makes it possible to run graphics-intensive applications remotely on a server in the datacenter. Applications include accelerating virtual desktop infrastructures and delivering graphics-intensive applications from the cloud for industries such as manufacturing, healthcare, and educational institutions, among others.

### Automotive

NVIDIA’s Automotive market is comprised of infotainment solutions, advanced driver assistance systems, and AV opportunities. Leveraging our technology leadership in AI and building on its long-standing automotive relationships, we are delivering a full solution for the AV market under the DRIVE brand. NVIDIA has demonstrated multiple applications of AI within the car. AI can drive the car itself as a pilot, in either partial or fully autonomous mode. AI can also be a co-pilot, assisting the human driver in creating a safer driving experience.

NVIDIA is working with over 320 automakers, tier-one suppliers, automotive research institutions, HD mapping companies, and startups to develop and deploy AI systems for self-driving vehicles. Our unified AI computing architecture starts with mapping and training deep neural networks using our Tesla GPUs, and then running them within the vehicle on the NVIDIA DRIVE AI car computing platform. This end-to-end approach leverages NVIDIA DriveWorks software and allows cars to receive over-the-air updates to add new features and capabilities throughout the life of a vehicle.

DRIVE PX can understand in real-time what's happening around the vehicle, precisely locate itself on an HD map, and plan a safe path forward. This advanced self-driving car platform combines deep learning, sensor fusion, and surround vision to change the driving experience. Our DRIVE PX platform scales from a palm-sized, energy-efficient module for AutoCruise automated highway-driving capabilities to a configuration with multiple systems aimed at enabling driverless cars. A new single-processor configuration of DRIVE PX enables vehicles to use deep neural networks to process data from multiple cameras and sensors.

## Business Strategies

NVIDIA’s key strategies that shape our overall business approach include:

**Advancing the GPU computing platform.** The massive parallel processing capabilities of NVIDIA GPUs can solve complex problems in significantly less time and with lower power consumption than alternative computational approaches. Indeed, GPUs can help solve problems that were previously deemed unsolvable. We work to deliver continued GPU performance leaps that outpace Moore’s Law by leveraging innovation across the architecture, chip design, system, and software layers. Our strategy is to target markets where GPUs deliver order-of-magnitude performance advantages relative to legacy approaches. Our target markets so far include gaming, professional visualization, datacenter, and automotive. While the requirements of these end markets are diverse, we address them with a unified underlying architecture leveraging our GPUs and CUDA as the fundamental building blocks. The programmable nature of our architecture allows us to make leveraged investments in R&D: we can support several multi-billion dollar end markets with the same underlying technology by using a variety of software stacks developed either internally or by third party developers and partners. We utilize this platform approach in each of our target markets.

**Extending our technology and platform leadership in AI.** Deep learning is fundamental to the evolution of AI. We provide a complete, end-to-end GPU computing platform for deep learning, addressing both training and inferencing. This includes GPUs, our CUDA programming language, algorithms, libraries, and system software. GPUs are uniquely suited to AI, and we will continue to add AI-specific features to our GPU architecture to further extend our leadership position. Our AI technology leadership is reinforced by our large and expanding ecosystem in a virtuous cycle. Our GPU platforms are available from virtually every major server maker and cloud service provider, as well as on our own AI supercomputer. There are over 700,000 CUDA developers worldwide who write programs using CUDA to help deploy our technology in our target markets. We evangelize AI through partnerships with hundreds of universities and more than 2,000 startups through our Inception program. Additionally, our Deep Learning Institute provides instruction on the latest techniques on how to design, train, and deploy neural network-powered machine learning in applications. It covers widely used open-source frameworks and NVIDIA's latest GPU-accelerated deep learning platforms.

**Extending our technology and platform leadership in visual computing.** We believe that visual computing is fundamental to the continued expansion and evolution of computing. We apply our research and development resources to extending our leadership in visual computing, enabling us to enhance the user experience for consumer entertainment and professional visualization applications. Our technologies are instrumental in driving gaming forward, as developers leverage our libraries and algorithms to create near-cinematic and VR experiences. Our close collaboration with game developers allows us to deliver an optimized gaming experience on our GeForce platform. Our GeForce Experience gaming application further enhances each gamer's experience by optimizing their PC's settings, as well as enabling the recording and sharing of gameplay. We also enable interactive graphics applications - such as games, movie and photo editing and design software - to be accessed by almost any device, almost anywhere, through our cloud platforms such as GRID for enterprise and GeForce NOW for gaming.

**Advancing the leading autonomous vehicle platform.** We believe the advent of AV will soon revolutionize the transportation industry. In our view, AI is the key technology enabler of this opportunity, as the algorithms required for autonomous driving - such as perception, localization, and planning - are too complex for legacy hand-coded approaches, and will run on multiple trained neural networks instead. Therefore, we have provided a full functionally safe AI-based hardware and software solution for the AV market under the DRIVE brand, which we are bringing to market through our partnerships with automotive original equipment manufacturers, or OEMs, tier-1 suppliers, and start-ups. Our AV solution also includes the GPU-based hardware required to train the neural networks before their in-vehicle deployment, as well as to re-simulate their operation prior to any over-the-air software updates. We believe our comprehensive, top-to-bottom and end-to-end approach will enable the transportation industry to solve the complex problems arising from the shift to autonomous driving.

**Leveraging our intellectual property.** We believe our intellectual property is a valuable asset that can be accessed by our customers and partners through licenses and development agreements when they desire to build such capabilities directly into their own products, or have us do so through a custom development. Such license and development arrangements can further enhance the reach of our technology.

## Sales and Marketing

Our sales strategy involves working with end customers and various industry ecosystems through our partner network. Our worldwide sales and marketing strategy is key to achieving our objective of providing markets with our high-performance and efficient GPU and embedded system-on-a-chip, or SOC, platforms. Our sales and marketing teams, located across our global markets, work closely with end customers in each industry. Our partner network incorporates each industry's respective OEMs, original device manufacturers, or ODMs, system builders, add-in board manufacturers, or AIBs, retailers/ distributors, internet and cloud service providers, automotive manufacturers and tier-1 automotive suppliers, mapping companies, start-ups, and other ecosystem participants.

Members of our sales team have technical expertise and product and industry knowledge. We also employ a team of application engineers to assist our partner network in designing, testing, and qualifying system designs that incorporate our platforms. We believe that the depth and quality of our design support are key to improving our partner network's time-to-market, maintaining a high level of customer satisfaction, and fostering relationships that encourage our end customers and partner network to use the next generation of our products within each platform.

To encourage the development of applications optimized for our GPUs, we seek to establish and maintain strong relationships in the software development community. Engineering and marketing personnel engage with key software developers to promote and discuss our platforms, as well as to ascertain individual product requirements and solve technical problems. Our developer program makes our products available to developers prior to launch in order to encourage the development of AI frameworks, SDKs, and APIs for software applications and game titles that are optimized for our platforms. Our Deep Learning Institute provides in-person and online training for developers in industries and organizations around the world to build AI and accelerated computing applications that leverage our GPU and CUDA platforms. We now have over 700,000 registered developers across our platforms, including accelerated computing, gaming, deep learning, autonomous machines, and others.

As NVIDIA’s business has evolved from a focus primarily on gaming products to broader markets, and from chips to platforms and complete systems, so, too, have our avenues to market. Thus, in addition to sales to customers in our partner network, certain of our platforms are also sold through e-tail channels, or direct to cloud service providers and enterprise customers.

### Backlog

Our sales are primarily made pursuant to standard purchase orders. The quantity of products purchased by our customers as well as our shipment schedules are subject to revisions that reflect changes in both the customers' requirements and in manufacturing availability. Our industry is characterized by relatively short lead time orders and delivery schedules, thus, we believe that only a small portion of our backlog is non-cancelable and that the dollar amount associated with the non-cancelable portion is not significant.

### Seasonality

Our GPU and Tegra processor platforms serve many markets from consumer PC gaming to enterprise workstations to government and cloud service provider datacenters, although a majority of our revenue stems from the consumer industry. Our consumer products have typically seen stronger revenue in the second half of our fiscal year. However, there can be no assurance that this trend will continue.

### Manufacturing

We do not directly manufacture semiconductors used for our products. Instead, we utilize a fabless manufacturing strategy, whereby we employ world-class suppliers for all phases of the manufacturing process, including wafer fabrication, assembly, testing, and packaging. This strategy uses the expertise of industry-leading suppliers that are certified by the International Organization for Standardization in such areas as fabrication, assembly, quality control and assurance, reliability, and testing. Additionally, we can avoid many of the significant costs and risks associated with owning and operating manufacturing operations. While we may directly procure certain raw materials used in the production of our products, such as substrates and a variety of components, our suppliers are responsible for procurement of the majority of the raw materials used in the production of our products. As a result, we can focus our resources on product design, additional quality assurance, marketing, and customer support.

We utilize industry-leading suppliers, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd, to produce our semiconductor wafers. We then utilize independent subcontractors, such as Advanced Semiconductor Engineering, Inc., BYD Auto Co. Ltd., Hon Hai Precision Industry Co., Ltd., JSI Logistics Ltd., King Yuan Electronics Co., Ltd., and Siliconware Precision Industries Company Ltd. to perform assembly, testing, and packaging of most of our products and platforms. We purchase substrates from IbidenCo. Ltd., Nanya Technology Corporation, and Unimicron Technology Corporation, and memory from Micron Technology, Samsung Semiconductor, Inc., and SK Hynix.

We typically receive semiconductor products from our subcontractors, perform incoming quality assurance, and then ship the semiconductors to contract equipment manufacturers, or CEMs, distributors, motherboard and AIB customers from our third-party warehouse in Hong Kong. Generally, these manufacturers assemble and test the boards based on our design kit and test specifications, and then ship our products to retailers, system builders, or OEMs as motherboard and AIB solutions.

We also utilize industry-leading contract manufacturers, or CMs, such as BYD and Quanta Computer, to manufacture some of our products for sale directly to end customers. In those cases, key elements such as the GPU, SOC and memory are often consigned by us to the CMs, who are responsible for the procurement of other components used in the production process.

### Working Capital

We focus considerable attention on managing our inventories and other working-capital-related items. We manage inventories by communicating with our customers and partners and then using our industry experience to forecast demand on a platform-by-platform basis. We then place manufacturing orders for our products that are based on forecasted demand. We generally maintain substantial inventories of our products because the semiconductor industry is characterized by short lead time orders and quick delivery schedules. A substantial amount of our inventories is maintained as semi-finished products that can be leveraged across a wide range of our processors to balance our customer demands.

Our existing cash and marketable securities balances increased by 5% to $7.11 billion at the end of fiscal year 2018 compared with the end of fiscal year 2017.

### Research and Development

We believe that the continued introduction of new and enhanced products designed to deliver leading accelerated computing technology is essential to our future success. Our research and development strategy is focused on a unified hardware and software architecture. Our products take years to design and bring to market, and we concurrently develop multiple generations of our architecture. Our research and development efforts include software engineering, including efforts related to the development of our CUDA platform, hardware engineering related to our GPUs, Tegra processors, and systems, very large scale integration design engineering, process engineering, architecture and algorithms.

As of January 28, 2018, we had 8,191 full-time employees engaged in research and development. During fiscal years 2018, 2017 and 2016, we incurred research and development expenses of $1.80 billion, $1.46 billion, and $1.33 billion, respectively.

## Competition

The market for our products is intensely competitive and is characterized by rapid technological change and evolving industry standards. We believe that the principal competitive factors in this market are performance, breadth of product offerings, access to customers and partners and distribution channels, software support, conformity to industry standard Application Programming Interfaces, manufacturing capabilities, processor pricing, and total system costs. We believe that our ability to remain competitive will depend on how well we are able to anticipate the features and functions that customers and partners will demand and whether we are able to deliver consistent volumes of our products at acceptable levels of quality and at competitive prices. We expect competition to increase from both existing competitors and new market entrants with products that may be less costly than ours, or may provide better performance or additional features not provided by our products. In addition, it is possible that new competitors or alliances among competitors could emerge and acquire significant market share.

A significant source of competition comes from companies that provide or intend to provide GPUs, embedded SOCs, and accelerated and AI computing processor products. Some of our competitors may have greater marketing, financial, distribution and manufacturing resources than we do and may be more able to adapt to customer or technological changes.

Our current competitors include:

- suppliers or licensors of discrete and integrated GPUs and accelerated computing solutions, including chipsets that incorporate 3D graphics, or HPC or accelerated computing functionality as part of their solutions or platforms, such as Advanced Micro Devices, or AMD, ARM Holdings plc, Imagination Technologies Group plc, Intel Corporation, or Intel, and Xilinx, Inc.; and
- suppliers of SOC products that are embedded into automobiles, autonomous machines, and smart devices such as televisions, monitors, set-top boxes, and gaming devices, such as Ambarella, Inc., AMD, Broadcom Ltd., Intel, Qualcomm Incorporated, Renesas Electronics Corporation, Samsung, and Texas Instruments Incorporated.

## Patents and Proprietary Rights

We rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, and licensing arrangements to protect our intellectual property in the United States and internationally. Our currently issued patents have expiration dates from April 2018 to January 2037. We have numerous patents issued, allowed, and pending in the United States and in foreign jurisdictions. Our patents and pending patent applications primarily relate to our products and the technology used in connection with our products. We also rely on international treaties, organizations, and foreign laws to protect our intellectual property. The laws of certain foreign countries in which our products are or may be manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as the laws of the United States. This decreased protection makes the possibility of piracy of our technology and products more likely. We continuously assess whether and where to seek formal protection for particular innovations and technologies based on such factors as:

- the location in which our products are manufactured;

- our strategic technology or product directions in different countries;
- the degree to which intellectual property laws exist and are meaningfully enforced in different jurisdictions; and
- the commercial significance of our operations and our competitors' operations in particular countries and regions.

We have also licensed technology from third parties for incorporation in some of our products and for defensive reasons, and expect to continue to enter into such license agreements.

### Employees

As of January 28, 2018, we had 11,528 employees, 8,191 of whom were engaged in research and development and 3,337 of whom were engaged in sales, marketing, operations, and administrative positions.

### Environmental Regulatory Compliance

To date, we have not incurred significant expenses related to environmental regulatory compliance matters.

### Financial Information by Reporting Segment and Geographic Data

The information included in Note 16 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, including financial information by reportable segment and revenue and long-lived assets by

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geographic region, is hereby incorporated by reference. For additional detail regarding the risks attendant to our foreign operations see "Item 1A. Risk Factors - Risks Related to Our Business, Industry and Partners - *We are subject to risks and uncertainties associated with international operations, which may harm our business.*"

## Executive Officers of the Registrant

The following sets forth certain information regarding our executive officers, their ages and positions as of February 26, 2018:

| Name | Age | Position |
|---|---|---|
| Jen-Hsun Huang | 55 | President, Chief Executive Officer and Director |
| Colette M. Kress | 50 | Executive Vice President and Chief Financial Officer |
| Ajay K. Puri | 63 | Executive Vice President, Worldwide Field Operations |
| Debora Shoquist | 63 | Executive Vice President, Operations |
| Timothy S. Teter | 51 | Executive Vice President, General Counsel and Secretary |

**Jen-Hsun Huang** co-founded NVIDIA in 1993 and has served as our President, Chief Executive Officer and a member of the Board of Directors since our inception. From 1985 to 1993, Mr. Huang was employed at LSI Logic Corporation, a computer chip manufacturer, where he held a variety of positions including as Director of Coreware, the business unit responsible for LSI's SOC. From 1983 to 1985, Mr. Huang was a microprocessor designer for Advanced Micro Devices, Inc., a semiconductor company. Mr. Huang holds a B.S.E.E. degree from Oregon State University and an M.S.E.E. degree from Stanford University.

**Colette M. Kress** joined NVIDIA in 2013 as Executive Vice President and Chief Financial Officer. Prior to NVIDIA, Ms. Kress most recently served as Senior Vice President and Chief Financial Officer of the Business Technology and Operations Finance organization at Cisco Systems, Inc., a networking equipment company, since 2010. At Cisco, Ms. Kress was responsible for financial strategy, planning, reporting and business development for all business segments, engineering and operations. From 1997 to 2010 Ms. Kress held a variety of positions at Microsoft Corporation, a software company, including, beginning in 2006, Chief Financial Officer of the Server and Tools division, where Ms. Kress was responsible for financial strategy, planning, reporting and business development for the division. Prior to joining Microsoft, Ms. Kress spent eight years at Texas Instruments Incorporated, a semiconductor company, where she held a variety of finance positions. Ms. Kress holds a B.S. degree in Finance from University of Arizona and an M.B.A. degree from Southern Methodist University.

**Ajay K. Puri** joined NVIDIA in 2005 as Senior Vice President, Worldwide Sales and became Executive Vice President, Worldwide Field Operations in 2009. Prior to NVIDIA, he held positions in sales, marketing, and general management over a 22-year career at Sun Microsystems, Inc., a computing systems company. Mr. Puri previously held marketing, management consulting, and product development positions at Hewlett-Packard Company, an information technology company, Booz Allen Hamilton Inc., a management and technology consulting company, and Texas Instruments Incorporated. Mr. Puri holds a B.S.E.E. degree from the University of Minnesota, an M.S.E.E. degree from the California Institute of Technology and an M.B.A. degree from Harvard Business School.

**Debora Shoquist** joined NVIDIA in 2007 as Senior Vice President of Operations and in 2009 became Executive Vice President of Operations. Her role has since expanded with responsibility added for Facilities in 2013, and for Information Technology in 2015. Prior to NVIDIA, Ms. Shoquist served from 2004 to 2007 as Executive Vice President of Operations at JDS Uniphase Corp., a provider of communications test and measurement solutions and optical products for the telecommunications industry. She served from 2002 to 2004 as Senior Vice President and General Manager of the Electro-Optics business at Coherent, Inc., a manufacturer of commercial and scientific laser equipment. Previously, she worked at Quantum Corp., a data protection company, as President of the Personal Computer Hard Disk Drive Division, and at Hewlett-Packard Corp. Ms. Shoquist holds a B.S. degree in Electrical Engineering from Kansas State University and a B.S. degree in Biology from Santa Clara University.

**Timothy S. Teter** joined NVIDIA in 2017 as Senior Vice President, General Counsel and Secretary and became Executive Vice President, General Counsel and Secretary in February 2018. Prior to NVIDIA, Mr. Teter spent more than two decades at the law firm of Cooley LLP. He was most recently a partner at Cooley, where he focused on litigating patent and technology related matters. Prior to attending law school, he worked as an engineer at Lockheed Missiles and Space Company. Mr. Teter holds a B.S. degree in Mechanical Engineering from the University of California at Davis and a J.D. degree from Stanford Law School.

### Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, are available free of charge on or through our web site, *http://www.nvidia.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or the SEC. Our web site and the information on it or connected to it are not a part of this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

*In evaluating NVIDIA and our business, the following factors should be considered in addition to the other information in this Annual Report on Form 10-K. Before you buy our common stock, you should know that making such an investment involves risks including, but not limited to, the risks described below. Any one of the following risks could harm our business, financial condition, results of operations or reputation, which could cause our stock price to decline, and you may lose all or a part of your investment. Additional risks, trends and uncertainties not presently known to us or that we currently believe are immaterial may also harm our business, financial condition, results of operations or reputation.*

### Risks Related to Our Business, Industry and Partners

**If we fail to meet the evolving needs of our markets, or identify new products, services or technologies, our revenue and financial results may be adversely impacted.**

We have created GPU-based visual and accelerated computing platforms that address four large markets: Gaming, Professional Visualization, Datacenter, and Automotive. These markets often experience rapid technological change, changes in customer requirements, new product introductions and enhancements, and evolving industry standards. Our success depends on our ability to identify these emerging industry changes and to develop new (or enhance our existing) products, services and technologies that meet the evolving needs of these markets. Such activities may require considerable technical, financial, compliance, sales and marketing investments. We currently devote significant resources to the development of technologies and business offerings in markets where we have a limited operating history, such as the automotive and datacenter markets, which presents additional risks to our business. We must also continue to develop the infrastructure needed to appropriately scale our business in these areas, including customer service and customer support. We also must meet customer safety and compliance standards, which are subject to change. Additionally, we continue to make considerable investments in research and development, which may not produce significant revenue for several years, if at all. If our investments are unsuccessful and we fail to develop new products, services and technologies, or if we focus on technologies that do not become widely adopted, our business, revenue, financial condition and results of operations could be adversely affected. We cannot assure you that our strategic direction will result in innovative products and technologies that provide value to our customers, partners and ultimately, our shareholders. If we fail to anticipate the changing needs of our target markets and emerging technology trends, or if we do not appropriately adapt that strategy as market conditions evolve, in a timely manner to exploit potential market opportunities, our business will be harmed.

**Competition in our current and target markets could prevent us from growing our revenue.**

Our target markets remain extremely competitive, and we expect competition to intensify as current competitors expand their product and/or service offerings, industry standards continue to evolve, customer needs change and new competitors enter these markets. Our competitors' products, services and technologies may be less costly, or may offer superior functionality or better features, than ours, which may result, among other things, in lower than expected selling prices for our products. In addition, some of our competitors operate and maintain their own fabrication facilities, have longer operating histories, larger customer bases, more comprehensive intellectual property, or IP, portfolios and patent protections, and greater financial, sales, marketing and distribution resources than we do. These competitors may be able to more effectively identify and capitalize upon opportunities in new markets and end user customer trends, quickly transition their products, including semiconductor products, to increasingly smaller line width geometries, and obtain sufficient foundry capacity and packaging materials, which could harm our business. If we are unable to successfully compete in our target markets, respond to changes in our target markets or introduce new offerings to meet the needs of this competitive environment, including in significant international markets such as China, demand for our products, services and technologies could decrease, which would cause our revenue to decline and cause our results of operations to suffer. In addition, the competitive landscape in our target markets has changed and may continue to evolve due to a trend toward consolidation, which could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

**System security and data protection breaches, as well as cyber-attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which could adversely affect our stock price and damage our reputation.**

Security breaches, computer malware and cyber-attacks have become more prevalent and sophisticated in recent years. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These attacks have occurred on our systems in the past and are expected to occur in the future. Experienced computer programmers, hackers and employees may penetrate our security controls and misappropriate or compromise our confidential information, or that of our employees or third parties. These attacks may create system disruptions or cause shutdowns. These hackers may also develop and deploy viruses, worms and other malicious software programs that attack or otherwise exploit security vulnerabilities in our products, including consumer and automotive products, where we utilize over-the-air updates to improve functionality over time. For portions of our IT infrastructure, including business management and communication software products, we rely on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may impact our systems. Data security breaches may also result from non-technical means, such as actions by an employee with access to our systems. To defend against security threats, both to our internal systems and those of our customers, we must continuously engineer more secure products and enhance security and reliability features, which may result in increased expenses.

Actual or perceived breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our partners, our customers or third parties could expose us and the parties affected to a risk of loss or misuse of this information, resulting in litigation and potential liability, paying damages, regulatory inquiries or actions, damage to our brand and reputation or other harm to our business. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions could adversely affect our financial results, stock price and reputation.

**If our products contain significant defects, we could incur significant expenses to remediate such defects, our reputation could be damaged, and we could lose market share.**

Our products are complex and may contain defects or security vulnerabilities, or experience failures or unsatisfactory performance due to any number of issues in design, fabrication, packaging, materials and/or use within a system. These risks may increase as our products are introduced into new devices, markets, technologies and applications, including into the automotive market, or as new versions are released. Some errors in our products or services may only be discovered after a product or service has been shipped or used by customers or the end users of such product. Undiscovered vulnerabilities in our products or services could expose our customers or end users to hackers or other unscrupulous third parties who develop and deploy viruses, worms and other malicious software programs that could attack our products or services. Failure of our products to perform to specifications, or other product defects, could lead to substantial damage to the products we sell directly to customers, the end product in which our device has been integrated by OEMs, ODMs, AIBs and Tier 1 automotive suppliers, and to the user of such end product. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write off the value of related inventory, cause us to lose market share, and divert the attention of our engineering personnel from our product development efforts to find and correct the issue. In addition, an error or defect in new products or releases or related software drivers after commencement of commercial shipments could result in failure to achieve market acceptance or loss of design wins, harm our relationships with customers and partners and harm consumers' perceptions of our brand. Also, we may be required to reimburse our customers, partners or consumers, including costs to repair or replace products in the field. A product recall, including automotive recalls or a recall due to a bug in our products, or a significant number of product returns could be expensive, damage our reputation, harm our ability to attract new customers, result in the shifting of business to our competitors and result in litigation against us, such as product liability suits. If a product liability claim is brought against us, the cost of defending the claim could be significant and would divert the efforts of our technical and management personnel, and harm our business. Further, our business liability insurance may be inadequate or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results.

**We depend on third parties and their technology to manufacture, assemble, test and/or package our products, which reduces our control over product quantity and quality, manufacturing yields, development, enhancement and product delivery schedule and could harm our business.**

We do not manufacture the silicon wafers used for our GPUs and Tegra processors and do not own or operate a wafer fabrication facility. Instead, we are dependent on industry-leading foundries, such as Taiwan Semiconductor Manufacturing Company Limited and Samsung Electronics Co. Ltd., to manufacture our semiconductor wafers using their fabrication equipment and techniques. Similarly, we do not directly assemble, test or package our products, but instead rely on independent subcontractors. We do not have long-term commitment contracts with these foundries or subcontractors. As a result, we face several significant risks which could have an adverse effect on our ability to meet customer demand and/or negatively impact our business operations, gross margin, revenue and/or financial results, including:

- a lack of guaranteed supply of wafers and other components and potential higher wafer and component prices due to supply constraints;

- a failure by our foundries to procure raw materials or to provide or allocate adequate or any manufacturing or test capacity for our products;

- a failure to develop, obtain or successfully implement high quality, leading-edge process technologies, including transitions to smaller geometry process technologies such as 16nm FinFET, and memory designs such as CoWoS, needed to manufacture our products profitably or on a timely basis;

- loss of a supplier and additional expense and/or production delays as a result of qualifying a new foundry or subcontractor and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier;

- a lack of direct control over delivery schedules or product quantity and quality; and

- delays in product shipments, shortages, a decrease in product quality and/or higher expenses in the event our subcontractors or foundries prioritize our competitors' orders over our orders or otherwise.

In addition, low manufacturing yields could have an adverse effect on our ability to meet customer demand, increase manufacturing costs, harm customer or partner relationships, and/or negatively impact our business operations, gross margin, revenue and/or financial results. Manufacturing yields for our products are a function of product design, which is developed largely by us, and process technology, which typically is proprietary to the foundry. Low yields may result from either product design or process technology failure. We do not know whether a yield problem will exist until our design is actually manufactured by the foundry. As a result, yield problems may not be identified until well into the manufacturing process and require us and the foundry to cooperate to resolve the problem.

We also rely on third-party software development tools to assist us in the design, simulation and verification of new products or product enhancements, and to bring such new products and enhancements to market in a timely manner. In the past, we have experienced delays in the introduction of products and enhancements as a result of the inability of then available software development tools to fully simulate the complex features and functionalities of our products. The design requirements necessary to meet consumer demands for more features and greater functionality from our products may exceed the capabilities of available software development tools. If we miss design cycles or lose design wins due to the unavailability of such software development tools, we could lose market share and our revenues could decline.
If we fail to achieve design wins for our products, our business will be harmed.

For our products that we do not sell directly to consumers, achieving design wins is an important success factor. Achieving design wins may involve a lengthy process in pursuit of a customer opportunity and depend on our ability to anticipate features and functionality that customers and consumers will demand. Failure to obtain a particular design win may prevent us from obtaining design wins in subsequent generations of a particular product. This could result in lost revenue and could weaken our position in future competitive bid selection processes.

Unanticipated changes in industry standards could render our products incompatible with products developed by major hardware manufacturers and software developers. Further, if our products are not in compliance with prevailing industry standards, including safety standards, our customers may not incorporate our products into their design strategies. Winning a product design does not guarantee sales to a customer or that we will realize as much revenue as anticipated, if any.

**Business disruptions could harm our business, lead to a decline in revenues and increase our costs.**

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, outages at cloud service providers, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, cyber-attacks, terrorist attacks, medical epidemics or pandemics and other natural or man-made disasters, catastrophic events or climate change. The occurrence of any of these disruptions could harm our business and result in significant losses, a decline in revenue and an increase in our costs and expenses. Any of these business disruptions could require substantial expenditures and recovery time in order to fully resume operations. Our corporate headquarters, and a portion of our research and development activities, are located in California, and other critical business operations and some of our suppliers are located in Asia, near major earthquake faults known for seismic activity. In addition, a majority of our current datacenter capacity is located in California, making our operations vulnerable to natural disasters or other business disruptions occurring in these geographical areas. The manufacture of product components, the final assembly of our products and other critical operations are concentrated in certain geographic locations, including Taiwan, China and Korea. Geopolitical change or changes in government regulations and policies in the U.S. or abroad also may result in changing regulatory requirements, trade policies, and economic disruptions that could impact our operating strategies, access to global markets, hiring, and profitability. Catastrophic events can also have an impact on third-party vendors who provide us critical infrastructure services for IT and research and development systems and personnel. Our operations could be harmed if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, high heat events or water shortages, information technology system failures, military actions or economic, business, labor, environmental, public health, regulatory or political issues. The ultimate impact on us, our third-party foundries and other suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown. In the event a major earthquake or other disaster or catastrophic event affects us or the third-party systems on which we rely, our business could be harmed as a result of declines in revenue, increases in expenses, substantial expenditures and time spent to fully resume operations.

**If we fail to estimate customer demand properly, our financial results could be harmed.**

We manufacture our GPUs and Tegra processors based on estimates of customer demand and requirements. In order to have shorter shipment lead times and quicker delivery schedules for our customers, we may build inventories for anticipated periods of growth which do not occur, or may build inventory anticipating demand for a product that does not materialize. In estimating demand, we make multiple assumptions, any of which may prove to be incorrect. Situations that may result in excess or obsolete inventory include:

- changes in business and economic conditions, including downturns in our target markets and/or overall economy;
- changes in consumer confidence caused by changes in market conditions, including changes in the credit market;
- a sudden and significant decrease in demand for our products;
- a higher incidence of inventory obsolescence because of rapidly changing technology or customer requirements;
- our introduction of new products resulting in lower demand for older products;
- less demand than expected for newly-introduced products; or
- increased competition, including competitive pricing actions.

The cancellation or deferral of customer purchase orders could result in our holding excess inventory, which could adversely affect our gross margins. In addition, because we often sell a substantial portion of our products in the last month of each quarter, we may not be able to reduce our inventory purchase commitments in a timely manner in response to customer cancellations or deferrals. We could be required to write-down our inventory to the lower of cost or market or write-off excess inventory, and we could experience a reduction in average selling prices if we incorrectly forecast product demand, any of which could harm our financial results.

Conversely, if we underestimate our customers' demand for our products, our foundry partners may not have adequate lead-time or capacity to increase production and we may not be able to obtain sufficient inventory to fill customers' orders on a timely basis. We may also face supply constraints caused by natural disasters or other events. In such cases, even if we are able to increase production levels to meet customer demand, we may not be able to do so in a cost-effective or timely manner. If we fail to fulfill our customers' orders on a timely basis, or at all, our customer relationships could be damaged, we could lose revenue and market share and our reputation could be damaged.

**We are subject to risks and uncertainties associated with international operations, which may harm our business.**

We conduct our business worldwide and we have offices in various countries outside of the United States. Our semiconductor wafers are manufactured, assembled, tested and packaged by third parties located outside of the United States and Other Americas. We also generate a significant portion of our revenue from sales outside the United States and Other Americas. Revenue from sales outside of the United States and Other Americas accounted for 79%, 80%, and 79% of total revenue for fiscal years 2018, 2017, and 2016, respectively. Additionally, as of January 28, 2018, approximately 47% of our employees were located outside of the United States. The global nature of our business subjects us to a number of risks and uncertainties, which could have a material adverse effect on our business, financial condition and results of operations, including:

- international economic and political conditions, such as political tensions between countries in which we do business;
- unexpected changes in, or impositions of, legislative or regulatory requirements, including changes in tax laws;
- differing legal standards with respect to protection of intellectual property and employment practices;
- local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anticorruption laws and regulations;
- exporting or importing issues related to export or import restrictions, including deemed export restrictions, tariffs, quotas and other trade barriers and restrictions;

- disruptions of capital and trading markets and currency fluctuations; and
- increased costs due to imposition of climate change regulations, such as carbon taxes, fuel or energy taxes, and pollution limits.

If our sales outside of the United States and Other Americas are delayed or cancelled because of any of the above factors, our revenue may be negatively impacted.

**If we are unable to attract, retain and motivate our executives and key employees, we may not be able to execute our business strategy effectively.**

To be competitive and execute our business strategy successfully, we must attract, retain and motivate our executives and key employees. The market for highly skilled workers and leaders in our industry is extremely competitive. In particular, hiring qualified executives, scientists, engineers, technical staff and research and development personnel is critical to our business. Additionally, changes in immigration and work permit laws and regulations or the administration or interpretation of such laws or regulations could impair our ability to attract and retain highly qualified employees. If we are less successful in our recruiting efforts, or if we cannot retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Additionally, competition for personnel results in increased costs in the form of cash and stock-based compensation. The interpretation and application of employment related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

**We may not be able to realize the potential financial or strategic benefits of business acquisitions or strategic investments and we may not be able to successfully integrate acquisition targets, which could hurt our ability to grow our business, develop new products or sell our products.**

We have in the past acquired and invested in, and may continue to acquire and invest in, other businesses that offer products, services and technologies that we believe will help expand or enhance our existing products, strategic objectives and business. The risks associated with past or future acquisitions or investments could impair our ability to grow our business, develop new products or sell our products, and ultimately could have a negative impact on our growth or our financial results. Given that our resources are limited, our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our strategic objectives. Additional risks related to acquisitions or strategic investments include, but are not limited to:

- difficulty in combining the technology, products, operations or workforce of the acquired business with our business;
- diversion of capital and other resources, including management’s attention;
- assumption of liabilities and incurring amortization expenses, impairment charges to goodwill or write-downs of acquired assets;
- difficulty in realizing a satisfactory return, if at all;
- difficulty in obtaining regulatory, other approvals or financing;
- failure and costs associated with the failure to consummate a proposed acquisition or other strategic investment;

- legal proceedings initiated as a result of an acquisition or investment;
- uncertainties and time needed to realize the benefits of an acquisition or strategic investment, if at all;
- the need to later divest acquired assets if an acquisition does not meet our expectations;
- potential failure of our due diligence processes to identify significant issues with the acquired assets or company; and
- impairment of relationships with, or loss of our or our target's, employees, vendors and customers, as a result of our acquisition or investment.

## Risks Related to Regulatory, Legal, Our Common Stock and Other Matters

**Actions to adequately protect our IP rights could result in substantial costs to us and our ability to compete could be harmed if we are unsuccessful in doing so or if we are prohibited from making or selling our products.**

We have in the past, currently are, and may in the future become involved in lawsuits or other legal proceedings alleging patent infringement or other intellectual property rights violations by us, our employees or parties that we have agreed to indemnify for certain claims of infringement. An unfavorable ruling in any such intellectual property related litigation could include significant damages, invalidation of a patent or family of patents, indemnification of customers, payment of lost profits, or, when it has been sought, injunctive relief. Claims that our products or processes infringe the IP rights of others, regardless of their merit, could cause us to incur significant costs to respond to, defend, and resolve such claims, and they may also divert the efforts and attention of management and technical personnel.

We may commence litigation or other legal proceedings in order to protect our intellectual property rights. Such proceedings may increase our operating expenses, which could negatively impact our operating results. Further, we could be subject to countersuits as a result of our initiation of litigation. If infringement claims are made against us or our products are found to infringe a third party's patent or intellectual property, we or one of our indemnitees may have to seek a license to the third party's patent or other intellectual property rights. However, we may not be able to obtain licenses at all or on terms acceptable to us particularly from our competitors. If we or one of our indemnitees is unable to obtain a license from a third party for technology that we use or that is used in one of our products, we could be subject to substantial liabilities or have to suspend or discontinue the manufacture and sale of one or more of our products. We may also have to make royalty or other payments, or cross license our technology. If these arrangements are not concluded on commercially reasonable terms, our business could be negatively impacted. Furthermore, the indemnification of a customer or other indemnitee may increase our operating expenses which could negatively impact our operating results.

Our success depends in part on protecting our intellectual property. To accomplish this, we rely primarily on a combination of patents, trademarks, trade secrets, employee and third-party nondisclosure agreements, licensing arrangements, and the laws of the countries in which we operate to protect our intellectual property in the United States and internationally. We may be required to spend significant resources to monitor and protect our intellectual property rights, and even with significant expenditures we may not be able to protect our intellectual property rights that are valuable to our business. The laws of certain foreign countries may not protect our products or intellectual property rights to the same extent as the laws of the United States. This makes the possibility of piracy of our technology and products more likely. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in research and development, product development, and marketing could be reduced. We continuously assess whether and where to seek formal protection for existing and new innovations and technologies, but cannot be certain whether our applications for such protections will be approved, and, if approved, whether we will be able to enforce such protections.

**Our operating results have in the past fluctuated and may in the future fluctuate, and if our operating results are below the expectations of securities analysts or investors, our stock price could decline.**

Our operating results have in the past fluctuated and may in the future continue to fluctuate due to numerous factors. Therefore, investors should not rely on quarterly comparisons of our results of operations as an indication of our future performance.

Factors, other than those described elsewhere in these risk factors, that could affect our results of operations in the future include, but are not limited to:

- our ability to achieve volume production of our next-generation products;
- our inability to adjust spending to offset revenue shortfalls due to the multi-year development cycle for some of our products and services;
- fluctuations in the demand for our products related to cryptocurrencies;
- changes in the timing of product orders due to unexpected delays in the introduction of our partners' products;

- our ability to cover the manufacturing and design costs of our products through competitive pricing;
- our ability to comply and continue to comply with our customers' contractual obligations;
- product rates of return in excess of that forecasted or expected due to quality issues;
- our ability to secure appropriate safety certifications and meet industry safety standards;
- supply constraints for and changes in the cost of the other components incorporated into our products
- inventory write-downs;
- our ability to continue generating revenue from our partner network, including by generating sales within our partner network and ensuring our products are incorporated into our partners product ecosystems, and our partner network's ability to sell products that incorporate our GPUs and Tegra processors;
- the inability of certain of our customers to make required payments to us, and our ability to obtain credit insurance over the purchasing credit extended to these customers;
- customer bad debt write-offs;
- any unanticipated costs associated with environmental liabilities;
- unexpected costs related to our ownership of real property;

- changes in financial accounting standards or interpretations of existing standards; and
- general macroeconomic or industry events and factors affecting the overall market and our target markets.

Any one or more of the factors discussed above could prevent us from achieving our expected future financial results. Any such failure to meet our expectations or the expectations of our investors or security analysts could cause our stock price to decline or experience substantial price volatility.

**Privacy concerns relating to our products and services could damage our reputation, deter current and potential users from using our products and services, result in liability, or result in legal or regulatory proceedings.**

Our products and services may provide us with access to sensitive, confidential or personal data or information that is subject to privacy and security laws and regulations. Concerns about our practices with regard to the collection, use, retention, security or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation and adversely affect our operating results. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business or by one of our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, disruption of our business activities or increased costs related to defending legal claims.

Worldwide regulatory authorities are considering and have approved various legislative proposals concerning data protection, which continue to evolve and apply to our business. For example, the European Union adopted the General Data Protection Regulation, or GDPR, which requires companies to meet new requirements beginning in May 2018 regarding the handling of personal data, including its use, protection and the ability of persons whose data is stored to correct or delete such data about themselves. Failure to meet GDPR requirements could result in penalties of up to 4% of worldwide revenue. In addition, the interpretation and application of consumer and data protection laws in the United States, Europe and elsewhere are often uncertain and fluid, and may be interpreted and applied in a manner that is inconsistent with our data practices. If so, we may be ordered to change our data practices and/or be fined. Complying with these changing laws has caused, and could continue to cause, us to incur substantial costs, which could have an adverse effect on our business and results of operations. Further, failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity.

**We may have exposure to additional tax liabilities and our operating results may be adversely impacted by higher than expected tax rates.**

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenue and expenses in different jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Further, changes in United States federal, and state or international tax laws applicable to multinational corporations or other fundamental law changes may materially impact our tax expense and cash flows, as we experienced in fiscal year 2018 with the passage of the Tax Cuts and Jobs Act, or TCJA.

Our future effective tax rate may be affected by such factors as changes in tax laws, changes in our business or statutory rates, changes in jurisdictions in which our profits are determined to be earned and taxed, changes in available tax credits, the resolution of issues arising from tax audits, changes in United States generally accepted accounting principles, adjustments to income taxes upon finalization of tax returns, increases in expenses not deductible for tax purposes, changes in the valuation of our deferred tax assets and liabilities and in deferred tax valuation allowances, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation and the recognition of excess tax benefits and tax deficiencies within the income tax provision in the period in which they occur, the impact of accounting for business combinations, shifts in the amount of earnings in the United States compared with other regions in the world and overall levels of income before tax, changes in our international organization, as well as the expiration of statute of limitations and settlements of audits. Any changes in our effective tax rate may reduce our net income.

**Our business is exposed to the risks associated with litigation, investigations and regulatory proceedings.**

We have in the past and may, from time to time, face legal, administrative and regulatory proceedings, claims, demands and investigations involving shareholder, consumer, competition and other issues relating to our business on a global basis. In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities and we have been in the past, and may be in the future, the target of securities litigation. The laws and regulations our business is subject to are complex, and change frequently. We may be required to incur significant expense to comply with, or remedy violations of, these regulations. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome or settlement may result in a material adverse impact on our business, results of operations, financial position, and overall trends. In addition, regardless of the outcome, litigation can be costly, time-consuming, and disruptive to our operations.

**Delaware law and provisions in our certificate of incorporation, our bylaws and our agreement with Microsoft Corporation could delay or prevent a change in control.**

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested shareholder for a period of three years after the person becomes an interested shareholder, even if a change of control would be beneficial to our existing shareholders. In addition, our certificate of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. These provisions include the following:

- the ability of our Board of Directors to create and issue preferred stock without prior shareholder approval;
- the prohibition of shareholder action by written consent;
- advance notice requirements for director nominations and shareholder proposals;
- the ability of our Board of Directors to increase or decrease the number of directors without shareholder approval;
- a super-majority voting requirement to amend some provisions in our certificate of incorporation and bylaws;
- the inability of our shareholders to call special meetings of shareholders; and
- the ability of our Board of Directors to make, amend or repeal our bylaws.

On March 5, 2000, we entered into an agreement with Microsoft in which we agreed to develop and sell graphics chips and to license certain technology to Microsoft and its licensees for use in the Xbox. Under the agreement, if an individual or corporation makes an offer to purchase shares equal to or greater than 30% of the outstanding shares of our common stock, Microsoft may have first and last rights of refusal to purchase the stock. The Microsoft provision and the other factors listed above could also delay or prevent a change in control of NVIDIA. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors of their choosing and to cause us to take other corporate actions they desire.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

Our headquarters complex is located in Santa Clara, California. It includes ten leased commercial buildings totaling 963,317 square feet, and real property that we own totaling 1,496,006 square feet. Our owned property consists of seven commercial buildings on 36 acres of land. In addition, we also lease datacenter space in Santa Clara, California.

Outside of Santa Clara, California, we lease facilities in Austin, Texas and a number of regional facilities in other U.S. locations, that are used as research and development centers and/or sales and administrative offices. Outside of the United States, we own a building in Hyderabad, India, that is being used primarily as a research and development center. We also lease facilities in various international locations that are used as research and development centers and/or sales and administrative offices. These leased facilities are located primarily in Asia and Europe. In addition, we also lease datacenter space in various locations around the world.

We believe that we currently have sufficient facilities to conduct our operations for the next twelve months. For additional information regarding obligations under leases, refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K under the subheading “Lease Obligations,” which information is hereby incorporated by reference.

## ITEM 3. LEGAL PROCEEDINGS

Please see Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of our legal proceedings.

## 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

Our common stock is traded on the NASDAQ Global Select Market under the symbol NVDA. Public trading of our common stock began on January 22, 1999. Prior to that, there was no public market for our common stock. As of February 26, 2018, we had approximately 314 registered shareholders, not including those shares held in street or nominee name. The following table sets forth for the periods indicated the high and low sales price for our common stock as quoted on the NASDAQ Global Select Market:

| | High | | Low | |
|---|---|---|---|---|
| **Fiscal year ending January 27, 2019** | | | | |
| First Quarter (through February 26, 2018) | $ | 251.97 | $ | 204.00 |
| **Fiscal year ended January 28, 2018** | | | | |
| Fourth Quarter | $ | 243.34 | $ | 180.58 |
| Third Quarter | $ | 201.87 | $ | 152.91 |
| Second Quarter | $ | 169.93 | $ | 102.31 |
| First Quarter | $ | 120.92 | $ | 95.17 |
| **Fiscal year ended January 29, 2017** | | | | |
| Fourth Quarter | $ | 119.93 | $ | 66.58 |
| Third Quarter | $ | 72.95 | $ | 55.50 |
| Second Quarter | $ | 57.25 | $ | 34.40 |
| First Quarter | $ | 37.46 | $ | 24.75 |

### Dividend Policy

In November 2017, we increased our quarterly cash dividend from $0.14 per share, or $0.56 on an annual basis, to $0.15 per share, or $0.60 on an annual basis. In fiscal years 2018 and 2017, we paid $341 million and $261 million, respectively, in cash dividends to our common shareholders.

Our cash dividend program and the payment of future cash dividends under the program are subject to continued capital availability and our Board of Directors' continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders and are in compliance with all laws and agreements of NVIDIA applicable to the declaration and payment of cash dividends. In calendar year 2017, based upon our earnings and profits, 100% of our dividend payments were considered to be ordinary dividends. It is possible that a portion of our dividend payments in future calendar years may be considered a return of capital for U.S. federal income tax purposes.

### Issuer Purchases of Equity Securities

Beginning August 2004, our Board of Directors authorized us to repurchase our stock. In November 2016, the Board authorized an additional $2.00 billion under our repurchase program and extended it through December 2020.

Since the inception of our share repurchase program, we have repurchased an aggregate of 251 million shares under our share repurchase program for a total cost of $5.5 billion through January 28, 2018. All shares delivered from these repurchases have been placed into treasury stock. As of January 28, 2018, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $1.82 billion through December 2020. For fiscal year 2019, we intend to return $1.25 billion to our shareholders through ongoing quarterly cash dividends and share repurchases.

The repurchases can be made in the open market, in privately negotiated transactions, or in structured share repurchase programs, and can be made in one or more larger repurchases, in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, subject to market conditions, applicable legal requirements, and other factors. The program does not obligate NVIDIA to acquire any particular amount of common stock and the program may be suspended at any time at our discretion. As part of our share repurchase program, we may enter into structured share repurchase transactions with financial institutions. These agreements generally require that we make an up-front payment in exchange for the right to receive a fixed number of shares of our common stock upon execution of the agreement, and a potential incremental number of shares of our common stock, within a pre-determined range, at the end of the term of the agreement.

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### Transactions Related to our Convertible Notes and Note Hedges

During fiscal year 2018, we issued an aggregate of 33 million shares of our common stock upon settlement of $812 million in principal amount of Convertible Notes submitted for conversion. In connection with these conversions, we exercised a portion of our Note Hedges to acquire an equal number of shares of our common stock. The counterparty to the Note Hedges may be deemed an "affiliated purchaser" and may have purchased the shares of our common stock deliverable to us upon this exercise of our option. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding the Convertible Notes and the Note Hedges.

### Restricted Stock Unit Share Withholding

We also withhold common stock shares associated with net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards under our employee equity incentive program. During fiscal year 2018, we withheld approximately 4 million shares at a total cost of $612 million through net share settlements. Refer to Note 2 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion regarding our equity incentive plans.

## Stock Performance Graphs

The following graph compares the cumulative total shareholder return for our common stock, the S&P 500 Index, and the NASDAQ 100 Index for the five years ended January 28, 2018. The graph assumes that $100 was invested on January 27, 2013 in our common stock and in each of the S&P 500 Index and the NASDAQ 100 Index. Our common stock is a component of each of the presented indices. Total return assumes reinvestment of dividends in each of the indices indicated. Total return is based on historical results and is not intended to indicate future performance.

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*$100 invested on 1/27/13 in stock and in indices, including reinvestment of dividends.

| | 1/27/2013 | 1/26/2014 | 1/25/2015 | 1/31/2016 | 1/29/2017 | 1/28/2018 |
|---|---|---|---|---|---|---|
| NVIDIA Corporation | $ 100.00 | $ 128.11 | $ 173.58 | $ 249.54 | $ 961.32 | $ 2,100.92 |
| S&P 500 | $ 100.00 | $ 121.52 | $ 138.80 | $ 137.88 | $ 165.51 | $ 209.22 |
| NASDAQ 100 | $ 100.00 | $ 130.82 | $ 156.01 | $ 162.90 | $ 197.32 | $ 271.03 |

## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our financial statements and the notes thereto, and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Consolidated Statements of Income data for fiscal years 2018, 2017, and 2016 and the Consolidated Balance Sheets data as of January 28, 2018 and January 29, 2017 have been derived from and should be read in conjunction with our audited consolidated financial statements and the notes thereto included in Part IV, Item 15 in this Annual Report on Form 10-K. We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2018, 2017, 2015, and 2014 were 52-week years and fiscal year 2016 was a 53-week year.

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 (A) | January 25, 2015 | January 26, 2014 |
| **Consolidated Statements of Income Data:** | *(In millions, except per share data)* | | | | |
| Revenue | $ 9,714 | $ 6,910 | $ 5,010 | $ 4,682 | $ 4,130 |
| Income from operations | $ 3,210 | $ 1,934 | $ 747 | $ 759 | $ 496 |
| Net income | $ 3,047 | $ 1,666 | $ 614 | $ 631 | $ 440 |
| Net income per share: | | | | | |
| Basic | $ 5.09 | $ 3.08 | $ 1.13 | $ 1.14 | $ 0.75 |
| Diluted | $ 4.82 | $ 2.57 | $ 1.08 | $ 1.12 | $ 0.74 |
| Weighted average shares used in per share computation: | | | | | |
| Basic | 599 | 541 | 543 | 552 | 588 |
| Diluted | 632 | 649 | 569 | 563 | 595 |

| | Year Ended | | | | |
|---|---|---|---|---|---|
| | January 28, 2018 (B,C) | January 29, 2017 (B,C) | January 31, 2016 (B) | January 25, 2015 | January 26, 2014 |
| **Consolidated Balance Sheets Data:** | *(In millions, except per share data)* | | | | |
| Cash, cash equivalents and marketable securities | $ 7,108 | $ 6,798 | $ 5,037 | $ 4,623 | $ 4,672 |
| Total assets | $ 11,241 | $ 9,841 | $ 7,370 | $ 7,201 | $ 7,251 |
| Debt obligations | $ 2,000 | $ 2,779 | $ 1,413 | $ 1,384 | $ 1,356 |
| Convertible debt conversion obligation | $ — | $ 31 | $ 87 | $ — | $ — |
| Total shareholders' equity | $ 7,471 | $ 5,762 | $ 4,469 | $ 4,418 | $ 4,456 |
| | $ 0.570 | $ 0.485 | $ 0.395 | $ 0.340 | $ 0.310 |

Cash dividends declared and paid per common share (D)

(A) In fiscal year 2016, we began the wind down of our Icera modem operations. As a result, our income from operations for fiscal year 2016 included $131 million of restructuring and other charges.

(B) In fiscal year 2014, we issued 1.00% Convertible Senior Notes due 2018 in the aggregate principal amount of $1.50 billion. The Convertible Notes first became convertible as of February 1, 2016. As of January 28, 2018, the carrying value of the Convertible Notes was classified as a current liability and the difference between the principal amount and the carrying value of the Convertible Notes was classified as convertible debt conversion obligation in the mezzanine equity section of our Consolidated Balance Sheet. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(C) In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021, and $1.00 billion of the Notes Due 2026. Interest on the Notes is payable on March 16 and September 16 of each year, beginning on March 16, 2017. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(D) In November 2012, we initiated a quarterly dividend payment of $0.075 per share, or $0.30 per share on an annual basis. In November 2013, we increased the quarterly cash dividend to $0.085 per share, or $0.34 per share on an annual basis. In May 2015, we increased the quarterly cash dividend to $0.0975 per share, or $0.39 per share on an annual basis. In November 2015, we increased the quarterly cash dividend to $0.115 per share, or $0.46 per share on an annual basis. In November 2016, we increased the quarterly cash dividend to $0.14 per share, or $0.56 per share on an annual basis. In November 2017, we increased the quarterly cash dividend to $0.15 per share, or $0.60 per share on an annual basis.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 1A. Risk Factors", "Item 6. Selected Financial Data", our Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Annual Report on Form 10-K, before deciding to purchase, hold or sell shares of our common stock.

### Overview

#### Our Company and Our Businesses

Starting with a focus on PC graphics, NVIDIA invented the GPU to solve some of the most complex problems in computer science. We have extended our focus in recent years to the revolutionary field of AI. Fueled by the sustained demand for better 3D graphics and the scale of the gaming market, NVIDIA has evolved the GPU into a computer brain at the intersection of VR, HPC, and AI.

Our two reportable segments - GPU and Tegra Processor - are based on a single underlying architecture. From our proprietary processors, we have created platforms that address four large markets where our expertise is critical: Gaming, Professional Visualization, Datacenter, and Automotive.

While our GPU and CUDA architecture is unified, our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for consoles and mobile gaming and entertainment devices.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

### Recent Developments, Future Objectives and Challenges

#### Fiscal Year 2018 Summary

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | Change |
| | ($ in millions, except per share data) | | |
| Revenue | $ 9,714 | $ 6,910 | Up 41% |
| Gross margin | 59.9 % | 58.8 % | Up 110 bps |
| Operating expenses | $ 2,612 | $ 2,129 | Up 23% |
| Income from operations | $ 3,210 | $ 1,934 | Up 66% |
| Net income | $ 3,047 | $ 1,666 | Up 83% |
| Net income per diluted share | $ 4.82 | $ 2.57 | Up 88% |

Revenue for fiscal year 2018 grew 41% to $9.71 billion, reflecting broad growth in each of our market platforms - gaming, professional visualization, datacenter, and automotive.

GPU business revenue was $8.14 billion, up 40% from a year earlier, led by growth in gaming, datacenter, and professional visualization. Strong growth across our Pascal-based GeForce gaming GPUs was driven by growth associated with GPU refreshes/upgrades, new gamers, new games, eSports, and cryptocurrency mining. Revenue for datacenter, including Tesla, NVIDIA GRID and NVIDIA DGX, was $1.93 billion, up 133% year on year, led by strong sales of our Volta architecture, including V100 GPU accelerators, which began shipping in the first half of fiscal year 2018 and are available through major computer makers and cloud providers, new DGX systems, and design wins in HPC. Professional visualization revenue grew 12% year over year to $934 million, led by ultra-high-end and high-end desktop workstations, as well as unique form factors and emerging opportunities, including AI, deep learning, VR and rendering.

Tegra processor business revenue was $1.53 billion, up 86% from a year ago. Tegra processor business revenue includes SOC modules for the Nintendo Switch gaming console and development services. Also included was automotive revenue of $558 million, which was up 15% from a year earlier, incorporating infotainment modules, production DRIVE PX platforms, and development agreements for self-driving cars.

Revenue from our patent license agreement with Intel concluded in the first quarter of fiscal year 2018.

Gross margin for fiscal year 2018 was 59.9%, compared with 58.8% a year earlier, reflecting a favorable shift in mix, the growth of our GeForce gaming GPUs, and the growth of our GPU computing platform for cloud, deep learning, AI, and graphics virtualization, partially offset by the conclusion of our patent license agreement with Intel.

Operating expenses for fiscal year 2018 were $2.61 billion, up from $2.13 billion in the previous year. This reflects growth in employees and related costs, as well as investments in growth initiatives, including gaming, AI, and autonomous driving.

We recorded a U.S. tax reform provisional net tax benefit of $133 million associated with the one-time transition tax on our historical foreign earnings and the adjustment of deferred tax balances to the lower corporate tax rate.

Net income and net income per diluted share for fiscal year 2018 were $3.05 billion and $4.82, respectively, up 83% and 88%, respectively, from a year earlier, fueled by strong revenue growth and improved gross and operating margins.

We returned $1.25 billion to shareholders in fiscal year 2018 through a combination of $909 million in share repurchases and $341 million in quarterly cash dividends. In November 2017, we declared an increase in our quarterly cash dividend to $0.15 per share from $0.14 per share. For fiscal year 2019, we intend to return $1.25 billion to shareholders through ongoing quarterly cash dividends and share repurchases.

Cash, cash equivalents and marketable securities were $7.11 billion as of January 28, 2018, compared with $6.80 billion as of January 29, 2017. The increase was primarily related to the increase in operating income.

**GPU Business**

During fiscal year 2018, we released many new gaming GPU products based on our new NVIDIA Pascal architecture, including GeForce GTX 1070 Ti, 1080 Ti, and TITAN Xp. We also announced gaming laptops using the Max-Q design, which are 3x faster and 3x thinner than previous-generation gaming laptops, and enhanced GeForce Experience with new tools, including NVIDIA Freestyle for customizing gameplay and an updated interface for the NVIDIA Ansel™ photo mode, as well as new titles including PlayerUnknown's Battleground and Fortnite that support NVIDIA ShadowPlay™ Highlights for capturing gaming achievements.

For our professional visualization platform, we opened early access to NVIDIA Holodeck, and launched the Quadro Virtual Data Center Workstation; introduced Project Holodeck, a photorealistic, collaborative VR environment; launched external GPU support for creative professionals; and released the NVIDIA Optix 5.0 and NVIDIA VRWorks 360 Video software development kits.

For our datacenter platform, we announced that NVIDIA Tesla V100 GPU accelerators are available through virtually every major computer maker and have been chosen by nearly every major cloud provider to deliver AI and HPC. We added 34 GPU-accelerated systems to the Top 500 supercomputer list, bringing the total number of systems relying on NVIDIA GPUs to 87, announced partnerships to further AI in key vertical industries, and launched the NVIDIA GPU Cloud container registry to support scientists using HPC applications and AI researchers using desktop GPUs.

**Tegra Processor Business**

During fiscal year 2018, for the automotive market, we announced the NVIDIA DRIVE AI self-driving platform, which enables automakers and Tier-1 suppliers to accelerate production of automated and autonomous vehicles, the NVIDIA DRIVE Xavier autonomous machine processor to power the NVIDIA DRIVE software stack, and NVIDIA DRIVE PX Pegasus, an auto-grade AI computer designed to enable driverless robotaxis without steering wheels, pedals or mirrors. We also announced several new partnerships aimed at getting AI-powered cars, trucks and commercial vehicles on the road, including partnerships with Aurora, Autoliv, Baidu, Bosch, Continental, Mercedes-Benz, Uber, Volkswagen, Volvo, Toyota, and ZF.

In addition, we introduced NVIDIA Jetson TX2, a high-performance, low-power computer platform for delivering AI at the edge, with deep learning and computer vision capabilities for robots, drones and smart cameras, the NVIDIA Isaac robot simulator for training intelligent machines in simulated real-world conditions before deployment, and the NVIDIA Metropolis platform, used by more than 50 partners to make cities safer and smarter by applying deep learning to surveillance video streams.

## Critical Accounting Policies and Estimates

Management’s discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, cost of revenue, expenses and related disclosure of contingencies. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, inventories, income taxes, goodwill, cash equivalents and marketable securities, stock-based compensation, and litigation, investigation and settlement costs and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

We believe the following critical accounting policies affect our significant judgments and estimates used in the preparation of our consolidated financial statements. Our management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors. The Audit Committee has reviewed our disclosures relating to our critical accounting policies and estimates in this Annual Report on Form 10-K.

### Revenue Recognition

#### Product Revenue

We recognize revenue from product sales when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed or determinable and collection of the related receivable is reasonably assured.

Our customer programs primarily involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets. We account for rebates as a reduction of revenue and accrue for 100% of the potential rebates and do not apply a breakage factor, as we typically find that over 95% of the rebates we accrue each year are eventually claimed, which is substantially close to 100%, and that this percentage varies by program and by customer. We recognize a liability for these rebates at the later of the date at which we record the related revenue or the date at which we offer the rebate. Rebates typically expire six months from the date of the original sale, unless we reasonably believe that the customer intends to claim the rebate. Unclaimed rebates are reversed to revenue, the amount of which typically represents less than 0.5% of total revenue.

Our customer programs also include marketing development funds, or MDFs. MDFs represent monies paid to our partners that are earmarked for market segment development and expansion and are typically designed to support our partners’ activities while also promoting NVIDIA products. We account for MDFs as a reduction of revenue and apply a breakage factor to certain types of MDF program accruals for which we believe we can make a reasonable and reliable estimate of the amount that will ultimately be unclaimed.

We also record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a particular fiscal period exceed historical return rates we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

#### License and Development Revenue

For license arrangements that require significant customization of our intellectual property components, we generally recognize the related revenue over the period that services are performed. For most license and service arrangements, we determine progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete the project. We periodically evaluate the actual status of each project to ensure that the estimates to complete each contract remain accurate. Revenue recognized in any period is dependent on our progress toward completion of projects in progress. Significant management judgment and discretion are used to estimate total cost. Any changes in or deviations from these estimates could have a material effect on the amount of revenue we recognize in any period.

For license arrangements that do not require significant customization but where we are obligated to provide further deliverables over the term of the license agreement, we record revenue over the life of the license term, with consideration received in advance of the performance period classified as deferred revenue.

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions.

Situations that may result in excess or obsolete inventory include changes in business and economic conditions, changes in market conditions, sudden and significant decreases in demand for our products, inventory obsolescence because of changing technology and customer requirements, failure to estimate customer demand properly, or unexpected competitive pricing actions by our competition. In addition, cancellation or deferral of customer purchase orders could result in our holding excess inventory.

The overall net effect on our gross margin from inventory provisions and sales of items previously written down was insignificant in fiscal years 2018 and 2017 and an unfavorable impact of 1.6% in fiscal year 2016. The charges we took to cost of sales for inventory provisions during these fiscal years were primarily related to the write-off of excess quantities of products whose inventory levels were higher than our updated forecasts of future demand for those products. As a fabless semiconductor company, we must make commitments to purchase inventory based on forecasts of future customer demand. In doing so, we must account for our third-party manufacturers' lead times and constraints. We also adjust to other market factors, such as product offerings and pricing actions by our competitors, new product transitions, and macroeconomic conditions - all of which may impact demand for our products.

Refer to the Gross Profit and Gross Margin discussion below in this Management's Discussion and Analysis for further discussion.

### Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 28, 2018, we had a valuation allowance of $469 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The TCJA, which was enacted in December 2017, significantly changes U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions will impact us beginning in fiscal year 2019. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information specific to accounting for income taxes and the impacts from the enactment of the TCJA.

### Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier, if indicators of potential impairment exist, using either a qualitative or a quantitative assessment. Our impairment review process compares the fair value of the reporting unit in which the goodwill resides to its carrying value. We have identified two reporting units, GPU and Tegra Processor, for the purposes of completing our goodwill analysis. Goodwill assigned to the GPU and Tegra Processor reporting units as of January 28, 2018 was $210 million and $408 million, respectively. Determining the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We also make judgments and assumptions in allocating assets and liabilities to each of our reporting units. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain.

We use the quantitative assessment to test goodwill for impairment for each reporting unit. In applying the fair value based test of each reporting unit, the results from the income approach and the market approach were equally weighted. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, terminal or residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business.

During the fourth quarter of fiscal year 2018, we concluded that there was no impairment of our goodwill. The fair values of our GPU and Tegra Processor reporting units significantly exceeded their respective carrying values. As such, even the application of a hypothetical 10% decrease to the fair value of each reporting unit would not have resulted in the fair value of either reporting unit being less than its carrying value.

Refer to Note 4 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Cash Equivalents and Marketable Securities

Cash equivalents consist of financial instruments which are readily convertible into cash and have original maturities of three months or less at the time of acquisition. Marketable securities consist primarily of highly liquid investments with maturities greater than three months when purchased. We measure our cash equivalents and marketable securities at fair value. The fair values of our financial assets are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. All of our available-for-sale investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary, or have other indicators of impairments.

We performed an impairment review of our investment portfolio as of January 28, 2018. We concluded that our investments were appropriately valued and that no other-than-temporary impairment charges were necessary on our portfolio of available-for-sale investments as of January 28, 2018.

Refer to Notes 6 and 7 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Stock-based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or

PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our employee stock purchase plan, or ESPP. The number of PSUs and market-based PSUs that will ultimately be awarded is contingent on the Company's level of achievement compared with the corporate financial performance target established by our Compensation Committee in the beginning of each fiscal year.

Refer to Notes 1 and 2 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. We are aggressively defending our current litigation matters. However, there are many uncertainties associated with any litigation or investigations, and we cannot be certain that these actions or other third-party claims against us will be resolved without costly litigation, fines and/or substantial settlement payments. If that occurs, our business, financial condition and results of operations could be materially and adversely affected. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

## Results of Operations

The following table sets forth, for the periods indicated, certain items in our Consolidated Statements of Income expressed as a percentage of revenue.

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| Revenue | 100.0 % | 100.0 % | 100.0 % |
| Cost of revenue | 40.1 | 41.2 | 43.9 |
| Gross profit | 59.9 | 58.8 | 56.1 |
| Operating expenses: | | | |
| Research and development | 18.5 | 21.2 | 26.6 |
| Sales, general and administrative | 8.4 | 9.6 | 12.0 |
| Restructuring and other charges | — | — | 2.6 |
| Total operating expenses | 26.9 | 30.8 | 41.2 |
| Income from operations | 33.0 | 28.0 | 14.9 |
| Interest income | 0.7 | 0.8 | 0.8 |
| Interest expense | (0.6) | (0.8) | (0.9) |
| Other, net | (0.2) | (0.4) | 0.1 |
| Total other income (expense) | (0.1) | (0.4) | — |
| Income before income tax expense | 32.9 | 27.6 | 14.9 |
| Income tax expense | 1.5 | 3.5 | 2.6 |
| Net income | 31.4 % | 24.1 % | 12.3 % |

## Revenue

### Revenue by Reportable Segments

| | Year Ended | | | | Year Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | $ Change | % Change | January 29, 2017 | January 31, 2016 | $ Change | % Change |
| | ($ in millions) | | | | ($ in millions) | | | |
| GPU | $ 8,137 | $ 5,822 | $ 2,315 | 40 % | $ 5,822 | $ 4,187 | $ 1,635 | 39 % |
| Tegra Processor | 1,534 | 824 | 710 | 86 % | 824 | 559 | 265 | 47 % |
| All Other | 43 | 264 | (221) | (84)% | 264 | 264 | — | — % |
| Total | $ 9,714 | $ 6,910 | $ 2,804 | 41 % | $ 6,910 | $ 5,010 | $ 1,900 | 38 % |

**GPU Business.** GPU business revenue increased by 40% in fiscal year 2018 compared to fiscal year 2017 led by growth in gaming, datacenter and professional visualization. Revenue from sales of GeForce GPU products for gaming increased over 20%, reflecting continued strong demand for our Pascal-based GPU products. Datacenter revenue, including Tesla, GRID and DGX, increased 133%, reflecting strong demand from hyperscale and cloud customers for deep learning training and accelerated GPU computing as well as demand for HPC, DGX AI supercomputing and GRID virtualization platforms. Revenue from Quadro GPUs for professional visualization increased by 12% due primarily to higher sales in both high end desktop and mobile workstation products. Revenue from GeForce GPU products for mainstream PC OEMs increased by over 90% due primarily to strong demand for GPU products targeted for cryptocurrency mining.

GPU business revenue increased by 39% in fiscal year 2017 compared to fiscal year 2016. This increase was primarily due to increased revenue from our GeForce GPU gaming and datacenter platforms. Sales of high-end GeForce GPU products for gaming increased over 40%, reflecting a combination of continued strength in PC gaming and strong demand for our recent Pascal-based GPU products. Datacenter revenue, including our Tesla, NVIDIA GRID, and DGX-1 brands, increased by 145%, reflecting strong demand for deep learning training for AI, cloud, accelerated, and virtualized computing and initial DGX-1 sales. Revenue from Quadro GPUs for professional visualization increased 11% due primarily to higher sales in high end desktop and mobile workstation products. Revenue from GeForce GPU products for mainstream PC OEMs declined compared to fiscal year 2016.

**Tegra Processor Business.** Tegra Processor business revenue increased by 86% in fiscal year 2018 compared to fiscal year 2017. This was driven by an increase of over 300% in revenue from SOC modules for gaming platforms and development services, and an increase of 15% in automotive revenue, primarily from infotainment modules, DRIVE PX platforms and development agreements for self-driving cars.

Tegra Processor business revenue increased by 47% in fiscal year 2017 compared to fiscal year 2016. This was driven by an increase of over 50% in sales of Tegra products and services serving automotive systems and an increase of almost 50% in gaming development platforms and services compared to fiscal year 2016.

**All Other.** Our patent license agreement with Intel concluded in the first quarter of fiscal year 2018. For fiscal year 2018, we recognized related revenue of $43 million, down from $264 million for fiscal years 2017 and 2016.

### Concentration of Revenue

Revenue from sales to customers outside of the United States and Other Americas accounted for 79%, 80%, and 79% of total revenue for fiscal years 2018, 2017, and 2016, respectively. Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if the revenue is attributable to end customers in a different location.

No single customer represented more than 10% of total revenue for fiscal year 2018. In fiscal years 2017 and 2016, we had one customer that represented 12% and 11% of our total revenue, respectively.

## Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowances, less cost of revenue. Cost of revenue consists primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, board and device costs, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, inventory and warranty provisions, memory and component costs, and shipping costs. Cost of revenue also includes development costs for license and service arrangements and stock-based compensation related to personnel associated with manufacturing.

Our overall gross margin was 59.9%, 58.8%, and 56.1% for fiscal years 2018, 2017, and 2016, respectively. These increases were driven primarily by a favorable shift in mix, the growth of our GeForce gaming GPU revenue, and the growth of our datacenter revenue for cloud, deep learning, AI, and graphics virtualization. The increase in fiscal year 2018 was partially offset by the conclusion of our patent license agreement with Intel in the first quarter of fiscal year 2018.

Charges to cost of sales for inventory provisions totaled $48 million, $62 million, and $112 million for fiscal years 2018, 2017, and 2016, respectively. Sales of inventory that was previously written-off or written-down totaled $35 million, $51 million, and $32 million for fiscal years 2018, 2017, and 2016, respectively. As a result, the overall net effect on our gross margin from inventory provisions and sales of items previously written down was insignificant for fiscal years 2018 and 2017, and an unfavorable impact of 1.6% for fiscal year 2016.

A discussion of our gross margin results for each of our reportable segments is as follows:

**GPU Business.** The gross margin of our GPU business increased during fiscal year 2018 when compared to fiscal year 2017, primarily due to strong sales of our GeForce gaming GPU products and revenue growth in datacenter, including Tesla, GRID and DGX, for cloud, deep learning, AI, and graphics virtualization. The gross margin of our GPU business increased during fiscal year 2017 when compared to fiscal year 2016 primarily due to product mix resulting from increased sales of our gaming, datacenter, and professional visualization GPU products, as well as a continued decrease in sales volumes of lower margin PC OEM products.

**Tegra Processor Business.** The gross margin of our Tegra Processor business increased during fiscal year 2018 when compared to fiscal year 2017, primarily due to revenue growth in gaming development platforms and automotive. The gross margin of our Tegra Processor business increased during fiscal year 2017 when compared to fiscal year 2016, primarily due to fewer inventory provisions, and the absence of the warranty charge associated with the SHIELD tablet product recall during fiscal year 2016.

## Operating Expenses

| | Year Ended | | | | Year Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | $ Change | % Change | January 29, 2017 | January 31, 2016 | $ Change | % Change |
| | ($ in millions) | | | | ($ in millions) | | | |
| Research and development expenses | $ 1,797 | $ 1,463 | $ 334 | 23 % | $ 1,463 | $ 1,331 | $ 132 | 10 % |
| *% of net revenue* | *18.5 %* | *21.2 %* | | | *21.2 %* | *26.6 %* | | |
| Sales, general and administrative expenses | 815 | 663 | 152 | 23 % | 663 | 602 | 61 | 10 % |
| *% of net revenue* | *8.4 %* | *9.6 %* | | | *9.6 %* | *12.0 %* | | |
| Restructuring and other charges | — | 3 | (3 ) | (100 %) | 3 | 131 | (128 ) | (98 %) |
| *% of net revenue* | *— %* | *— %* | | | *— %* | *2.6 %* | | |
| Total operating expenses | $ 2,612 | $ 2,129 | $ 483 | 23 % | $ 2,129 | $ 2,064 | $ 65 | 3 % |

### Research and Development

Research and development expenses increased by 23% in fiscal year 2018 compared to fiscal year 2017 and increased 10% in fiscal year 2017 compared to fiscal year 2016, driven primarily by employee additions and increases in employee compensation and other related costs, including stock-based compensation expense.

### Sales, General and Administrative

Sales, general and administrative expenses increased by 23% in fiscal year 2018 compared to fiscal year 2017 and increased by 10% in fiscal year 2017 compared to fiscal year 2016, driven primarily by employee additions and increases in employee compensation and other related costs, including stock-based compensation expense. Offsetting these increases was a decrease in outside professional fees of $11 million in fiscal year 2018 and $57 million in fiscal year 2017 resulting from the resolution of our intellectual property disputes with Samsung and Qualcomm.

### Restructuring and Other Charges

In fiscal year 2016, we began to wind down our Icera modem operations. As a result, our operating expenses for fiscal year 2016 included $131 million of restructuring and other charges.

## Total Other Income (Expense)

### Interest Income and Interest Expense

Interest income consists of interest earned on cash, cash equivalents and marketable securities. Interest income was $69 million, $54 million, and $39 million in fiscal years 2018, 2017, and 2016, respectively. The increase in interest income was primarily due to higher average invested balances and higher yields on our investments from a rising interest rate environment.

Interest expense is primarily comprised of coupon interest and debt discount amortization related to the 2.20% Notes Due 2021 and 3.20% Notes Due 2026 issued in September 2016, and the Convertible Notes issued in December 2013. Interest expense was $61 million, $58 million, and $47 million in fiscal years 2018, 2017, and 2016.

**Other, Net**

Other, net, consists primarily of realized gains and losses from the sale of marketable securities, sales or impairments of investments in non-affiliated companies, losses on early conversions of the Convertible Notes, and the impact of changes in foreign currency rates. Net other expense was $22 million and $25 million in fiscal years 2018 and 2017, respectively, and was insignificant in fiscal year 2016. The net other expense in fiscal years 2018 and 2017 was primarily due to losses on early conversions of the Convertible Notes.

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## Income Taxes

The TCJA, which was enacted in December 2017, significantly changes U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions will impact us beginning in fiscal year 2019.

The corporate tax reduction is effective as of January 1, 2018. Since we operate on a fiscal year rather than a calendar year, we are subject to transitional tax rules. As a result, our fiscal year 2018 federal statutory rate is a blended rate of 33.9%. The change in the statutory tax rate from 35% to 33.9% for fiscal year 2018 did not have a significant impact on the effective tax rate.

We recognized income tax expense of $149 million, $239 million and $129 million for fiscal years 2018, 2017, and 2016, respectively. Our annual effective tax rate was 4.7%, 12.5%, and 17.3% for fiscal years 2018, 2017, and 2016, respectively. The decrease in our effective tax rate in fiscal year 2018 as compared to fiscal years 2017 and 2016 was primarily due to the provisional impact of the recent tax law changes and the recognition of excess tax benefits related to stock-based compensation. The decrease in our effective tax rate in fiscal year 2017 as compared to fiscal year 2016 was primarily due to the recognition of excess tax benefits from our adoption of a new accounting standard in fiscal year 2017 related to the simplification of certain aspects of stock-based compensation accounting.

Our effective tax rate for fiscal year 2018 was lower than the blended U.S. federal statutory rate of 33.9% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of the U.S. federal research tax credit, the provisional impact of the recent tax law changes in 2018, and excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal years 2017 and 2016 was lower than U.S. federal statutory tax rate of 35% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition in those fiscal years of the U.S. federal research tax credit, favorable discrete events primarily attributable to the tax benefit recognized upon the expiration of the applicable statutes of limitations, and adoption of an accounting standard related to stock-based compensation in fiscal year 2017.

For fiscal year 2018, we recognized provisional amounts for the tax effects of the TCJA, which were included as components of income tax expense and reflected in our effective tax rate for fiscal year 2018. We will continue to assess the impact of the recently enacted tax law on our business and our consolidated financial statements. The final impact of the TCJA recorded by us may vary materially from the provisional impact recorded due to a number of uncertainties and factors, including the need for further guidance and clarification of the new law by U.S. federal and state tax authorities and the need for further guidance on the income tax accounting.

In addition to the impact on fiscal year 2018, the TCJA also establishes new tax laws that will be effective for our fiscal year 2019. While each of these new tax laws is expected to have some impact on our tax expense for fiscal year 2019 and future periods, we expect the provision designed to tax the low-taxed income of foreign subsidiaries to have the most significant impact.

Because of the complexity of the new tax laws on the low-taxed income of certain foreign subsidiaries, we are continuing to evaluate this provision of the TCJA and the application of related accounting standards. Based on recent deliberations of the Financial Accounting Standards Board, or FASB, we expect to be allowed to make an accounting policy choice of either (1) treating taxes due on future taxable income in the U.S. as a current-period expense when incurred or (2) factoring such amounts into our measurement of deferred taxes. Our selection of an accounting policy will depend, in part, on our analysis of relevant facts to determine what the expected impact would be under each method.

Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

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## Liquidity and Capital Resources

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | (In millions) | |
| Cash and cash equivalents | $ 4,002 | $ 1,766 |
| Marketable securities | 3,106 | 5,032 |
| Cash, cash equivalents, and marketable securities | $ 7,108 | $ 6,798 |

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | | (In millions) | |
| Net cash provided by operating activities | $ 3,502 | $ 1,672 | $ 1,175 |
| Net cash provided by (used in) investing activities | $ 1,278 | $ (793) | $ (400) |
| Net cash provided by (used in) financing activities | $ (2,544) | $ 291 | $ (676) |

As of January 28, 2018, we had $7.11 billion in cash, cash equivalents and marketable securities, an increase of $310 million from the end of fiscal year 2017. Our portfolio of cash equivalents and marketable securities is managed on our behalf by several financial institutions. Our portfolio managers are required to follow our investment policy, which requires the purchase of high grade investment securities, the diversification of asset types, and certain limits on our portfolio duration.

Cash provided by operating activities increased in fiscal year 2018 compared to fiscal year 2017 and in fiscal year 2017 compared to fiscal year 2016, primarily due to higher net income and changes in working capital.

Cash provided by investing activities increased in fiscal year 2018 compared to fiscal year 2017, primarily due to a reduction in purchases of marketable securities, partially offset by the purchase of our previously-financed Santa Clara campus building. Cash used in investing activities for fiscal year 2017 increased from fiscal year 2016, primarily due to higher purchases of property and equipment and intangible assets and lower proceeds from sales and maturities of marketable securities.

Cash used in financing activities increased in fiscal year 2018 compared to fiscal year 2017, primarily due to cash provided from the issuance of $2.00 billion of Notes in fiscal year 2017 as well as higher repayments of Convertible Notes, tax payments related to employee stock plans, share repurchases and dividend payments in fiscal year 2018. Cash provided by financing activities in fiscal year 2017 increased from fiscal year 2016, primarily due to the $2.00 billion of Notes issued in September 2016, partially offset by the repayments of Convertible Notes and $1.00 billion of capital return to shareholders in the form of share repurchases and dividend payments.

### Liquidity

Our primary sources of liquidity are our cash and cash equivalents, our marketable securities, and the cash generated by our operations. As of January 28, 2018 and January 29, 2017, we had $7.11 billion and $6.80 billion, respectively, in cash, cash equivalents and marketable securities. Our marketable securities consist of debt securities issued by the United States government and its agencies, highly rated corporations and financial institutions, asset-backed issuers, mortgage-backed securities by government-sponsored enterprises, and foreign government entities. These marketable securities are denominated in United States dollars. Refer to Critical Accounting Policies and Estimates in Part II, Item 7, Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A and Note 6 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

The recent TCJA that was signed into law in December 2017 subjects U.S. companies to a one-time transition tax on certain earnings of foreign subsidiaries. Our reasonable estimate of the one-time transition tax that resulted from enactment of the TCJA is $401 million, which will be payable in eight annual installments. Accordingly, substantially all of our cash, cash equivalents and marketable securities held outside of the United States as of January 28, 2018 will now be available for use in the U.S. without incurring additional U.S. federal income taxes. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Capital Return to Shareholders

During fiscal year 2018, we repurchased a total of 6 million shares for $909 million and paid $341 million in cash dividends to our shareholders. As a result, we returned $1.25 billion to shareholders during fiscal year 2018.

For fiscal year 2019, we intend to return $1.25 billion to shareholders through ongoing quarterly cash dividends and share repurchases.

Our cash dividend program and the payment of future cash dividends under that program are subject to our Board's continuing determination that the dividend program and the declaration of dividends thereunder are in the best interests of our shareholders. Refer to Note 14 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Notes Due 2021 and Notes Due 2026

In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021 and $1.00 billion of the Notes Due 2026. The net proceeds from the Notes were $1.98 billion, after deducting debt discounts and issuance costs.

### Convertible Notes

As of January 28, 2018, we had $15 million of Convertible Notes outstanding. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

### Revolving Credit Facility

In fiscal year 2017, we entered into a Credit Agreement under which we may borrow, repay and re-borrow amounts from time to time, up to $575 million. The commitments under the Credit Agreement are available for a 5-year period ending on October 7, 2021. The Credit Agreement also permits us to obtain additional revolving loan commitments and/or commitments to issue letters of credit of up to $425 million, subject to certain conditions. As of January 28, 2018, we had not borrowed any amounts and were in compliance with all related covenants under the Credit Agreement.

### Commercial Paper

In December 2017, we established a commercial paper program to support general corporate purposes. Under the program, we can issue up to $575 million in commercial paper. As of January 28, 2018, there was no commercial paper outstanding.

### Operating Capital and Capital Expenditure Requirements

We believe that our existing cash balances and anticipated cash flows from operations will be sufficient to meet our operating and capital expenditure requirements for at least the next twelve months.

### Off-Balance Sheet Arrangements

In January 2018, we terminated the off-balance sheet, build-to-suit operating lease financing arrangement related to our new Santa Clara campus building and exercised our option to purchase the property for $335 million, which was recorded in Property and equipment, net, in our Consolidated Balance Sheet. Refer to Note 12 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for further discussion.

## Contractual Obligations

The following table summarizes our contractual obligations as of January 28, 2018:

| Contractual Obligations | Payment Due By Period Total | Less than 1 Year | 1-3 Years | 4-5 Years | More than 5 Years | All Other |
|---|---|---|---|---|---|---|
| | *(In millions)* | | | | | |
| Long-term debt (1) | $ 2,376 | $ 54 | $ 162 | $ 1,064 | $ 1,096 | $ — |
| Inventory purchase obligations | 1,331 | 1,331 | — | — | — | — |
| Transition tax payable (2) | 401 | 32 | 64 | 64 | 241 | — |
| Uncertain tax positions, interest and penalties (3) | 190 | — | — | — | — | 190 |
| Operating leases | 246 | 63 | 103 | 69 | 11 | — |
| Capital purchase obligations | 135 | 135 | — | — | — | — |
| 1.00% Convertible Notes (4) | 15 | 15 | — | — | — | — |
| Total contractual obligations | $ 4,694 | $ 1,630 | $ 329 | $ 1,197 | $ 1,348 | $ 190 |

(1) Represents the aggregate principal amount of $2.00 billion and anticipated interest payments of $376 million for the Notes. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

(2) Represents our reasonable estimate of a provisional tax payable amount of $401 million for the one-time transition tax that resulted from enactment of the TCJA in fiscal year 2018, which will be payable in eight annual installments. The first installment of $32 million is classified as a current income tax payable. The installment amounts will be equal to 8% of the total liability, payable in fiscal years 2019 through 2023, 15% in fiscal year 2024, 20% in fiscal year 2025 and 25% in fiscal year 2026. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K, for additional information about the one-time transition tax.

(3) Represents unrecognized tax benefits of $190 million which consists of $175 million and the related interest and penalties of $15 million recorded in non-current income tax payable as of January 28, 2018. We are unable to reasonably estimate the timing of any potential tax liability or interest/penalty payments in individual years due to uncertainties in the underlying income tax positions and the timing of the effective settlement of such tax positions.

(4) Represents the aggregate principal amount of $15 million for the Convertible Notes. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K.

### Adoption of New and Recently Issued Accounting Pronouncements

Refer to Note 1 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for a discussion of adoption of new and recently issued accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Interest Rate Risk

We are exposed to interest rate risk related to our floating and fixed-rate investment portfolio and outstanding debt. The investment portfolio is managed consistent with our overall liquidity strategy in support of both working capital needs and strategic growth of our businesses.

As of January 28, 2018, we performed a sensitivity analysis on our floating and fixed rate financial investments. According to our analysis, parallel shifts in the yield curve of both plus or minus 0.5% would result in changes in fair values for these investments of $14 million.

In fiscal year 2017, we issued $1.00 billion of the Notes Due 2021 and $1.00 billion of the Notes Due 2026. In fiscal year 2014, we issued $1.50 billion of Convertible Notes which had $15 million in principal amount outstanding as of January 28, 2018. We carry the Notes at face value less unamortized discount on our Consolidated Balance Sheets. As the Notes bear interest at a fixed rate, we have no financial statement risk associated with changes in interest rates. However, the fair value of the Convertible Notes changes primarily when the market price of our stock fluctuates. Refer to Note 11 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

### Foreign Exchange Rate Risk

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Gains or losses from foreign currency remeasurement are included in other income or expense and to date have not been significant. The impact of foreign currency transaction gain or loss included in determining net income was not significant for fiscal years 2018, 2017, and 2016.

Sales and arrangements with third-party manufacturers provide for pricing and payment in United States dollars, and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the United States' dollar relative to other currencies would make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States' dollar relative to other currencies could result in our suppliers raising their prices in order to continue doing business with us. Additionally, we have international operations and incur expenditures in currencies other than U.S. dollars. Our operating expenses benefit from a stronger dollar and are adversely affected by a weaker dollar.

We use foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss, and then reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur.

We also use foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

Refer to Note 9 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is set forth in our Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Controls and Procedures

#### Disclosure Controls and Procedures

Based on their evaluation as of January 28, 2018, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) were effective to provide reasonable assurance.

#### Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 28, 2018 based on the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 28, 2018.

The effectiveness of our internal control over financial reporting as of January 28, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included herein.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within NVIDIA have been detected.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

Certain information required by Part III is omitted from this report because we will file with the SEC a definitive proxy statement pursuant to Regulation 14A, or the 2018 Proxy Statement, no later than 120 days after the end of fiscal year 2018, and certain information included therein is incorporated herein by reference.

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

### Identification of Directors

Information regarding directors required by this item will be contained in our 2018 Proxy Statement under the caption “Proposal 1 - Election of Directors,” and is hereby incorporated by reference.

### Identification of Executive Officers

Reference is made to the information regarding executive officers appearing under the heading “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K, which information is hereby incorporated by reference.

### Identification of Audit Committee and Financial Experts

Information regarding our Audit Committee required by this item will be contained in our 2018 Proxy Statement under the captions “Report of the Audit Committee of the Board of Directors” and “Information About the Board of Directors and Corporate Governance,” and is hereby incorporated by reference.

### Material Changes to Procedures for Recommending Directors

Information regarding procedures for recommending directors required by this item will be contained in our 2018 Proxy Statement under the caption “Information About the Board of Directors and Corporate Governance,” and is hereby incorporated by reference.

### Compliance with Section 16(a) of the Exchange Act

Information regarding compliance with Section 16(a) of the Exchange Act required by this item will be contained in our 2018 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," and is hereby incorporated by reference.

### Code of Conduct

Information regarding our Code of Conduct required by this item will be contained in our 2018 Proxy Statement under the caption "Information About the Board of Directors and Corporate Governance - Code of Conduct," and is hereby incorporated by reference. The full text of our Code of Conduct and Financial Team Code of Conduct are published on the Investor Relations portion of our website, under Corporate Governance, at www.nvidia.com. The contents of our website are not a part of this Annual Report on Form 10-K.

## ITEM 11. EXECUTIVE COMPENSATION

Information regarding our executive compensation required by this item will be contained in our 2018 Proxy Statement under the captions "Executive Compensation", "Compensation Committee Interlocks and Insider Participation", "Director Compensation" and "Compensation Committee Report," and is hereby incorporated by reference.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Ownership of NVIDIA Securities

Information regarding ownership of NVIDIA securities required by this item will be contained in our 2018 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management,” and is hereby incorporated by reference.

### Equity Compensation Plan Information

Information regarding our equity compensation plans required by this item will be contained in our 2018 Proxy Statement under the caption "Equity Compensation Plan Information," and is hereby incorporated by reference.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding related transactions and director independence required by this item will be contained in our 2018 Proxy Statement under the captions “Review of Transactions with Related Persons” and “Information About the Board of Directors and Corporate Governance - Independence of the Members of the Board of Directors,” and is hereby incorporated by reference.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding accounting fees and services required by this item will be contained in our 2018 Proxy Statement under the caption “Fees Billed by the Independent Registered Public Accounting Firm,” and is hereby incorporated by reference.

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## PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE

| | | Page |
|---|---|---|
| (a) 1. | **Consolidated Financial Statements** | |

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of NVIDIA Corporation:

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of NVIDIA Corporation and its subsidiaries as of January 28, 2018 and January 29, 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 28, 2018, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 28, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 28, 2018 and January 29, 2017, and the results of their operations and their cash flows for each of the three years in the period ended January 28, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 28, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 28, 2018

We have served as the Company’s auditor since 2004.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(In millions, except per share data)**

| | Year Ended | | |
|---|---|---|---|
| | **January 28, 2018** | **January 29, 2017** | **January 31, 2016** |
| Revenue | $ 9,714 | $ 6,910 | $ 5,010 |
| Cost of revenue | 3,892 | 2,847 | 2,199 |
| Gross profit | 5,822 | 4,063 | 2,811 |
| Operating expenses | | | |
| Research and development | 1,797 | 1,463 | 1,331 |
| Sales, general and administrative | 815 | 663 | 602 |
| Restructuring and other charges | — | 3 | 131 |
| Total operating expenses | 2,612 | 2,129 | 2,064 |
| Income from operations | 3,210 | 1,934 | 747 |
| Interest income | 69 | 54 | 39 |
| Interest expense | (61) | (58) | (47) |
| Other, net | (22) | (25) | 4 |
| Total other income (expense) | (14) | (29) | (4) |
| Income before income tax | 3,196 | 1,905 | 743 |
| Income tax expense | 149 | 239 | 129 |
| Net income | $ 3,047 | $ 1,666 | $ 614 |
| | | | |
| Net income per share: | | | |
| Basic | $ 5.09 | $ 3.08 | $ 1.13 |
| Diluted | $ 4.82 | $ 2.57 | $ 1.08 |
| | | | |
| Weighted average shares used in per share computation: | | | |
| Basic | 599 | 541 | 543 |
| Diluted | 632 | 649 | 569 |
| | | | |
| Cash dividends declared and paid per common share | $ 0.570 | $ 0.485 | $ 0.395 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | **January 28, 2018** | **January 29, 2017** | **January 31, 2016** |
| | | | |
| Net income | $ 3,047 | $ 1,666 | $ 614 |
| Other comprehensive loss, net of tax: | | | |
| Available-for-sale securities: | | | |
| Net unrealized loss | (5) | (17) | (6) |
| Reclassification adjustments for net realized gain (loss) included in net income | 1 | 1 | (2) |
| Net change in unrealized loss | (4) | (16) | (8) |
| Cash flow hedges: | | | |
| Net unrealized gain (loss) | (1) | 2 | (4) |
| Reclassification adjustments for net realized gain (loss) included in net income | 3 | 2 | — |
| Net change in unrealized gain (loss) | 2 | 4 | (4) |
| Other comprehensive loss, net of tax | (2) | (12) | (12) |
| Total comprehensive income | $ 3,045 | $ 1,654 | $ 602 |

See accompanying notes to the consolidated financial statements.

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**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(In millions, except par value)**

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,002 | $ 1,766 |
| Marketable securities | 3,106 | 5,032 |
| Accounts receivable, less allowances of $13 as of January 28, 2018 and January 29, 2017 | 1,265 | 826 |
| Inventories | 796 | 794 |
| Prepaid expenses and other current assets | 86 | 118 |
| Total current assets | 9,255 | 8,536 |
| Property and equipment, net | 997 | 521 |
| Goodwill | 618 | 618 |
| Intangible assets, net | 52 | 104 |
| Other assets | 319 | 62 |
| Total assets | $ 11,241 | $ 9,841 |
| | | |
| **LIABILITIES, CONVERTIBLE DEBT CONVERSION OBLIGATION AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 596 | $ 485 |
| Accrued and other current liabilities | 542 | 507 |
| Convertible short-term debt | 15 | 796 |
| Total current liabilities | 1,153 | 1,788 |
| Long-term debt | 1,985 | 1,983 |
| Other long-term liabilities | 632 | 277 |
| Total liabilities | 3,770 | 4,048 |
| Commitments and contingencies - see Note 12 | | |
| Convertible debt conversion obligation | — | 31 |
| Shareholders’ equity: | | |
| Preferred stock, $.001 par value; 2 shares authorized; none issued | — | — |
| Common stock, $.001 par value; 2,000 shares authorized; 932 shares issued and 606 outstanding as of January 28, 2018; 868 shares issued and 585 outstanding as of January 29, 2017 | 1 | 1 |
| Additional paid-in capital | 5,351 | 4,708 |
| Treasury stock, at cost (326 shares in 2018 and 283 shares in 2017) | (6,650) | (5,039) |
| Accumulated other comprehensive loss | (18) | (16) |
| Retained earnings | 8,787 | 6,108 |
| Total shareholders' equity | 7,471 | 5,762 |

| | | |
|---|---|---|
| Total liabilities, convertible debt conversion obligation and shareholders' equity | $ 11,241 | $ 9,841 |

See accompanying notes to the consolidated financial statements.

# NVIDIA CORPORATION AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| (In millions, except per share data) | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balances, January 25, 2015 | 545 | $ 1 | $ 3,855 | $ (3,395 ) | $ 8 | $ 3,949 | $ 4,418 |
| Other comprehensive loss | — | — | — | — | (12 ) | — | (12 ) |
| Net income | — | — | — | — | — | 614 | 614 |
| Issuance of common stock from stock plans | 22 | — | 186 | — | — | — | 186 |
| Tax withholding related to vesting of restricted stock units | (3 ) | — | — | (66 ) | — | — | (66 ) |
| Share repurchase | (25 ) | — | — | (587 ) | — | — | (587 ) |
| Cash dividends declared and paid ($0.395 per common share) | — | — | — | — | — | (213 ) | (213 ) |
| Tax benefit from stock-based compensation | — | — | 10 | — | — | — | 10 |
| Stock-based compensation | — | — | 206 | — | — | — | 206 |
| Reclassification of convertible debt conversion obligation | — | — | (87 ) | — | — | — | (87 ) |
| Balances, January 31, 2016 | 539 | 1 | 4,170 | (4,048 ) | (4 ) | 4,350 | 4,469 |
| Retained earnings adjustment due to adoption of an accounting standard related to stock-based compensation | — | — | — | — | — | 353 | 353 |
| Other comprehensive loss | — | — | — | — | (12 ) | — | (12 ) |
| Net income | — | — | — | — | — | 1,666 | 1,666 |
| Issuance of common stock in exchange for warrants | 44 | — | (1 ) | — | — | — | (1 ) |
| Convertible debt conversion | 23 | — | (6 ) | — | — | — | (6 ) |
| Issuance of common stock from stock plans | 20 | — | 167 | — | — | — | 167 |
| Tax withholding related to vesting of restricted stock units | (3 ) | — | — | (177 ) | — | — | (177 ) |
| Share repurchase | (15 ) | — | — | (739 ) | — | — | (739 ) |
| Exercise of convertible note hedges | (23 ) | — | 75 | (75 ) | — | — | — |
| Cash dividends declared and paid ($0.485 per common share) | — | — | — | — | — | (261 ) | (261 ) |
| Stock-based compensation | — | — | 248 | — | — | — | 248 |
| Reclassification of convertible debt conversion obligation | — | — | 55 | — | — | — | 55 |
| Balances, January 29, 2017 | 585 | 1 | 4,708 | (5,039 ) | (16 ) | 6,108 | 5,762 |
| Retained earnings adjustment due to adoption of an accounting standard related to income tax consequences of an intra-entity transfer of an asset | — | — | — | — | — | (27 ) | (27 ) |
| Other comprehensive loss | — | — | — | — | (2 ) | — | (2 ) |
| Net income | — | — | — | — | — | 3,047 | 3,047 |
| Issuance of common stock in exchange for warrants | 13 | — | — | — | — | — | — |
| Convertible debt conversion | 33 | — | (7 ) | — | — | — | (7 ) |
| Issuance of common stock from stock plans | 18 | — | 138 | — | — | — | 138 |
| Tax withholding related to vesting of restricted stock units | (4 ) | — | — | (612 ) | — | — | (612 ) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Share repurchase | (6) | — | — | (909) | — | — | (909) |
| Exercise of convertible note hedges | (33) | — | 90 | (90) | — | — | — |
| Cash dividends declared and paid ($0.570 per common share) | — | — | — | — | — | (341) | (341) |
| Stock-based compensation | — | — | 391 | — | — | — | 391 |
| Reclassification of convertible debt conversion obligation | — | — | 31 | — | — | — | 31 |
| Balances, January 28, 2018 | 606 | $ 1 | $ 5,351 | $ (6,650) | $ (18) | $ 8,787 | $ 7,471 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In millions)**

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| Cash flows from operating activities: | | | |
| Net income | $ 3,047 | $ 1,666 | $ 614 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Stock-based compensation expense | 391 | 247 | 204 |
| Depreciation and amortization | 199 | 187 | 197 |
| Loss on early debt conversions | 19 | 21 | — |
| Amortization of debt discount | 3 | 25 | 29 |
| Deferred income taxes | (359) | 197 | 134 |
| Net gain on sale and disposal of long-lived assets and investments | (1) | (3) | (6) |
| Restructuring and other charges | — | — | 45 |
| Tax benefit from stock-based compensation | — | — | (10) |
| Other | 18 | 11 | 19 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (440) | (321) | (32) |
| Inventories | — | (375) | 66 |
| Prepaid expenses and other assets | 21 | (18) | (16) |
| Accounts payable | 90 | 184 | (11) |
| Accrued and other current liabilities | 33 | (135) | 39 |
| Other long-term liabilities | 481 | (14) | (97) |
| Net cash provided by operating activities | 3,502 | 1,672 | 1,175 |
| Cash flows from investing activities: | | | |
| Proceeds from sales of marketable securities | 863 | 1,546 | 2,102 |
| Proceeds from maturities of marketable securities | 1,078 | 969 | 1,036 |
| Proceeds from sale of long-lived assets and investments | 2 | 7 | 7 |
| Purchases of marketable securities | (36) | (3,134) | (3,477) |
| Purchases of property and equipment and intangible assets | (593) | (176) | (86) |
| Reimbursement of building development costs from banks | — | — | 24 |
| Investment in non-affiliates | (36) | (5) | (6) |
| Net cash provided by (used in) investing activities | 1,278 | (793) | (400) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of debt | — | 1,988 | — |
| Payments related to repurchases of common stock | (909) | (739) | (587) |
| Repayment of Convertible Notes | (812) | (673) | — |
| Dividends paid | (341) | (261) | (213) |
| Proceeds related to employee stock plans | 139 | 167 | 186 |
| Payments related to tax on restricted stock units | (612) | (176) | (66) |
| Payments for debt issuance costs | — | (8) | — |
| Tax benefit from stock-based compensation | — | — | 10 |

| | | | |
|---|---|---|---|
| Other | (9) | (7) | (6) |
| Net cash provided by (used in) financing activities | (2,544) | 291 | (676) |
| Change in cash and cash equivalents | 2,236 | 1,170 | 99 |
| Cash and cash equivalents at beginning of period | 1,766 | 596 | 497 |
| Cash and cash equivalents at end of period | $ 4,002 | $ 1,766 | $ 596 |

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| ***Supplemental disclosures of cash flow information:*** | | | |
| Cash paid for income taxes, net | $ 22 | $ 14 | $ 14 |
| Cash paid for interest | $ 55 | $ 13 | $ 17 |
| | | | |
| ***Non-cash investing and financing activity:*** | | | |
| Assets acquired by assuming related liabilities | $ 36 | $ 16 | $ 19 |

See accompanying notes to the consolidated financial statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## Note 1 - Organization and Summary of Significant Accounting Policies

### Our Company

Starting with a focus on PC graphics, NVIDIA invented the GPU to solve some of the most complex problems in computer science. We have extended our focus in recent years to the revolutionary field of artificial intelligence.

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

All references to “NVIDIA,” “we,” “us,” “our” or the “Company” mean NVIDIA Corporation and its subsidiaries, except where it is made clear that the term means only the parent company.

### Fiscal Year

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2018 and 2017 are both 52-week years and fiscal year 2016 was a 53-week year.

### Reclassifications

Certain prior fiscal year balances have been reclassified to conform to the current fiscal year presentation.

### Principles of Consolidation

Our consolidated financial statements include the accounts of NVIDIA Corporation and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, litigation, investigation and settlement costs, restructuring and other charges, and other contingencies. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

### Revenue Recognition

#### Product Revenue

We recognize revenue from product sales when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed or determinable and collection of the related receivable is reasonably assured. For most sales, we use a binding purchase order and in certain cases we use a contractual agreement as evidence of an arrangement. We consider delivery to occur upon shipment provided title and risk of loss have passed to the customer. At the point of sale, we assess whether the arrangement fee is fixed or determinable and whether collection is reasonably assured. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of payment.

Our customer programs primarily involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets. We account for rebates as a reduction of revenue and accrue for 100% of the potential rebates and do not apply a breakage factor, as we typically find that over 95% of the rebates we accrue each year are eventually claimed, which is substantially close to 100%, and that this percentage varies by program and by customer. We recognize a liability for these rebates at the later of the date at which we record the related revenue or the date at which we offer the rebate. Rebates typically expire six months from the date of the original sale, unless we reasonably believe that the customer intends to claim the rebate. Unclaimed rebates are reversed to revenue, the amount of which typically represents less than 0.5% of total revenue.

Our customer programs also include marketing development funds, or MDFs. MDFs represent monies paid to our partners that are earmarked for market segment development and expansion and are typically designed to support our partners' activities while also promoting NVIDIA products. We account for MDFs as a reduction of revenue and apply a breakage factor to certain types of MDF program accruals for which we believe we can make a reasonable and reliable estimate of the amount that will ultimately be unclaimed.

We also record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a particular fiscal period exceed historical return rates we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

#### License and Development Revenue

For license arrangements that require significant customization of our intellectual property components, we generally recognize the related revenue over the period that services are performed. For most license and service arrangements, we determine progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete the project. A provision for estimated losses on contracts is made in the period in which the loss becomes probable and can be reasonably estimated. Costs incurred in advance of revenue recognized are recorded as deferred costs on uncompleted contracts. If the amount billed exceeds the amount of revenue recognized, the excess amount is recorded as deferred revenue.

For license arrangements that do not require significant customization but where we are obligated to provide further deliverables over the term of the license agreement, we record revenue over the life of the license term, with consideration received in advance of the performance period classified as deferred revenue.

Royalty revenue is recognized related to the distribution or sale of products that use our technologies under license agreements with third parties. We recognize royalty revenue upon receipt of a confirmation of earned royalties and when collectability is reasonably assured from the applicable licensee.

### Advertising Expenses

We expense advertising costs in the period in which they are incurred. Advertising expenses for fiscal years 2018, 2017, and 2016 were $25 million, $17 million, and $30 million, respectively.

### Rent Expense

We recognize rent expense on a straight-line basis over the lease period and accrue for rent expense incurred, but not paid.

### Product Warranties

We generally offer a limited warranty to end-users that ranges from one to three years for products in order to repair or replace products for any manufacturing defects or hardware component failures. Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. We also accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

### Stock-based Compensation

We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs, and performance stock units that are based on our corporate financial performance targets, or PSUs. We use a Monte Carlo simulation on the date of grant to estimate the fair value of performance stock units that are based on market conditions, or market-based PSUs. The compensation expense for RSUs and market-based PSUs is recognized using a straight-line attribution method over the requisite employee service period while compensation expense for PSUs is recognized using an accelerated amortization model. We estimate the fair value of shares to be issued under our employee stock purchase plan, or ESPP, using the Black-Scholes model at the commencement of an offering period in March and September of each year. Stock-based compensation for our ESPP is expensed using an accelerated amortization model. Additionally, we estimate forfeitures annually based on historical experience and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. If factors change, the compensation expense that we record under these accounting standards may differ significantly from what we have recorded in the current period.

### Restructuring and Other Charges

Our restructuring and other charges include employee severance and related costs, the write-down of assets, and other exit costs. The severance and related costs include one-time termination benefits as well as certain statutory termination benefits or employee terminations under ongoing benefit arrangements. One-time termination benefits are recognized as a liability at estimated fair value when the approved plan of termination has been communicated to employees, unless employees must provide future service, in which case the benefits are recognized ratably over the future service period. Ongoing termination benefits arrangements are recognized as a liability at estimated fair value when the amount of such benefits becomes estimable and payment is probable. Any contract termination costs are recognized at estimated fair value when we terminate the contract in accordance with the contract terms. Other associated costs are recognized in the period the liability is incurred. Our operating expenses for fiscal year 2016 included $131 million of restructuring and other charges related to the wind-down of our Icera operations, which was comprised mainly of employee severance, facilities, and related costs. Restructuring charges were not significant for fiscal years 2018 and 2017.

### Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. We are aggressively defending our current litigation matters. However, there are many uncertainties associated with any litigation or investigation, and we cannot be certain that these actions or other third-party claims against us will be resolved without litigation, fines and/or substantial settlement payments. If that occurs, our business, financial condition and results of operations could be materially and adversely affected. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

### Foreign Currency Remeasurement

We use the United States dollar as our functional currency for all of our subsidiaries. Foreign currency monetary assets and liabilities are remeasured into United States dollars at end-of-period exchange rates. Non-monetary assets and liabilities such as property and equipment, and equity are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the previously noted balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency remeasurement are included in other income or expense in our Consolidated Statements of Income and to date have not been significant.

### Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 28, 2018, we had a valuation allowance of $469 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

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**(Continued)**

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

In December 2017, the Tax Cuts and Jobs Act, or TCJA, was enacted into law. The TCJA significantly changes U.S. tax law including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions will impact us beginning in fiscal year 2019. Refer to Note 13 of these Notes to the Consolidated Financial Statements for additional information.

### Comprehensive Income

Comprehensive income consists of net income and other comprehensive income or loss. Other comprehensive income or loss components include unrealized gains or losses on available-for-sale securities and unrealized gains or losses on cash flow hedges.

### Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Under the treasury stock method, the effect of stock options outstanding is not included in the computation of diluted net income per share for periods when their effect is anti-dilutive. Additionally, we issued convertible notes with a net settlement feature that requires us, upon conversion, to settle the principal amount of debt for cash and the conversion premium for cash or shares of our common stock. Our convertible notes, note hedges, and related warrants contain various conversion features, which are further described in Note 11 of these Notes to the Consolidated Financial Statements. The potentially dilutive shares resulting from the convertible notes and warrants under the treasury stock method will be included in the calculation of diluted income per share when their inclusion is dilutive. However, unless actually exercised, the note hedges were not included in the calculation of diluted net income per share, as their pre-exercised effect would be anti-dilutive under the treasury stock method.

### Cash and Cash Equivalents

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents. As of January 28, 2018 and January 29, 2017, our cash and cash equivalents were $4.00 billion and $1.77 billion, respectively, including $3.79 billion and $321 million, respectively, invested in money market funds.

### Marketable Securities

Marketable securities consist primarily of highly liquid investments with maturities of greater than three months when purchased. We generally classify our marketable securities at the date of acquisition as available-for-sale. These securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. The fair value of interest-bearing securities includes accrued interest. Any unrealized losses which are considered to be other-than-temporary impairments are recorded in the other income or expense, net, section of our Consolidated Statements of Income. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income or expense, net, section of our Consolidated Statements of Income.

All of our available-for-sale investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary, or have other indicators of impairments. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) we intend to sell the instrument, (2) it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or (3) a credit loss exists where we do not expect to recover the entire amortized cost basis of the instrument. In these situations, we recognize an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if we do not intend to sell and it is not more likely than not that we will not be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings while loss related to all other factors is recorded in accumulated other comprehensive income or loss.

### Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their relatively short maturities as of January 28, 2018 and January 29, 2017. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains or losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as fair value hedges, the gains or losses are recognized in earnings in the periods of change together with the offsetting losses or gains on the hedged items attributed to the risk being hedged. For derivative instruments designated as cash-flow hedges, the effective portion of the gains or losses on the derivatives is initially reported as a component of other comprehensive income or loss and is subsequently recognized in earnings when the hedged exposure is recognized in earnings.

### Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities, accounts receivable, note hedge and interest rate swap. Our investment policy requires the purchase of high grade investment securities, the diversification of asset type and includes certain limits on our portfolio duration. All marketable securities are held in our name, managed by several investment managers and held by one major financial institution under a custodial arrangement. Accounts receivable from significant customers, those representing 10% or more of total accounts receivable, aggregated approximately 28% of our accounts receivable balance from two customers as of January 28, 2018 and 29% of our account receivable balance from two customers as of January 29, 2017. We perform ongoing credit evaluations of our customers' financial condition and maintain an allowance for potential credit losses. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. Our overall estimated exposure excludes amounts covered by credit insurance and letters of credit.

### Accounts Receivable

We maintain an allowance for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make required payments. We determine this allowance by identifying amounts for specific customer issues as well as amounts based on overall estimated exposure. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the extent to which balances are covered by credit insurance or letters of credit.

### Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up.

### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets, generally three to five years. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded. The estimated useful lives of our buildings are up to thirty years. Depreciation expense includes the amortization of assets recorded under capital leases. Leasehold improvements and assets recorded under capital leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset.

## Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist. For the purposes of completing our impairment test, we perform either a qualitative or a quantitative analysis on a reporting unit basis.

For those reporting units where a significant change or event has occurred, where potential impairment indicators exist, or for which we have not performed a quantitative assessment recently, we perform a quantitative assessment to testing goodwill for impairment. It tests for possible impairment by applying a fair value-based test by weighting the results from the income approach and the market approach. Refer to Note 4 of these Notes to the Consolidated Financial Statements for additional information.

## Intangible Assets and Other Long-Lived Assets

Intangible assets primarily represent rights acquired under technology licenses, patents, acquired intellectual property, trademarks and customer relationships and are subject to an annual impairment test. We currently amortize our intangible assets with definitive lives over periods ranging from three to ten years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up or, if that pattern cannot be reliably determined, using a straight-line amortization method.

Long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Fair value is determined based on the estimated discounted future cash flows expected to be generated by the asset or asset group. Assets and liabilities to be disposed of would be separately presented in the Consolidated Balance Sheet and the assets would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

## Adoption of New and Recently Issued Accounting Pronouncements

### Recently Adopted Accounting Pronouncements

In October 2016, the Financial Accounting Standards Board, or FASB, issued an accounting standards update which requires the recognition of income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. We elected to early adopt this new guidance in the first quarter of fiscal year 2018, which required us to reflect any adjustments as of January 30, 2017. Upon adoption of this guidance, we recorded a cumulative-effect adjustment as of the first day of fiscal year 2018 to decrease retained earnings by $28 million, with a corresponding decrease to prepaid taxes that had not been previously recognized in income tax expense.

In January 2017, the FASB issued an accounting standards update that simplifies the test for goodwill impairment. The update eliminates the second step in the goodwill impairment test that requires an entity to determine the implied fair value of the reporting unit’s goodwill.

Instead, an entity should recognize an impairment loss if the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, with the impairment loss not to exceed the amount of goodwill allocated to the reporting unit. We adopted this guidance in the fourth quarter of fiscal year 2018 and applied it prospectively, as permitted by the standard. The adoption of this accounting guidance did not have a material impact on our consolidated financial statements.

**Recent Accounting Pronouncements Not Yet Adopted**

In January 2016, the FASB issued an accounting standards update to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in the fair value of our equity investments to be recognized through net income rather than other comprehensive income. The update will be effective for us beginning in our first quarter of fiscal year 2019. We anticipate the adoption of this accounting standard to increase the volatility of our other income or expense, net, due to the remeasurement of certain of our equity securities, primarily our investments in non-affiliates, for fair value changes.

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In February 2016, the FASB issued an accounting standards update regarding the accounting for leases by which we will begin recognizing lease assets and liabilities on the balance sheet for leases with a lease term of more than 12 months. The update will require additional disclosures regarding key information about leasing arrangements. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. The update will be effective for us beginning in our first quarter of fiscal year 2020, with early adoption permitted. We are currently evaluating the impact of the adoption of this accounting guidance on our consolidated financial statements. However, we expect the adoption of this accounting guidance to result in an increase in lease assets and a corresponding increase in lease liabilities on our Consolidated Balance Sheets.

The FASB issued an accounting standards update that creates a single source of revenue guidance under U.S. GAAP for all companies, in all industries. We expect to adopt this guidance beginning in our first quarter of fiscal year 2019 using the modified retrospective approach. We have made progress in, and continue to assess changes in policies, processes, systems and controls necessary to meet the additional requirements of the guidance. While we are still finalizing our analysis to quantify the adoption impact of the provisions of the new revenue standard, we do not expect it to have a material impact on our consolidated financial statements. However, we do expect to provide additional disclosure under this guidance, including more information regarding estimates and judgments, practical expedients used, contract balances and performance obligations.

## Note 2 - Stock-Based Compensation

Our stock-based compensation expense is associated with stock options, restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our employee stock purchase plan, or ESPP.

Our Consolidated Statements of Income include stock-based compensation expense, net of amounts capitalized as inventory, as follows:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | | (In millions) | |
| Cost of revenue | $ 21 | $ 15 | $ 15 |
| Research and development | 219 | 134 | 115 |
| Sales, general and administrative | 151 | 98 | 74 |
| Total | $ 391 | $ 247 | $ 204 |

Stock-based compensation capitalized in inventories was not significant during fiscal years 2018, 2017, and 2016.

The following is a summary of equity awards granted under our equity incentive plans:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | (In millions, except per share data) | | |

| | | | |
|---|---|---|---|
| **RSUs, PSUs and Market-based PSUs** | | | |
| Awards granted | 6 | 12 | 13 |
| Estimated total grant-date fair value | $ 929 | $ 591 | $ 296 |
| Weighted average grant-date fair value (per share) | $ 145.91 | $ 50.57 | $ 22.01 |
| | | | |
| **ESPP** | | | |
| Shares purchased | 5 | 4 | 6 |
| Weighted average price (per share) | $ 21.24 | $ 18.51 | $ 13.67 |
| Weighted average grant-date fair value (per share) | $ 7.12 | $ 5.80 | $ 4.53 |

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Beginning fiscal year 2015, we shifted away from granting stock options and toward granting RSUs, PSUs and market-based PSUs to reflect changing market trends for equity incentives at our peer companies. As of January 28, 2018, there were 5 million stock options outstanding and the amount of unvested stock options was not significant. The number of PSUs that will ultimately vest is contingent on the Company’s level of achievement versus the corporate financial performance target established by our Compensation Committee in the beginning of each fiscal year.

Of the total fair value of equity awards, we estimated that the stock-based compensation expense related to the equity awards that are not expected to vest for fiscal years 2018, 2017, and 2016 was $156 million, $98 million, and $46 million, respectively.

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | *(In millions)* | |
| Aggregate unearned stock-based compensation expense | $ 1,091 | $ 627 |
| | | |
| Estimated weighted average remaining amortization period | *(In years)* | |
| RSUs, PSUs and market-based PSUs | 2.3 | 2.6 |
| ESPP | 0.7 | 0.6 |

The fair value of shares issued under our ESPP have been estimated with the following assumptions:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | *(Using the Black-Scholes model)* | | |
| **ESPP** | | | |
| Weighted average expected life (in years) | 0.5-2.0 | 0.5-2.0 | 0.5-2.0 |
| Risk-free interest rate | 0.8%-1.4% | 0.5%-0.9% | 0.1%-0.7% |
| Volatility | 40%-54% | 30%-39% | 24%-34% |
| Dividend yield | 0.3%-0.5% | 0.7%-1.4% | 1.5%-1.8% |

For ESPP shares, the expected term represents the average term from the first day of the offering period to the purchase date. The risk-free interest rate assumption used to value ESPP shares is based upon observed interest rates on Treasury bills appropriate for the expected term. Our expected stock price volatility assumption for ESPP is estimated using historical volatility. For awards granted, we use the dividend yield at grant date. Our RSU, PSU, and market-based PSU awards are not eligible for cash dividends prior to vesting; therefore, the fair values of RSUs, PSUs, and market-based PSUs are discounted for the dividend yield.

Additionally, for employee stock option, RSU, PSU, and market-based PSU awards, we estimate forfeitures annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

## Equity Incentive Program

We grant or have granted stock options, RSUs, PSUs, market-based PSUs, and stock purchase rights under the following equity incentive plans.

### Amended and Restated 2007 Equity Incentive Plan

In 2007, our shareholders approved the NVIDIA Corporation 2007 Equity Incentive Plan, as most recently amended and restated, the 2007 Plan.

The 2007 Plan authorizes the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards to employees, directors and consultants. Only our employees may receive incentive stock options. Up to 207 million shares of our common stock may be issued pursuant to stock awards granted under the 2007 Plan. Currently, we grant RSUs, PSUs and market-based PSUs under the 2007 Plan, under which, as of January 28, 2018, there were 16 million shares available for future issuance.

Stock options previously granted to employees, subject to certain exceptions, vest over a four year period, subject to continued service, with 25% vesting on the anniversary of the hire date in the case of new hires or the anniversary of the date of grant in the case of grants to existing employees and 6.25% vesting quarterly thereafter. These stock options generally expire ten years from the date of grant.

Subject to certain exceptions, RSUs and PSUs granted to employees vest over a four year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and (i) for grants made prior to May 18, 2016, 12.5% vesting semi-annually thereafter, and (ii) for grants made on or after May 18, 2016, 6.25% vesting quarterly thereafter. Market-based PSUs vest 100% on approximately the three year anniversary of the date of grant. However, the number of shares subject to both PSUs and market-based PSUs that are eligible to vest is generally determined by the Compensation Committee based on achievement of pre-determined criteria.

Unless terminated sooner, the 2007 Plan is scheduled to terminate on March 21, 2022. Our Board may suspend or terminate the 2007 Plan at any time. No awards may be granted under the 2007 Plan while the 2007 Plan is suspended or after it is terminated. The Board may also amend the 2007 Plan at any time. However, if legal, regulatory or listing requirements require shareholder approval, the amendment will not go into effect until the shareholders have approved the amendment.

**Amended and Restated 2012 Employee Stock Purchase Plan**

In 2012, our shareholders approved the 2012 Employee Stock Purchase Plan, as most recently amended and restated, the 2012 Plan, as the successor to the 1998 Employee Stock Purchase Plan.

Up to 75 million shares of our common stock may be issued pursuant to purchases under the 2012 Plan. As of January 28, 2018, we had issued 28 million shares and reserved 47 million shares for future issuance under the 2012 Plan.

The 2012 Plan is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. Under the current offerings adopted pursuant to the 2012 Plan, each offering period is approximately 24 months, which is generally divided into four purchase periods of six months.

Employees are eligible to participate if they are employed by us or an affiliate of us as designated by the Board. Employees who participate in an offering may have up to 10% of their earnings withheld up to certain limitations and applied on specified dates determined by the Board to the purchase of shares of common stock. The Board may increase this percentage at its discretion, up to 15%. The price of common stock purchased under our 2012 Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period and the fair market value on each purchase date within the offering. Employees may end their participation in the 2012 Plan at any time during the offering period, and participation ends automatically on termination of employment with us. In each case, the employee's contributions are refunded.

The following is a summary of our equity award transactions under our equity incentive plans:

| | RSUs, PSUs and Market-based PSUs Outstanding | | |
|---|---|---|---|
| | Number of Shares | | Weighted Average Grant-Date Fair Value |
| | (In millions, except years and per share data) | | |
| Balances, January 29, 2017 | 27 | $ | 32.84 |
| Granted (1)(2) | 6 | $ | 145.91 |
| Vested restricted stock | (11) | $ | 28.80 |
| Canceled and forfeited | — | $ | — |
| Balances, January 28, 2018 | 22 | $ | 66.72 |
| Vested and expected to vest after January 28, 2018 | 18 | $ | 66.43 |

(1) Includes PSUs that will be issued and eligible to vest based on the corporate financial performance maximum target level achieved for fiscal year 2018.

(2) Includes market-based PSUs that will be issued and eligible to vest if the maximum target for total shareholder return, or TSR, over the 3-year measurement period is achieved. Depending on the ranking of our TSR compared to the respective TSRs of the companies comprising the Standard & Poor's 500 Index during that period, the market-based PSUs issued could be up to 0.1 million shares.

As of January 28, 2018 and January 29, 2017, there were 16 million and 22 million shares, respectively, of common stock reserved for future issuance under our equity incentive plans.

The total intrinsic value of options exercised was $318 million, $246 million, and $75 million for fiscal years 2018, 2017, and 2016, respectively. Upon exercise of an option, we issue new shares of stock. The total fair value of options vested was $1 million, $8 million, and $17 million for fiscal years 2018, 2017, and 2016, respectively.

## Note 3 - Net Income Per Share

The following is a reconciliation of the denominator of the basic and diluted net income per share computations for the periods presented:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | *(In millions, except per share data)* | | |
| Numerator: | | | |
| Net income | $ 3,047 | $ 1,666 | $ 614 |
| Denominator: | | | |
| Basic weighted average shares | 599 | 541 | 543 |
| Dilutive impact of outstanding securities: | | | |
| Equity awards | 24 | 26 | 13 |
| 1.00% Convertible Senior Notes | 5 | 44 | 13 |

| | | | |
|---|---|---|---|
| Warrants issued with the 1.00% Convertible Senior Notes | 4 | 38 | — |
| Diluted weighted average shares | 632 | 649 | 569 |
| Net income per share: | | | |
| Basic (1) | $ 5.09 | $ 3.08 | $ 1.13 |
| Diluted (2) | $ 4.82 | $ 2.57 | $ 1.08 |
| Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive | 4 | 8 | 10 |

(1) Calculated as net income divided by basic weighted average shares.

(2) Calculated as net income divided by diluted weighted average shares.

The 1.00% Convertible Senior Notes, or the Convertible Notes, are included in the calculation of diluted net income per share. The Convertible Notes have a dilutive impact on net income per share if our average stock price for the reporting period exceeds the adjusted conversion price of $20.0350 per share. The warrants associated with our Convertible Notes, or the Warrants, outstanding are also included in the calculation of diluted net income per share. As of January 28, 2018, there were no warrants outstanding.

For fiscal year 2018, our average stock price was $158.35, which exceeded both the adjusted conversion price and the adjusted strike price, causing the Convertible Notes and the Warrants to have a dilutive impact.

The denominator for diluted net income per share does not include any effect from the convertible note hedge transactions, or the Note Hedges, that we entered into concurrently with the issuance of the Convertible Notes, as its effect would be anti-dilutive. In the event of conversion of the Convertible Notes, the shares delivered to us under the Note Hedges will offset the dilutive effect of the shares that we would issue under the Convertible Notes.

Refer to Note 11 of these Notes to the Consolidated Financial Statements for additional discussion regarding the Convertible Notes, Note Hedges, and Warrants.

## Note 4 - Goodwill

The carrying amount of goodwill is from the following acquisitions:

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | (In millions) | |
| Icera | $ 271 | $ 271 |
| PortalPlayer | 105 | 105 |
| Mental Images | 59 | 59 |
| 3dfx | 50 | 50 |
| MediaQ | 35 | 35 |
| ULi | 31 | 31 |
| Other | 67 | 67 |
| Total goodwill | $ 618 | $ 618 |

The amount of goodwill allocated to our GPU and Tegra Processor reporting units was $210 million and $408 million, respectively, as of both January 28, 2018 and January 29, 2017. Refer to Note 16 of these Notes to the Consolidated Financial Statements for further discussion regarding segments.

We completed our annual impairment test during the fourth quarter of fiscal year 2018 and concluded that there was no impairment, as the fair value of our reporting units exceeded their carrying values. The fair value was determined by weighing the results from the income approach and the market approach.

These income and market valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business. When performing an income approach valuation, we incorporate the use of projected financial information and a discount rate that are developed using market participant based assumptions to our discounted cash flow model. Our estimates of discounted cash flow were based upon, among other things, certain assumptions about our expected future operating performance, such as revenue growth rates, operating margins, risk-adjusted discount rates, and future economic and market conditions. The market method of determining the fair value of our reporting units requires us to use judgment in the selection of appropriate market comparables.

## Note 5 - Amortizable Intangible Assets

The components of our amortizable intangible assets are as follows:

| | January 28, 2018 | | | January 29, 2017 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | | (In millions) | | | (In millions) | |
| Acquisition-related intangible assets | $ 195 | $ (180) | $ 15 | $ 193 | $ (167) | $ 26 |
| Patents and licensed technology | 469 | (432) | 37 | 468 | (390) | 78 |
| Total intangible assets | $ 664 | $ (612) | $ 52 | $ 661 | $ (557) | $ 104 |

Amortization expense associated with intangible assets for fiscal years 2018, 2017, and 2016 was $55 million, $68 million, and $73 million, respectively. Future amortization expense for the net carrying amount of intangible assets as of January 28, 2018 is estimated to be $26 million in fiscal year 2019, $17 million in fiscal year 2020, $8 million in fiscal year 2021, and $1 million in fiscal year 2022 and thereafter until fully amortized.

## Note 6 - Marketable Securities

All of our cash equivalents and marketable securities are classified as “available-for-sale” securities.

The following is a summary of cash equivalents and marketable securities as of January 28, 2018 and January 29, 2017:

| | January 28, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | | | (In millions) | | | |
| Money market funds | $ 3,789 | $ — | $ — | $ 3,789 | $ 3,789 | $ — |
| Corporate debt securities | 1,304 | — | (9) | 1,295 | — | 1,295 |
| Debt securities of United States government agencies | 822 | — | (7) | 815 | — | 815 |
| Debt securities issued by the United States Treasury | 577 | — | (4) | 573 | — | 573 |
| Asset-backed securities | 254 | — | (2) | 252 | — | 252 |
| Mortgage-backed securities issued by United States | 128 | 2 | — | 130 | — | 130 |

| | | | | | | |
|---|---|---|---|---|---|---|
| government-sponsored enterprises | | | | | | |
| Foreign government bonds | 42 | — | (1) | 41 | — | 41 |
| Total | $ 6,916 | $ 2 | $ (23) | $ 6,895 | $ 3,789 | $ 3,106 |

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| | January 29, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | | | | | Reported as | |
| | Amortized Cost | Unrealized Gain | Unrealized Loss | Estimated Fair Value | Cash Equivalents | Marketable Securities |
| | (In millions) | | | | | |
| Corporate debt securities | $ 2,397 | $ 1 | $ (10) | $ 2,388 | $ 33 | $ 2,355 |
| Debt securities of United States government agencies | 1,193 | — | (5) | 1,188 | 27 | 1,161 |
| Debt securities issued by the United States Treasury | 852 | — | (2) | 850 | 55 | 795 |
| Asset-backed securities | 490 | — | (1) | 489 | — | 489 |
| Money market funds | 321 | — | — | 321 | 321 | — |
| Mortgage backed securities issued by United States government-sponsored enterprises | 161 | 2 | (1) | 162 | — | 162 |
| Foreign government bonds | 70 | — | — | 70 | — | 70 |
| Total | $ 5,484 | $ 3 | $ (19) | $ 5,468 | $ 436 | $ 5,032 |

The following table provides the breakdown of unrealized losses as of January 28, 2018, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

| | Less than 12 Months | | 12 Months or Greater | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| | (In millions) | | | | | |
| Corporate debt securities | $ 433 | $ (2) | $ 801 | $ (7) | $ 1,234 | $ (9) |
| Debt securities issued by United States government agencies | 175 | (1) | 640 | (6) | 815 | (7) |
| Debt securities issued by the US Treasury | 170 | (1) | 404 | (3) | 574 | (4) |
| Asset-backed securities | 73 | — | 179 | (2) | 252 | (2) |
| Foreign government bonds | — | — | 41 | (1) | 41 | (1) |
| Total | $ 851 | $ (4) | $ 2,065 | $ (19) | $ 2,916 | $ (23) |

The gross unrealized losses related to fixed income securities and were primarily due to changes in interest rates, which we believe are temporary in nature. Currently, we have the intent and ability to hold our investments until maturity. For fiscal years 2018, 2017, and 2016, there were no other-than-temporary impairment losses and net realized gains were not significant.

The amortized cost and estimated fair value of cash equivalents and marketable securities as of January 28, 2018 and January 29, 2017 are shown below by contractual maturity.

| | January 28, 2018 | | January 29, 2017 | |
|---|---|---|---|---|
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | (In millions) | | | |
| Less than one year | $ 5,381 | $ 5,375 | $ 2,209 | $ 2,209 |
| Due in 1 - 5 years | 1,500 | 1,485 | 3,210 | 3,194 |
| Mortgage-backed securities issued by government-sponsored enterprises not due at a single maturity date | 35 | 35 | 65 | 65 |
| Total | $ 6,916 | $ 6,895 | $ 5,484 | $ 5,468 |

## Note 7 - Fair Value of Financial Assets and Liabilities

The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We classify securities within Level 1 when the fair value is obtained from real time quotes in active markets involving identical securities. We classify securities within Level 2 when pricing is obtained from real time quotes of similar securities in active markets or alternative pricing sources and models utilizing market observable inputs to determine fair value. There were no significant transfers between Levels 1 and 2 for fiscal year 2018. Level 3 assets are based on unobservable inputs to the valuation methodology and include our own data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances. We did not have any securities classified as Level 3 as of January 28, 2018.

| | | Fair Value at | |
|---|---|---|---|
| | Pricing Category | January 28, 2018 | January 29, 2017 |
| | | (In millions) | |
| **Assets** | | | |
| Cash equivalents and marketable securities: | | | |
| Money market funds | Level 1 | $ 3,789 | $ 321 |
| Corporate debt securities | Level 2 | $ 1,295 | $ 2,388 |
| Debt securities of U.S. government agencies | Level 2 | $ 815 | $ 1,188 |
| Debt securities issued by the United States Treasury | Level 2 | $ 573 | $ 850 |
| Asset-backed securities | Level 2 | $ 252 | $ 489 |
| Mortgage-backed securities issued by United States government-sponsored enterprises | Level 2 | $ 130 | $ 162 |
| Foreign government bonds | Level 2 | $ 41 | $ 70 |

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Current liability: | | | | | |
| 1.00% Convertible Senior Notes (1) | Level 2 | $ | 189 | $ | 4,474 |
| Other noncurrent liabilities: | | | | | |
| 2.20% Notes Due 2021 (1) | Level 2 | $ | 982 | $ | 975 |
| 3.20% Notes Due 2026 (1) | Level 2 | $ | 986 | $ | 961 |
| Interest rate swap (2) | Level 2 | $ | — | $ | 2 |

(1) These liabilities are carried on our Consolidated Balance Sheets at their original issuance value, net of unamortized debt discount and issuance costs, and are not marked to fair value each period. Refer to Note 11 of these Notes to the Consolidated Financial Statements for additional information.

(2) In January 2018, we terminated the interest rate swap. Refer to Note 9 of these Notes to Consolidated Financial Statements for additional information.

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## Note 8 - Balance Sheet Components

Certain balance sheet components are as follows:

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | *(In millions)* | |
| **Inventories:** | | |
| Raw materials | $ 227 | $ 252 |
| Work in-process | 192 | 176 |
| Finished goods | 377 | 366 |
| Total inventories | $ 796 | $ 794 |

| | January 28, 2018 | January 29, 2017 | Estimated Useful Life |
|---|---|---|---|
| | *(In millions)* | | *(In years)* |
| **Property and Equipment:** | | | |
| Land | $ 218 | $ 218 | (A) |
| Building | 348 | 13 | 25-30 (B) |
| Test equipment | 462 | 427 | 3-5 |
| Computer equipment | 285 | 188 | 3-5 |
| Leasehold improvements | 198 | 176 | (C) |
| Software and licenses | 88 | 63 | 3-5 |
| Office furniture and equipment | 79 | 49 | 5 |
| Capital leases | 28 | 28 | (C) |
| Construction in process | 31 | 29 | (D) |
| Total property and equipment, gross | 1,737 | 1,191 | |
| Accumulated depreciation and amortization | (740) | (670) | |
| Total property and equipment, net | $ 997 | $ 521 | |

(A) Land is a non-depreciable asset.

(B) In January 2018, we terminated the off-balance sheet, build-to-suit operating lease financing arrangement related to our new Santa Clara campus building and exercised our option to purchase the property for $335 million, which has been recorded as Property and Equipment, net in our Consolidated Balance Sheet.

(C) Leasehold improvements and capital leases are amortized based on the lesser of either the asset's estimated useful life or the remaining expected lease term.

(D) Construction in process represents assets that are not available for their intended use as of the balance sheet date.

Depreciation expense for fiscal years 2018, 2017, and 2016 was $144 million, $118 million, and $124 million, respectively.

Accumulated amortization of leasehold improvements and capital leases was $178 million and $164 million as of January 28, 2018 and January 29, 2017, respectively. Amortization of leasehold improvements and capital leases is included in depreciation and amortization expense.

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | (In millions) | |
| **Accrued and Other Current Liabilities:** | | |
| Customer related liabilities (1) | $ 181 | $ 197 |
| Accrued payroll and related expenses | 172 | 137 |
| Deferred revenue (2) | 53 | 85 |
| Taxes payable | 33 | 4 |
| Coupon interest on debt obligations | 20 | 21 |
| Accrued royalties | 17 | 7 |
| Professional service fees | 15 | 13 |
| Warranty accrual (3) | 15 | 8 |
| Accrued restructuring and other charges | 7 | 13 |
| Leases payable | 5 | 4 |
| Contributions payable | 4 | 4 |
| Other | 20 | 14 |
| Total accrued and other current liabilities | $ 542 | $ 507 |

(1) Customer related liabilities include accrued customer programs, such as rebates and marketing development funds.

(2) Deferred revenue primarily includes customer advances and deferrals related to license and service arrangements.

(3) Refer to Note 10 of these Notes to the Consolidated Financial Statements for a discussion regarding warranties.

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | (In millions) | |
| **Other Long-Term Liabilities:** | | |
| Income tax payable (1) | $ 559 | $ 96 |
| Deferred income tax liability | 18 | 141 |
| Deferred revenue | 15 | 4 |
| Employee benefits liability | 12 | 10 |
| Contributions payable | 9 | 9 |
| Deferred rent | 9 | 6 |
| Licenses payable | 8 | 1 |
| Other | 2 | 10 |
| Total other long-term liabilities | $ 632 | $ 277 |

(1) Represents the long-term portion of the one-time transition tax payable of $369 million, as well as unrecognized tax benefits of $175 million and related interest and penalties of $15 million. Refer to Note 13 of these Notes to the Consolidated Financial Statements for additional information.

## Note 9 - Derivative Financial Instruments

In fiscal year 2016, we entered into an interest rate swap for a portion of the operating lease financing arrangement for our new Santa Clara campus building. In January 2018, we terminated the operating lease financing arrangement and purchased the property. Concurrently, the related interest rate swap was terminated.

We enter into foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss and reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur. The fair value of the contracts was not significant as of January 28, 2018 and January 29, 2017.

We also enter into foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

The table below presents the notional value of our foreign currency forward contracts outstanding as of January 28, 2018 and January 29, 2017:

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | *(In millions)* | |
| Designated as cash flow hedges | $ 104 | $ 67 |
| Not designated for hedge accounting | $ 94 | $ 32 |

As of January 28, 2018, the maturities of the designated foreign currency forward contracts were three months or less. We expect to realize all gains and losses deferred into accumulated other comprehensive income or loss related to these foreign currency forward contracts within the next twelve months.

During fiscal years 2018 and 2017, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant and all such instruments were determined to be highly effective. Therefore, there were no gains or losses associated with ineffectiveness.

## Note 10 - Guarantees

U.S. GAAP requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. In addition, U.S. GAAP requires disclosures about the guarantees that an entity has issued, including a tabular reconciliation of the changes of the entity’s product warranty liabilities.

### Accrual for Product Warranty Liabilities

We record a reduction to revenue for estimated product returns at the time revenue is recognized primarily based on historical return rates. Cost of revenue includes the estimated cost of product warranties. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. Additionally, we accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

The estimated product returns and estimated product warranty liabilities recorded in accrued and other current liabilities on our Consolidated Balance Sheets as of January 28, 2018 and January 29, 2017 are as follows:

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | *(In millions)* | |
| Balance at beginning of period | $ 8 | $ 11 |
| Additions | 14 | 2 |

| | | |
|---|---|---|
| Deductions | (7) | (5) |
| Balance at end of period | $ 15 | $ 8 |

In connection with certain agreements that we have entered into in the past, we have provided indemnities to cover the indemnified party for matters such as tax, product, and employee liabilities. We have included intellectual property indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. We have not recorded any liability in our Consolidated Financial Statements for such indemnifications.

## Note 11 - Debt

### Long-Term Debt

**2.20% Notes Due 2021 and 3.20% Notes Due 2026**

In fiscal year 2017, we issued $1.00 billion of the 2.20% Notes Due 2021, and $1.00 billion of the 3.20% Notes Due 2026, collectively, the Notes. Interest on the Notes is payable on March 16 and September 16 of each year, beginning on March 16, 2017. Upon 30 days' notice to holders of the Notes, we may redeem the Notes for cash prior to maturity, at redemption prices that include accrued and unpaid interest, if any, and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Notes Due 2021 on or after August 16, 2021, or for redemptions of the Notes Due 2026 on or after June 16, 2026. The net proceeds from the Notes were $1.98 billion, after deducting debt discount and issuance costs.

The Notes are our unsecured senior obligations and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The Notes are structurally subordinated to the liabilities of our subsidiaries and are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. All existing and future liabilities of our subsidiaries will be effectively senior to the Notes.

The carrying value of our long-term debt and the associated interest rates were as follows:

| | Expected Remaining Term (years) | Effective Interest Rate | January 28, 2018 | January 29, 2017 |
|---|---|---|---|---|
| | | | (In millions) | |
| 2.20% Notes Due 2021 | 3.6 | 2.38% | $ 1,000 | $ 1,000 |
| 3.20% Notes Due 2026 | 8.6 | 3.31% | 1,000 | 1,000 |
| Unamortized debt discount and issuance costs | | | (15) | (17) |
| Net carrying amount | | | $ 1,985 | $ 1,983 |

### Convertible Debt

**1.00% Convertible Senior Notes Due 2018**

In fiscal year 2014, we issued $1.50 billion of 1.00% Convertible Senior Notes due 2018. Through January 28, 2018, we had settled an aggregate of $1.48 billion of the Convertible Notes. The Convertible Notes are unsecured, unsubordinated obligations of the Company paying interest in cash semi-annually at a rate of 1.00% per annum and will mature on December 1, 2018 unless previously repurchased or converted. Upon conversion, we pay cash up to the aggregate principal amount and pay or deliver cash, shares of our common stock or a combination thereof, at our election, of our conversion obligation in excess of the aggregate principal amount being converted.

Holders may convert all or any portion of their Convertible Notes at any time prior to August 1, 2018 under certain circumstances. For example, during any fiscal quarter, if the last reported sale price of the common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day, the Convertible Notes become convertible at the holders' option. As this condition has been met, all outstanding Convertible Notes are convertible at the holders’ option through April 29, 2018.

During fiscal year 2018, we paid cash to settle $812 million in principal amount of the Convertible Notes and had $15 million in principal amount outstanding as of January 28, 2018. We also issued 33 million shares of our common stock for the excess conversion value and recognized a loss of $19 million on early conversions of the Convertible Notes. Based on the closing price of our common stock of $243.33 on the last trading day of fiscal year 2018, the if-converted value of the remaining outstanding Convertible Notes exceeded their principal amount by approximately $174 million. As of January 28, 2018, the conversion rate was 49.9127 shares of common stock per $1,000 principal amount of the Convertible Notes (equivalent to an adjusted conversion price of $20.0350 per share of common stock).

We separately accounted for the liability and equity components of the Convertible Notes as our conversion obligation in excess of the aggregate principal could be fully or partially settled in cash. The liability component was assigned by estimating the fair value of a similar debt without the conversion feature. The difference between the net cash proceeds and the liability component was assigned as the equity component. The initial liability component of the Convertible Notes was valued at $1.35 billion and the initial carrying value of the equity component recorded in additional paid-in-capital was valued at $126 million. This equity component, together with the $23 million purchaser's discount to the par value of the Convertible Notes, represented the initial aggregate unamortized debt discount of $148 million. The debt discount is amortized as interest expense over the contractual term of the Convertible Notes using the effective interest method and an interest rate of 3.15%.

As of January 28, 2018, the carrying value of the Convertible Notes was classified as a current liability and the difference between the principal amount and the carrying value of the Convertible Notes was classified as convertible debt conversion obligation in the mezzanine equity section of our Consolidated Balance Sheet. The convertible debt conversion obligation as of January 28, 2018 was not significant.

The following table presents the carrying value of the Convertible Notes:

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| | *(In millions)* | |
| 1.00% Convertible Senior Notes | $ 15 | $ 827 |
| Unamortized debt discount (1) | — | (31) |
| Net carrying amount | $ 15 | $ 796 |

(1) As of January 28, 2018, the balance of unamortized debt discount was not significant and will be fully amortized in fiscal year 2019.

The following table presents interest expense for the contractual interest and the accretion of debt discount and issuance costs related to the Convertible Notes:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | *(In millions)* | | |
| Contractual coupon interest expense | $ — | $ 9 | $ 15 |
| Amortization of debt discount | 2 | 24 | 29 |
| Total interest expense related to Convertible Notes | $ 2 | $ 33 | $ 44 |

### Note Hedges and Warrants

Concurrently with the issuance of the Convertible Notes, we entered into a convertible note hedge transaction, or the Note Hedges. The Note Hedges have an adjusted strike price of $20.0350 per share and allow us to receive shares of our common stock and/or cash related to the excess conversion value that we would deliver and/or pay, respectively, to the holders of the Convertible Notes upon conversion. Through January 28, 2018, we had received 56 million shares of our common stock from the exercise of a portion of the Note Hedges related to the settlement of $1.48 billion in principal amount of the Convertible Notes.

In addition, concurrent with the offering of the Convertible Notes and the purchase of the Note Hedges, we entered into a separate warrant transaction, or the Warrants. In fiscal year 2017, we entered into an agreement to terminate 63 million warrants and delivered a total of 48 million shares of common stock. In fiscal year 2018, we entered into a second agreement to terminate the remaining 12 million warrants outstanding and delivered a total of 10 million shares of common stock. Therefore, no warrants were outstanding as of January 28, 2018.

### Revolving Credit Facility

In fiscal year 2017, we entered into a credit agreement, or the Credit Agreement, under which we may borrow, repay and re-borrow amounts from time to time, up to $575 million, for working capital and other general corporate purposes. The commitments under the Credit Agreement are available for a 5-year period ending on October 7, 2021. The Credit Agreement also permits us to obtain additional revolving loan commitments up to $425 million, subject to certain conditions. As of

January 28, 2018, we had not borrowed any amounts and were in compliance with all related covenants under the Credit Agreement.

### Commercial Paper

In December 2017, we established a commercial paper program to support general corporate purposes. Under the program, we can issue up to $575 million in commercial paper. As of January 28, 2018, there was no commercial paper outstanding.

## Note 12 - Commitments and Contingencies

### Inventory Purchase Obligations

As of January 28, 2018, we had outstanding inventory purchase obligations totaling $1.33 billion.

### Capital Purchase Obligations

As of January 28, 2018, we had outstanding capital purchase obligations totaling $135 million.

### Lease Obligations

Our headquarters complex is located in Santa Clara, California and includes ten buildings that are leased properties. Future minimum lease payments related to headquarters operating leases total $63 million over the remaining terms of the leases, including predetermined rent escalations, and are included in the future minimum lease payment schedule below.

Additionally, we have other domestic and international office facilities, including datacenter space, under operating leases expiring through fiscal year 2027. We also include non-cancelable obligations under certain software licensing arrangements as operating leases.

Future minimum lease payments under our non-cancelable operating leases as of January 28, 2018, are as follows:

| | Future Minimum Lease Obligations |
|---|---|
| | *(In millions)* |
| **Fiscal Year:** | |
| 2019 | $ 63 |
| 2020 | 53 |
| 2021 | 50 |
| 2022 | 44 |
| 2023 | 25 |
| 2024 and thereafter | 11 |
| Total | $ 246 |

Rent expense for fiscal years 2018, 2017, and 2016 was $54 million, $46 million, and $45 million, respectively.

## Operating Lease Financing Arrangement

In January 2018, we exercised the option to terminate the off-balance sheet, build-to-suit operating lease financing arrangement related to our new Santa Clara campus building, and purchased the building for $335 million.

## Litigation

### Polaris Innovations Limited

On May 16, 2016, Polaris Innovations Limited, or Polaris, a non-practicing entity and wholly-owned subsidiary of Quarterhill Inc. (formerly WiLAN Inc.), filed a complaint against NVIDIA for patent infringement in the United States District Court for the Western District of Texas. Polaris alleges that NVIDIA has infringed and is continuing to infringe six U.S. patents relating to the control of dynamic random-access memory, or DRAM: 6,532,505; 7,124,325; 7,405,993; 7,886,122; 8,161,344; and 8,207,976. The complaint seeks unspecified monetary damages, enhanced damages, interest, fees, expenses, and costs against NVIDIA. On September 14, 2016, NVIDIA answered the Polaris Complaint and asserted various defenses including non-infringement and invalidity of the six Polaris patents.

On December 5, 2016, the Texas Court granted NVIDIA's motion to transfer and ordered the case transferred to the Northern District of California.

Between December 7, 2016 and July 25, 2017, NVIDIA filed multiple petitions for inter partes review, or IPR, at the United States Patent and Trademark Office, or USPTO, challenging the validity of each of the patents asserted by Polaris in the U.S. litigation. The USPTO instituted IPRs for U.S. Patent Nos. 6,532,505; 7,405,993; 7,886,122; and 8,161,344. The USPTO declined to institute IPRs on U.S. Patent Nos. 7,124,325 and 8,207,976.

On June 15, 2017, the California Court granted NVIDIA's motion to stay the district court litigation pending resolution of the petitions for IPR. The California Court has not set a trial date.

On December 30, 2016, Polaris filed a complaint against NVIDIA for patent infringement in the Regional Court of Düsseldorf, Germany. Polaris alleges that NVIDIA has infringed and is continuing to infringe three patents relating to control of DRAM: European Patent No. EP1428225, and German Patent Nos. DE 10223167 and DE 1020066043668. On July 14, 2017, NVIDIA filed defenses to the infringement allegations including non-infringement with respect to each of the three asserted patents.

An oral hearing is scheduled for February 21, 2019.

Between March 31, 2017 and June 12, 2017, NVIDIA filed nullity actions with the German Patent Court challenging the validity of each of the patents asserted by Polaris in the German litigation.

**ZiiLabs 1 Patents Lawsuit**

On October 2, 2017, ZiiLabs Inc., Ltd., or ZiiLabs, a non-practicing entity, filed a complaint in the United States District Court for the District of Delaware alleging that NVIDIA has infringed and is continuing to infringe four U.S. patents relating to GPUs: 6,683,615; 7,050,061; 7,710,425; and 9,098,943, or the ZiiLabs 1 Patents. ZiiLabs is a Bermuda corporation and a wholly-owned subsidiary of Creative Technology Asia Limited, a Hong Kong company which is itself is a wholly-owned subsidiary of Creative Technology Ltd. a publicly traded Singapore company. The complaint seeks unspecified monetary damages, enhanced damages, interest, costs, and fees against NVIDIA and an injunction against further direct or direct infringement of the ZiiLabs 1 Patents. On November 27, 2017, NVIDIA answered the ZiiLabs complaint and asserted various defenses including non-infringement and invalidity of the ZiiLabs 1 Patents.

On January 10, 2018, ZiiLabs filed a first amended complaint asserting infringement of a fifth U.S. Patent No. 6,977,649.

**ZiiLabs 2 Patents Lawsuits**

On December 27, 2017, ZiiLabs filed a second complaint in the United States District Court for the District of Delaware alleging that NVIDIA has infringed four additional U.S. Patents: 6,181,355; 6,900,800; 8,144,156; and 8,643,659, or the ZiiLabs 2 Patents. The second complaint also seeks unspecified monetary damages, enhanced damages, interest, costs, and fees against NVIDIA and an injunction against further direct or direct infringement of the ZiiLabs 2 Patents.

On December 29, 2017, ZiiLabs filed a request with the U.S. International Trade Commission, or USITC, to commence an Investigation pursuant to Section 337 of the Tariff Act of 1930 relating to the unlawful importation of certain graphics processors and products containing the same. ZiiLabs alleges that the unlawful importation results from the infringement of the ZiiLabs 2 Patents by products from respondents NVIDIA, ASUSTeK Computer Inc., ASUS Computer International, EVGA Corporation, Gigabyte Technology Co., Ltd., G.B.T. Inc., Micro-Star International Co., Ltd., MSI Computer Corp., Nintendo Co., Ltd., Nintendo of America Inc., PNY Technologies Inc., Zotac International (MCO) Ltd., and Zotac USA Inc.

### Accounting for Loss Contingencies

While there can be no assurance of favorable outcomes, we believe the claims made by the other parties in the above ongoing matters are without merit and we intend to vigorously defend the actions. As of January 28, 2018, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, any possible loss or range of loss in these matters cannot be reasonably estimated at this time. We are engaged in other legal actions not described above arising in the ordinary course of its business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

## Note 13 - Income Taxes

The income tax expense (benefit) applicable to income before income taxes consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | | (In millions) | |
| Current income taxes: | | | |
| Federal | $ 464 | $ 7 | $ (43) |
| State | 1 | 1 | 1 |
| Foreign | 43 | 34 | 25 |
| Total current | 508 | 42 | (17) |
| Deferred taxes: | | | |
| Federal | (376) | 199 | 134 |
| State | — | — | — |
| Foreign | 17 | (2) | — |
| Total deferred | (359) | 197 | 134 |
| Charge in lieu of taxes attributable to employer stock option plans | — | — | 12 |
| Income tax expense | $ 149 | $ 239 | $ 129 |

Income before income tax consists of the following:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | | (In millions) | |
| Domestic (1) | $ 1,600 | $ 600 | $ 129 |
| Foreign | 1,596 | 1,305 | 614 |
| Income before income tax | $ 3,196 | $ 1,905 | $ 743 |

(1) The increase in domestic income is primarily due to jurisdictional allocation of stock-based compensation charges.

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**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

The income tax expense differs from the amount computed by applying the blended U.S. federal statutory rate of 33.9% for fiscal year 2018 and U.S. federal statutory rate of 35% for fiscal years 2017 and 2016 to income before income taxes as follows:

| | Year Ended | | |
|---|---|---|---|
| | **January 28, 2018** | **January 29, 2017** | **January 31, 2016** |
| | | *(In millions)* | |
| Tax expense computed at federal statutory rate | $ 1,084 | $ 667 | $ 260 |
| Expense (benefit) resulting from: | | | |
| State income taxes, net of federal tax effect | 10 | 4 | 1 |
| Foreign tax rate differential | (545) | (315) | (95) |
| Stock-based compensation (1) | (181) | (70) | 13 |
| Tax Cuts and Jobs Act of 2017 (2) | (133) | — | — |
| U.S. federal R&D tax credit | (87) | (52) | (38) |
| Tax expense related to intercompany transaction | — | 10 | 10 |
| Restructuring and expiration of statute of limitations | — | — | (21) |
| Other | 1 | (5) | (1) |
| Income tax expense | $ 149 | $ 239 | $ 129 |

(1) We adopted an accounting standard related to stock-based compensation effective February 1, 2016, which required the excess tax benefit to be reflected in our provision for income taxes rather than in additional paid-in-capital. The total related excess tax benefit recognized for fiscal year 2018 and 2017 was $197 million and $82 million, respectively.

(2) We recognized a provisional tax benefit of $133 million, which was included as a component of income tax expense.

The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets and liabilities are presented below:

| | **January 28, 2018** | **January 29, 2017** |
|---|---|---|
| | *(In millions)* | |
| **Deferred tax assets:** | | |
| Net operating loss carryforwards | $ 67 | $ 199 |
| Accruals and reserves, not currently deductible for tax purposes | 24 | 40 |
| Property, equipment and intangible assets | 32 | 50 |
| Research and other tax credit carryforwards | 579 | 728 |
| Stock-based compensation | 24 | 34 |
| Convertible debt | — | 6 |
| Gross deferred tax assets | 726 | 1,057 |
| Less valuation allowance | (469) | (353) |
| Total deferred tax assets | 257 | 704 |
| **Deferred tax liabilities:** | | |
| Acquired intangibles | (4) | (11) |
| Unremitted earnings of foreign subsidiaries | (26) | (827) |

| | | |
|---|---|---|
| Gross deferred tax liabilities | (30) | (838) |
| **Net deferred tax asset (liability)** | $ 227 | $ (134) |

We recognized income tax expense of $149 million, $239 million, and $129 million for fiscal years 2018, 2017, and 2016, respectively. Our annual effective tax rate was 4.7%, 12.5%, and 17.3% for fiscal years 2018, 2017, and 2016, respectively.

In December 2017, the TCJA was enacted into law. The TCJA significantly changes U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions will impact us beginning in fiscal year 2019.

The corporate tax reduction is effective as of January 1, 2018. Since we operate on a fiscal year rather than a calendar year, we are subject to transitional tax rules. As a result, our fiscal year 2018 federal statutory rate is a blended rate of 33.9%. The change in the statutory tax rate from 35% to 33.9% for fiscal year 2018 did not have a significant impact on the effective tax rate.

U.S. GAAP requires companies to recognize the effect of tax law changes in the period of enactment. However, the SEC also issued guidance that allows companies to record provisional amounts during a measurement period not to exceed one year. Accordingly, as of January 28, 2018, we recognized a provisional tax benefit of $133 million as a component of income tax expense, which is our reasonable estimate of the effects of the tax law changes on existing deferred tax balances and the calculation of the one-time transition tax.

The one-time transition tax is based on the post-1986 earnings and profits, or E&P, of our foreign subsidiaries. We had previously accrued deferred taxes on a portion of these same earnings. We recorded a provisional one-time transition tax liability of $971 million and released the previously accrued deferred tax liabilities of $1.15 billion, resulting in a net decrease to income tax expense of $176 million.

We have reasonably estimated, but not yet completed, the calculation of the total post-1986 E&P for our foreign subsidiaries. Our calculation of the transition tax may change with further analysis, additional guidance from the U.S. federal and state tax authorities and additional guidance for the associated income tax accounting.

As a result of the reduction of the corporate income tax rate to 21%, companies were required to remeasure their deferred tax assets and liabilities as of the date of enactment. As a result, we recorded a provisional income tax expense of $43 million on the write-down of our deferred tax balance.

The decrease in the effective tax rate in fiscal year 2018 as compared to fiscal years 2017 and 2016 was primarily due to the provisional impact of the tax law changes and the recognition of excess tax benefits related to stock-based compensation. The decrease in our effective tax rate in fiscal year 2017 as compared to fiscal year 2016 was primarily due to the recognition of excess tax benefits from our adoption of a new accounting standard in fiscal year 2017 related to the simplification of certain aspects of stock-based compensation accounting.

Our effective tax rate for fiscal year 2018 was lower than the blended U.S. federal statutory rate of 33.9% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of the U.S. federal research tax credit, the provisional impact of the recent tax law changes in 2018, and excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal years 2017 and 2016 was lower than U.S. federal statutory tax rate of 35% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition in those fiscal years of the U.S. federal research tax credit, favorable discrete events primarily attributable to the tax benefit recognized upon the expiration of the applicable statutes of limitations, and adoption of an accounting standard related to stock-based compensation in fiscal year 2017.

As of January 28, 2018 and January 29, 2017, we had a valuation allowance of $469 million and $353 million, respectively, related to state and certain foreign deferred tax assets that management determined not likely to be realized due, in part, to projections of future taxable income. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

As of January 28, 2018, we had federal, state and foreign net operating loss carryforwards of $74 million, $226 million and $281 million, respectively. The federal and state carryforwards will expire beginning in fiscal year 2023 and 2019, respectively. The foreign net operating loss carryforwards of $281 million may be carried forward indefinitely. As of January 28, 2018, we had federal research tax credit carryforwards of $361 million that will begin to expire in fiscal year 2032. We have state research tax credit carryforwards of $575 million, of which $554 million is attributable to the State of California and may be carried over indefinitely, and $21 million is attributable to various other states and will expire beginning in fiscal year 2019. Our tax attributes, net operating loss and tax credit carryforwards, remain subject to audit and may be adjusted for changes or modification in tax laws, other authoritative interpretations thereof, or other facts and circumstances.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

Utilization of federal, state, and foreign net operating losses and tax credit carryforwards may also be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state and foreign tax provisions. If any such limitations apply, the federal, states, or foreign net operating loss and tax credit carryforwards, as applicable, may expire or be denied before utilization.

As of January 28, 2018, we had $447 million of gross unrecognized tax benefits, of which $413 million would affect our effective tax rate if recognized. However, approximately $58 million of the unrecognized tax benefits were related to state income tax positions taken, that, if recognized, would be in the form of a carryforward deferred tax asset that would likely attract a full valuation allowance. The $413 million of unrecognized tax benefits as of January 28, 2018 consisted of $175 million recorded in non-current income taxes payable and $238 million reflected as a reduction to the related deferred tax assets.

A reconciliation of gross unrecognized tax benefits is as follows:

| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
|---|---|---|---|
| | | *(In millions)* | |
| Balance at beginning of period | $ 224 | $ 230 | $ 254 |
| Increases in tax positions for prior years | 7 | 3 | — |
| Decreases in tax positions for prior years | (1) | — | (1) |
| Increases in tax positions for current year | 222 | 46 | 28 |
| Settlements | — | (48) | — |
| Lapse in statute of limitations | (5) | (7) | (51) |
| Balance at end of period | $ 447 | $ 224 | $ 230 |

The increase in the unrecognized tax benefit in fiscal year 2018 is primarily due to the one-time transition tax imposed on foreign earnings under the TCJA. We classify an unrecognized tax benefit as a current liability, or amount refundable, to the extent that we anticipate payment or receipt of cash for income taxes within one year. The amount is classified as a long-term liability, or reduction of long-term deferred tax assets or amount refundable if we anticipate payment or receipt of cash for income taxes during a period beyond a year.

Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 28, 2018, January 29, 2017, and January 31, 2016, we had accrued $15 million, $13 million, and $11 million, respectively, for the payment of interest and penalties related to unrecognized tax benefits, which is not included as a component of our unrecognized tax benefits. As of January 28, 2018, unrecognized tax benefits of $175 million and the related interest and penalties of $15 million are included in non-current income taxes payable.

While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved. As of January 28, 2018, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

We are subject to taxation by a number of taxing authorities both in the United States and throughout the world. As of January 28, 2018, the significant tax jurisdictions that may be subject to examination include the United States, Hong Kong, Taiwan, China, United Kingdom, Germany, and India for fiscal years 2003 through 2017. As of January 28, 2018, the significant tax jurisdictions for which we are currently under examination include India, Taiwan, UK, and Germany for fiscal years 2003 through 2017.

## Note 14 - Shareholders' Equity

### Capital Return Program

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

During fiscal year 2018, we repurchased a total of 6 million shares for $909 million and paid $341 million in cash dividends to our shareholders.

Through January 28, 2018, we have repurchased an aggregate of 251 million shares under our share repurchase program for a total cost of $5.5 billion. All shares delivered from these repurchases have been placed into treasury stock. As of January 28, 2018, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $1.82 billion through December 2020.

### Preferred Stock

As of January 28, 2018 and January 29, 2017, there were no shares of preferred stock outstanding.

### Common Stock

We are authorized to issue up to 2.00 billion shares of our common stock at $0.001 per share par value.

## Note 15 - Employee Retirement Plans

We have a 401(k) retirement plan covering substantially all of our United States employees. Under the plan, participating employees may defer up to 80% of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limits and we match a portion of the employee contributions. Our contribution expense for fiscal years 2018, 2017, and 2016 was $23 million, $12 million, and $8 million, respectively. We also have defined contribution retirement plans outside of the United States to which we contributed $25 million, $23 million, and $21 million for fiscal years 2018, 2017, and 2016, respectively.

## Note 16 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. Our operating segments are equivalent to our reportable segments.

We report our business in two primary reportable segments - the GPU business and the Tegra Processor business - based on a single underlying graphics architecture.

While our GPU and CUDA architecture is unified, our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for consoles and mobile gaming and entertainment devices.

Under the single unifying graphics architecture for our GPU and Tegra Processors, we leverage our visual computing expertise by charging the operating expenses of certain core engineering functions to the GPU business, while charging the Tegra Processor business for the incremental cost of the teams working directly for that business. In instances where the operating expenses of certain functions benefit both reportable segments, our CODM assigns 100% of those expenses to the reportable segment that benefits the most.

The “All Other” category presented below represents the revenue and expenses that our CODM does not assign to either the GPU business or the Tegra Processor business for purposes of making operating decisions or assessing financial performance. The revenue includes primarily patent licensing revenue and the expenses include stock-based compensation expense, corporate infrastructure and support costs, acquisition-related costs, legal settlement costs, contributions, restructuring and other charges, product warranty charge, and other non-recurring charges and benefits that our CODM deems to be enterprise in nature.

Our CODM does not review any information regarding total assets on a reportable segment basis. Reportable segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for NVIDIA as a whole. The table below presents details of our reportable segments and the "All Other" category.

**NVIDIA CORPORATION AND SUBSIDIARIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Continued)**

| | GPU | Tegra Processor | All Other | Consolidated |
|---|---|---|---|---|
| | | *(In millions)* | | |
| **Year Ended January 28, 2018:** | | | | |
| Revenue | $ 8,137 | $ 1,534 | $ 43 | $ 9,714 |
| Depreciation and amortization expense | $ 123 | $ 37 | $ 39 | $ 199 |
| Operating income (loss) | $ 3,507 | $ 303 | $ (600) | $ 3,210 |
| **Year Ended January 29, 2017:** | | | | |
| Revenue | $ 5,822 | $ 824 | $ 264 | $ 6,910 |
| Depreciation and amortization expense | $ 116 | $ 29 | $ 42 | $ 187 |
| Operating income (loss) | $ 2,180 | $ (9) | $ (237) | $ 1,934 |
| **Year Ended January 31, 2016:** | | | | |
| Revenue | $ 4,187 | $ 559 | $ 264 | $ 5,010 |
| Depreciation and amortization expense | $ 110 | $ 43 | $ 44 | $ 197 |
| Operating income (loss) | $ 1,344 | $ (239) | $ (358) | $ 747 |

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| | | *(In millions)* | |
| ***Reconciling items included in "All Other" category:*** | | | |
| Unallocated revenue | $ 43 | $ 264 | $ 264 |
| Stock-based compensation | (391) | (247) | (204) |
| Unallocated cost of revenue and operating expenses | (237) | (215) | (244) |
| Acquisition-related costs | (13) | (16) | (22) |
| Contributions | (2) | (4) | — |
| Legal settlement costs | — | (16) | — |
| Restructuring and other charges | — | (3) | (131) |
| Product warranty charges | — | — | (21) |
| Total | $ (600) | $ (237) | $ (358) |

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| **Revenue:** | | *(In millions)* | |

| | | | |
|---|---|---|---|
| Taiwan | $ 2,991 | $ 2,546 | $ 1,912 |
| Other Asia Pacific | 2,066 | 1,010 | 749 |
| China | 1,896 | 1,305 | 806 |
| United States | 1,274 | 904 | 643 |
| Europe | 768 | 659 | 482 |
| Other Americas | 719 | 486 | 418 |
| Total revenue | $ 9,714 | $ 6,910 | $ 5,010 |

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The following table summarizes information pertaining to our revenue by each of the specialized markets we serve:

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2018 | January 29, 2017 | January 31, 2016 |
| **Revenue:** | | *(In millions)* | |
| Gaming | $ 5,513 | $ 4,060 | $ 2,818 |
| Professional Visualization | 934 | 835 | 750 |
| Datacenter | 1,932 | 830 | 339 |
| Automotive | 558 | 487 | 320 |
| OEM & IP | 777 | 698 | 783 |
| Total revenue | $ 9,714 | $ 6,910 | $ 5,010 |

The following table presents summarized information for long-lived assets by geographic region. Long-lived assets consist of property and equipment and deposits and other assets, and exclude goodwill and intangible assets.

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| **Long-lived assets:** | *(In millions)* | |
| United States | $ 928 | $ 440 |
| Taiwan | 58 | 52 |
| India | 40 | 47 |
| China | 33 | 34 |
| Europe | 11 | 9 |
| Other Asia Pacific | 1 | 1 |
| Total long-lived assets | $ 1,071 | $ 583 |

No single customer represented more than 10% of total revenue for fiscal year 2018. In fiscal years 2017 and 2016, we had one customer that represented 12% and 11% of our total revenue, respectively. The revenue was attributable to the GPU business.

Accounts receivable from significant customers, those representing 10% or more of total accounts receivable for the respective periods, is summarized as follows:

| | January 28, 2018 | January 29, 2017 |
|---|---|---|
| **Accounts Receivable:** | | |
| Customer A | 17 % | 19 % |
| Customer B | 11 % | 1 % |

## Note 17 - Quarterly Summary (Unaudited)

The following table sets forth our unaudited consolidated financial results, for the last eight fiscal quarters:

| | Fiscal Year 2018 Quarters Ended | | | |
|---|---|---|---|---|
| | January 28, 2018 | October 28, 2017 | July 29, 2017 | April 29, 2017 |
| | (In millions, except per share data) | | | |
| **Statements of Income Data:** | | | | |
| Revenue | $ 2,911 | $ 2,636 | $ 2,230 | $ 1,937 |
| Cost of revenue | $ 1,110 | $ 1,067 | $ 928 | $ 787 |
| Gross profit | $ 1,801 | $ 1,569 | $ 1,302 | $ 1,150 |
| Net income (1) | $ 1,118 | $ 838 | $ 583 | $ 507 |
| Net income per share (1): | | | | |
| Basic | $ 1.84 | $ 1.39 | $ 0.98 | $ 0.86 |
| Diluted | $ 1.78 | $ 1.33 | $ 0.92 | $ 0.79 |

(1) In the fourth quarter of fiscal year 2018, we recorded a U.S. tax reform provisional net tax benefit of $133 million associated with the one-time transition tax on our historical foreign earnings and the adjustment of deferred tax balances to the lower corporate tax rate. Refer to Note 13 of these Notes to the Consolidated Financial Statements for a discussion regarding the U.S. tax reform.

| | Fiscal Year 2017 Quarters Ended | | | |
|---|---|---|---|---|
| | January 29, 2017 | October 30, 2016 | July 31, 2016 | May 1, 2016 |
| | (In millions, except per share data) | | | |
| **Statements of Income Data:** | | | | |
| Revenue | $ 2,173 | $ 2,004 | $ 1,428 | $ 1,305 |
| Cost of revenue | $ 870 | $ 821 | $ 602 | $ 554 |
| Gross profit | $ 1,303 | $ 1,183 | $ 826 | $ 751 |
| Net income (1) | $ 655 | $ 542 | $ 261 | $ 208 |
| Net income per share (1): | | | | |
| Basic | $ 1.18 | $ 1.01 | $ 0.49 | $ 0.39 |
| Diluted | $ 0.99 | $ 0.83 | $ 0.41 | $ 0.35 |

(1) In the third quarter of fiscal year 2017, we adopted an accounting standard related to stock-based compensation, which requires adjustments to be reflected beginning in fiscal year 2017. The adoption of the new accounting standard impacted our previously reported quarterly results for fiscal year 2017.

# NVIDIA CORPORATION AND SUBSIDIARIES
## SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

| Description | Balance at Beginning of Period | Additions | | Deductions | | Balance at End of Period |
|---|---|---|---|---|---|---|
| | | *(In millions)* | | | | |
| Fiscal year 2018 | | | | | | |
| Allowance for doubtful accounts | $ 3 | $ 1 | (1) | $ — | (1) | $ 4 |
| Sales return allowance | $ 10 | $ 15 | (2) | $ (16) | (4) | $ 9 |
| Deferred tax valuation allowance | $ 353 | $ 116 | (3) | $ — | | $ 469 |
| Fiscal year 2017 | | | | | | |
| Allowance for doubtful accounts | $ 2 | $ 1 | (1) | $ — | (1) | $ 3 |
| Sales return allowance | $ 9 | $ 9 | (2) | $ (8) | (4) | $ 10 |
| Deferred tax valuation allowance | $ 272 | $ 81 | (3) | $ — | | $ 353 |
| Fiscal year 2016 | | | | | | |
| Allowance for doubtful accounts | $ 3 | $ — | (1) | $ (1) | (1) | $ 2 |
| Sales return allowance | $ 14 | $ 9 | (2) | $ (14) | (4) | $ 9 |
| Deferred tax valuation allowance | $ 261 | $ 11 | (3) | $ — | | $ 272 |

(1) Additions represent allowance for doubtful accounts charged to expense and deductions represent amounts recorded as reduction to expense upon reassessment of allowance for doubtful accounts at period end.

(2) Represents allowance for sales returns estimated at the time revenue is recognized primarily based on historical return rates and is charged as a reduction to revenue.

(3) Represents change in valuation allowance primarily related to state and certain foreign deferred tax assets that management has determined not likely to be realized due, in part, to projections of future taxable income of the respective jurisdictions. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(4) Represents sales returns.

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## EXHIBIT INDEX

| Exhibit No. | Exhibit Description | Incorporated by Reference Schedule/ Form | File Number | Exhibit | Filing Date |
|---|---|---|---|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation | S-8 | 333-74905 | 4.1 | 3/23/1999 |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 10-Q | 0-23985 | 3.1 | 8/21/2008 |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation | 8-K | 0-23985 | 3.1 | 5/24/2011 |
| 3.4 | Bylaws of NVIDIA Corporation, Amended and Restated as of November 29, 2016 | 8-K | 0-23985 | 3.1 | 12/1/2016 |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4 | | | | |
| 4.2 | Specimen Stock Certificate | S-1/A | 333-47495 | 4.2 | 4/24/1998 |
| 4.3 | Indenture (including the form of Notes) dated December 2, 2013 between NVIDIA Corporation and Wells Fargo Bank, National Association | 8-K | 0-23985 | 4.1 | 12/2/2013 |
| 4.4 | Form of 1.00% Convertible Senior Note due 2018 (included in Exhibit 4.1) | 8-K | 0-23985 | 4.1 | 12/2/2013 |
| 4.5 | Indenture, dated as of September 16, 2016, by and between the Company and Wells Fargo Bank, National Association, as Trustee | 8-K | 0-23985 | 4.1 | 9/16/2016 |
| 4.6 | Officers' Certificate, dated as of September 16, 2016 | 8-K | 0-23985 | 4.2 | 9/16/2016 |
| 4.7 | Form of 2021 Note | 8-K | 0-23985 | Annex A to Exhibit 4.2 | 9/16/2016 |
| 4.8 | Form of 2026 Note | 8-K | 0-23985 | Annex B to Exhibit 4.2 | 9/16/2016 |
| 10.1 | Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers | 8-K | 0-23985 | 10.1 | 3/7/2006 |
| 10.2+ | Amended and Restated 2007 Equity Incentive Plan | 8-K | 0-23985 | 10.1 | 5/23/2016 |
| 10.3+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option (Annual Grant - Board Service (2011)) | 10-Q | 0-23985 | 10.41 | 5/27/2011 |
| 10.4+ | 2007 Equity Incentive Plan - Non-Statutory Stock Option | 8-K | 0-23985 | 10.1 | 12/14/2011 |

| | | | | | |
|---|---|---|---|---|---|
| | (Initial Grant - Board Service (2011)) | | | | |
| 10.5+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Stock Option Grant (2012 Annual Board Retainer) | 10-Q | 0-23985 | 10.4 | 5/23/2012 |
| 10.6+ | 2007 Equity Incentive Plan - Non Statutory Stock Option | 8-K | 0-23985 | 10.2 | 9/13/2010 |
| 10.7+ | 2007 Equity Incentive Plan - Incentive Stock Option | 8-K | 0-23985 | 10.21 | 9/13/2010 |
| 10.8+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option | 10-Q | 0-23985 | 10.1 | 8/22/2012 |
| 10.9+ | Amended and Restated 2007 Equity Incentive Plan - Incentive Stock Option | 10-Q | 0-23985 | 10.2 | 8/22/2012 |

| | | | | | |
|---|---|---|---|---|---|
| 10.10+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Purchase Agreement | 10-Q | 0-23985 | 10.3 | 8/22/2012 |
| 10.11+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (with deferral option) | 10-Q | 0-23985 | 10.3 | 5/23/2012 |
| 10.12+ | Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option (Initial Grant - Board Service) | 8-K | 0-23985 | 10.1 | 7/23/2013 |
| 10.13+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2015) | 10-K | 0-23985 | 10.25 | 3/12/2015 |
| 10.14+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.26 | 3/12/2015 |
| 10.15+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2016) | 10-K | 0-23985 | 10.27 | 3/12/2015 |
| 10.16+ | Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (Initial Grant - with deferral options) | 10-Q | 0-23985 | 10.1 | 5/20/2015 |
| 10.17+ | Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2015) | 10-Q | 0-23985 | 10.2 | 5/20/2015 |
| 10.18+* | Amended and Restated 2012 Employee Stock Purchase Plan | | | | |
| 10.19+ | Fiscal Year 2017 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/14/2016 |
| 10.20+ | Fiscal Year 2018 Variable Compensation Plan | 8-K | 0-23985 | 10.1 | 3/13/2017 |
| 10.21+ | Offer Letter between NVIDIA Corporation and Colette Kress, dated September 13, 2013 | 8-K | 0-23985 | 10.1 | 9/16/2013 |

| | | | | | |
|---|---|---|---|---|---|
| 10.22+ | Offer Letter between NVIDIA Corporation and Tim Teter, dated December 16, 2016 | 8-K | 0-23985 | 10.1 | 1/19/2017 |
| 10.23 | Master Confirmation and Supplemental Confirmation between NVIDIA Corporation and Goldman, Sachs & Co., dated May 14, 2013 | 10-Q | 0-23985 | 10.3 | 5/22/2013 |
| 10.24 | Base Convertible Note Hedge Transaction Confirmation | 8-K | 0-23985 | 99.1 | 12/2/2013 |
| 10.25 | Base Warrant Transaction Confirmation | 8-K | 0-23985 | 99.2 | 12/2/2013 |
| 10.26 | Additional Convertible Note Hedge Transaction Confirmation | 8-K | 0-23985 | 99.3 | 12/2/2013 |
| 10.27 | Additional Warrant Transaction Confirmation | 8-K | 0-23985 | 99.4 | 12/2/2013 |
| 10.28 | Termination Agreement, dated as of December 12, 2016, by and between NVIDIA Corporation and Goldman, Sachs & Co. | 8-K | 0-23985 | 10.1 | 12/13/2016 |
| 10.29 | Second Termination Agreement, dated as of June 2, 2017, by and between NVIDIA Corporation and Goldman Sachs & Co. LLC | 8-K | 0-23985 | 10.1 | 6/5/2017 |

| | | | | | |
|---|---|---|---|---|---|
| 10.30^ | Participation Agreement dated June 19, 2015 among NVIDIA Land Development, LLC, Wachovia Service Corporation, Wells Fargo Bank, National Association, and a syndicate of other institutions | 10-Q | 0-23985 | 10.1 | 8/19/2015 |
| 10.31 | First Amendment to Participation Agreement dated February 17, 2016 among NVIDIA Land Development, LLC, Wachovia Service Corporation, and Wells Fargo Bank, N.A., and a syndicate of other institutions | 10-Q | 0-23985 | 10.1 | 5/25/2016 |
| 10.32 | Second Amendment to Participation Agreement dated September 9, 2016 among NVIDIA Land Development, LLC, Wachovia Service Corporation, and Wells Fargo Bank, N.A., and a syndicate of other institutions | 10-Q | 0-23985 | 10.1 | 11/22/2016 |
| 10.33 | Third Amendment to Participation Agreement dated January 27, 2017 among NVIDIA Land Development, LLC, Wachovia Service Corporation, and Wells Fargo Bank, N.A., and a syndicate of other institutions | 10-K | 0-23985 | 10.34 | 3/1/2017 |
| 10.34 | Agency Agreement dated June 19, 2015 between NVIDIA Land Development, LLC and Wachovia Service Corporation | 10-Q | 0-23985 | 10.2 | 8/19/2015 |
| 10.35 | Real Property Lease Agreement dated June 19, 2015 between Wachovia Service Corporation and NVIDIA Land Development, LLC | 10-Q | 0-23985 | 10.3 | 8/19/2015 |
| 10.36 | Credit Agreement, dated as of October 7, 2016 by and among NVIDIA Corporation, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto | 8-K | 0-23985 | 1.1 | 10/13/2016 |
| 10.37 | Form of Commercial Paper Dealer Agreement between NVIDIA Corporation, as Issuer, and the Dealer party thereto | 8-K | 0-23985 | 10.1 | 12/15/2017 |
| 21.1* | List of Registrant's Subsidiaries | | | | |
| 23.1* | Consent of PricewaterhouseCoopers LLP | | | | |
| 24.1* | Power of Attorney (included in signature page) | | | | |
| 31.1* | Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 | | | | |
| 31.2* | | | | | |

| | |
|---|---|
| | Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 |
| 32.1#* | Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 |
| 32.2#* | Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934 |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith.

+ Management contract or compensatory plan or arrangement.

^ Confidential treatment has been granted with respect to portions of this exhibit.

# In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act

Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

Copies of above exhibits not contained herein are available to any shareholder upon written request to:
Investor Relations: NVIDIA Corporation, 2788 San Tomas Expressway, Santa Clara, CA 95051

## SIGNATURES

**Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 28, 2018.**

NVIDIA Corporation

By: /s/ Jen-Hsun Huang

Jen-Hsun Huang

President and Chief Executive Officer

## POWER OF ATTORNEY

**KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jen-Hsun Huang and Colette M. Kress, and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof.**

**Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.**

Table of Contents

| Signature | Title | Date |
| --- | --- | --- |
| /s/ JEN-HSUN HAUNG<br>Jen-Hsun Huang | President, Chief Executive Officer and Director<br>(Principal Executive Officer) | **February 28, 2018** |
| /s/ COLETTE M. KRESS<br>Colette M. Kress | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | **February 28, 2018** |
| /s/ MICHAEL J. BYRON<br>Michael J. Byron | Vice President and Chief Accounting Officer<br>(Principal Accounting Officer) | **February 28, 2018** |
| /s/ ROBERT BURGESS<br>Robert Burgess | Director | **February 28, 2018** |
| /s/ TENCH COXE<br>Tench Coxe | Director | **February 28, 2018** |
| /s/ PERSIS DRELL<br>Persis Drell | Director | **February 28, 2018** |
| /s/ JAMES C. GAITHER<br>James C. Gaither | Director | **February 28, 2018** |
| /s/ DAWN HUDSON<br>Dawn Hudson | Director | **February 28, 2018** |
| /s/ HARVEY C. JONES<br>Harvey C. Jones | Director | **February 28, 2018** |
| /s/ MICHAEL MCCAFFERY<br>Michael McCaffery | Director | **February 28, 2018** |
| /s/ MARK L. PERRY<br>Mark L. Perry | Director | **February 28, 2018** |
| /s/ A. BROOKE SEAWELL<br>A. Brooke Seawell | Director | **February 28, 2018** |
| /s/ MARK STEVENS<br>Mark Stevens | Director | **February 28, 2018** |