

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

**FORM 10-Q**

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

For the quarterly period ended October 30, 2022

OR

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

Commission file number: 0-23985



**NVIDIA CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

94-3177549  
(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)

N/A

(Former name, former address and former fiscal year if changed since last report)

**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           |

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock, \$0.001 par value, outstanding as of November 11, 2022, was 2.46 billion.

**NVIDIA CORPORATION**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED October 30, 2022**

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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 Quarterly Report on Form 10-Q. These channels may be updated from time to time on NVIDIA's investor relations website.

## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

|  | Three Months Ended  |                     | Nine Months Ended   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | October 30,<br>2022 | October 31,<br>2021 | October 30,<br>2022 | October 31,<br>2021 |
| Revenue  | \$ 5,931            | \$ 7,103            | \$ 20,923           | \$ 19,271           |
| Cost of revenue  | 2,754               | 2,472               | 9,400               | 6,795               |
| Gross profit   | 3,177               | 4,631               | 11,523              | 12,476              |
| Operating expenses                                     |                     |                     |                     |                     |
| Research and development                               | 1,945               | 1,403               | 5,387               | 3,802               |
| Sales, general and administrative                      | 631                 | 557                 | 1,815               | 1,603               |
| Acquisition termination cost                           | —                   | —                   | 1,353               | —                   |
| Total operating expenses                               | 2,576               | 1,960               | 8,555               | 5,405               |
| Income from operations                                 | 601                 | 2,671               | 2,968               | 7,071               |
| Interest income  | 88                  | 7                   | 152                 | 20                  |
| Interest expense                                       | (65)                | (62)                | (198)               | (175)               |
| Other, net   | (11)                | 22                  | (29)                | 160                 |
| Other income (expense), net                            | 12                  | (33)                | (75)                | 5                   |
| Income before income tax                               | 613                 | 2,638               | 2,893               | 7,076               |
| Income tax expense (benefit)                           | (67)                | 174                 | (61)                | 327                 |
| Net income   | \$ 680              | \$ 2,464            | \$ 2,954            | \$ 6,749            |
| Net income per share:                                  |                     |                     |                     |                     |
| Basic  | \$ 0.27             | \$ 0.99             | \$ 1.18             | \$ 2.71             |
| Diluted  | \$ 0.27             | \$ 0.97             | \$ 1.17             | \$ 2.67             |
| Weighted average shares used in per share computation: |                     |                     |                     |                     |
| Basic  | 2,483               | 2,499               | 2,495               | 2,493               |
| Diluted  | 2,499               | 2,538               | 2,517               | 2,532               |

See accompanying Notes to Condensed Consolidated Financial Statements.

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

|   | <b>Three Months Ended</b>   |                             | <b>Nine Months Ended</b>    |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
| Net income  | \$ 680                      | \$ 2,464                    | \$ 2,954                    | \$ 6,749                    |
| Other comprehensive income (loss), net of tax                             |                             |                             |                             |                             |
| Available-for-sale securities:  |                             |                             |                             |                             |
| Net change in unrealized loss   | (18)                        | (4)                         | (53)                        | (5)                         |
| Reclassification adjustments for net realized gain included in net income | —                           | —                           | 1                           | —                           |
| Net change in unrealized loss   | (18)                        | (4)                         | (52)                        | (5)                         |
| Cash flow hedges:   |                             |                             |                             |                             |
| Net unrealized gain (loss)  | (14)                        | 22                          | (44)                        | (5)                         |
| Reclassification adjustments for net realized loss included in net income | (1)                         | (17)                        | (16)                        | —                           |
| Net change in unrealized gain (loss)                                      | (15)                        | 5                           | (60)                        | (5)                         |
| Other comprehensive income (loss), net of tax                             | (33)                        | 1                           | (112)                       | (10)                        |
| Total comprehensive income  | \$ 647                      | \$ 2,465                    | \$ 2,842                    | \$ 6,739                    |

See accompanying Notes to Condensed Consolidated Financial Statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions)  
(Unaudited)

|   | October 30,<br>2022 | January 30,<br>2022 |
|---|---------------------|---------------------|
| <b>ASSETS</b>                               |                     |                     |
| Current assets:                             |                     |                     |
| Cash and cash equivalents                   | \$ 2,800            | \$ 1,990            |
| Marketable securities                       | 10,343              | 19,218              |
| Accounts receivable, net                    | 4,908               | 4,650               |
| Inventories                                 | 4,454               | 2,605               |
| Prepaid expenses and other current assets   | 718                 | 366                 |
| Total current assets                        | 23,223              | 28,829              |
| Property and equipment, net                 | 3,774               | 2,778               |
| Operating lease assets                      | 927                 | 829                 |
| Goodwill                                    | 4,372               | 4,349               |
| Intangible assets, net                      | 1,850               | 2,339               |
| Deferred income tax assets                  | 2,762               | 1,222               |
| Other assets                                | 3,580               | 3,841               |
| Total assets                                | <u>\$ 40,488</u>    | <u>\$ 44,187</u>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                     |                     |
| Current liabilities:                        |                     |                     |
| Accounts payable                            | \$ 1,491            | \$ 1,783            |
| Accrued and other current liabilities       | 4,115               | 2,552               |
| Short-term debt                             | 1,249               | —                   |
| Total current liabilities                   | 6,855               | 4,335               |
| Long-term debt                              | 9,701               | 10,946              |
| Long-term operating lease liabilities       | 798                 | 741                 |
| Other long-term liabilities                 | 1,785               | 1,553               |
| Total liabilities                           | 19,139              | 17,575              |
| Commitments and contingencies - see Note 13 |                     |                     |
| Shareholders' equity:                       |                     |                     |
| Preferred stock                             | —                   | —                   |
| Common stock                                | 2                   | 3                   |
| Additional paid-in capital                  | 11,565              | 10,385              |
| Accumulated other comprehensive loss        | (123)               | (11)                |
| Retained earnings                           | 9,905               | 16,235              |
| Total shareholders' equity                  | 21,349              | 26,612              |
| Total liabilities and shareholders' equity  | <u>\$ 40,488</u>    | <u>\$ 44,187</u>    |

See accompanying Notes to Condensed Consolidated Financial Statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED OCTOBER 30, 2022 AND OCTOBER 31, 2021**  
**(Unaudited)**

| (In millions, except per share data)   | Common Stock Outstanding |        | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|--|--------------------------|--------|----------------------------|----------------|---|-------------------|----------------------------|
|  | Shares                   | Amount |                            |                |   |                   |                            |
| Balances, July 31, 2022  | 2,489                    | \$ 2   | \$ 10,968                  | \$ —           | \$ (90)                                       | \$ 12,971         | \$ 23,851                  |
| Net income   | —                        | —      | —                          | —              | —   | 680               | 680                        |
| Other comprehensive loss   | —                        | —      | —                          | —              | (33)  | —                 | (33)                       |
| Issuance of common stock from stock plans  | 9                        | —      | 143                        | —              | —   | —                 | 143                        |
| Tax withholding related to vesting of restricted stock units                         | (2)                      | —      | (294)                      | —              | —   | —                 | (294)                      |
| Shares repurchased   | (28)                     | —      | (1)                        | —              | —   | (3,646)           | (3,647)                    |
| Cash dividends declared and paid (\$0.04 per common share)                           | —                        | —      | —                          | —              | —   | (100)             | (100)                      |
| Stock-based compensation   | —                        | —      | 749                        | —              | —   | —                 | 749                        |
| Balances, October 30, 2022   | 2,468                    | \$ 2   | \$ 11,565                  | \$ —           | \$ (123)                                      | \$ 9,905          | \$ 21,349                  |
| Balances, August 1, 2021   | 2,496                    | \$ 3   | \$ 9,745                   | \$ (11,604)    | \$ 8  | \$ 22,995         | \$ 21,147                  |
| Net income   | —                        | —      | —                          | —              | —   | 2,464             | 2,464                      |
| Other comprehensive income   | —                        | —      | —                          | —              | 1   | —                 | 1                          |
| Issuance of common stock from stock plans  | 8                        | —      | 150                        | —              | —   | —                 | 150                        |
| Tax withholding related to vesting of restricted stock units                         | (2)                      | —      | —                          | (434)          | —   | —                 | (434)                      |
| Cash dividends declared and paid (\$0.04 per common share)                           | —                        | —      | —                          | —              | —   | (100)             | (100)                      |
| Fair value of partially vested equity awards assumed in connection with acquisitions | —                        | —      | 18                         | —              | —   | —                 | 18                         |
| Stock-based compensation   | —                        | —      | 552                        | —              | —   | —                 | 552                        |
| Balances, October 31, 2021   | 2,502                    | \$ 3   | \$ 10,465                  | \$ (12,038)    | \$ 9  | \$ 25,359         | \$ 23,798                  |

See accompanying Notes to Condensed Consolidated Financial Statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED OCTOBER 30, 2022 AND OCTOBER 31, 2021**  
**(Unaudited)**

| (In millions, except per share data)   | Common Stock Outstanding |        | Additional Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total Shareholders' Equity |
|--|--------------------------|--------|----------------------------|----------------|---|-------------------|----------------------------|
|  | Shares                   | Amount |                            |                |   |                   |                            |
| Balances, January 30, 2022   | 2,506                    | \$ 3   | \$ 10,385                  | \$ —           | \$ (11)                                       | \$ 16,235         | \$ 26,612                  |
| Net income   | —                        | —      | —                          | —              | —   | 2,954             | 2,954                      |
| Other comprehensive loss   | —                        | —      | —                          | —              | (112)   | —                 | (112)                      |
| Issuance of common stock from stock plans  | 24                       | —      | 349                        | —              | —   | —                 | 349                        |
| Tax withholding related to vesting of restricted stock units                         | (6)                      | —      | (1,131)                    | —              | —   | —                 | (1,131)                    |
| Shares repurchased   | (56)                     | (1)    | (3)                        | —              | —   | (8,984)           | (8,988)                    |
| Cash dividends declared and paid (\$0.12 per common share)                           | —                        | —      | —                          | —              | —   | (300)             | (300)                      |
| Stock-based compensation   | —                        | —      | 1,965                      | —              | —   | —                 | 1,965                      |
| Balances, October 30, 2022   | 2,468                    | \$ 2   | \$ 11,565                  | \$ —           | \$ (123)                                      | \$ 9,905          | \$ 21,349                  |
| Balances, January 31, 2021   | 2,479                    | \$ 3   | \$ 8,719                   | \$ (10,756)    | \$ 19   | \$ 18,908         | \$ 16,893                  |
| Net income   | —                        | —      | —                          | —              | —   | 6,749             | 6,749                      |
| Other comprehensive loss   | —                        | —      | —                          | —              | (10)  | —                 | (10)                       |
| Issuance of common stock from stock plans  | 30                       | —      | 277                        | —              | —   | —                 | 277                        |
| Tax withholding related to vesting of restricted stock units                         | (7)                      | —      | —                          | (1,282)        | —   | —                 | (1,282)                    |
| Cash dividends declared and paid (\$0.12 per common share)                           | —                        | —      | —                          | —              | —   | (298)             | (298)                      |
| Fair value of partially vested equity awards assumed in connection with acquisitions | —                        | —      | 18                         | —              | —   | —                 | 18                         |
| Stock-based compensation   | —                        | —      | 1,451                      | —              | —   | —                 | 1,451                      |
| Balances, October 31, 2021   | 2,502                    | \$ 3   | \$ 10,465                  | \$ (12,038)    | \$ 9  | \$ 25,359         | \$ 23,798                  |

See accompanying Notes to Condensed Consolidated Financial Statements.

**NVIDIA CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

|   | Nine Months Ended   |                     |
|---|---------------------|---------------------|
|   | October 30,<br>2022 | October 31,<br>2021 |
| Cash flows from operating activities:   |                     |                     |
| Net income  | \$ 2,954            | \$ 6,749            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                     |                     |
| Stock-based compensation expense  | 1,971               | 1,453               |
| Acquisition termination cost  | 1,353               | —                   |
| Depreciation and amortization   | 1,118               | 865                 |
| Losses (gains) on investments in non-affiliates, net                              | 35                  | (152)               |
| Deferred income taxes   | (1,517)             | (182)               |
| Other   | (27)                | 25                  |
| Changes in operating assets and liabilities, net of acquisitions:                 |                     |                     |
| Accounts receivable   | (258)               | (1,523)             |
| Inventories   | (1,848)             | (400)               |
| Prepaid expenses and other assets   | (1,307)             | (1,557)             |
| Accounts payable  | (358)               | 385                 |
| Accrued and other current liabilities   | 1,175               | 159                 |
| Other long-term liabilities   | 102                 | 253                 |
| Net cash provided by operating activities   | 3,393               | 6,075               |
| Cash flows from investing activities:   |                     |                     |
| Proceeds from maturities of marketable securities                                 | 16,792              | 7,780               |
| Proceeds from sales of marketable securities                                      | 1,806               | 916                 |
| Purchases of marketable securities  | (9,764)             | (16,020)            |
| Purchases related to property and equipment and intangible assets                 | (1,324)             | (703)               |
| Acquisitions, net of cash acquired  | (49)                | (203)               |
| Investments and other, net  | (83)                | (14)                |
| Net cash provided by (used in) investing activities                               | 7,378               | (8,244)             |
| Cash flows from financing activities:   |                     |                     |
| Proceeds related to employee stock plans  | 349                 | 277                 |
| Payments related to repurchases of common stock                                   | (8,826)             | —                   |
| Payments related to tax on restricted stock units                                 | (1,131)             | (1,282)             |
| Dividends paid  | (300)               | (298)               |
| Principal payments on property and equipment and intangible asset                 | (54)                | (62)                |
| Issuance of debt, net of issuance costs   | —                   | 4,977               |
| Repayment of debt   | —                   | (1,000)             |
| Other   | 1                   | (2)                 |
| Net cash provided by (used in) financing activities                               | (9,961)             | 2,610               |
| Change in cash and cash equivalents   | 810                 | 441                 |
| Cash and cash equivalents at beginning of period                                  | 1,990               | 847                 |
| Cash and cash equivalents at end of period  | \$ 2,800            | \$ 1,288            |
| Supplemental disclosures of cash flow information:                                |                     |                     |
| Cash paid for income taxes, net   | \$ 1,372            | \$ 313              |

See accompanying Notes to Condensed Consolidated Financial Statements.



**NVIDIA CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

## **Note 1 - Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, for interim financial information and with the instructions to Form 10-Q and Article 10 of Securities and Exchange Commission, or SEC, Regulation S-X. The January 30, 2022 consolidated balance sheet was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022, as filed with the SEC, but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair statement of results of operations and financial position, have been included. The results for the interim periods presented are not necessarily indicative of the results expected for any future period. The following information should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022.

### **Significant Accounting Policies**

There have been no material changes to our significant accounting policies disclosed in Note 1 - Organization and Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022.

### **Fiscal Year**

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2023 and 2022 are both 52-week years. The third quarters of fiscal years 2023 and 2022 were both 13-week quarters.

### **Reclassifications**

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

Prior period intangible asset gross carrying amount and accumulated amortization in Note 9 have been adjusted to write off immaterial fully amortized intangible assets as of January 30, 2022.

### **Principles of Consolidation**

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

## **Note 2 - Business Combination**

### **Termination of the Arm Share Purchase Agreement**

In February 2022, NVIDIA and SoftBank Group Corp, or SoftBank, announced the termination of the Share Purchase Agreement whereby NVIDIA would have acquired Arm Limited from SoftBank. The parties agreed to terminate because of significant regulatory challenges preventing the completion of the transaction. We recorded an acquisition termination cost of \$1.35 billion in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing.

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

**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 October 30, 2022 are as follows:

|  | <b>Operating Lease<br/>Obligations</b> |
|--|--|
|  | <i>(In millions)</i>                   |
| <b>Fiscal Year:</b>                                    |  |
| 2023 (excluding first nine months of fiscal year 2023) | \$ 50                                  |
| 2024   | 188                                    |
| 2025   | 167                                    |
| 2026   | 149                                    |
| 2027   | 137                                    |
| 2028 and thereafter                                    | 393                                    |
| Total  | 1,084                                  |
| Less imputed interest                                  | 130                                    |
| Present value of net future minimum lease payments     | 954                                    |
| Less short-term operating lease liabilities            | 156                                    |
| Long-term operating lease liabilities                  | \$ 798                                 |

In addition to our existing operating lease obligations, we have operating leases, primarily for our data centers, that are expected to commence between the fourth quarter of fiscal year 2023 and fiscal year 2025 with lease terms of 2 to 8 years for \$647 million.

Operating lease expenses were \$49 million and \$44 million for the third quarter of fiscal years 2023 and 2022, respectively, and \$139 million and \$125 million for the first nine months of fiscal years 2023 and 2022, respectively. Short-term and variable lease expenses for the third quarter and first nine months of fiscal years 2023 and 2022 were not significant.

Other information related to leases was as follows:

|   | <b>Nine Months Ended</b> |                         |
|---|--------------------------|-------------------------|
|   | <b>October 30, 2022</b>  | <b>October 31, 2021</b> |
|   | <i>(In millions)</i>     |                         |
| <b>Supplemental cash flows information</b>                        |                          |                         |
| Operating cash flows used for operating leases                    | \$ 134                   | \$ 114                  |
| Operating lease assets obtained in exchange for lease obligations | \$ 213                   | \$ 230                  |

As of October 30, 2022, our operating leases had a weighted average remaining lease term of 6.9 years and a weighted average discount rate of 2.82%. 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%.

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

**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 employee stock purchase plan, or ESPP.

Our Condensed Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

|                                   | <b>Three Months Ended</b>   |                             | <b>Nine Months Ended</b>    |                             |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                   | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
|                                   | <i>(In millions)</i>        |                             |                             |                             |
| Cost of revenue                   | \$ 32                       | \$ 44                       | \$ 108                      | \$ 102                      |
| Research and development          | 530                         | 363                         | 1,365                       | 935                         |
| Sales, general and administrative | 183                         | 152                         | 498                         | 416                         |
| Total                             | <u>\$ 745</u>               | <u>\$ 559</u>               | <u>\$ 1,971</u>             | <u>\$ 1,453</u>             |

**Equity Award Activity**

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

|                            | <b>RSUs, PSUs, and Market-based PSUs Outstanding</b> |   |
|----------------------------|--|---|
|                            | <b>Number of Shares</b>                              | <b>Weighted Average Grant-Date<br/>Fair Value Per Share</b> |
|                            | <i>(In millions, except per share data)</i>          |   |
| Balances, January 30, 2022 | 46   | \$ 114.19   |
| Granted                    | 23   | \$ 185.07   |
| Vested restricted stock    | (18)   | \$ 94.82  |
| Canceled and forfeited     | (1)  | \$ 137.27   |
| Balances, October 30, 2022 | <u>50</u>  | <u>\$ 153.73</u>  |

As of October 30, 2022, there was \$7.19 billion of aggregate unearned stock-based compensation expense. This amount is expected to be recognized over a weighted average period of 2.7 years for RSUs, PSUs, and market-based PSUs, and 1.1 years for ESPP.

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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:

|   | Three Months Ended  |                     | Nine Months Ended   |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | October 30,<br>2022 | October 31,<br>2021 | October 30,<br>2022 | October 31,<br>2021 |
| <i>(In millions, except per share data)</i>   |                     |                     |                     |                     |
| Numerator:  |                     |                     |                     |                     |
| Net income  | \$ 680              | \$ 2,464            | \$ 2,954            | \$ 6,749            |
| Denominator:  |                     |                     |                     |                     |
| Basic weighted average shares   | 2,483               | 2,499               | 2,495               | 2,493               |
| Dilutive impact of outstanding equity awards  | 16                  | 39                  | 22                  | 39                  |
| Diluted weighted average shares   | 2,499               | 2,538               | 2,517               | 2,532               |
| Net income per share:   |                     |                     |                     |                     |
| Basic (1)   | \$ 0.27             | \$ 0.99             | \$ 1.18             | \$ 2.71             |
| Diluted (2)   | \$ 0.27             | \$ 0.97             | \$ 1.17             | \$ 2.67             |
| Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive | 36                  | 2                   | 29                  | 21                  |

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

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

**Note 6 – Income Taxes**

We recognized an income tax benefit of \$67 million and \$61 million for the third quarter and first nine months of fiscal year 2023, respectively, and an income tax expense of \$174 million and \$327 million for the third quarter and first nine months of fiscal year 2022, respectively. Income tax as a percentage of income before income tax was a benefit of 10.9% and 2.1% for the third quarter and first nine months of fiscal year 2023, respectively, and an expense of 6.6% and 4.6% for the third quarter and first nine months of fiscal year 2022, respectively.

The decrease in our effective tax rate for the third quarter and first nine months of fiscal year 2023 as compared to the same periods of fiscal year 2022 was primarily due to the increased tax benefit of the foreign-derived intangible income deduction, stock-based compensation, and the U.S. federal research tax credit, relative to a lower expected profitability. This is partially offset by the impact of an increase in the proportion of earnings subject to U.S. tax in fiscal year 2023 and the one-time discrete benefit from re-valuing certain deferred tax assets in connection with the domestication of one of our foreign subsidiaries, or the Domestication, in fiscal year 2022.

Our effective tax rate for the first nine months of fiscal year 2023 was lower than the U.S. federal statutory rate of 21% due to tax benefits from the foreign-derived intangible income deduction, stock-based compensation and the U.S. federal research tax credit.

Our effective tax rate for the first nine months of 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 that are subject to taxes lower than the U.S. federal statutory tax rate, the discrete benefit of the Domestication, and tax benefits related to stock-based compensation and the U.S. federal research tax credit.

For the first nine months of fiscal year 2023, there were no material changes to our tax years that remain subject to examination by major tax jurisdictions. We are currently under examination by the Internal Revenue Service for our fiscal years 2018 and 2019. Additionally, there have been no material changes to our unrecognized tax benefits and any related interest or penalties since the fiscal year ended January 30, 2022.

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While we believe that we have adequately provided for all uncertain tax positions, or tax positions where we believe it is not more-likely-than-not that the position will be sustained upon review, 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 with the respective tax authorities. As of October 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 12 months.

## Note 7 - Cash Equivalents and Marketable Securities

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

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

|   | October 30, 2022  |                    |                    |                         |                     |                          |
|---|-------------------|--------------------|--------------------|-------------------------|---------------------|--------------------------|
|   | Amortized<br>Cost | Unrealized<br>Gain | Unrealized<br>Loss | Estimated<br>Fair Value | Reported as         |                          |
|   |                   |                    |                    |                         | Cash<br>Equivalents | Marketable<br>Securities |
|   | (In millions)     |                    |                    |                         |                     |                          |
| Corporate debt securities                             | \$ 4,221          | \$ —               | \$ (19)            | \$ 4,202                | \$ 239              | \$ 3,963                 |
| Debt securities issued by the U.S.<br>Treasury        | 4,176             | 1                  | (60)               | 4,117                   | 1                   | 4,116                    |
| Debt securities issued by U.S.<br>government agencies | 2,259             | —                  | (4)                | 2,255                   | 344                 | 1,911                    |
| Certificates of deposit                               | 316               | —                  | —                  | 316                     | 58                  | 258                      |
| Money market funds                                    | 1,843             | —                  | —                  | 1,843                   | 1,843               | —                        |
| Foreign government bonds                              | 99                | —                  | —                  | 99                      | 4                   | 95                       |
| Total   | \$ 12,914         | \$ 1               | \$ (83)            | \$ 12,832               | \$ 2,489            | \$ 10,343                |

|   | January 30, 2022  |                    |                    |                         |                     |                          |
|---|-------------------|--------------------|--------------------|-------------------------|---------------------|--------------------------|
|   | Amortized<br>Cost | Unrealized<br>Gain | Unrealized<br>Loss | Estimated<br>Fair Value | Reported as         |                          |
|   |                   |                    |                    |                         | Cash<br>Equivalents | Marketable<br>Securities |
|   | (In millions)     |                    |                    |                         |                     |                          |
| Corporate debt securities                             | \$ 9,977          | \$ —               | \$ (3)             | \$ 9,974                | \$ 1,102            | \$ 8,872                 |
| Debt securities issued by the U.S.<br>Treasury        | 7,314             | —                  | (14)               | 7,300                   | —                   | 7,300                    |
| Debt securities issued by U.S.<br>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                |

The following tables provide the breakdown of unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

|  | October 30, 2022     |                       |                      |                       |                      |                       |
|--|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
|  | 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)        |                       |                      |                       |                      |                       |
| Debt securities issued by the U.S. Treasury        | \$ 1,928             | \$ (35)               | \$ 1,051             | \$ (24)               | \$ 2,979             | \$ (59)               |
| Debt securities issued by U.S. government agencies | 1,888                | (4)                   | —                    | —                     | 1,888                | (4)                   |
| Corporate debt securities                          | 1,786                | (18)                  | 208                  | (2)                   | 1,994                | (20)                  |
| Total  | \$ 5,602             | \$ (57)               | \$ 1,259             | \$ (26)               | \$ 6,861             | \$ (83)               |
|  | January 30, 2022     |                       |                      |                       |                      |                       |

|   | 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)        |                       |                      |                       |                      |                       |
| Debt securities issued by the U.S. Treasury | \$ 5,292             | \$ (14)               | \$ —                 | \$ —                  | \$ 5,292             | \$ (14)               |
| Corporate debt securities                   | 2,445                | (3)                   | 19                   | —                     | 2,464                | (3)                   |
| Total                                       | <u>\$ 7,737</u>      | <u>\$ (17)</u>        | <u>\$ 19</u>         | <u>\$ —</u>           | <u>\$ 7,756</u>      | <u>\$ (17)</u>        |

The gross unrealized losses are related to fixed income securities, driven primarily by changes in interest rates. Net realized 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 October 30, 2022 and January 30, 2022 are shown below by contractual maturity.

|                    | October 30, 2022 |                      | January 30, 2022 |                      |
|--------------------|------------------|----------------------|------------------|----------------------|
|                    | Amortized Cost   | Estimated Fair Value | Amortized Cost   | Estimated Fair Value |
|                    | (In millions)    |                      |                  |                      |
| Less than one year | \$ 8,985         | \$ 8,952             | \$ 16,346        | \$ 16,343            |
| Due in 1 - 5 years | 3,929            | 3,880                | 4,584            | 4,570                |
| Total              | <u>\$ 12,914</u> | <u>\$ 12,832</u>     | <u>\$ 20,930</u> | <u>\$ 20,913</u>     |

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**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.

|   | Pricing<br>Category | Fair Value at    |                  |
|---|---------------------|------------------|------------------|
|   |                     | October 30, 2022 | January 30, 2022 |
|   |                     | (In millions)    |                  |
| <b>Assets</b>   |                     |                  |                  |
| Cash equivalents and marketable securities:           |                     |                  |                  |
| Money market funds                                    | Level 1             | \$ 1,843         | \$ 316           |
| Corporate debt securities                             | Level 2             | \$ 4,202         | \$ 9,974         |
| Debt securities issued by the U.S. Treasury           | Level 2             | \$ 4,117         | \$ 7,300         |
| Debt securities issued by U.S. government agencies    | Level 2             | \$ 2,255         | \$ 1,612         |
| Certificates of deposit                               | Level 2             | \$ 316           | \$ 1,561         |
| Foreign government bonds                              | Level 2             | \$ 99            | \$ 150           |
| Other assets (Investment in non-affiliated entities): |                     |                  |                  |
| Publicly-held equity securities (1)                   | Level 1             | \$ 27            | \$ 58            |
| Privately-held equity securities                      | Level 3             | \$ 287           | \$ 208           |
|   |                     |                  |                  |
| <b>Liabilities (2)</b>                                |                     |                  |                  |
| 0.309% Notes Due 2023                                 | Level 2             | \$ 1,217         | \$ 1,236         |
| 0.584% Notes Due 2024                                 | Level 2             | \$ 1,168         | \$ 1,224         |
| 3.20% Notes Due 2026                                  | Level 2             | \$ 945           | \$ 1,055         |
| 1.55% Notes Due 2028                                  | Level 2             | \$ 1,036         | \$ 1,200         |
| 2.85% Notes Due 2030                                  | Level 2             | \$ 1,281         | \$ 1,542         |
| 2.00% Notes Due 2031                                  | Level 2             | \$ 979           | \$ 1,200         |
| 3.50% Notes Due 2040                                  | Level 2             | \$ 764           | \$ 1,066         |
| 3.50% Notes Due 2050                                  | Level 2             | \$ 1,427         | \$ 2,147         |
| 3.70% Notes Due 2060                                  | Level 2             | \$ 344           | \$ 551           |

(1) Unrealized losses of \$11 million and \$35 million from investments in publicly-traded equity securities were recorded in other income (expense), net, in the third quarter and first nine months of fiscal year 2023, respectively. Unrealized gains of \$8 million and \$126 million from an investment in a publicly-traded equity security were recorded in other income (expense), net, in the third quarter and first nine months of fiscal year 2022, respectively.

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

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**Note 9 - Amortizable Intangible Assets and Goodwill**

The components of our amortizable intangible assets are as follows:

|   | October 30, 2022      |                          |                     | January 30, 2022      |                          |                     |
|---|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
|   | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|   | <i>(In millions)</i>  |                          |                     |                       |                          |                     |
| Acquisition-related intangible assets (1) | \$ 3,093              | \$ (1,441)               | \$ 1,652            | \$ 3,061              | \$ (947)                 | \$ 2,114            |
| Patents and licensed technology           | 442                   | (244)                    | 198                 | 446                   | (221)                    | 225                 |
| Total intangible assets                   | <u>\$ 3,535</u>       | <u>\$ (1,685)</u>        | <u>\$ 1,850</u>     | <u>\$ 3,507</u>       | <u>\$ (1,168)</u>        | <u>\$ 2,339</u>     |

(1) During the first quarter of fiscal year 2023, we commenced amortization of a \$630 million in-process research and development intangible asset related to our acquisition of Mellanox.

Amortization expense associated with intangible assets was \$181 million and \$518 million for the third quarter and first nine months of fiscal year 2023, respectively, and \$143 million and \$418 million for the third quarter and first nine months of fiscal year 2022, respectively. Future amortization expense related to the net carrying amount of intangible assets as of October 30, 2022 is estimated to be \$181 million for the remainder of fiscal year 2023, \$600 million in fiscal year 2024, \$538 million in fiscal year 2025, \$244 million in fiscal year 2026, \$141 million in fiscal year 2027, and \$146 million in fiscal year 2028 and thereafter.

In the first nine months of fiscal year 2023, goodwill increased by \$23 million and intangible assets increased by \$33 million from acquisitions. We assigned \$14 million of the increase in goodwill to our Compute & Networking segment and \$9 million of the increase to our Graphics segment.

**Note 10 - Balance Sheet Components**

Certain balance sheet components are as follows:

|  | October 30, 2022     | January 30, 2022 |
|--|----------------------|------------------|
| <b>Inventories:</b>                        | <i>(In millions)</i> |                  |
| Raw materials                              | \$ 1,936             | \$ 791           |
| Work in-process                            | 788                  | 692              |
| Finished goods                             | 1,730                | 1,122            |
| Total inventories                          | <u>\$ 4,454</u>      | <u>\$ 2,605</u>  |
| <b>Other assets:</b>                       | October 30, 2022     | January 30, 2022 |
|  | <i>(In millions)</i> |                  |
| Prepaid supply agreements                  | \$ 2,771             | \$ 1,747         |
| Prepaid royalties                          | 393                  | 409              |
| Investment in non-affiliated entities      | 314                  | 266              |
| Advanced consideration for acquisition (1) | —                    | 1,353            |
| Other                                      | 102                  | 66               |
| Total other assets                         | <u>\$ 3,580</u>      | <u>\$ 3,841</u>  |

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



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|  | <b>October 30,<br/>2022</b> | <b>January 30,<br/>2022</b> |
|--|-----------------------------|-----------------------------|
| <b>Accrued and Other Current Liabilities:</b>      | <i>(In millions)</i>        |                             |
| Customer program accruals                          | \$ 1,394                    | \$ 1,000                    |
| Excess inventory purchase obligations              | 1,181                       | 196                         |
| Deferred revenue (1)                               | 338                         | 300                         |
| Accrued payroll and related expenses               | 307                         | 409                         |
| Unsettled share repurchases                        | 162                         | —                           |
| Product warranty                                   | 104                         | 46                          |
| Taxes payable                                      | 108                         | 132                         |
| Other  | 521                         | 469                         |
| <b>Total accrued and other current liabilities</b> | <b>\$ 4,115</b>             | <b>\$ 2,552</b>             |

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

|  | <b>October 30,<br/>2022</b> | <b>January 30,<br/>2022</b> |
|--|-----------------------------|-----------------------------|
| <b>Other Long-Term Liabilities:</b>      | <i>(In millions)</i>        |                             |
| Income tax payable (1)                   | \$ 1,057                    | \$ 980                      |
| Deferred income tax                      | 246                         | 245                         |
| Deferred revenue (2)                     | 213                         | 202                         |
| Other                                    | 269                         | 126                         |
| <b>Total other long-term liabilities</b> | <b>\$ 1,785</b>             | <b>\$ 1,553</b>             |

(1) As of October 30, 2022, income tax payable represents the long-term portion of the one-time transition tax payable of \$188 million, unrecognized tax benefits of \$789 million, and related interest and penalties of \$80 million. As of January 30, 2022, income tax payable represents the long-term portion of the one-time transition tax payable of \$251 million, 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 the first nine months of fiscal years 2023 and 2022:

|  | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
|--|-----------------------------|-----------------------------|
|  | <i>(In millions)</i>        |                             |
| Balance at beginning of period               | \$ 502                      | \$ 451                      |
| Deferred revenue additions during the period | 577                         | 621                         |
| Revenue recognized during the period         | (528)                       | (583)                       |
| Balance at end of period                     | <b>\$ 551</b>               | <b>\$ 489</b>               |

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 October 30, 2022, \$681 million of revenue related to performance obligations had not been recognized, of which we expect to recognize approximately 47% 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.

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**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 October 30, 2022 and January 30, 2022.

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 the 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 October 30, 2022 and January 30, 2022:

|                                     | <b>October 30,<br/>2022</b> | <b>January 30,<br/>2022</b> |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | <i>(In millions)</i>        |                             |
| Designated as cash flow hedges      | \$ 1,139                    | \$ 1,023                    |
| Not designated for hedge accounting | \$ 330                      | \$ 408                      |

As of October 30, 2022, all designated foreign currency forward contracts mature within 18 months. The expected realized gains and losses deferred into accumulated other comprehensive income or loss related to foreign currency forward contracts within the next twelve months was not significant.

During the first nine months of fiscal years 2023 and 2022, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant.

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**Note 12 - Debt**

**Long-Term Debt**

The carrying values of our outstanding notes and their associated interest rates were as follows:

|  | Expected<br>Remaining Term<br>(years) | Effective<br>Interest Rate | Carrying Value at   |                     |
|--|---------------------------------------|----------------------------|---------------------|---------------------|
|  |                                       |                            | October 30,<br>2022 | January 30,<br>2022 |
| (In millions)                                |                                       |                            |                     |                     |
| 0.309% Notes Due 2023                        | 0.6                                   | 0.41%                      | \$ 1,250            | \$ 1,250            |
| 0.584% Notes Due 2024                        | 1.6                                   | 0.66%                      | 1,250               | 1,250               |
| 3.20% Notes Due 2026                         | 3.9                                   | 3.31%                      | 1,000               | 1,000               |
| 1.55% Notes Due 2028                         | 5.6                                   | 1.64%                      | 1,250               | 1,250               |
| 2.85% Notes Due 2030                         | 7.4                                   | 2.93%                      | 1,500               | 1,500               |
| 2.00% Notes Due 2031                         | 8.6                                   | 2.09%                      | 1,250               | 1,250               |
| 3.50% Notes Due 2040                         | 17.4                                  | 3.54%                      | 1,000               | 1,000               |
| 3.50% Notes Due 2050                         | 27.4                                  | 3.54%                      | 2,000               | 2,000               |
| 3.70% Notes Due 2060                         | 37.4                                  | 3.73%                      | 500                 | 500                 |
| Unamortized debt discount and issuance costs |                                       |                            | (50)                | (54)                |
| Net carrying amount                          |                                       |                            | 10,950              | 10,946              |
| Less short-term portion                      |                                       |                            | (1,249)             | —                   |
| Total long-term portion                      |                                       |                            | \$ 9,701            | \$ 10,946           |

All 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.

As of October 30, 2022, we have complied with the required covenants under the notes.

**Commercial Paper**

We have a \$575 million commercial paper program to support general corporate purposes. As of October 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 \$917 million remaining unpaid. As of October 30, 2022, we had outstanding inventory purchase and long-term supply obligations totaling \$7.02 billion, inclusive of the \$917 million. Other non-inventory purchase obligations of \$2.75 billion include \$1.59 billion of multi-year cloud service agreements.

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

|  | <b>Commitments</b>   |
|--|----------------------|
|  | <i>(In millions)</i> |
| <b>Fiscal Year:</b>                                    |                      |
| 2023 (excluding first nine months of fiscal year 2023) | \$ 4,234             |
| 2024   | 3,362                |
| 2025   | 798                  |
| 2026   | 504                  |
| 2027   | 464                  |
| 2028 and thereafter                                    | 410                  |
| Total  | <u>\$ 9,772</u>      |

**Accrual for Product Warranty Liabilities**

The estimated amount of product warranty liabilities was \$104 million and \$46 million as of October 30, 2022 and January 30, 2022, respectively. The estimated product returns and estimated product warranty activity consisted of the following:

|                                | <b>Three Months Ended</b>   |                             | <b>Nine Months Ended</b>    |                             |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
|                                | <i>(In millions)</i>        |                             |                             |                             |
| Balance at beginning of period | \$ 168                      | \$ 31                       | \$ 46                       | \$ 22                       |
| Additions                      | 3                           | 5                           | 141                         | 20                          |
| Utilization                    | (67)                        | (4)                         | (83)                        | (10)                        |
| Balance at end of period       | <u>\$ 104</u>               | <u>\$ 32</u>                | <u>\$ 104</u>               | <u>\$ 32</u>                |

In the third quarter of fiscal year 2023, we recognized a warranty-related benefit of approximately \$70 million in cost of revenue due to favorable product recovery.

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 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 Condensed Consolidated Financial Statements for such indemnifications.

**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 on the appeal was held on May 10, 2022.

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

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 October 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 - Shareholders' Equity**

##### **Capital Return Program**

During the third quarter and first nine months of fiscal year 2023, we repurchased 28 million shares for \$3.65 billion and 56 million shares for \$8.99 billion, respectively. Since the inception of our share repurchase program through October 30, 2022, we have repurchased an aggregate of 1.10 billion shares for \$16.07 billion. As of October 30, 2022, we were authorized, subject to certain specifications, to repurchase an additional \$8.28 billion of shares through December 2023. From October 31, 2022 through November 17, 2022, we repurchased 7 million shares for \$1.05 billion pursuant to a Rule 10b5-1 trading plan.

During the third quarter and first nine months of fiscal year 2023, we paid \$100 million and \$300 million in cash dividends to our shareholders, respectively. During the third quarter and first nine months of fiscal year 2022, we paid \$100 million and \$298 million in cash dividends to our shareholders, respectively.

#### **Note 15 - 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 Compute & Networking segment includes Data Center platforms and systems for artificial intelligence, or AI, high-performance computing, 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 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

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

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.

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 Compute & Networking or Graphics for purposes of making operating decisions or assessing financial performance. The expenses include stock-based compensation expense, acquisition-related and other costs, corporate infrastructure and support costs, restructuring costs, acquisition termination cost, IP-related and legal settlement costs, contributions, 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.

|                                     | Compute & Networking | Graphics  | All Other  | Consolidated |
|-------------------------------------|----------------------|-----------|------------|--------------|
|                                     | (In millions)        |           |            |              |
| Three Months Ended October 30, 2022 |                      |           |            |              |
| Revenue                             | \$ 3,816             | \$ 2,115  | \$ —       | \$ 5,931     |
| Operating income (loss)             | \$ 1,086             | \$ 606    | \$ (1,091) | \$ 601       |
| Three Months Ended October 31, 2021 |                      |           |            |              |
| Revenue                             | \$ 3,011             | \$ 4,092  | \$ —       | \$ 7,103     |
| Operating income (loss)             | \$ 1,332             | \$ 2,160  | \$ (821)   | \$ 2,671     |
| Nine Months Ended October 30, 2022  |                      |           |            |              |
| Revenue                             | \$ 11,395            | \$ 9,528  | \$ —       | \$ 20,923    |
| Operating income (loss)             | \$ 3,509             | \$ 3,739  | \$ (4,280) | \$ 2,968     |
| Nine Months Ended October 31, 2021  |                      |           |            |              |
| Revenue                             | \$ 7,821             | \$ 11,450 | \$ —       | \$ 19,271    |
| Operating income (loss)             | \$ 3,227             | \$ 6,073  | \$ (2,229) | \$ 7,071     |

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

|  | <b>Three Months Ended</b>   |                             | <b>Nine Months Ended</b>    |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
|  | <i>(In millions)</i>        |                             |                             |                             |
| <b>Reconciling items included in "All Other" category:</b> |                             |                             |                             |                             |
| Stock-based compensation expense                           | \$ (745)                    | \$ (559)                    | \$ (1,971)                  | \$ (1,453)                  |
| Acquisition-related and other costs                        | (174)                       | (156)                       | (499)                       | (482)                       |
| Unallocated cost of revenue and operating expenses         | (156)                       | (106)                       | (432)                       | (286)                       |
| Restructuring costs  | (16)                        | —                           | (16)                        | —                           |
| Acquisition termination cost                               | —                           | —                           | (1,353)                     | —                           |
| IP-related and legal settlement costs                      | —                           | —                           | (7)                         | (8)                         |
| Contributions  | —                           | —                           | (2)                         | —                           |
| <b>Total</b>   | <b>\$ (1,091)</b>           | <b>\$ (821)</b>             | <b>\$ (4,280)</b>           | <b>\$ (2,229)</b>           |

Revenue by geographic region is allocated to individual countries based on the billing location of the customer. End customer location may be different than our customer's billing location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

|                             | <b>Three Months Ended</b>   |                             | <b>Nine Months Ended</b>    |                             |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
|                             | <i>(In millions)</i>        |                             |                             |                             |
| <b>Revenue:</b>             |                             |                             |                             |                             |
| United States               | \$ 2,148                    | \$ 1,126                    | \$ 6,069                    | \$ 2,890                    |
| Taiwan                      | 1,153                       | 2,187                       | 5,134                       | 5,932                       |
| China (including Hong Kong) | 1,148                       | 2,017                       | 4,831                       | 5,128                       |
| Other countries             | 1,482                       | 1,773                       | 4,889                       | 5,321                       |
| <b>Total revenue</b>        | <b>\$ 5,931</b>             | <b>\$ 7,103</b>             | <b>\$ 20,923</b>            | <b>\$ 19,271</b>            |

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

|                            | <b>Three Months Ended</b>   |                             | <b>Nine Months Ended</b>    |                             |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                            | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> | <b>October 30,<br/>2022</b> | <b>October 31,<br/>2021</b> |
|                            | <i>(In millions)</i>        |                             |                             |                             |
| <b>Revenue:</b>            |                             |                             |                             |                             |
| Data Center                | \$ 3,833                    | \$ 2,936                    | \$ 11,389                   | \$ 7,350                    |
| Gaming                     | 1,574                       | 3,221                       | 7,236                       | 9,042                       |
| Professional Visualization | 200                         | 577                         | 1,318                       | 1,468                       |
| Automotive                 | 251                         | 135                         | 609                         | 441                         |
| OEM and Other              | 73                          | 234                         | 371                         | 970                         |
| <b>Total revenue</b>       | <b>\$ 5,931</b>             | <b>\$ 7,103</b>             | <b>\$ 20,923</b>            | <b>\$ 19,271</b>            |

One customer represented 10% of our total revenue for the third quarter of fiscal year 2023 and was attributable primarily to the Compute & Networking segment. No customer represented 10% or more of total revenue for the first nine months of fiscal year 2023 and for the third quarter and first nine months of fiscal year 2022.

**NVIDIA CORPORATION AND SUBSIDIARIES**  
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**(Unaudited)**

One customer represented 10% or more of accounts receivable for a total of 12% of our accounts receivable balance as of October 30, 2022. Two customers each represented 10% or more of accounts receivable for a total of 22% as of January 30, 2022.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

*This Quarterly Report on Form 10-Q contains forward-looking statements which 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 Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022 and in our Quarterly Reports on Form 10-Q for the fiscal quarters ended May 1, 2022 and July 31, 2022 in greater detail under the heading "Risk Factors" of such reports. 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 Quarterly Report on Form 10-Q 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.

NVIDIA, the NVIDIA logo, GeForce, GeForce NOW, GeForce RTX, Mellanox, NVIDIA AI Enterprise, NVIDIA BioNeMo, NVIDIA DGX, NVIDIA DRIVE, NVIDIA DRIVE Orin, NVIDIA DRIVE Thor, NVIDIA Hopper, NVIDIA Jetson, NVIDIA NeMo, NVIDIA Omniverse, NVIDIA RTX and Quadro are trademarks and/or registered trademarks of NVIDIA Corporation in the United States and/or other countries. Other company and product names may be trademarks of the respective companies with which they are associated. Features, pricing, availability, and specifications are subject to change without notice.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the risk factors set forth in Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended January 30, 2022 and Part II, Item 1A. "Risk Factors" of this Quarterly Report on Form 10-Q, of our Quarterly Reports on Form 10-Q for the fiscal quarters ended May 1, 2022 and July 31, 2022 and our Condensed Consolidated Financial Statements and related Notes thereto, as well as other cautionary statements and risks described elsewhere in this Quarterly Report on Form 10-Q and our other filings with the SEC, before deciding to purchase 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, autonomous vehicles, robotics, and augmented and virtual reality.

Our two operating segments are "Compute & Networking" and "Graphics," as described in Note 15 of the Notes to Condensed Consolidated Financial Statements.

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

#### Demand and Supply

Because we do not manufacture the semiconductors used for our products, we are dependent on third parties to manufacture and assemble our products. Our manufacturing lead times are very long, which requires us to make estimates of customers' future demand. At the same time, we do not have a guaranteed supply of wafers, components and capacity, and our supply deliveries and production may be non-linear within a quarter or year, which has previously caused changes to expected revenue and cash flows, and which may reoccur in the future. If our estimates of customer

demand are ultimately inaccurate, as we have experienced from time to time, these conditions could lead to a significant mismatch between supply and demand. This mismatch has resulted in both product shortages and excess inventory, has varied across our market platforms, and significantly harmed our financial results.

We build finished products and maintain inventory in advance of anticipated demand. In periods of shortages impacting the semiconductor industry and/or limited supply or capacity in our supply chain, as we have experienced in the past, the lead time on our orders for certain supply has extended to more than twelve months, compared to a historical lead time of approximately six months. Extended lead times may continue if we experience other supply constraints caused by natural disasters or other events. As a result, we have paid premiums and provided deposits to secure future supply and capacity, which have increased our product costs, and may need to continue to do so in the future. We may not have the ability to reduce our supply commitments at the same rate or at all if our revenue declines. Our supply, which includes inventory on hand, purchase obligations and prepaid supply agreements, has grown significantly due to current supply chain conditions and complexity of our products. Purchase obligations and prepaid supply agreements represent approximately three quarters of our total supply.

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 changes in macroeconomic conditions, including rising inflation and fluctuating interest rates. Each of these factors has previously impacted, and can in the future impact, the timing and volume of our revenue. Our demand predictions may not be correct, as we have experienced from time to time. Product transitions are complex and frequently negatively impact our revenue as we manage shipments of legacy prior architecture products and channel partners prepare and adjust to support new products. We have recently begun transitioning architectures for both our Gaming and Data Center products, which may impair our ability to predict demand and impact our supply mix. We may experience, and have in the past experienced, reduced demand for current generation architectures when customers anticipate transitions. Although we have previously sold multiple product architectures at the same time, this trend may not continue for current and future architecture transitions. If we are unable to execute our architectural transitions as planned for any reason, our financial results may be negatively impacted. Our ability to sell certain products has in the past been and can in the future be impeded if components from third parties that are necessary for the finished product are not available. Additionally, we sell most 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 changes in end user demand for our products have impacted and could in the future continue to impact our ability to properly forecast demand, particularly as they are based on estimates provided by various downstream parties.

COVID-19-related disruptions and lockdowns in China have created and may continue to create supply and logistics constraints. The war in Ukraine has further strained global supply chains and may in the future result in a shortage of key materials that our suppliers, including our foundry partners, require to satisfy our needs.

Our products are designed for the Data Center, Gaming, Professional Visualization and Automotive markets. The use of our GPUs for use cases other than that for which they were designed and marketed, including new and unexpected use cases, has impacted and can in the future impact demand for our products, including by leading to inconsistent spikes and drops in demand. For example, many years ago, our Gaming GPUs began to be used 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, has 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 recently implemented Ethereum 2.0 merge may decrease the usage of GPUs for Ethereum mining as well as create increased aftermarket sales of our GPUs, which could negatively impact retail prices for our GPUs and reduce demand for our new GPUs. We previously introduced Lite Hash Rate, or LHR, GeForce GPUs with limited Ethereum mining capability and provided CMP products in an effort to address demand from gamers and direct miners to CMP. With the Ethereum 2.0 merge, NVIDIA Ampere and Ada Lovelace architectures no longer include LHR. In addition, our new products or previously sold products may be resold online or on the unauthorized “gray market,” which also makes demand forecasting difficult. Gray market products or reseller marketplaces compete with our distribution channels.

During the third quarter of fiscal year 2023, the U.S. government, or USG, announced new license requirements that, with certain exceptions, impact exports to China (including Hong Kong) and Russia of our A100 and H100 integrated circuits, DGX or any other systems or boards which incorporate A100 or H100 integrated circuits and our A100X. The

new license requirements also apply to any future NVIDIA integrated circuit achieving both peak performance and chip-to-chip I/O performance equal to or greater than thresholds that are roughly equivalent to the A100, as well as any system or board that includes those circuits. We are also required to obtain a license to export a wide array of products, including networking products destined for certain end users and any system in China that can achieve single precision performance of 200 Petaops, or double precision performance of 100 Petaops, within a 41,600 cubic feet envelope.

We will be required to transition certain operations out of China, which could be costly and time consuming, and adversely affect our research and development and supply and distribution operations, as well as our revenue, during any such transition period.

We have engaged with customers in China to satisfy their demand with products not subject to the new license requirements, such as our new A800 offering. To the extent that a customer requires products covered by the new license requirements, we may seek a license for the customer but have no assurance that the USG will grant any exemptions or licenses for any customer, or that the USG will act on them in a timely manner. The new requirements may have a disproportionate impact on NVIDIA and may disadvantage NVIDIA against certain of our competitors who sell products that are not subject to the new restrictions or may be able to acquire licenses for their products.

Our revenue, profitability, cash flows, and competitive position may be harmed if customers in China do not want to purchase our alternative product offerings, if we are unable to provide contractual warranty or other extended service obligations, or if the USG does not grant licenses in a timely manner or denies licenses to significant customers. Even if the USG grants any requested licenses, the licenses may be temporary or impose burdensome conditions that we cannot or choose not to fulfill. The new requirements may benefit certain of our competitors, as the licensing process will make our sales and support efforts more cumbersome and less certain, and encourage customers in China to pursue alternatives to our products, including semiconductor suppliers based in China, Europe, and Israel.

#### **COVID-19**

During the third quarter of fiscal year 2023, we reopened our offices worldwide. We have and expect to incur incremental expenses and related in-office costs as we resume onsite services.

Restrictions may be imposed or reinstated as the pandemic resurfaces, such as ongoing lockdown measures due to COVID-19 containment efforts in China. End customer sales for our products in China have been negatively impacted and this impact may continue if future and continued lockdowns occur. These ongoing COVID-19-related disruptions and lockdowns in China have created and may continue to create supply chain and logistics constraints. Challenges in estimating demand could become more pronounced or volatile in the future on both a global and regional basis.

#### **Russia**

During the first quarter of fiscal year 2023, we paused direct sales to Russia. Direct sales to Russia in fiscal year 2022 were immaterial. Our revenue to partners that sell into Russia may be negatively impacted due to the war in Ukraine and we estimate that in fiscal year 2022, Russia accounted for approximately 2% of total end customer sales and 4% of Gaming end customer sales. During the third quarter of fiscal year 2023, we closed business operations in Russia.

#### **Termination of the Arm Share Purchase Agreement**

In February 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 recorded an acquisition termination cost of \$1.35 billion in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing.

### Third Quarter of Fiscal Year 2023 Summary

|                              | Three Months Ended                      |               |                  | Quarter-over-Quarter Change | Year-over-Year Change |
|------------------------------|---|---------------|------------------|-----------------------------|-----------------------|
|                              | October 30, 2022                        | July 31, 2022 | October 31, 2021 |                             |                       |
|                              | (\$ in millions, except per share data) |               |                  |                             |                       |
| Revenue                      | \$ 5,931                                | \$ 6,704      | \$ 7,103         | (12)%                       | (17)%                 |
| Gross margin                 | 53.6 %                                  | 43.5 %        | 65.2 %           | 10.1 pts                    | (11.6) pts            |
| Operating expenses           | \$ 2,576                                | \$ 2,416      | \$ 1,960         | 7 %                         | 31 %                  |
| Income from operations       | \$ 601                                  | \$ 499        | \$ 2,671         | 20 %                        | (77)%                 |
| Net income                   | \$ 680                                  | \$ 656        | \$ 2,464         | 4 %                         | (72)%                 |
| Net income per diluted share | \$ 0.27                                 | \$ 0.26       | \$ 0.97          | 4 %                         | (72)%                 |

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: Data Center, Gaming, Professional Visualization, and Automotive.

Revenue for the third quarter of fiscal year 2023 was \$5.93 billion, down 17% from a year ago and down 12% sequentially.

Data Center revenue was up 31% from a year ago and up 1% sequentially. Year-on-year growth was broad-based across U.S. cloud service providers, consumer internet companies and other vertical industries. Sequential growth was impacted by softness in China. We started shipping our flagship H100 data center GPU based on the new Hopper-architecture.

During the third quarter, the U.S. government announced new restrictions on exports of our A100 and H100-based products to China, and any product destined for certain systems or entities in China. These restrictions impacted third-quarter revenue, with the decline largely offset by sales of alternative products into China.

Gaming revenue was down 51% from a year ago and down 23% sequentially, reflecting lower sell-in to partners to help align channel inventory levels with current demand expectations as macroeconomic conditions and COVID lockdowns in China continue to weigh on consumer demand. The year-on-year decrease was driven by lower GPU sales for both desktops and laptops; the sequential decline was primarily driven by lower GPU sales for laptops. We believe the recent transition in verifying Ethereum cryptocurrency transactions from proof-of-work to proof-of-stake has reduced the utility of GPUs for cryptocurrency mining. This may have contributed to increased aftermarket sales of our GPUs in certain markets, potentially impacting demand for some of our products, particularly in the low-end.

Professional Visualization revenue was down 65% from a year ago and down 60% sequentially, reflecting lower sell-in to partners to help align channel inventory levels with current demand expectations.

Automotive revenue was up 86% from a year ago and up 14% sequentially, primarily driven by revenue from self-driving solutions.

OEM and Other revenue was down 69% from a year ago and down 48% sequentially. The sequential decline was driven by lower Jetson and notebook OEM sales. Cryptocurrency Mining Processor (CMP) revenue was nominal in the current and prior quarter, and \$105 million in the third quarter of fiscal year 2022.

Gross margin for the third quarter was down 11.6% from a year earlier, primarily due to a \$702 million inventory charge, largely relating to lower Data Center demand in China, partially offset by a warranty-related benefit of approximately \$70 million. Sequentially, gross margin was up 10.1% primarily due to lower inventory charges compared with the second quarter. The \$702 million inventory charge consists of approximately \$354 million for inventory on hand and approximately \$348 million for inventory purchase obligations in excess of our current demand projections.

Operating expenses increased primarily due to compensation and data center infrastructure. The year-on-year increase also reflects employee growth.

Cash, cash equivalents and marketable securities were \$13.14 billion, down from \$19.30 billion a year ago and down from \$17.04 billion a quarter ago. The year-on-year and sequential decreases reflect share repurchases and changes in operating cash flow.

During the third quarter and first nine months of fiscal year 2023, we returned \$3.75 billion and \$9.29 billion to shareholders in the form of share repurchases and cash dividends, respectively. As of the end of the third quarter of fiscal year 2023, we had \$8.28 billion remaining under our share repurchase authorization through December 2023.

### **Market Platform Highlights**

In Data Center, we began shipping production samples of the NVIDIA H100 Tensor Core GPU; announced a multi-year collaboration with Microsoft to build a cloud-based AI supercomputer; announced a multi-year partnership with Oracle to bring NVIDIA's full accelerated computing stack to Oracle Cloud Infrastructure; announced that Rescale is integrating NVIDIA AI Enterprise into its HPC-as-service offering; announced two new large language model cloud AI services — NVIDIA NeMo LLM and NVIDIA BioNeMo LLM Service; and announced a new data center solution delivering zero-trust security optimized for VMware vSphere 8.

In Gaming, we began shipping GeForce RTX 4090; introduced NVIDIA DLSS 3; and expanded the GeForce NOW library with 85+ games bringing the total available games to 1,400+.

In Professional Visualization, we introduced NVIDIA Omniverse Cloud.

In Automotive, we introduced NVIDIA DRIVE Thor; announced that Hozon Auto's Neta brand will build future EVs on the NVIDIA DRIVE Orin platform; marked the launch of Polestar 3; and announced new DRIVE IX ecosystem partners.

### **Financial Information by Business Segment and Geographic Data**

Refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for disclosure regarding segment information.

### **Critical Accounting Policies and Estimates**

Refer to Part II, Item 7, "Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K for the fiscal year ended January 30, 2022. There have been no material changes to our Critical Accounting Policies and Estimates.

## Results of Operations

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

|                                   | Three Months Ended  |                     | Nine Months Ended   |                     |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                   | October 30,<br>2022 | October 31,<br>2021 | October 30,<br>2022 | October 31,<br>2021 |
| Revenue                           | 100.0 %             | 100.0 %             | 100.0 %             | 100.0 %             |
| Cost of revenue                   | 46.4                | 34.8                | 44.9                | 35.3                |
| Gross profit                      | 53.6                | 65.2                | 55.1                | 64.7                |
| Operating expenses                |                     |                     |                     |                     |
| Research and development          | 32.8                | 19.8                | 25.7                | 19.7                |
| Sales, general and administrative | 10.6                | 7.8                 | 8.7                 | 8.3                 |
| Acquisition termination cost      | —                   | —                   | 6.5                 | —                   |
| Total operating expenses          | 43.4                | 27.6                | 40.9                | 28.0                |
| Income from operations            | 10.2                | 37.6                | 14.2                | 36.7                |
| Interest income                   | 1.5                 | 0.1                 | 0.7                 | 0.1                 |
| Interest expense                  | (1.1)               | (0.9)               | (0.9)               | (0.9)               |
| Other, net                        | (0.2)               | 0.3                 | (0.1)               | 0.8                 |
| Other income (expense), net       | 0.2                 | (0.5)               | (0.3)               | —                   |
| Income before income tax          | 10.4                | 37.1                | 13.9                | 36.7                |
| Income tax expense (benefit)      | (1.1)               | 2.4                 | (0.3)               | 1.7                 |
| Net income                        | 11.5 %              | 34.7 %              | 14.2 %              | 35.0 %              |

## Revenue

### Revenue by Reportable Segments

|                      | Three Months Ended  |                     |              |             | Nine Months Ended   |                     |              |             |
|----------------------|---------------------|---------------------|--------------|-------------|---------------------|---------------------|--------------|-------------|
|                      | October 30,<br>2022 | October 31,<br>2021 | \$<br>Change | %<br>Change | October 30,<br>2022 | October 31,<br>2021 | \$<br>Change | %<br>Change |
| (\$ in millions)     |                     |                     |              |             |                     |                     |              |             |
| Compute & Networking | \$ 3,816            | \$ 3,011            | \$ 805       | 27 %        | \$ 11,395           | \$ 7,821            | \$ 3,574     | 46 %        |
| Graphics             | 2,115               | 4,092               | (1,977)      | (48)%       | 9,528               | 11,450              | (1,922)      | (17)%       |
| Total                | \$ 5,931            | \$ 7,103            | \$ (1,172)   | (17)%       | \$ 20,923           | \$ 19,271           | \$ 1,652     | 9 %         |

**Compute & Networking** - The year-on-year growth was broad-based across U.S. cloud service providers, consumer internet companies and other vertical industries. We started shipping our flagship H100 data center GPU based on the new Hopper-architecture. CMP contributed an insignificant amount in the third quarter and first nine months of fiscal year 2023 compared to \$105 million in the third quarter and \$526 million in the first nine months of fiscal year 2022.

**Graphics** - The year-on-year decreases primarily reflect lower sell-in to partners to help align channel inventory levels with current demand expectations as macroeconomic conditions and COVID lockdowns in China continue to weigh on consumer demand.

### Concentration of Revenue

Revenue from sales to customers outside of the United States accounted for 64% and 71% of total revenue for the third quarter and first nine months of fiscal year 2023, respectively, and 84% and 85% of total revenue for the third quarter and first nine months of fiscal year 2022, respectively. Revenue by geographic region is allocated to countries based on the billed location even if the revenue may be attributable to end customers in a different location.

One customer represented 10% of our total revenue for the third quarter of fiscal year 2023 and was attributable primarily to the Compute & Networking segment. No customer represented 10% or more of total revenue for the first nine months of fiscal year 2023 and for the third quarter and first nine months of fiscal year 2022.

### Gross Margin

Our overall gross margin decreased to 53.6% and 55.1% for the third quarter and first nine months of fiscal year 2023, respectively, from 65.2% and 64.7% for the third quarter and first nine months of fiscal year 2022, respectively. These decreases were primarily due to \$702 million and \$2.01 billion of inventory provisions in the third quarter and first nine months of fiscal year 2023, respectively. The third quarter of fiscal year 2023 included a warranty-related benefit of approximately \$70 million. The \$702 million inventory provision consists of approximately \$354 million for inventory on hand and approximately \$348 million for inventory purchase obligations in excess of our current demand projections. The \$2.01 billion inventory provision in the first nine months of fiscal year 2023 consists of approximately \$942 million for inventory on hand and approximately \$1.07 billion for inventory purchase obligations in excess of our current demand projections.

Inventory provisions totaled \$702 million and \$107 million for the third quarter of fiscal years 2023 and 2022, respectively. Sales of inventory that was previously written-off or down totaled \$21 million and \$48 million for the third quarter of fiscal years 2023 and 2022, respectively. As a result, the overall net effect on our gross margin was an unfavorable impact of 11.5% and 0.8% in the third quarter of fiscal years 2023 and 2022, respectively.

Inventory provisions totaled \$2.01 billion and \$238 million for the first nine months of fiscal years 2023 and 2022, respectively. Sales of inventory that was previously written-off or down totaled \$59 million and \$89 million for the first nine months of fiscal years 2023 and 2022, respectively. As a result, the overall net effect on our gross margin was an unfavorable impact of 9.3% and 0.8% in the first nine months of fiscal years 2023 and 2022, respectively.

**Compute & Networking** - The gross margin of our Compute & Networking segment decreased during the third quarter and first nine months of fiscal year 2023 compared to the third quarter and first nine months of fiscal year 2022, primarily due to inventory provisions.

**Graphics** - The gross margin of our Graphics segment decreased during the third quarter of fiscal year 2023 compared to the third quarter of fiscal year 2022 primarily due to a lower-end mix within GeForce GPUs. The decrease in the first nine months of fiscal year 2023 compared to the first nine months of fiscal year 2022 was primarily related to inventory and related provisions and pricing programs.

### Operating Expenses

|  | Three Months Ended  |                     |              |             | Nine Months Ended   |                     |              |             |
|--|---------------------|---------------------|--------------|-------------|---------------------|---------------------|--------------|-------------|
|  | October 30,<br>2022 | October 31,<br>2021 | \$<br>Change | %<br>Change | October 30,<br>2022 | October 31,<br>2021 | \$<br>Change | %<br>Change |
| (\$ in millions)                           |                     |                     |              |             |                     |                     |              |             |
| Research and development expenses          | \$ 1,945            | \$ 1,403            | \$ 542       | 39 %        | \$ 5,387            | \$ 3,802            | \$ 1,585     | 42 %        |
| % of net revenue                           | 33 %                | 20 %                |              |             | 26 %                | 20 %                |              |             |
| Sales, general and administrative expenses | 631                 | 557                 | 74           | 13 %        | 1,815               | 1,603               | 212          | 13 %        |
| % of net revenue                           | 11 %                | 8 %                 |              |             | 9 %                 | 8 %                 |              |             |
| Acquisition termination cost               | —                   | —                   | —            | — %         | 1,353               | —                   | 1,353        | (100)%      |
| % of net revenue                           | — %                 | — %                 |              |             | 6 %                 | — %                 |              |             |
| Total operating expenses                   | \$ 2,576            | \$ 1,960            | \$ 616       | 31 %        | \$ 8,555            | \$ 5,405            | \$ 3,150     | 58 %        |

Research and development expense increases for the third quarter of fiscal year 2023 were primarily driven by compensation, employee growth and data center infrastructure. Research and development expense increases for the first nine months of fiscal year 2023 were primarily driven by compensation, employee growth and engineering development costs.

Sales, general and administrative expense increases were primarily driven by compensation and employee growth.

We recorded an acquisition termination cost related to the Arm transaction of \$1.35 billion in the first quarter of fiscal year 2023 reflecting the write-off of the prepayment provided at signing in September 2020.

### Other Income (Expense), Net

|                  | Three Months Ended  |                     |              |               | Nine Months Ended   |                     |                |                 |
|------------------|---------------------|---------------------|--------------|---------------|---------------------|---------------------|----------------|-----------------|
|                  | October 30,<br>2022 | October 31,<br>2021 | \$<br>Change | %<br>Change   | October 30,<br>2022 | October 31,<br>2021 | \$<br>Change   | %<br>Change     |
| (\$ in millions) |                     |                     |              |               |                     |                     |                |                 |
| Interest income  | \$ 88               | \$ 7                | \$ 81        | 1,157 %       | \$ 152              | \$ 20               | \$ 132         | 660 %           |
| Interest expense | (65)                | (62)                | (3)          | 5 %           | (198)               | (175)               | (23)           | 13 %            |
| Other, net       | (11)                | 22                  | (33)         | (150)%        | (29)                | 160                 | (189)          | (118)%          |
| Total            | <u>\$ 12</u>        | <u>\$ (33)</u>      | <u>\$ 45</u> | <u>(136)%</u> | <u>\$ (75)</u>      | <u>\$ 5</u>         | <u>\$ (80)</u> | <u>(1,600)%</u> |

Interest income consists of interest earned on cash, cash equivalents and marketable securities. The increase in interest income was primarily due to higher interest rates earned on our investments.

Interest expense is primarily comprised of coupon interest and debt discount amortization related to our notes. The increase in expense for the first nine months of fiscal year 2023 compared to the first nine months of fiscal year 2022 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. Changes in other, net, compared to the third quarter and first nine months of fiscal year 2022 were primarily driven by mark-to-market impact from publicly traded equity investments and changes in value from our non-affiliated private investments. Refer to Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information regarding our investments in non-affiliated entities.

### Income Taxes

We recognized an income tax benefit of \$67 million and \$61 million for the third quarter and first nine months of fiscal year 2023, respectively, and an income tax expense of \$174 million and \$327 million for the third quarter and first nine months of fiscal year 2022, respectively. Income tax as a percentage of income before income tax was a benefit of 10.9% and 2.1% for the third quarter and first nine months of fiscal year 2023, respectively, and an expense of 6.6% and 4.6% for the third quarter and first nine months of fiscal year 2022, respectively.

The decrease in our effective tax rate for the third quarter and first nine months of fiscal year 2023 as compared to the same periods of fiscal year 2022 was primarily due to the increased tax benefit of the foreign-derived intangible income deduction, stock-based compensation, and the U.S. federal research tax credit, relative to a lower expected profitability. This is partially offset by the impact of an increase in the proportion of earnings subject to U.S. tax in fiscal year 2023 and the one-time discrete benefit from re-valuing certain deferred tax assets in connection with the Domestication in fiscal year 2022.

### Liquidity and Capital Resources

|  | October 30, 2022 | January 30, 2022 |
|--|------------------|------------------|
| (In millions)                                    |                  |                  |
| Cash and cash equivalents                        | \$ 2,800         | \$ 1,990         |
| Marketable securities                            | 10,343           | 19,218           |
| Cash, cash equivalents and marketable securities | <u>\$ 13,143</u> | <u>\$ 21,208</u> |



|   | Nine Months Ended |                  |
|---|-------------------|------------------|
|   | October 30, 2022  | October 31, 2021 |
|   | (In millions)     |                  |
| Net cash provided by operating activities           | \$ 3,393          | \$ 6,075         |
| Net cash provided by (used in) investing activities | \$ 7,378          | \$ (8,244)       |
| Net cash provided by (used in) financing activities | \$ (9,961)        | \$ 2,610         |

As of October 30, 2022, we had \$13.14 billion in cash, cash equivalents and marketable securities, a decrease of \$8.07 billion from the end of fiscal year 2022. 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 decreased in the first nine months of fiscal year 2023 compared to the first nine months of fiscal year 2022, primarily due to tax payments, and a decrease in net income adjusted for certain non-cash items, such as the Arm acquisition termination cost of \$1.35 billion, partially offset by changes in working capital.

Cash provided by investing activities increased in the first nine months of fiscal year 2023 compared to cash used in the first nine months of fiscal year 2022, primarily driven by higher marketable securities sales and maturities, lower purchases of marketable securities, offset by higher capital expenditures.

Cash used in financing activities increased in the first nine months of fiscal year 2023 compared to the first nine months of fiscal year 2022, which primarily reflects share repurchases and the absence of debt issuance proceeds in the first nine months of fiscal year 2023.

### Liquidity

Our primary sources of liquidity are our cash and cash equivalents, our marketable securities, and the cash generated by our operations. As of October 30, 2022, we had \$13.14 billion 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, and foreign government entities, as well as certificates of deposit issued by highly rated financial institutions. These marketable securities are primarily denominated in U.S. dollars. Refer to Note 7 of the Notes to Condensed Consolidated Financial Statements for additional information. 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 debt due in fiscal year 2024. We continuously evaluate our liquidity and capital resources, including our access to external capital, to ensure we can finance our future capital requirements.

For 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 \$1.80 billion to \$2.00 billion related to property and equipment.

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 October 30, 2022 are available for use in the U.S. without incurring additional U.S. federal income taxes. We utilized nearly all our accumulated U.S. federal research tax credits during fiscal year 2022, which has resulted in higher cash tax payments starting in fiscal year 2023. In addition, beginning in fiscal year 2023, the 2017 Tax Cuts and Jobs Act 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 will result in significantly higher cash tax payments starting in fiscal year 2023.

### Capital Return to Shareholders

During the third quarter and first nine months of fiscal year 2023, we returned \$3.65 billion and \$8.99 billion, respectively, in share repurchases and \$100 million and \$300 million, respectively, in cash dividends. From October 31, 2022 through November 17, 2022, we repurchased 7 million shares for \$1.05 billion pursuant to a Rule 10b5-1 trading plan.

Our cash dividend program and the payment of future cash dividends under that program are subject to the continuing determination by our Board of Directors that the dividend program and the declaration of dividends are in the best interests of our shareholders.

## **Outstanding Indebtedness and Commercial Paper**

As of October 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 October 30, 2022, we had not issued any commercial paper.

### **Contractual Obligations**

We have unrecognized tax benefits of \$869 million, which includes related interest and penalties of \$80 million recorded in non-current income tax payable as of October 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 6 of the Notes to Condensed Consolidated Financial Statements for further information.

Other than the contractual obligations described above, there were no material changes outside the ordinary course of business in our contractual obligations from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022. Refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022 for a description of our contractual obligations. For a description of our operating lease obligations, long-term debt, and purchase obligations, refer to Note 3, Note 12, and Note 13 of the Notes to Condensed Consolidated Financial Statements, respectively.

## **Climate Change**

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.

## **Adoption of New and Recently Issued Accounting Pronouncements**

There has been no adoption of any new and recently issued accounting pronouncements.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Investment and Interest Rate Risk**

Financial market risks related to investment and interest rate risk are described in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022. As of October 30, 2022, there have been no material changes, including the impact of the COVID-19 pandemic, to the financial market risks described as of January 30, 2022.

### **Foreign Exchange Rate Risk**

The impact of foreign currency transactions related to foreign exchange rate risk is described in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022. As of October 30, 2022, there have been no material changes, including the impact of the COVID-19 pandemic, to the foreign exchange rate risks described as of January 30, 2022.

Refer to Note 11 of the Notes to Condensed Consolidated Financial Statements for additional information.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Controls and Procedures**

#### **Disclosure Controls and Procedures**

Based on their evaluation as of October 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 under the Securities Exchange Act of 1934, as amended) were effective to provide reasonable assurance.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes that occurred during the third quarter of fiscal year 2023 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 our financial records used to report operating results. The upgrade will occur in phases. During the second quarter of fiscal year 2023, we completed the consolidated financial reporting phase of the implementation, which included updating our internal control over financial reporting. We will continue to evaluate each quarter whether there are changes that 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.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Refer to Part I, Item 1, Note 13 of the Notes to Condensed Consolidated Financial Statements for a discussion of significant developments in our legal proceedings since January 30, 2022. Also refer to Item 3, “Legal Proceedings” in our Annual Report on Form 10-K for the fiscal year ended January 30, 2022 for a prior discussion of our legal proceedings.

### ITEM 1A. RISK FACTORS

Other than the risk factors listed below, there have been no material changes from the risk factors previously described under Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2022 and Items 1A of our Quarterly Reports on Form 10-Q for the fiscal quarters ended May 1, 2022 and July 31, 2022.

Before you buy our common stock, you should know that making such an investment involves some risks including, but not limited to, the risks described in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2022, in Items 1A of our Quarterly Reports on Form 10-Q for the fiscal quarters ended May 1, 2022 and July 31, 2022, and below. Additionally, any one of those risks could harm our business, financial condition and results of operations, which could cause our stock price to decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

#### **If we fail to estimate customer demand properly, mismatches between supply and demand can occur, harming our financial results.**

Because we do not manufacture the semiconductors used for our products, we are dependent on third parties to manufacture and assemble our products. Our manufacturing lead times are very long, which requires us to make estimates of customers’ future demand. At the same time, we do not have a guaranteed supply of wafers, components and capacity, and our supply deliveries and production may be non-linear within a quarter or year, which has previously caused changes to expected revenue and cash flows, and which may reoccur in the future. If our estimates of customer demand are ultimately inaccurate, as we have experienced from time to time, these conditions could lead to a significant mismatch between supply and demand. This mismatch has resulted in both product shortages and excess inventory, has varied across our market platforms, and significantly harmed our financial results.

We build finished products and maintain inventory in advance of anticipated demand. In periods of shortages impacting the semiconductor industry and/or limited supply or capacity in our supply chain, as we have experienced in the past, the lead time on our orders for certain supply has extended to more than twelve months, compared to a historical lead time of approximately six months. As a result, we have paid premiums and provided deposits to secure future supply and capacity, which have increased our product costs, and may need to continue to do so in the future. We may not have the ability to reduce our supply commitments at the same rate or at all if our revenue declines. Our supply, which includes inventory on hand, purchase obligations and prepaid supply agreements, has grown significantly due to current supply chain conditions and complexity of our products. Purchase obligations and prepaid supply agreements represent approximately three quarters of our total supply.

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 changes in macroeconomic conditions, including rising inflation and fluctuating interest rates. Each of these factors has previously impacted, and can in the future impact, the timing and volume of our revenue. Our demand predictions may not be correct, as we have experienced from time to time. Product transitions are complex and frequently negatively impact our revenue as we manage shipments of legacy prior architecture products and channel partners prepare and adjust to support new products. We have recently begun transitioning architectures for both our Gaming and Data Center products, which may impair our ability to predict demand and impact our supply mix. We may experience, and have in the past experienced, reduced demand for current generation architectures when customers anticipate transitions. Although we have previously sold multiple product architectures at the same time, this trend may not continue for current and future architecture transitions. If we are unable to execute our architectural transitions as planned for any reason, our financial results may be negatively impacted. Our ability to sell certain products has in the past been and can in the future be impeded if components from third parties that are necessary for the finished product are not available. Additionally, we sell most 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 changes in end user demand for our products have impacted and could in the future continue to impact our ability to properly forecast demand, particularly as they are based on estimates provided by various downstream parties.

If we underestimate our customers' future 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. 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, or our original equipment manufacturers may experience supply constraints. 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 harmed.

On the other hand, if we overestimate our customers' future demand for our products, and if customers cancel or defer orders or choose to purchase from our competitors, we may not be able to reduce our inventory purchase commitments. In the past, we have experienced a reduction in average selling prices, including as a result of channel pricing programs that we have implemented in the past and may continue to implement, as a result of our overestimation of future demand, which has reduced our revenue and gross margins, and we may need to continue these reductions. We have had to increase prices for our Data Center products as a result of our suppliers' increase in prices, and may need to continue to do so for other products in the future, which may negatively impact demand. We have also written-down our inventory, incurred cancellation penalties, and recorded impairments, negatively impacting our gross margins and our overall financial results. These impacts were amplified by our placement of non-cancellable and non-returnable purchasing terms, well in advance of our historical lead times and could be exacerbated if we need to make changes to the design of future products. The risk of these impacts has increased recently, as our purchase obligations and prepaids have grown and become a greater portion of our total supply while our revenue has sequentially declined.

In addition to the growing lead times described above, there are many factors that have caused and/or could in the future cause us to either underestimate or overestimate our customers' future demand for our products, or otherwise cause a mismatch between supply and demand for our products. Those factors include such things as:

- changes in business and economic conditions resulting in decreased consumer confidence, including downturns in our target markets and/or overall economy, rising inflation, currency fluctuations, and changes in the credit market;
- sudden or sustained government lockdowns or actions to control COVID-19 case spread;
- rapidly changing technology or customer requirements;
- new product introductions resulting in less demand for existing products;
- new or unexpected end use cases;
- increase in demand for competitive products, including competitive actions;
- fluctuations in demand for our products related to cryptocurrency mining; or
- changes in governmental policies, such as increased restrictions on gaming usage or cloud service providers.

COVID-19-related disruptions and lockdowns in China have created and may continue to create supply and logistics constraints. The war in Ukraine has further strained global supply chains and may in the future result in a shortage of key materials that our suppliers, including our foundry partners, require to satisfy our needs. Extended lead times may continue if we experience other supply constraints caused by natural disasters or other events. In addition, geopolitical tensions involving Taiwan and China, which comprise a significant portion of our revenue and where we have suppliers, contract manufacturers, and assembly partners who are critical to our supply continuity, could have a material adverse impact on us.

Our products are designed for the Data Center, Gaming, Professional Visualization and Automotive markets. The use of our GPUs for use cases other than that for which they were designed and marketed, including new and unexpected use cases, has impacted and can in the future impact demand for our products, including by leading to inconsistent spikes and drops in demand. For example, many years ago, our Gaming GPUs began to be used 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, has 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 recently implemented Ethereum 2.0 merge

may decrease the usage of GPUs for Ethereum mining as well as create increased aftermarket sales of our GPUs, which could negatively impact retail prices for our GPUs and reduce demand for our new GPUs. We previously introduced LHR GeForce GPUs with limited Ethereum mining capability and provided CMP products in an effort to address demand from gamers and direct miners to CMP. With the Ethereum 2.0 merge, NVIDIA Ampere and Ada Lovelace architectures no longer include LHR. In addition, our new products or previously sold products may be resold online or on the unauthorized “gray market,” which also makes demand forecasting difficult. Gray market products or reseller marketplaces compete with our distribution channels.

Restrictions may be imposed or reinstated as the pandemic resurfaces, such as ongoing lockdown measures due to COVID-19 containment efforts in China. End customer sales for our products in China have been negatively impacted and this impact may continue if future and continued lockdowns occur. These ongoing COVID-19-related disruptions and lockdowns in China have created and may continue to create supply chain and logistics constraints. Challenges in estimating demand could become more pronounced or volatile in the future on both a global and regional basis.

**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 have entered in the past and may in the future 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;
- suppliers or their suppliers failing to supply high quality products and/or making changes to their products without our qualification;
- 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;
- requirements to place orders that are not cancellable upon changes in demand or requirements to prepay for supply in advance;
- low manufacturing yields resulting from a failure in our product design or a foundry's proprietary process technology; and

- disruptions in manufacturing, assembly and other processes due to heat wave closures and electricity conservation efforts.

**We have incurred and could in the future incur significant expenses to remediate defects in our products, which can damage our reputation and cause us to lose market share.**

Our hardware and software product offerings are complex and they have in the past and may in the future 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. These risks further increase when we rely on partners to supply and manufacture components that are used in our products, as these arrangements reduce our direct control over production. Although arrangements with component providers may contain provisions for product defect expense reimbursement, we generally remain responsible to the customer for warranty product defects that may occur from time to time. Some failures in our products or services have been in the past and may in the future be only discovered after a product or service has been shipped or used. Undiscovered vulnerabilities in our products or services could result in loss of data or intangible property, or 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. Our efforts to remedy these issues may not be timely or may not be satisfactory to our customers. 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, temporary or permanent withdrawal from a product or market, 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 or in connection with indemnification obligations, or pay fines imposed by regulatory agencies.

For example, a defect was identified in a third-party component embedded in certain Data Center products. This defect has had, and other defects may in the future have, an adverse effect on our cost and supply of components and finished goods. While we have been working to fix the defect, we have needed to replace those products instead of repairing them, resulting in greater costs to us. These costs could be significant in future periods. We recorded \$122 million for warranty reserves in the second quarter of fiscal year 2023 primarily in connection with this defect. While we believe we have accurately recorded for the warranty reserve, we may need to record additional amounts in the future if our estimate proves to be incorrect. Additionally, we are investigating failures of power connectors shipped with our recently launched GeForce RTX 4090, which may harm sales of the 4090 or future products. In general, if a product liability claim regarding any of our products is brought against us, even if the alleged damage is due to the actions or inactions of a third party, such as within our supply chain, 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 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. 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, the war in Ukraine has had and will likely continue to have a negative impact on our employees or operations both within and outside Ukraine. In connection with multiple sanctions on Russia, we stopped direct sales to Russia in the first quarter of fiscal year 2023 and closed business operations in Russia in the third quarter of fiscal year 2023. Additionally, the ongoing war could result 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, the third-party systems on which we rely, or our customers, 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.

**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, and in times of stock price volatility, as we have experienced recently, the retentive value of our stock-based compensation may decrease. 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.

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

The COVID-19 pandemic has impacted, and continues to impact, our workforce and operations and those of our customers, partners, vendors and suppliers. As the pandemic continues to evolve, the increased duration and impact of economic and demand uncertainty, and the limited availability of our supply chain, logistical services and component supply, may have a material net negative impact on our business and financial results. COVID-19 containment around the world has put restrictions on, among other areas, manufacturing facilities, commerce, and support operations, which could limit our capacity to meet customer demand. For example, ongoing lockdown measures due to COVID-19 containment efforts in China have impacted end customer sales, disrupted our partners' operations, created logistics and delivery bottlenecks, and further curtailed supply, and may continue to do so in the future.

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. As our offices have reopened, we have incurred and expect to continue to incur incremental expenses and related in-office costs as we resume onsite services.

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. We have experienced supply chain and economic disruption, in part as a result of the COVID-19 pandemic which has negatively impacted and could have a material negative impact on our business, results of operations, financial condition, and access to sources of liquidity.

**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, increased focus from regulators on cybersecurity vulnerabilities and risks, 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 war in 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 resulted in 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, Belarus, 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, Belarus, and certain regions of Ukraine or other regions determined to be supporting Russia, which may result in claims brought against us for failure to fulfill our contractual obligations, and restrict access by our employees (both within and outside of Ukraine) to our systems, negatively impacting productivity. Given these recent sanctions and export restrictions imposed by the United States and foreign government bodies, during the first quarter of fiscal year 2023, we paused all direct sales to Russia, and during the third quarter of fiscal year 2023, we closed business operations in Russia. Concurrently, the war in Ukraine has impacted end customer sales in EMEA and may continue to do so in the future. 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 export control laws or sanctions of the U.S. or similar applicable non-U.S. laws, even if the violation occurred without our knowledge, 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 China, Hong Kong, Israel, Korea and Taiwan 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 include additional unilateral or multilateral export controls on certain products or technology, including but not limited to AI technologies. As geopolitical tensions have increased, semiconductors associated with AI, including GPUs and associated products, are increasingly the focus of export control restrictions proposed by stakeholders in the U.S. and its allies, and it is likely that additional unilateral or multilateral controls will be adopted. Such controls may be very broad in scope and application, prohibit us from exporting our products to any or all customers in one or more markets, including but not limited to China, and could negatively impact our manufacturing, testing, and warehousing locations and options, or could impose other conditions that limit our ability to serve demand abroad and could negatively and materially impact our business, revenue, and financial results. Export controls targeting GPUs and semiconductors associated with AI, which are increasingly likely, would restrict our ability to export our technology, products, or services even though competitors may not be subject to similar restrictions, creating a competitive disadvantage for us and negatively impacting our business and financial results. Increasing use of economic sanctions may also impact demand for our products or services, negatively impacting our business and financial results. Additional unilateral or multilateral controls are also likely to include deemed export control limitations that negatively

impact the ability of our research and development teams to execute our roadmap or other objectives in a timely manner. Additional export restrictions may not only impact our ability to serve overseas markets, but also provoke responses from foreign governments, including China, that negatively impact our supply chain or our ability to provide our products and services to customers in all markets worldwide, which could also substantially reduce our revenue.

During the third quarter of fiscal year 2023, the U.S. government, or USG, announced new license requirements that, with certain exceptions, impact exports to China (including Hong Kong) and Russia of our A100 and H100 integrated circuits, DGX or any other systems or boards which incorporate A100 or H100 integrated circuits and our A100X. The new license requirements also apply to any future NVIDIA integrated circuit achieving both peak performance and chip-to-chip I/O performance equal to or greater than thresholds that are roughly equivalent to the A100, as well as any system or board that includes those circuits. We are also required to obtain a license to export a wide array of products, including networking products destined for certain end users and any system in China that can achieve single precision performance of 200 Petaops, or double precision performance of 100 Petaops, within a 41,600 cubic feet envelope.

We will be required to transition certain operations out of China, which could be costly and time consuming, and adversely affect our research and development and supply and distribution operations, as well as our revenue, during any such transition period.

We have engaged with customers in China to satisfy their demand with products not subject to the new license requirements, such as our new A800 offering. To the extent that a customer requires products covered by the new license requirements, we may seek a license for the customer but have no assurance that the USG will grant any exemptions or licenses for any customer, or that the USG will act on them in a timely manner. The new requirements may have a disproportionate impact on NVIDIA and may disadvantage NVIDIA against certain of our competitors who sell products that are not subject to the new restrictions or may be able to acquire licenses for their products.

Our revenue, profitability, cash flows, and competitive position may be harmed if customers in China do not want to purchase our alternative product offerings, if we are unable to provide contractual warranty or other extended service obligations, or if the USG does not grant licenses in a timely manner or denies licenses to significant customers. Even if the USG grants any requested licenses, the licenses may be temporary or impose burdensome conditions that we cannot or choose not to fulfill. The new requirements may benefit certain of our competitors, as the licensing process will make our sales and support efforts more cumbersome and less certain, and encourage customers in China to pursue alternatives to our products, including semiconductor suppliers based in China, Europe, and Israel.

Restrictions imposed by the Chinese government on the duration of gaming activities and access to games may adversely affect our Gaming revenue, and increased oversight of digital platform companies may adversely affect our Data Center revenue. Additionally, revisions to laws or regulations or their interpretation and enforcement could result in increased taxation, trade sanctions, the imposition of or increase to 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. Furthermore, a tariff exclusion on our graphics cards is scheduled to expire in December 2022. If we are unable to obtain an extension of this tariff exclusion, or if the value of our graphics cards increases due to our adoption of a change in tariff valuation methodology, our profitability may be negatively impacted.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

### **Issuer Purchases of Equity Securities**

On May 23, 2022, our Board of Directors increased and extended our share repurchase program to repurchase additional common stock up to a total of \$15 billion through December 2023. Since the inception of our share repurchase program through October 30, 2022, we have repurchased an aggregate of 1.10 billion shares for \$16.07 billion through October 30, 2022. As of October 30, 2022, we were authorized, subject to certain specifications, to repurchase an additional \$8.28 billion of shares through December 2023.

The repurchases can be made in the open market, in privately negotiated transactions, pursuant to a Rule 10b5-1 trading plan 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.

During the third quarter and first nine months of fiscal year 2023, we paid \$100 million and \$300 million in cash dividends to our shareholders, respectively.

The following table presents details of our share repurchase transactions during the third quarter of fiscal year 2023:

| Period                                | Total Number of Shares Purchased (In millions) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program (In millions) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (In billions) |
|---------------------------------------|--|------------------------------|--|--|
| August 1, 2022 - August 28, 2022      | 1  | \$ 169.07                    | 1  | \$ 11.82   |
| August 29, 2022 - September 25, 2022  | 10   | \$ 133.80                    | 10   | \$ 10.40   |
| September 26, 2022 - October 30, 2022 | 17   | \$ 123.96                    | 17   | \$ 8.28  |
| Total                                 | 28   |                              | 28   |  |

From October 31, 2022 through November 17, 2022, we repurchased 7 million shares for \$1.05 billion pursuant to a Rule 10b5-1 trading plan.

#### 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 the third quarter of fiscal year 2023, we withheld approximately 2 million shares at a total cost of \$294 million through net share settlements. During the first nine months of fiscal year 2023, we withheld approximately 6 million shares at a total cost of \$1.13 billion through net share settlements.

## ITEM 6. EXHIBITS

| Exhibit No. | Exhibit Description  | Schedule /Form | File Number | Exhibit | Filing Date |
|-------------|--|----------------|-------------|---------|-------------|
| 31.1*       | <a href="#">Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934</a>  |                |             |         |             |
| 31.2*       | <a href="#">Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934</a>  |                |             |         |             |
| 32.1#*      | <a href="#">Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934</a>  |                |             |         |             |
| 32.2#*      | <a href="#">Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934</a>  |                |             |         |             |
| 101.INS*    | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.                   |                |             |         |             |
| 101.SCH*    | Inline XBRL Taxonomy Extension Schema Document   |                |             |         |             |
| 101.CAL*    | Inline XBRL Taxonomy Extension Calculation Linkbase Document   |                |             |         |             |
| 101.DEF*    | Inline XBRL Taxonomy Extension Definition Linkbase Document  |                |             |         |             |
| 101.LAB*    | Inline XBRL Taxonomy Extension Labels Linkbase Document  |                |             |         |             |
| 101.PRE*    | Inline 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.

# 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 Quarterly Report on Form 10-Q 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.

## **SIGNATURE**

Pursuant to the requirements 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.

Date: November 18, 2022

NVIDIA Corporation  
By: /s/ Colette M. Kress  
Colette M. Kress  
Executive Vice President and Chief Financial Officer (Duly Authorized Officer and  
Principal Financial Officer)

**CERTIFICATION**

I, Jen-Hsun Huang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NVIDIA Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2022

/s/JEN-HSUN HUANG

Jen-Hsun Huang

President and Chief Executive Officer

**CERTIFICATION**

I, Colette M. Kress, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NVIDIA Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2022

/s/ COLETTE M. KRESS

Colette M. Kress

Executive Vice President and Chief Financial Officer

**CERTIFICATION**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Jen-Hsun Huang, the President and Chief Executive Officer of NVIDIA Corporation (the "Company"), hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended October 30, 2022, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Date: November 18, 2022

/s/JEN-HSUN HUANG

Jen-Hsun Huang  
President and Chief Executive Officer

A signed original of this written statement required by Section 906 of 18 U.S.C. § 1350 has been provided to NVIDIA Corporation and will be retained by NVIDIA Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.



**CERTIFICATION**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Colette M. Kress, the Executive Vice President and Chief Financial Officer of NVIDIA Corporation (the “Company”), hereby certifies that, to the best of her knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended October 30, 2022, to which this Certification is attached as Exhibit 32.2 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Date: November 18, 2022

/s/ COLETTE M. KRESS

Colette M. Kress

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 of 18 U.S.C. § 1350 has been provided to NVIDIA Corporation and will be retained by NVIDIA Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.