

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.

## 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.