Cohen & Steers Ltd Duration Preferred & Income Fund, Inc.
Form N-CSRS
September 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-22707

Cohen & Steers Limited Duration Preferred and Income Fund, Inc.
(Exact name of registrant as specified in charter)

280 Park Avenue, New York, NY	10017
(Address of principal executive offices)	(Zip code)

Tina M. Payne

Cohen & Steers Capital Management, Inc.

280 Park Avenue

New York, New York 10017
(Name and address of agent for service)

Registrant s telephone number, including area code: (212) 832-3232

Date of fiscal year end: December 31

Date of reporting period: June 30, 2015

Item 1. Reports to Stockholders.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

To Our Shareholders:

We would like to share with you our report for the six months ended June 30, 2015. The net asset value (NAV) at that date was $25.64 per common share. The Fund's common stock is traded on the New York Stock Exchange (NYSE) and its share price can differ from its NAV; at period end, the Fund's closing price on the NYSE was $23.00.

The total returns, including income, for the Fund and its comparative benchmarks were:

	Six Months Ended June 30, 2015
Cohen & Steers Limited Duration Preferred and Income Fund at NAV[a]	3.74%
Cohen & Steers Limited Duration Preferred and Income Fund at Market Value[a]	5.54%
BofA Merrill Lynch U.S. Capital Securities Index[b]	1.94%
Blended Benchmark 75% BofA Merrill Lynch U.S. Capital Securities Index/25% BofA Merrill Lynch 7% Constrained Adjustable Rate Preferred Securities Index[b]	2.42%
Barclays Capital U.S. Aggregate Bond Index[b]	0.10%

The performance data quoted represent past performance. Past performance is no guarantee of future results. The investment return and the principal value of an investment will fluctuate and shares, if sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance results reflect the effects of leverage, resulting from borrowings under a credit agreement. Current total returns of the Fund can be obtained by visiting our website at cohenandsteers.com. The Fund's returns assume the reinvestment of all dividends and distributions at prices obtained under the Fund's dividend reinvestment plan. Index performance does not reflect the deduction of any fees, taxes or expenses. An investor cannot invest directly in an index. Performance figures for periods shorter than one year are not annualized.

[a] As a closed-end investment company, the price of the Fund's NYSE-traded shares will be set by market forces and can deviate from the NAV per share of the Fund.

[b] The BofA Merrill Lynch U.S. Capital Securities Index is a subset of the BofA Merrill Lynch U.S. Corporate Index including all fixed-to-floating rate, perpetual callable and capital securities. The BofA Merrill Lynch 7% Constrained Adjustable Rate Preferred Securities Index tracks the performance of U.S. dollar denominated investment-grade floating-rate preferred securities publicly issued in the U.S. domestic market, but with issuer exposure capped at 7%. The Barclays Capital U.S. Aggregate Bond Index is a broad-market measure of the U.S. dollar-denominated investment-grade fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. Benchmark returns are shown for comparative purposes only and may not be representative of the Fund's portfolio. The Fund's benchmarks do not include below-investment grade securities.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

The Fund makes regular monthly distributions at a level rate (the Policy). Distributions paid by the Fund are subject to recharacterization for tax purposes and are taxable up to the amount of the Fund's investment company taxable income and net realized gains. As a result of the Policy, the Fund may pay distributions in excess of the Fund's investment company taxable income and net realized gains. This excess would be a return of capital distributed from the Fund's assets. Distributions of capital decrease the Fund's total assets and, therefore, could have the effect of increasing the Fund's expense ratio. In addition, in order to make these distributions, the Fund may have to sell portfolio securities at a less than opportune time.

Market Review

Preferred securities had positive total returns in the first six months of 2015, despite a general rise in bond yields over the full period that hindered Treasury securities and investment-grade debt. Nearly all fixed income classes performed well in the first half of the period, with gains spurred in part by quantitative easing by the European Central Bank, which sent regional yields to record lows and influenced yields globally, including in the U.S. In the latter half of the period yields in the U.S. and Europe headed back up, amid signs of improving economic conditions. A somewhat better economic outlook following a slower first quarter in the U.S. also increased the possibility of a Federal Reserve interest-rate hike in 2015.

In this environment, longer-dated and high-quality securities struggled, while credit-sensitive securities had generally positive returns. Nevertheless, within preferreds, securities in the exchange-traded market somewhat outperformed preferreds traded over the counter (OTC), despite the average shorter duration of OTC preferreds. This partly reflected tighter supply conditions in the exchange-traded market, with relatively little new issuance in the period as well as some large issuer redemptions.

Preferred securities issued by banks outperformed the wider preferred market. Large U.S. banks reported solid first-quarter earnings, with the best results seen in the past several years, cheering equity and credit investors. In addition to improvements in trading activity, loan growth, and balance sheets, sentiment toward banks was helped by good cost controls and the prospect of loan resets (based on short-term rates) improving bank net interest margins and overall profitability. Also worth noting is that banks continue to put elevated litigation and penalty expenses behind them.

The performance for the broad banking sector also reflected gains from contingent capital securities (CoCos), which may be classified as debt or preferred securities depending on their place in the capital structure. CoCos have been issued so far primarily by European banks. Demand for the above-average income these securities offer has remained strong, easily absorbing new supply, which itself slowed as the period progressed amid the increased volatility in regional yields.

Preferreds issued by real estate investment trusts (REITs) posted gains for the period. Good and improving real estate fundamentals continued to enhance REITs' financial profiles, while favorable technical factors low new supply of REIT preferreds combined with steady demand also supported the group's performance.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

Fund Performance

The Fund had a gain in the period and outperformed its blended benchmark on both a NAV and market price basis. Security selection in the banking sector was the primary contributor to relative performance, with positive returns from our overweight and out-of-index positions in certain U.S. and European banks, including CoCos. Our out-of-benchmark allocation to REIT preferreds also aided performance. Factors that detracted from performance included our out-of-index position in a long-dated telecommunications issue that declined.

Impact of Derivatives on Fund Performance

In connection with its use of leverage, the Fund pays interest on borrowings based on a floating rate under the terms of its credit agreement. To reduce the impact that an increase in interest rates could have on the performance of the Fund with respect to these borrowings, the Fund used interest rate swaps to exchange a significant portion of the floating rate for a fixed rate. During the six-month period ended June 30, 2015, the Fund's use of swaps detracted from the Fund's performance.

The Fund also used derivatives in the form of forward foreign currency exchange contracts in order to manage currency risk on certain Fund positions denominated in foreign currencies. These contracts did not have a material effect on the Fund's performance for the six-month period ended June 30, 2015.

Impact of Leverage on Fund Performance

The Fund employs leverage as part of a yield-enhancement strategy. Leverage, which can increase total return in rising markets (just as it can have the opposite effect in declining markets), significantly contributed to the Fund's performance for the six-month period ended June 30, 2015.

Investment Outlook

We believe preferreds remain well positioned relative to other credit sectors, offering securities with high income rates and even tax-advantaged dividend income for U.S. buyers. As well, strong and improving credit fundamentals of many issuers, notably banks, provide potential for further narrowing in credit spreads.

We anticipate continued job growth and wage gains are likely to induce the Federal Reserve to increase interest rates late in the year, diminishing its extraordinarily accommodative stance. While yields on longer-maturity Treasuries may rise somewhat as global growth improves, we nonetheless expect yields to be capped by the global environment. We expect only a gradual rise in inflation and a somewhat uneven global economic expansion, with Europe improving but China showing signs of more sluggish growth. In this light, low global yields are likely to continue to exert influence on Treasuries. Absolute yields offered by foreign sovereign bonds remain very low, and many shorter-maturity European sovereigns now offer negative rates of return, making U.S. bond markets attractive to foreign investors.

Over the intermediate term, Treasury yields may see some upward pressure as the U.S. economy accelerates from a lackluster first quarter and labor markets continue to tighten. As these trends unfold, we believe the high income rates offered by preferred securities may help protect investors from a

total-return perspective should prices be negatively impacted by higher demanded bond yields. We continue to favor higher-income securities with wide credit spreads and lower-duration fixed-to-float structures with significant amounts of call protection, which have the potential to perform well in most interest-rate environments.

Sincerely,

ROBERT H. STEERS *Chairman*	JOSEPH M. HARVEY *Portfolio Manager*
WILLIAM F. SCAPELL *Portfolio Manager*	ELAINE ZAHARIS-NIKAS *Portfolio Manager*

The views and opinions in the preceding commentary are subject to change without notice and are as of the date of the report. There is no guarantee that any market forecast set forth in the commentary will be realized. This material represents an assessment of the market environment at a specific point in time, should not be relied upon as investment advice and is not intended to predict or depict performance of any investment.

Visit Cohen & Steers online at cohenandsteers.com

For more information about the Cohen & Steers family of mutual funds, visit cohenandsteers.com. Here you will find fund net asset values, fund fact sheets and portfolio highlights, as well as educational resources and timely market updates.

Our website also provides comprehensive information about Cohen & Steers, including our most recent press releases, profiles of our senior investment professionals and their investment approach to each asset class. The Cohen & Steers family of mutual funds invests in major real asset categories including real estate, infrastructure, commodities and natural resource equities, as well as preferred securities and other income solutions.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

Our Leverage Strategy
(Unaudited)

Our current leverage strategy utilizes borrowings up to the maximum permitted by the Investment Company Act of 1940 to provide additional capital for the Fund, with an objective of increasing the net income available for shareholders. As of June 30, 2015, leverage represented 30% of the Fund's managed assets.

It has been our philosophy to utilize interest rate swap transactions to seek to reduce the interest rate risk inherent in our utilization of leverage. Considering that the Fund's borrowings have variable interest rate payments, we seek to lock in those rates on a significant portion of this additional capital through interest rate swap agreements (where we effectively convert our variable rate obligations to fixed rate obligations for the term of the swap agreements). Locking in a significant portion of our leveraging costs is designed to protect the dividend-paying ability of the Fund. The use of leverage increases the volatility of the Fund's net asset value in both up and down markets. However, we believe that locking in a portion of the Fund's leveraging costs for the term of the swap agreements partially protects the Fund's expenses from an increase in short-term interest rates.

Leverage Facts[a,b]

Leverage (as a % of managed assets)	30%
% Fixed Rate	90%
% Variable Rate	10%
Weighted Average Fixed Rate on Swaps	1.2%
Weighted Average Term on Swaps	3.4 years
Current Rate on Debt	1.0%

The Fund seeks to enhance its dividend yield through leverage. The use of leverage is a speculative technique and there are special risks and costs associated with leverage. The net asset value of the Fund's shares may be reduced by the issuance and ongoing costs of leverage. So long as the Fund is able to invest in securities that produce an investment yield that is greater than the total cost of leverage, the leverage strategy will produce higher current net investment income for shareholders. On the other hand, to the extent that the total cost of leverage exceeds the incremental income gained from employing such leverage, shareholders would realize lower net investment income. In addition to the impact on net income, the use of leverage will have an effect of magnifying capital appreciation or depreciation for shareholders. Specifically, in an up market, leverage will typically generate greater capital appreciation than if the Fund were not employing leverage. Conversely, in down markets, the use of leverage will generally result in greater capital depreciation than if the Fund had been unlevered. To the extent that the Fund is required or elects to reduce its leverage, the Fund may need to liquidate investments, including under adverse economic conditions which may result in capital losses potentially reducing returns to shareholders. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed.

[a] Data as of June 30, 2015. Information is subject to change.

[b] See Note 7 in Notes to Financial Statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

June 30, 2015

Top Ten Holdings[a]
(Unaudited)

Security	Value	% of Managed Assets
Southern California Edison Co., 4.13%, Series D (FRN)	$41,370,611	3.9
General Electric Capital Corp., 7.125%, Series A	37,191,000	3.5
US Bancorp, 3.50%, Series A, (FRN)	27,853,718	2.6
HSBC USA, 3.50%, Series F (FRN)	19,550,742	1.9
Wells Fargo & Co., 7.98%, Series K	19,204,500	1.8
Goldman Sachs Capital II, 4.00%, (FRN)	18,763,046	1.8
Aquarius + Investments PLC, 8.25% (Switzerland)	18,445,000	1.7
Aegon NV, 2.619%, (FRN) (Netherlands)	18,110,055	1.7
Bank of America Corp., 6.50%, Series Z	17,239,055	1.6
Mellon Capital IV, 4.00%, Series 1 (FRN)	16,444,012	1.6

[a] Top ten holdings are determined on the basis of the value of individual securities held. The Fund may also hold positions in other types of securities issued by the companies listed above. See the Schedule of Investments for additional details on such other positions.

Sector Breakdown

(Based on Managed Assets)
(Unaudited)

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS

June 30, 2015 (Unaudited)

		Number of Shares	Value
PREFERRED SECURITIES $25 PAR VALUE	29.5%		
BANKS	10.0%		
Ally Financial, 8.50%, Series A		81,647	$ 2,159,563
Bank of America Corp., 6.50%, Series Y[a]		100,000	2,523,000
Citigroup, 6.875%, Series K[a]		222,375	5,928,518
Farm Credit Bank of Texas, 6.75%, 144A[b]		67,500	7,001,019
Fifth Third Bancorp, 6.625%, Series I[a]		228,046	6,430,897
GMAC Capital Trust I, 8.125%, due 2/15/40, Series II (TruPS)[a]		200,000	5,196,000
HSBC USA, 3.50%, Series F (FRN)[a]		872,801	19,550,742
HSBC USA, 4.00%, Series G (FRN)[a]		278,498	6,608,758
PrivateBancorp, 7.125%, due 10/30/42[a]		200,100	5,308,653
Regions Financial Corp., 6.375%, Series B[a]		261,200	6,715,452
Zions Bancorp, 7.90%, Series F[a]		144,694	4,019,599
Zions Bancorp, 6.30%, Series G[a]		80,078	2,090,837
			73,533,038
BANKS FOREIGN	1.1%		
Barclays Bank PLC, 8.125%, Series V (United Kingdom)[a]		50,000	1,300,000
RBS Capital Funding Trust VII, 6.08%, Series G[a] (United Kingdom)		279,384	6,825,351
			8,125,351
FINANCE INVESTMENT BANKER/BROKER	4.4%		
Goldman Sachs Group, 6.375%, Series K[a]		57,187	1,485,147
Morgan Stanley, 6.875%[a]		603,012	16,088,360
Morgan Stanley, 4.00%, Series A (FRN)[a]		246,641	5,103,002
		385,913	9,825,345

Morgan Stanley, 6.375%, Series I[a]			
			32,501,854
INDUSTRIALS CHEMICALS	2.5%		
CHS, 6.75%[a]		333,191	8,469,715
CHS, 7.10%, Series II[a]		377,802	9,894,635
			18,364,350
INSURANCE	5.1%		
LIFE/HEALTH INSURANCE	1.7%		
MetLife, 4.00%, Series A (FRN)[a]		526,431	12,823,859

See accompanying notes to financial statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
LIFE/HEALTH INSURANCE FOREIGN	0.5%		
Aegon NV, 4.00%, Series I (FRN) (Netherlands)		159,074	$ 3,848,000
MULTI-LINE	1.0%		
Hartford Financial Services Group, 7.875%, due 4/15/42[a]		240,000	7,137,600
REINSURANCE	1.1%		
Reinsurance Group of America, 6.20%, due 9/15/42[a]		287,951	7,840,906
REINSURANCE FOREIGN	0.8%		
Aspen Insurance Holdings Ltd., 5.95% (Bermuda)[a]		140,023	3,528,579
Aspen Insurance Holdings Ltd., 7.25% (Bermuda)[a]		105,099	2,746,237
			6,274,816
TOTAL INSURANCE			37,925,181
PIPELINES	0.3%		
NuStar Logistics LP, 7.625%, due 1/15/43[a]		87,632	2,322,248
REAL ESTATE	4.9%		
DIVERSIFIED	2.1%		
Colony Financial, 8.50%, Series A[a]		240,000	6,206,400
NorthStar Realty Finance Corp., 8.50%, Series D[a]		134,475	3,351,117
Retail Properties of America, 7.00%[a]		99,400	2,627,142
Urstadt Biddle Properties, 7.125%, Series F[a]		128,484	3,373,990
			15,558,649
HOTEL	1.1%		
Summit Hotel Properties, 7.125%[c]		115,500	2,991,450
Summit Hotel Properties, 7.875%, Series B[c]		186,650	4,992,887
			7,984,337
OFFICE	1.4%		
American Realty Capital Properties, 6.70%, Series F[a]		327,627	7,866,324
		90,866	2,389,776

Corporate Office Properties Trust, 7.375%, Series L[a]			
			10,256,100
RESIDENTIAL MANUFACTURED HOME	0.3%		
Sun Communities, 7.125%, Series A[a]		100,000	2,601,000
TOTAL REAL ESTATE			36,400,086

See accompanying notes to financial statements.

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COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
TRANSPORT MARINE FOREIGN	0.7%		
Seaspan Corp., 6.375%, due 4/30/19 (Hong Kong)[a]		102,711	$ 2,593,453
Seaspan Corp., 9.50%, Series C (Hong Kong)[a]		102,108	2,637,449
			5,230,902
UTILITIES	0.5%		
SCE Trust III, 5.75%[a]		135,150	3,597,693
TOTAL PREFERRED SECURITIES $25 PAR VALUE (Identified cost $210,749,099)			218,000,703
PREFERRED SECURITIES CAPITAL SECURITIES	108.1%		
BANKS	32.8%		
AgriBank FCB, 6.875%[a]		65,000	6,845,312
Ally Financial, 7.00%, Series G, 144A[b]		2,502	2,540,703
BAC Capital Trust XIV, 4.00%, Series G, (FRN)		16,930,000	13,501,675
Bank of America Corp., 6.10%, Series AA		5,847,000	5,781,221
Bank of America Corp., 8.125%, Series M		9,500,000	10,093,750
Bank of America Corp., 6.50%, Series Z		16,636,000	17,239,055
Citigroup, 5.875%, Series O		7,750,000	7,776,737
Citigroup, 5.95%, Series P		5,300,000	5,122,185
Citizens Financial Group, 5.50%, 144A[b]		2,854,000	2,780,866
CoBank ACB, 6.25%, 144A[a,b]		117,000	12,054,662
CoBank ACB, 6.125%, Series G[a]		32,250	3,009,328
Goldman Sachs Capital II, 4.00%, (FRN)		24,567,000	18,763,046
Goldman Sachs Group/The, 5.375%, Series M		7,190,000	7,111,989
JPMorgan Chase & Co., 7.90%, Series I		7,200,000	7,624,800
JPMorgan Chase & Co., 6.75%, Series S		10,400,000	11,124,672
		4,900,000	4,923,275

JPMorgan Chase & Co., 6.10%, Series X		
JPMorgan Chase & Co., 5.30%, Series Z	7,000,000	6,965,700
Mellon Capital IV, 4.00%, Series 1 (FRN)	20,115,000	16,444,012
US Bancorp, 3.50%, Series A (FRN)[a]	34,051	27,853,718
USB Capital IX, 3.50%, (FRN)	8,878,000	7,339,887
Wachovia Capital Trust III, 5.57%, (FRN)	5,000,000	4,950,000
Wells Fargo & Co., 7.98%, Series K	17,700,000	19,204,500
Wells Fargo & Co., 5.90%, Series S	5,946,000	5,975,730
Wells Fargo & Co., 5.875%, Series U	6,850,000	7,021,593
Zions Bancorp, 7.20%, Series J	5,490,000	5,846,850
Zions Bancorporation, 5.65%, due 11/15/23	4,250,000	4,401,406
		242,296,672

See accompanying notes to financial statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
BANKS FOREIGN	29.6%		
Baggot Securities Ltd., 10.24%, 144A (EUR) (Ireland)[a,b]		1,161,000	$ 1,338,218
Banco Bilbao Vizcaya Argentaria SA, 6.75%, (EUR) (Spain)[a]		4,400,000	4,889,773
Banco Bilbao Vizcaya Argentaria SA, 9.00% (Spain)[a]		5,400,000	5,818,500
Banco Bradesco SA/Cayman, 5.75%, due 3/1/22, 144A (Brazil)[b]		4,000,000	4,205,000
Bank of Ireland, 7.375%, (EUR) (Ireland)		4,200,000	4,667,151
Barclays Bank PLC, 7.625%, due 11/21/22 (United Kingdom)		4,800,000	5,475,240
Barclays PLC, 8.00% (United Kingdom) (EUR)[a]		2,700,000	3,205,750
Barclays PLC, 8.25% (United Kingdom)		7,695,000	8,141,002
BBVA Bancomer SA Texas, 6.75%, due 9/30/22, 144A (Mexico)[b]		5,000,000	5,518,750
BNP Paribas, 7.195%, 144A (France)[b]		8,900,000	10,524,250
Credit Agricole SA, 7.875%, 144A (France)[b]		4,261,000	4,393,700
Credit Suisse AG, 6.50%, due 8/8/23, 144A (Switzerland)[b]		4,500,000	4,932,500
Credit Suisse Group AG, 7.50%, 144A (Switzerland)[b]		5,863,000	6,122,473
Deutsche Bank AG, 7.50% (Germany)		9,200,000	9,188,500
Deutsche Bank Capital Trust IV, 4.589% (Germany)		6,000,000	5,955,000
Dresdner Funding Trust I, 8.151%, due 6/30/31, 144A (Germany)[b]		6,530,280	8,171,013
HBOS Capital Funding LP, 6.85% (United Kingdom)		6,350,000	6,497,091
HSBC Capital Funding LP, 10.176%, 144A (United Kingdom)[b]		5,395,000	8,240,863
		6,700,000	6,725,125

HSBC Holdings PLC, 6.375% (United Kingdom)		
HSBC Holdings PLC, 6.375% (United Kingdom)	6,600,000	6,649,500
Industrial & Commercial Bank of China Ltd., 6.00%, 144A (China)[b]	2,750,000	2,847,763
Itau Unibanco Holding SA/Cayman Island, 5.50%, due 8/6/22, 144A (Brazil)[b]	4,600,000	4,650,600
Itau Unibanco Holding SA/Cayman Island, 6.20%, due 12/21/21, 144A (Brazil)[b]	3,000,000	3,185,250
Lloyds Banking Group PLC, 7.50% (United Kingdom)	12,850,000	13,267,625

See accompanying notes to financial statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
Nationwide Building Society, 10.25%, (GBP) (United Kingdom)[a]		7,080,000	$ 14,276,117
Rabobank Nederland, 8.40% (Netherlands)[a]		7,500,000	8,121,765
Rabobank Nederland, 11.00%, 144A (Netherlands)[b]		4,000,000	5,085,000
Royal Bank of Scotland Group PLC, 7.648% (United Kingdom)		8,427,000	10,533,750
Royal Bank of Scotland PLC, 9.50%, due 3/16/22 (United Kingdom)[a]		5,000,000	5,526,370
Santander UK Group Holdings PLC, 7.375%, (GBP) (United Kingdom)		2,900,000	4,544,153
Societe Generale SA, 8.875% (France) (GBP)[a]		1,750,000	3,091,336
Standard Chartered PLC, 6.50%, 144A (United Kingdom)[b]		7,000,000	7,067,389
UBS AG, 7.625%, due 8/17/22 (Switzerland)		6,700,000	7,863,435
UBS Group AG, 7.00% (Switzerland)[a]		4,000,000	4,070,000
UBS Group AG, 7.125% (Switzerland)[a]		3,900,000	4,067,115
			218,857,067
ELECTRIC INTEGRATED	5.6%		
Southern California Edison Co., 4.13%, Series D (FRN)[a]		408,851	41,370,611
FINANCE DIVERSIFIED FINANCIAL SERVICES	6.3%		
Depository Trust & Clearing Corp/The, 4.875%, Series C, 144A[b]		4,750,000	4,738,125
General Electric Capital Corp., 7.125%, Series A[d]		32,200,000	37,191,000
State Street Corp., 5.25%, Series F		4,802,000	4,832,013
			46,761,138

INSURANCE	27.9%		
LIFE/HEALTH INSURANCE	4.4%		
MetLife, 5.25%, Series C		5,510,000	5,475,562
MetLife Capital Trust IV, 7.875%, due 12/15/37, 144A[b]		9,000,000	11,326,500
MetLife Capital Trust X, 9.25%, due 4/8/38, 144A[b]		4,300,000	6,052,250
Principal Financial Group, 4.70%, due 5/15/55		5,300,000	5,286,750
Prudential Financial, 5.375%, due 5/15/45		4,082,000	4,030,975
			32,172,037

See accompanying notes to financial statements.

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COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
LIFE/HEALTH INSURANCE FOREIGN	8.8%		
Aegon NV, 2.619%, ($100 Par Value) (FRN) (Netherlands)[a]		20,985,000	$ 18,110,055
CNP Assurances, 3.167%, (FRN) (France)[a]		5,000,000	5,211,922
Dai-ichi Life Insurance Co. Ltd., 5.10%, 144A (Japan)[b]		6,900,000	7,314,000
La Mondiale Vie, 7.625% (France)[a]		13,250,000	14,390,348
Nippon Life Insurance Co., 5.10%, due 10/16/44, 144A (Japan)[b]		8,200,000	8,620,250
Sumitomo Life Insurance Co., 6.50%, due 9/20/73, 144A (Japan)[b]		9,800,000	11,135,250
			64,781,825
MULTI-LINE	1.6%		
American International Group, 8.175%, due 5/15/68, (FRN)[a]		6,750,000	8,953,875
Nationwide Mutual Insurance Co., 2.576%, due 12/15/24, 144A[b]		3,125,000	3,131,237
			12,085,112
MULTI-LINE FOREIGN	3.5%		
Aviva PLC, 8.25% (United Kingdom)[a]		6,600,000	7,220,261
AXA SA, 0.537%, (FRN) (EUR) (France)[a]		5,000,000	4,283,810
AXA SA, 6.463%, 144A (France)[a,b]		10,902,000	11,147,295
ING Capital Funding Trust III, 3.882%, (FRN) (Netherlands)		3,329,000	3,308,194
			25,959,560
PROPERTY CASUALTY	2.4%		
Liberty Mutual Group, 7.00%, due 3/15/37, 144A[b]		6,575,000	6,755,813
Liberty Mutual Group, 7.80%, due 3/15/37, 144A[b]		9,503,000	11,284,812

TOTAL PROPERTY CASUALTY	18,040,625

See accompanying notes to financial statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Number of Shares	Value
PROPERTY CASUALTY FOREIGN	4.7%		
Mitsui Sumitomo Insurance Co., Ltd., 7.00%, due 3/15/72, 144A (Japan)[b]		9,000,000	$ 10,518,750
QBE Capital Funding III Ltd., 7.25%, due 5/24/41, 144A (Australia)[b]		12,000,000	13,317,168
QBE Insurance Group Ltd., 6.75%, due 12/2/44 (Australia)[a]		4,005,000	4,225,275
RL Finance Bonds No. 2 PLC, 6.125%, due 11/30/43, (GBP) (United Kingdom)[a]		4,000,000	6,624,069
			34,685,262
REINSURANCE FOREIGN	2.5%		
Aquarius + Investments PLC, 8.25% (Switzerland)[a]		17,000,000	18,445,000
TOTAL INSURANCE			206,169,421
INTEGRATED TELECOMMUNICATIONS SERVICES	0.8%		
Centaur Funding Corp., 9.08%, due 4/21/20, 144A (Cayman Islands)[a,b]		4,622	5,712,503
PIPELINES	0.9%		
Enterprise Products Operating LLC, 7.034%, due 1/15/68, Series B		4,000,000	4,310,000
Transcanada Trust, 5.625%, due 5/20/75 (Canada)		2,770,000	2,807,639
			7,117,639
UTILITIES	4.2%		
ELECTRIC UTILITIES	0.7%		
FPL Group Capital, 7.30%, due 9/1/67, Series D		5,000,000	5,193,200
ELECTRIC UTILITIES FOREIGN	1.6%		
Enel SpA, 8.75%, due 9/24/73, 144A (Italy)[b]		10,232,000	11,779,590
MULTI-UTILITIES	1.9%		
Dominion Resources, 5.75%, due 10/1/54		7,873,000	8,227,136

Dominion Resources, 2.582%, due 9/30/66, (FRN)	6,208,000	5,613,565
		13,840,701
TOTAL UTILITIES		30,813,491
TOTAL PREFERRED SECURITIES CAPITAL SECURITIES (Identified cost $760,200,064)		799,098,542

See accompanying notes to financial statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

		Principal Amount	Value
CORPORATE BONDS	1.9%		
INSURANCE-PROPERTY CASUALTY	0.4%		
Liberty Mutual Insurance, 7.697%, due 10/15/97, 144A[b]		$ 2,100,000	$ 2,575,308
INTEGRATED TELECOMMUNICATIONS SERVICES	1.5%		
Frontier Communications Corp., 9.00%, due 8/15/31		12,500,000	11,437,500
TOTAL CORPORATE BONDS (Identified cost $15,018,592)			14,012,808
		Number of Shares	
SHORT-TERM INVESTMENTS	0.4%		
MONEY MARKET FUNDS			
State Street Institutional Treasury Money Market Fund, 0.00%[e]		3,200,000	3,200,000
TOTAL SHORT-TERM INVESTMENTS (Identified cost $3,200,000)			3,200,000
TOTAL INVESTMENTS (Identified cost $989,167,755)	139.9%		1,034,312,053
LIABILITIES IN EXCESS OF OTHER ASSETS	(39.9)		(295,143,656)
NET ASSETS (Equivalent to $25.64 per share based on 28,830,580 shares of common stock outstanding)	100.0%		$ 739,168,397

Note: Percentages indicated are based on the net assets of the Fund.

[a] All or a portion of the security is pledged as collateral in connection with the Fund's revolving credit agreement. $449,163,070 in aggregate has been pledged as collateral.

[b] Resale is restricted to qualified institutional investors. Aggregate holdings equal 30.6% of the net assets of the Fund, of which 0.0% are illiquid.

[c] A portion of the security is segregated as collateral for interest rate swap transactions. $789,750 in aggregate has been segregated as collateral.

[d] A portion of the security is segregated as collateral for open forward foreign currency exchange contracts. $4,042,500 in aggregate has been segregated as collateral.

[e] Rate quoted represents the annualized seven-day yield of the Fund.

See accompanying notes to financial statements.

COHEN & STEERS LIMITED DURATION PREFERRED AND INCOME FUND, INC.

SCHEDULE OF INVESTMENTS (Continued)

June 30, 2015 (Unaudited)

Interest rate swaps outstanding at June 30, 2015 were as follows:

Counterparty	Notional Amount	Fixed Rate Payable	Floating Rate (resets monthly) Receivable[a]	Termination Date	Unrealized Appreciation (Depreciation)
Bank of America, N.A.	$94,500,000	0.914%	0.184%	December 1, 2017	$ (55,578)
Bank of America, N.A.	94,500,000	1.164%	0.184%	December 1, 2018	136,698
BNP Paribas	94,500,000	1.395%	0.184%	December 1, 2019	262,978
					$ 344,098

[a] Based on LIBOR (London Interbank Offered Rate). Represents rates in effect at June 30, 2015.

Forward foreign currency exchange contracts outstanding at June 30, 2015 were as follows:

Counterparty	Contracts to Deliver	In Exchange For	Settlement Date	Unrealized Appreciation (Depreciation)
Brown Brothers Harriman	EUR 17,157,432	USD 18,819,472	7/2/15	$ (308,483)
Brown Brothers Harriman	EUR 3,006,153	USD 3,387,544	7/2/15	36,135
Brown Brothers Harriman	GBP 15,536,153	USD 23,704,705	7/2/15	(706,474)
Brown Brothers Harriman	GBP 2,270,451	USD 3,459,600	7/2/15	(107,846)
Brown Brothers Harriman	USD 27,998,926	GBP 17,806,604	7/2/15	(20,302the requirement for the advance notice of nominations for election to our board of directors or for proposing matters that can be acted upon at a shareholders’

meeting;

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- the ability of our board of directors to issue, without shareholder approval, such amounts of preference shares as the board of directors deems necessary and appropriate with terms set by our board of directors, which rights could be senior to those of our ordinary shares;
- the elimination of the rights of shareholders to call a special meeting of shareholders and to take action by written consent in lieu of a meeting; and
- the required approval of a special resolution of the shareholders, being a two-thirds vote of shares held by shareholders present and voting at a shareholder meeting, to alter or amend the provisions of our post-offering memorandum and articles of association.

Holders of our ordinary shares may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Law (as the same may be supplemented or amended from time to time) of the Cayman Islands and by the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the U.S. and provides significantly less protection to investors. There is no legislation specifically dedicated to the rights of investors in securities and thus no statutorily defined private cause of action specific to investors such as those provided under the Securities Act of 1933 or the Securities Exchange Act of 1934 of the U.S. In addition, shareholders of Cayman Islands companies may not have standing to initiate shareholder derivative actions in U.S. federal courts. Therefore, you may have more difficulty in protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States due to the comparatively less developed nature of Cayman Islands law in this area.

Shareholders of Cayman Islands exempted companies, such as our company, have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of the company. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors.

Holders of our ordinary shares may have difficulty obtaining or enforcing a judgment against us because we are incorporated under the laws of the Cayman Islands.

It may be difficult or impossible for you to bring an action against us in the Cayman Islands if you believe your rights have been infringed under U.S. securities laws. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. While there is no binding authority on this point, this is likely to include, in certain circumstances, a non-penal judgment of a United States court imposing a monetary award based on the civil liability provisions of the U.S. federal securities laws. The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere. There is uncertainty as to whether the Grand Court of the Cayman Islands would recognize or enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof and whether the Grand Court of the Cayman Islands would hear original actions brought in the Cayman Islands against us predicated upon the securities laws of the United States or any state thereof.

ITEM 1B. UNRESOLVED STAFF COMMENTS
None.

ITEM 2. PROPERTIES
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Our principal executive offices are located in Santa Clara, California, consisting of approximately 35,000 square feet of office space under a lease that expires in April 2018. This facility accommodates our principal sales, marketing, research and development, finance, and administration activities. We lease approximately 54,000 square feet of office space in Hsinchu, Taiwan under lease agreements that automatically renew each year. The Taiwan facilities accommodate research and development, business development, operations, and administration support. We lease approximately 27,000 square feet of office space in Shanghai and Shenzhen, China, under leases that expire in November 2017 and April 2016, respectively, to support research and business development. We lease additional facilities in Hong Kong for sales and inventory warehousing and in Japan and South Korea for our local business development personnel.

We believe that our existing facilities are well maintained and in good operating condition, and are sufficient for our needs for the foreseeable future. The following table lists our major locations and primary usage as of January 31, 2015:

Major Locations	Approximate Square Footage	Usage
United States:		
Santa Clara, California	35,000	Corporate Headquarters; Sales; Marketing; Research and Development; Finance; Administration
Asia Pacific:		
Hsinchu, Taiwan	54,000	Research and Development; Business Development; Operations; Administration
Shanghai, China	15,000	Research and Development; Business Development
Shenzhen, China	12,000	Research and Development; Business Development
Kowloon, Hong Kong	4,000	Sales; Warehousing
Shin-Yokohama, Japan	4,000	Business Development
SeongNam, South Korea	2,000	Business Development

ITEM 3. LEGAL PROCEEDINGS

We are not engaged in any material legal proceedings at this time.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

Price Range of Ordinary Shares

Our ordinary shares have been traded on the NASDAQ Global Market under the symbol "AMBA" since October 10, 2012. Prior to that date, there was no public trading market for our ordinary shares. The following table sets forth, for the periods indicated, the high and low sales prices per ordinary share as reported by the NASDAQ Global Market:

	Price Range	
	High	Low
Year Ended January 31, 2015:		
Fourth Quarter	$63.20	$44.20
Third Quarter	$46.78	$27.40
Second Quarter	$33.81	$21.60
First Quarter	$35.38	$24.47
Year Ended January 31, 2014:		
Fourth Quarter	$36.49	$19.55
Third Quarter	$22.67	$13.16
Second Quarter	$19.44	$12.94
First Quarter	$16.00	$9.04

On March 23, 2015, there were 46 shareholders of record holding our ordinary shares. We cannot estimate the number of beneficial owners since many brokers and other institutions hold our shares on behalf of shareholders. On March 23, 2015, the last reported sale price of our stock was $72.25 per ordinary share as reported by the NASDAQ Global Market.

We have never declared or paid any cash dividends on our ordinary shares and do not currently intend to do so in the foreseeable future.

Performance Graph

This performance graph shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows a comparison from October 10, 2012 (the date our ordinary shares commenced trading on the NASDAQ) through January 31, 2015 of the cumulative total return for our ordinary shares, the NASDAQ Composite Index and the Philadelphia Semiconductor Index. The comparisons in the graph are historical and are not intended to forecast or be indicative of possible future performance of our ordinary shares.

Comparison of 27 months Cumulative Total Return

	10/10/2012	10/31/2012	1/31/2013	4/30/2013	7/31/2013	10/31/2013	1/31/2014	4/30/2014	7/31/2014	10/31/2014	1/31/2015
Ambarella, Inc.	100	119.1	164.4	226.1	273.9	339.1	528.5	410.1	472.1	730.9	912.7
NASDAQ Composite	100	97.6	103.0	109.1	118.8	128.4	134.5	134.8	143.2	151.7	151.9
PHLX Semiconductor Index	100	99.7	112.2	120.9	129.9	137.9	143.9	156.6	165.2	174.2	177.6

Purchases of Equity Securities by the Issuer

None.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data as of and for the last five fiscal years, and should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Item 8, “Financial Statements and Supplementary Data,” and other financial data included elsewhere in this report. Our historical results of operations are not necessarily indicative of results of operations to be expected for any future period.

Selected Consolidated Statements of Operations Data:

	Year Ended January 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Revenue	$218,278	$157,608	$121,066	$97,257	$94,739
Income from operations	$51,861	$27,917	$19,906	$11,255	$15,477
Net income	$50,571	$25,654	$18,188	$9,821	$13,929
Net income per share attributable to ordinary shareholders:					
Basic	$1.70	$0.93	$0.64	$0.32	$0.54
Diluted	$1.57	$0.85	$0.60	$0.30	$0.50

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Selected Consolidated Balance Sheet Data:

	As of January 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cash, cash equivalents and marketable securities	$207,994	$143,394	$100,494	$58,944	$41,896
Working capital	229,889	151,834	108,318	54,875	35,764
Total assets	284,284	183,307	138,603	81,739	64,133
Total liabilities	47,073	26,946	26,271	24,390	25,964
Redeemable convertible preference shares	—	—	—	50,900	39,273
Total shareholders' equity (deficit)	237,211	156,361	112,332	6,449	(1,104)

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

Overview

We are a leading developer of semiconductor processing solutions for video that enable high-definition, or HD, video capture, sharing and display. We combine our processor design capabilities with our expertise in video and image processing algorithms and software to provide a technology platform that is designed to be easily scalable across multiple applications and enable rapid and efficient product development. Our system-on-a-chip, or SoC, designs fully integrate HD video processing, image processing, audio processing and system functions onto a single chip, delivering exceptional video and image quality, differentiated functionality and low power consumption.

We sell our solutions to leading original design manufacturers, or ODMs, and original equipment manufacturers, or OEMs, globally. We refer to ODMs as our customers and OEMs as our end customers, except as otherwise indicated or as the context otherwise requires. In the camera market, our solutions enable the creation of high-quality video content primarily for wearable sports cameras, Internet Protocol, or IP, security cameras, and automotive aftermarket cameras. In the infrastructure market, our solutions efficiently manage IP video traffic, broadcast encoding, transcoding and IP video delivery applications.

Our sales cycles typically require a significant investment of time and a substantial expenditure of resources before we can realize revenue from the sale of our solutions, if any. Our typical sales cycle consists of a multi-month sales and development process involving our customers’ system designers and management along with our sales personnel and software engineers. If successful, this process culminates in a customer’s decision to use our solutions in its system, which we refer to as a design win. Our sales efforts are typically directed to the OEM of the product that will incorporate our video and image processing solution, but the eventual design and incorporation of our SoC into the product may be handled by an ODM on behalf of the OEM. Volume production may begin within six to 18 months after a design win, depending on the complexity of our customer’s product and other factors upon which we may have little or no influence. Once one of our solutions has been incorporated into a customer’s design, we believe that our solution is likely to remain a component of the customer’s product for its life cycle because of the time and expense associated with redesigning a product or substituting an alternative solution. Conversely, a design loss to a competitor will likely preclude any opportunity for us to generate future revenue from such customer’s product.

Fiscal Year 2015 Financial Highlights and Trends

- We recorded revenue of $218.3 million, an increase of 38.5% as compared to fiscal year 2014. The increase over the prior year was primarily due to strong demand for our A5S, A7L and A9 SoCs in the IP security, wearable sports and automotive aftermarket camera markets. In addition, the initial ramp of our A5S and A9 chips into the unmanned aerial vehicles, or UAV, market also contributed to the revenue growth in fiscal year 2015. The increase was partially offset by a year over year decline in the infrastructure market as a result of continued weak market conditions in the United States and Europe as system manufacturers have delayed investment in network upgrades to the new H.265 compression technology.
- We recorded operating income of $51.9 million, an increase of 85.8% as compared to fiscal year 2014, primarily due to continuing growth in revenue, as well as efficient control of product costs and operating expenses.
- We generated cash flows from operating activities of $52.3 million in fiscal year 2015, as compared to $34.4 million in fiscal year 2014. The increase was primarily due to increased net income, adjusted for increased non-cash stock-based compensation, and increased liabilities associated with the timing of payments to suppliers as well as income tax payables.

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The increase in cash flows from operating activities was partially offset by increased accounts receivable associated with higher revenues and the timing of payments from customers, increased inventory purchases to support continuing growth of sales, increased deferred tax assets as a result of higher stock-based compensation, as well as decreased deferred revenue from the timing of shipments to our logistics provider and resulting sell-through revenue recognition.

- In fiscal year 2015, we invested $40.0 million in highly liquid, short-term marketable securities. We hold these investments as available-for-sale securities. As of January 31, 2015, the debt securities had a fair value of approximately $40.1 million with insignificant unrealized losses caused by fluctuations in market value and interest rates.

Factors Affecting Our Performance

Design Wins. We closely monitor design wins by customer and end market. We consider design wins to be critical to our future success, although the revenue generated by each design win can vary significantly. Our long-term sales expectations are based on forecasts from customers and internal estimations of customer demand factoring in the expected time to market for end customer products incorporating our solutions and associated revenue potential.

Pricing, Product Cost and Margin. Our pricing and margins depend on the volumes and the features of the solutions we provide to our customers. Additionally, we make significant investments in new solutions for both cost improvements and new features that we expect to drive revenue and maintain margins. In general, solutions incorporated into more complex configurations, such as those used in the infrastructure market, have higher prices and higher gross margins as compared to solutions sold into the camera market. Our average selling price, or ASP, can vary by market and application due to market-specific supply and demand, the maturation of products launched in previous years and the launch of new products.

We continually monitor the cost of our solutions. As we rely on third-party manufacturers for the production of our products, we maintain a close relationship with these suppliers to continually monitor production yields, component costs and design efficiencies.

Shifting Consumer Preferences. Our revenue is subject to consumer preferences, regarding form factor and functionality, and how those preferences impact the video and image capture electronics that we support. For example, improved smartphone video capture capabilities, and the rapid adoption by consumers, led to the decline of pocket video cameras aimed at the video and image capture market. The current video and image capture market is now characterized by a greater volume of more specialized video and image capture devices that are less likely to be replaced with smartphones, such as wearable sports cameras, IP security cameras and automotive aftermarket cameras. This increasing specialization of video capture devices has changed our customer base and end markets and has impacted our revenue. In the future, we expect further changes in the market to continue to impact our business performance.

Continued Concentration of Revenue by End Market. Historically, our revenue has been significantly concentrated in a small number of end markets. In fiscal year 2010, the majority of our revenue came from the pocket video, camcorder and infrastructure markets. Over the last five years, we have continued to provide solutions for the camcorder and infrastructure markets, but also have expanded our focus to include the wearable sports, IP security and automotive camera markets. We believe our entry into these markets will continue to facilitate revenue growth and customer diversification. While we will continue to expand our end market exposure, such as to non-sports wearable cameras and unmanned aerial vehicles, or UAV, we anticipate that sales to a limited number of end markets will continue to account for a significant percentage of our total revenue for the foreseeable future. Our end market concentration may cause our financial performance to fluctuate significantly from period to period based on the success or failure of the video capture markets in which we compete. In addition, we derive a significant portion of our revenue from a limited number of ODMs who build products on behalf of a limited number of OEMs and from a limited number of OEMs to whom we ship directly. We believe that our operating results for the foreseeable future will continue to depend on sales to a relatively small number of customers.

Ability to Capitalize on Connectivity Trend. Mobile connected devices are ubiquitous today and play an increasingly prominent role in consumers' lives. The constant connectivity provided by these devices has created a demand for connected electronic peripherals such as video and image capture devices. Our ability to capitalize on these trends by supporting our end customers in the development of connected peripherals that seamlessly cooperate with other connected devices and allow consumers to distribute and share video and images with online media platforms is critical for our success. We have added wireless communication functionality into our solutions for wearable sports cameras, IP security and automotive aftermarket cameras. The combination of our compression technology with wireless connectivity enables wireless video streaming and uploading of videos and images to the Internet. Our solutions enable IP security camera systems to stream video content to either cloud infrastructure or connected mobile devices, and our solutions for wearable sports cameras allow consumers to quickly stream or upload video and images to social media platforms.

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Sales Volume. A typical design win can generate a wide range of sales volumes for our solutions, depending on the end market demand for our customers' products. This can depend on several factors, including the reputation of the end customer, market penetration, product capabilities, size of the end market that the product addresses and our end customers' ability to sell their products. In certain cases, we may provide volume discounts on sales of our solutions, which may be offset by lower manufacturing costs related to higher volumes. In general, our customers with greater market penetration and better branding tend to develop products that generate larger volumes over the product life cycle.

Customer Product Life Cycle. We estimate our customers' product life cycles based on the customer, type of product and end market. In general, products launched in the camera market have shorter life cycles than those sold into the infrastructure market. We typically commence commercial shipments from six to 18 months following a design win; however, in some markets, more lengthy product and development cycles are possible, depending on the scope and nature of the project. A portable consumer device typically has a product life cycle of six to 18 months. In the infrastructure market, the product life cycle can range from 24 to 60 months.

Results of Operations

The following table sets forth our historical operating results for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(dollars in thousands)		
Revenue	$218,278	$157,608	$121,066
Cost of revenue	79,142	57,761	40,405
Gross profit	139,136	99,847	80,661
Operating expenses:			
Research and development	57,978	48,777	42,829
Selling, general and administrative	29,297	23,153	17,926
Total operating expenses	87,275	71,930	60,755
Income from operations	51,861	27,917	19,906
Other income (loss), net	175	(22)	136
Income before income taxes	52,036	27,895	20,042
Provision for income taxes	1,465	2,241	1,854
Net income	$50,571	$25,654	$18,188

The following table sets forth our historical operating results as a percentage of revenue of each line item for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
Revenue	100%	100%	100%
Cost of revenue	36	37	33
Gross profit	64	63	67

Operating expenses:						
Research and development	27		31		35	
Selling, general and administrative	13		15		15	
Total operating expenses	40		46		50	
Income from operations	24		17		17	
Other income (loss), net	—		—		—	
Income before income taxes	24		17		17	
Provision for income taxes	1		1		2	
Net income	23	%	16	%	15	%

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Revenue

We derive substantially all of our revenue from the sale of HD video and image processing SoC solutions to OEMs and ODMs, either directly or through our logistics providers. Our SoC solutions have been used in the camera and infrastructure markets, and we expect these will be the primary markets for our solutions for the foreseeable future. We derive a substantial portion of our revenue from sales made indirectly through our logistics provider, Wintech Microelectronics Co., Ltd., or Wintech, and directly to one large ODM customer, Chicony Electronics Co., Ltd., or Chicony.

We typically experience seasonal fluctuations in our quarterly revenue with our third fiscal quarter normally being the highest revenue quarter. This fluctuation has been driven primarily by increased sales in the camera market as our customers build inventories in preparation for the holiday shopping season. More generally, our average selling prices fluctuate based on the mix of our solutions sold in a period which reflects the impact of both changes in unit sales of existing solutions as well as the introduction and sales of new solutions. Our solutions are typically characterized by a life cycle that begins with higher average selling prices and lower volumes, followed by broader market adoption, higher volumes and average selling prices that are lower than initial levels.

The end markets into which we sell our products have seen significant changes as consumer preferences have evolved in response to new technologies. As a result, the composition of our revenue may differ meaningfully during periods of technology or consumer preference changes. We expect shifts in consumer use of video capture to continue to change over time, as more specialized use cases emerge and video capture continues to proliferate.

Cost of Revenue and Gross Margin

Cost of revenue includes the cost of materials such as wafers processed by third-party foundries, costs associated with packaging, assembly and test, and our manufacturing support operations such as logistics, planning and quality assurance. Cost of revenue also includes indirect costs such as warranty, inventory valuation reserves and other general overhead costs.

We expect that our gross margin may fluctuate from period to period as a result of changes in average selling price, product mix and the introduction of new products by us or our competitors. In general, solutions incorporated into more complex configurations, such as those used in the infrastructure market, have higher prices and higher gross margins, as compared to solutions sold into the camera market. As semiconductor products mature and unit volumes sold to customers increase, their average selling prices typically decline. These declines may be paired with improvements in manufacturing yields and lower wafer, packaging and test costs, which offset some of the margin reduction that could result from lower selling prices. We believe that our gross margin will decline in the future as we continue to penetrate the highly competitive camera market and as we launch our solutions into new markets.

Research and Development

Research and development expense consists primarily of personnel costs, including salaries, stock-based compensation and employee benefits. The expense also includes costs of development incurred in connection with our collaborations with our foundry vendors, costs of licensing intellectual property from third parties for product development, costs of development for software and hardware tools, cost of fabrication of mask sets for prototype products, and allocated depreciation and facility expenses. All research and development costs are expensed as incurred. We expect our research and development expense to increase in absolute dollars as we continue to enhance and expand our product features and offerings.

Selling, General and Administrative

Selling, general and administrative expense consists primarily of personnel costs, including salaries, stock-based compensation and employee benefits for our sales, marketing, finance, human resources, information technology and administrative personnel. The expense also includes professional service costs related to accounting, tax, legal services, and allocated depreciation and facility expenses. We expect our selling expense to increase in absolute dollars as we expand the size of our sales and marketing organization to support our anticipated growth. We expect our general and administrative expense to increase in absolute dollars but remain relatively flat as a percentage of revenue as we continue to develop the infrastructure necessary to operate as a public company, which includes increased audit and legal fees, costs to comply with the Sarbanes-Oxley Act of 2002, the rules and regulations applicable to companies listed on The NASDAQ Stock Market, investor relations costs, and higher insurance premiums.

Other Income (Loss), Net

Other income (loss), net consists primarily of investment interest income and gains and losses from foreign currency transactions and remeasurements.

Provision for Income Taxes

We are incorporated in the Cayman Islands and conduct business in several countries such as the United States, China, Taiwan, Hong Kong, South Korea and Japan, and we are subject to taxation in those jurisdictions. As such, our worldwide operating income is subject to varying tax rates and our effective tax rate is highly dependent upon the geographic distribution of our earnings or losses and the tax laws and regulations in each geographical region. Consequently, we have experienced lower effective tax rates as a substantial percentage of our operations are conducted in lower-tax jurisdictions. If our operational structure was to change in such a manner that would increase the amount of operating income subject to taxation in higher-tax jurisdictions, or if we were to commence operations in jurisdictions assessing relatively higher tax rates, our effective tax rate could fluctuate significantly on a quarterly basis and/or be adversely affected.

Comparison of the Fiscal Years Ended January 31, 2015, 2014 and 2013

Revenue

	Year Ended January 31,			Change 2015		2014	
	2015	2014	2013	Amount	%	Amount	%
	(dollars in thousands)						
Revenue	$218,278	$157,608	$121,066	$60,670	38.5%	$36,542	30.2%

Revenue increased for the fiscal year ended January 31, 2015 compared to the fiscal year ended January 31, 2014 primarily due to strong demand for our A5S, A7L and A9 SoCs in the IP security, wearable sports and automotive aftermarket camera markets. In addition, the initial ramp of our A5S and A9 chips into the UAV market also contributed to the revenue growth in fiscal year 2015. The increase was partially offset by a year over year decline in the infrastructure market as a result of continued weak market conditions in the United States and Europe as system manufacturers have delayed investment in network upgrades to the new H.265 compression technology.

Revenue increased for the fiscal year ended January 31, 2014 compared to the fiscal year ended January 31, 2013 primarily due to continuing adoption by new and existing customers in our IP security and wearable sports camera markets, partially offset by a year over year decline in revenues from the automotive and infrastructure markets. The decline in revenue from the automotive market was primarily due to the late roll out of the new A7LA based camera product and competitive pressures at the low end of the market. The decreased revenue in the infrastructure market was due to weak market conditions in the United States and Europe in this industry resulting in lower capital expenditures for video encoding capital equipment.

Cost of Revenue and Gross Margin

Year Ended January 31,			Change 2015		2014	
2015	2014	2013	Amount	%	Amount	%

	(dollars in thousands)						
Cost of revenue	$79,142	$57,761	$40,405	$21,381	37.0%	$17,356	43.0%
Gross profit	139,136	99,847	80,661	39,289	39.3%	19,186	23.8%
Gross margin	63.7 %	63.4 %	66.6 %	—	0.3 %	—	(3.2)%

Cost of revenue increased for the fiscal years ended January 31, 2015 and 2014, respectively, primarily due to increases in the number of SoCs sold into the camera markets. The increases were partially offset by cost reductions received from suppliers for certain SoCs due to increased purchase volumes.

Gross margin increased for the fiscal year ended January 31, 2015 compared to the fiscal year ended January 31, 2014 primarily due to increased revenues associated with higher gross margin from the ramp in shipments of our A7L and A9 chips into the wearable sports, automotive, and UAV camera markets. The increase was partially offset by continuing reduction in the higher gross margin infrastructure business. Infrastructure revenue declined as a percentage of total revenue from 12% for the fiscal year ended January 31, 2014 to 6% for the fiscal year ended January 31, 2015.

Gross margin declined for the fiscal year ended January 31, 2014 compared to the fiscal year ended January 31, 2013 primarily due to a significant reduction in the higher gross margin infrastructure business. Infrastructure revenue declined as a percentage of total revenue from 22% for the fiscal year ended January 31, 2013 to 12% for the fiscal year ended January 31, 2014.

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Research and Development

	Year Ended January 31,			Change			
				2015		2014	
	2015	2014	2013	Amount	%	Amount	%
	(dollars in thousands)						
Research and development	$57,978	$48,777	$42,829	$9,201	18.9%	$5,948	13.9%

Research and development expense increased for the fiscal year ended January 31, 2015 compared to the fiscal year ended January 31, 2014 primarily due to increases in engineering headcount, foundry development costs and facility allocation costs. Our research and development engineering headcount increased to 365 at January 31, 2015 compared to 358 at January 31, 2014, resulting in an increase in salary related expenses of approximately $2.7 million in fiscal year 2015. The increases were also attributable to additional stock-based compensation of approximately $3.6 million in fiscal year 2015, as a result of the issuance of options and restricted stock units for newly hired employees, our annual evergreen stock program for existing employees and the employee stock purchase plan. The third party foundry costs expended on the development of our next generation SoCs increased by approximately $1.9 million in fiscal year 2015. The increased development costs were partially offset by a $0.9 million in payment from one customer who agreed to share development costs. In fiscal year 2014, we entered into a lease agreement for our new headquarters located in Santa Clara, California and in fiscal year 2015 we continued the expansion of our enterprise resource planning system, resulting in additional facility allocation costs of approximately $1.8 million for the fiscal year ended January 31, 2015.

Research and development expense increased for the fiscal year ended January 31, 2014 compared to the fiscal year ended January 31, 2013 primarily due to increases in engineering headcount, foundry development costs and facility allocation costs. Our research and development engineering headcount increased to 358 at January 31, 2014 compared to 334 at January 31, 2013, resulting in an increase in salary related expenses of approximately $1.7 million in fiscal year 2014. The increase of salary related expenses was partially offset by $0.4 million for a one-time IPO bonus accrued for China employees in fiscal year 2013, which was not repeated in fiscal year 2014. Beginning from the initial public offering date in the third quarter of fiscal year 2013, we granted restricted stock units and offered participation in an employee stock purchase plan, resulting in an increase in stock-based compensation expense of approximately $1.9 million in fiscal year 2014. Our third party foundry costs related to the development of our next generation SoCs increased by approximately $2.2 million in fiscal year 2014. The increased development costs were partially offset by a $1.0 million one-time payment from a customer who agreed to fund custom software development, which we had no expectations or commitments for future product revenues or development projects with this customer. In fiscal year 2014, we entered into a lease agreement for our new Santa Clara, California headquarters and implemented the initial phase of a new enterprise resource planning system, resulting in an additional facility allocation cost of approximately $1.3 million.

Selling, General and Administrative

	Change	
Year Ended January 31,	2015	2014

	2015	2014	2013	Amount	%	Amount	%
	(dollars in thousands)						
Selling, general and administrative	$29,297	$23,153	$17,926	$6,144	26.5%	$5,227	29.2%

Selling, general and administrative expense increased for the fiscal years ended January 31, 2015 and 2014 primarily due to an additional $5.7 million and $4.0 million, respectively, in compensation as a result of increases in headcount and stock-based compensation from issuance of options and restricted stock units for newly hired employees, our annual evergreen stock program for existing employees and the employee stock purchase plan. In addition, we incurred approximately $0.7 million and $1.2 million of additional expenditures on outside professional services to support the continued development of our enterprise resource planning system, to meet the requirements of the Sarbanes-Oxley Act, and the compliance requirements of being a public company for the fiscal years ended January 31, 2015 and 2014, respectively.

Other Income (Loss), Net

	Year Ended January 31,			Change			
				2015		2014	
	2015	2014	2013	Amount	%	Amount	%
	(dollars in thousands)						
Other income (loss), net	$175	$(22)	$136	$197	895.5%	$(158)	(116.2)%

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The increase in other income (loss), net, for the fiscal year ended January 31, 2015 compared to the fiscal year ended January 31, 2014 was primarily due to approximately $150,000 of net interest income from marketable security investments.

The decrease in other income (loss), net, for the fiscal year ended January 31, 2014 compared to the fiscal year ended January 31, 2013 was primarily due to net income impact from revaluation of warrants to purchase redeemable convertible preference shares in fiscal year 2013 which was converted into warrants to purchase ordinary shares upon our IPO in the third quarter of fiscal year 2013 and, as a result, there was no future impact to net income from revaluation of such warrants thereafter.

Provision for Income Taxes

	Year Ended January 31,			Change 2015		2014	
	2015	2014	2013	Amount	%	Amount	%
	(dollars in thousands)						
Provision for income taxes	$1,465	$2,241	$1,854	$(776)	(34.6)%	$387	20.9%
Effective tax rate	3%	8%	9%	—	(5)%	—	(1)%

Income tax expense and effective tax rate decreased in fiscal year 2015 as compared to fiscal year 2014 primarily due to a favorable change in our geographic mix of profits as well as an increase in federal research and experiment credit, partially offset by non-deductible stock-based compensation expenses.

Income tax expense increased in fiscal year 2014 as compared to fiscal year 2013 primarily due to an increase in profitability and non-deductible stock-based compensation expenses, partially offset by a favorable change in our geographic mix of profits. The effective tax rate decreased for fiscal year 2014 as compared to fiscal year 2013 primarily due to a favorable change in our geographic mix of profits, partially offset by non-deductible stock-based compensation expenses.

Liquidity and Capital Resources

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
Net cash provided by operating activities	$52,258	$34,350	$10,514
Net cash used in investing activities	(40,061)	(1,688)	(1,014)
Net cash provided by financing activities	14,700	10,238	32,050
Net increase in cash	$26,897	$42,900	$41,550

Net Cash Provided by Operating Activities

Fiscal year 2015 compared to fiscal year 2014: Cash provided by operating activities increased primarily due to increased net income, adjusted for increased non-cash stock-based compensation, and increased liabilities associated with the timing of payments to suppliers as well as income tax payables. The increase in cash flows from operating activities was partially offset by increased accounts receivable associated with higher revenues and the timing of payments from customers, increased inventory purchases to support continuing growth of sales, increased deferred tax assets as a result of higher stock-based compensation, as well as decreased deferred revenue from the timing of shipments to our logistics provider and resulting sell-through revenue recognition.

Fiscal year 2014 compared to fiscal year 2013: Cash provided by operating activities increased primarily due to increased net income, adjusted for increased non-cash stock-based compensation and depreciation expenses. The increase was also attributable to improved accounts receivable collection from our major customers and increased deferred revenue. The increase in cash from operating activities was partially offset by increased inventory purchases to support continuing growth of sales and a decrease in accrued liabilities associated with the timing of payments to suppliers.

Net Cash Used in Investing Activities

Fiscal year 2015 compared to fiscal year 2014: Net cash used in investing activities increased primarily due to $40.0 million investments in highly liquid, short-term marketable securities, net of cash receipts from the sale or maturity of a portion of these investments.

Fiscal year 2014 compared to fiscal year 2013: Net cash used in investing activities increased primarily due to approximately $0.7 million of leasehold improvements expenditures for our new headquarters located in Santa Clara, California and approximately $0.6 million of investment in a new enterprise resource planning system to manage our business operations.

Net Cash Provided by Financing Activities

Fiscal year 2015 compared to fiscal year 2014: Net cash provided by financing activities increased primarily due to an additional $2.1 million in cash proceeds from option exercises and contributions from participants in the employee stock purchase plan and an additional $2.4 million of recognized excess tax benefits from increased stock-based compensation.

Fiscal year 2014 compared to fiscal year 2013: Net cash provided by financing activities decreased primarily due to $30.4 million of net cash proceeds from selling of our ordinary shares in connection with our IPO in fiscal year 2013. The decrease was partially offset by an additional $7.8 million of cash receipts from employee stock option exercises, contributions from participants in the employee stock purchase plan, and from the exercise of warrants to purchase ordinary shares in fiscal year 2014.

Sources of Liquidity

As of January 31, 2015 and 2014, we had cash, cash equivalents and marketable securities of approximately $208.0 million and $143.4 million, respectively. In fiscal year 2015, we invested $40.0 million in highly liquid, short-term marketable securities. We hold these investments as available-for-sale securities and mark them to market. As of January 31, 2015, these securities had a fair value of approximately $40.1 million with insignificant unrealized losses caused by fluctuations in market value and interest rates.

Operating and Capital Expenditure Requirements

We have generated net income in each quarter beginning with the first quarter of fiscal year 2010, and we have generated cash from operations in each of fiscal years 2009 to 2015. We believe that our anticipated cash generated from operations and our existing cash balances will be sufficient to meet our anticipated cash requirements through at least the next 12 months. In the future, we expect our operating and capital expenditures to increase as we increase headcount, expand our business activities, implement and enhance our information technology platforms and to meet the requirements of the Sarbanes-Oxley Act. We expect our accounts receivable and inventory balances to increase, and could be partially offset by increases in accounts payable, which will result in a greater need for working capital. If our available cash balances are insufficient to satisfy our future liquidity requirements, we may seek to sell equity or convertible debt securities or borrow funds commercially. The sale of equity and convertible debt securities may result in dilution to our shareholders and those securities may have rights senior to those of our ordinary shares. If we raise additional funds through the issuance of convertible debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts. Additional capital may not be available to us on reasonable terms, or at all.

Our short- term and long-term capital requirements will depend on many factors, including the following:

- our ability to generate cash from operations;
- our ability to control our costs;
- the emergence of competing or complementary technologies or products;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, or participating in litigation-related activities; and
- our acquisition of complementary businesses, products and technologies.

Contractual Obligations, Commitments and Contingencies

The following table summarizes our outstanding contractual obligations as of January 31, 2015:

	Payment Due by Period as of January 31, 2015 (in thousands)					
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	All Other
Contractual Obligations						
Facilities under operating leases [1]	$4,981	$1,821	$2,923	$ 237	$ —	$—
Technology license or other obligations under operating leases [2]	7,088	3,667	3,421	—	—	—
Purchase obligations [3]	27,547	27,547	—	—	—	—
Uncertain tax liabilities [4]	1,391	—	—	—	—	1,391
Total	$41,007	$33,035	$6,344	$ 237	$ —	$1,391

(1) Facilities under operating leases represent facilities with initial lease terms in excess of one year. They are located in Santa Clara (California), China, Hong Kong, and Japan. The lease for our Santa Clara headquarters has a five-year term and terminates in fiscal year 2019. The lease for our Shanghai facility has a seven-year term and terminates in fiscal year 2018. The lease for our Shenzhen facility has a two-year term and terminates in fiscal year 2017. The Hong Kong facility has a three-year term and terminates in fiscal year 2017. The leases for our Japan facilities have two-year terms and terminate in fiscal year 2016 and 2017, respectively.

(2) Technology license obligations under operating leases represent future cash payments for software or other technology licenses which are used in product design or daily operation.

(3) Purchase obligations consist primarily of inventory purchase obligations with our independent contract manufacturers.

(4) Uncertain tax liabilities represent our liabilities for uncertain tax positions as of January 31, 2015. We are unable to reasonably estimate the timing of payments in individual years due to uncertainties in the timing of the effective settlement of tax positions.

Stock Options and Restricted Stock Units

Grants of stock-based awards are key components of the compensation packages we provide to attract and retain certain employees to align their interests with the interests of existing shareholders. We recognize that these stock-based awards dilute existing shareholders and have sought to limit the number of shares granted while providing competitive compensation packages. As of January 31, 2015, a total of 4.3 million outstanding stock options and unvested restricted stock units, or RSUs, will potentially dilute our earnings per share. This potential dilution will only result if outstanding options vest and are exercised and RSUs vest and are settled. As of January 31, 2015, 100% of our outstanding options had exercise prices less than the current market price of our ordinary shares.

Off-Balance Sheet Arrangements

As of January 31, 2015, we did not engage in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

Recent Accounting Pronouncements

See Note 1, "Organization and Summary of Significant Accounting Policies—Recent Accounting Pronouncements" of the Notes to the Consolidated Financial Statements, included in Part IV, Item 15 of this report, for a full description of recent accounting standards, including the respective dates of adoption and effects on our consolidated financial position, results of operations and cash flows.

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Critical Accounting Policies and Significant Management Estimates

The preparation of audited consolidated financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. On an ongoing basis, we evaluate the estimates, judgments and assumptions including those related to (i) the collectability of accounts receivable; (ii) write down for excess and obsolete inventories; (iii) the estimated useful lives of long-lived assets; (iv) impairment of long-lived assets and financial instruments; (v) warranty obligations; (vi) the valuation of stock-based compensation awards and marketable securities; (vii) the probability of performance objectives achievement; (viii) the realization of tax assets and estimates of tax liabilities, including reserves for uncertain tax positions; and (ix) the recognition and disclosure of contingent liabilities. We may engage third-party valuation specialists to assist with estimates related to the valuation of financial instruments and assets associated with various contractual arrangements. Such estimates often require the selection of appropriate valuation methodologies and significant judgment. These estimates, judgments and assumptions are based on historical experience and on various other factors that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates under different assumptions or conditions, and such differences could be material.

We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgment and estimates:

Revenue Recognition

We generate revenue from the sales of our SoCs to OEMs or ODMs, either directly or through logistics providers. Revenue from sales directly to OEMs and ODMs is recognized upon shipment provided persuasive evidence of an arrangement exists, legal title to the products and risk of ownership have transferred, the fee is fixed or determinable, and collection of the resulting receivable is reasonably assured. We provide our logistics providers with the rights to return excess levels of inventory and to future price adjustments. Given the inability to reasonably estimate these price changes and returns, revenue and costs related to shipments to logistics providers are deferred until we have received notification from our logistics providers that they have sold our products. Information reported by our logistics providers includes product resale price, quantity and end customer shipment information as well as remaining inventory on hand. At the time of shipment to a logistics provider, we record a trade receivable as there is a legally enforceable right to receive payment, reduce inventory for the value of goods shipped as legal title has passed to the logistics provider and defer the related margin as deferred revenue in the consolidated balance sheets. Any price adjustments are recorded as a change to deferred revenue at the time the adjustments are agreed upon.

Arrangements with certain OEM customers provide for pricing that is dependent upon the end products into which our SoCs are used. These arrangements may also entitle us to a share of the product margin ultimately realized by the OEM. The minimum guaranteed amount of revenue related to the sale of products subject to these arrangements is recognized when all other elements of revenue recognition are met. Any amounts at the date of shipment invoiced in excess of the minimum guaranteed contract price are deferred until the additional amounts we are entitled to are fixed or determinable. Additional amounts earned by us resulting from margin sharing arrangements and determination of the end products into which the products are ultimately incorporated are recognized when end customer sales volume is reported to us.

We sell a limited amount of software under perpetual licenses that include post-contract customer support, or PCS. We do not have evidence of fair value for the PCS and, accordingly, license revenue is recognized ratably over the estimated supporting period in accordance with ASC 985, Software Revenue Recognition. We also enter into development agreements with certain customers. Revenue is deferred for any amounts billed prior to delivery of development services. However, if we retain the intellectual property generated from these development agreements, receipts and costs related to these arrangements are included in research and development expense. The revenue from those licenses and services was not material for the fiscal years ended January 31, 2015, 2014 and 2013, respectively.

Cash, Cash Equivalents and Marketable Securities

We consider all highly liquid investments with original maturities of less than three months at the time of purchase to be cash equivalents. Investments that are highly liquid with original maturities at the time of purchase greater than three months are considered as marketable securities.

We classify these investments as “available-for-sale” securities carried at fair value, based on quoted market prices of similar assets, with the unrealized gains or losses reported, net of tax, as a separate component of shareholders’ equity and included in accumulated other comprehensive income (loss) in the consolidated balance sheets. The amortization of security premiums and accretion of discounts and the realized gains and losses are both recorded in other income (loss), net in the consolidated statements of operations. We review our investments for possible other-than-temporary impairments on a regular basis. If any loss on investment is believed to be other-than-temporary, a charge will be recorded and a new cost basis in the investment will be established. In evaluating whether a loss on a security is other-than-temporary, we consider the following factors: (1) general market conditions, (2) the duration and extent to which the fair value is less than cost and (3) our intent and ability to hold the investment.

For securities in an unrealized loss position which is deemed to be other-than-temporary, the difference between the security’s then-current amortized cost basis and fair value is separated into (i) the amount of the impairment related to the credit loss (i.e., the credit loss component) and (ii) the amount of the impairment related to all other factors (i.e., the non-credit loss component). The credit loss component is recognized in earnings. The non-credit loss component is recognized in accumulated other comprehensive loss. Due to the relative short term nature of the investments, there have been no other-than-temporary impairments recorded to date.

Inventory Valuation

We record inventories at the lower of cost or market. The cost includes materials and other production costs and is computed using standard cost on a first-in, first-out basis. Inventory reserves are recorded for estimated obsolescence or unmarketable inventories based on forecast of future demand and market conditions. If actual market conditions are less favorable than projected, or if future demand for our products decrease, additional inventory write-downs may be required. Once inventory is written down, a new accounting cost basis has been established and, accordingly, any associated reserve is not reversed until the inventory sold or scrapped. There have been no material inventory losses recognized to date.

Stock-Based Compensation

We measure stock-based compensation for equity awards granted to employees and directors based on the estimated fair value on the grant date, and recognize that compensation as expense using the straight-line attribution method for service condition awards or using the graded-vesting attribution method for awards with performance conditions over the requisite service period, which is typically the vesting period of each award. We estimate the fair value of restricted stock units, or RSUs, based on the fair market value of our ordinary shares on the grant date. We use the Black-Scholes option pricing model to determine the fair value of stock options. Determining the fair value of stock options on the grant date requires the input of various assumptions, including stock price of the underlying ordinary share, the exercise price of the stock option, expected volatility, expected term, risk-free interest rate and dividend rate. The expected term is calculated using the simplified method as prescribed in the guidance provided by the Securities and Exchange Commission, as neither relevant historical experience nor other relevant data are available to estimate future exercise behavior. The expected volatility is based on the historical volatilities of similar companies whose share prices are publicly available for a period commensurate with the expected term. The risk-free interest rate is derived from the average U.S. Treasury constant maturity rates during the respective periods commensurate with the expected term. The expected dividend yield is zero because we have not historically paid dividends and have no present intention to pay dividends. We use historical data to estimate pre-vesting award forfeitures and record stock-based compensation only for those awards that are expected to vest. Forfeitures are estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures differ from estimates.

We recognize non-employee stock-based compensation expense based on the estimated fair value of the equity instrument. The fair value of the non-employee awards is remeasured at each reporting period until services required under the arrangement are completed, which is the vesting date.

Prior to the initial public offering, we engaged an independent appraiser to assist us in the valuation of our ordinary share price. Our board of directors directed these regular valuations and had input into determining the relevant objective and subjective factors accounted for and relevant approaches in each valuation. After the IPO, the exercise price of stock option awards is determined based on the closing price of our ordinary shares traded on The NASDAQ Global Market on the grant date.

Net Income Per Ordinary Share

We apply the two-class method to calculate and present net income per ordinary share. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Participating securities are defined as securities that may participate in undistributed earnings with ordinary shares, whether that participation is conditioned upon the occurrence of a specified event or not. Basic net income per ordinary share is computed by dividing net income allocable to ordinary shares by the weighted-average number of ordinary shares outstanding for the period. Diluted net income per ordinary share is computed by dividing net income allocable to ordinary shares and income allocable to participating securities, to the extent they are dilutive, by the weighted-average number of ordinary shares outstanding, including the dilutive effects of participating securities on an if-converted basis plus the dilutive effects of ordinary shares. Our potential dilutive ordinary share equivalents consist of incremental ordinary shares issuable upon the exercise of options, upon the issuance of shares pursuant to the Employee Stock Purchase Plan, or ESPP, upon the release of vested restricted stock units, upon the conversion of our redeemable convertible preference shares and upon the exercise of warrants.

We perform an assessment as to whether instruments granted in stock-based payment transactions are participating securities. Stock-based payment awards that have not yet vested meet the definition of a participating security provided the right to receive the dividend is non-forfeitable and non-contingent. These participating securities should be included in the computation of basic net income per ordinary share under the two-class method. We have concluded that our non-vested early-exercised options meet the definition of a participating security and should be included in the computation of basic net income per ordinary share.

Income Taxes

We record income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We apply authoritative guidance for the accounting for uncertainty in income taxes. The guidance requires that tax effects of a position be recognized only if it is “more likely than not” to be sustained based solely on its technical merits as of the reporting date. Upon estimating our tax positions and tax benefits, we consider and evaluate numerous factors, which may require periodic adjustments and which may not reflect the final tax liabilities. We adjust our financial statements to reflect only those tax positions that are more likely than not to be sustained under examination.

As part of the process of preparing consolidated financial statements, we are required to estimate our taxes in each of the jurisdictions in which we operate. We estimate actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as accruals and allowances not currently deductible for tax purposes. These differences result in deferred tax assets, which are included in our consolidated balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the consolidated statements of operations become deductible expenses under applicable income tax laws, or loss or credit carryforwards are utilized.

In assessing whether deferred tax assets may be realized, we consider whether it is more likely than not that some portion or all of deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

We make estimates and judgments about our future taxable income based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from estimates, the amount of valuation allowance could be materially impacted. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement for the periods in which the adjustment is determined to be required.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We had cash, cash equivalents and marketable securities totaling $208.0 million and $143.4 million at January 31, 2015 and 2014, respectively. Our cash is deposited in standard bank accounts and certificates of deposit. The cash equivalents and marketable securities consist primarily of investments in debt securities. Our cash is held for working capital purposes. We do not enter into investments for trading or speculative purposes.

Interest Rate Fluctuation Risk

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of short-term investments in a variety of debt securities with high liquidity. We do not enter into investments for trading or speculative purposes. A 10% change in interest rates will not have a material impact on our future interest income or investment fair value. The risk associated with fluctuating interest rates is limited to our investment portfolio.

Foreign Currency Risk

To date, all of our product sales and inventory purchases have been denominated in U.S. dollars. We therefore have not had any foreign currency risk associated with these two activities. The functional currency of all of our entities is the U.S. dollar. Our operations outside of the United States incur operating expenses and hold assets and liabilities denominated in foreign currencies, principally the New Taiwan Dollar and the Chinese Yuan Renminbi. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. Given that the operating expenses that we incur in currencies other than U.S. dollars have not been a significant percentage of our total revenue, we believe that the exposure to foreign currency fluctuation risk from operating expenses is insignificant at this time. As we grow our operations, our exposure to foreign currency risk could become more significant. To date, we have not entered into any foreign currency exchange contracts and currently do not expect to enter into foreign currency exchange contracts for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial Statements

The financial statements required by this Item are set forth as a separate section of this Annual Report on Form 10-K. See Item 15 for a listing of financial statements provided in the section titled "Financial Statements."

Supplementary Data (Unaudited)

The following table sets forth unaudited supplementary quarterly financial data for the two year period ended January 31, 2015. In management's opinion, the unaudited data has been prepared on the same basis as the audited information and includes all adjustments necessary for a fair presentation of the data for the periods presented.

	For the Three Months Ended							
	Apr. 30, 2014	Jul. 31, 2014	Oct. 31, 2014	Jan. 31, 2015	Apr. 30, 2013	Jul. 31, 2013	Oct. 31, 2013	Jan. 31, 2014
	(in thousands, except per share data)							
Revenue	$40,921	$46,968	$65,689	$64,700	$33,941	$37,710	$45,990	$39,967
Cost of revenue	15,325	16,432	24,130	23,255	12,248	14,419	16,689	14,405
Gross profit	25,596	30,536	41,559	41,445	21,693	23,291	29,301	25,562
Operating expenses:								

Research and development	12,914	13,497	15,584	15,983	11,317	10,974	13,476	13,010
Selling, general and administrative	6,755	6,875	7,324	8,343	5,157	5,385	5,761	6,850
Total operating expenses	19,669	20,372	22,908	24,326	16,474	16,359	19,237	19,860
Income from operations	5,927	10,164	18,651	17,119	5,219	6,932	10,064	5,702
Other income (loss), net	49	39	40	47	(5)	(11)	(12)	6
Income before income taxes	5,976	10,203	18,691	17,166	5,214	6,921	10,052	5,708
Provision for income taxes	716	893	364	(508)	473	667	926	175
Net income	$5,260	$9,310	$18,327	$17,674	$4,741	$6,254	$9,126	$5,533
Net income per share attributable to ordinary shareholders:								
Basic	$0.18	$0.32	$0.61	$0.58	$0.17	$0.23	$0.33	$0.19
Diluted	$0.17	$0.29	$0.57	$0.53	$0.16	$0.21	$0.30	$0.18

Net income per ordinary share for the year is computed independently and may not equal the sum of the quarterly net income per ordinary share.

Our quarterly revenues and operating results are difficult to forecast. Therefore, we believe that period-to-period comparisons of our operating results will not necessarily be meaningful, and should not be relied upon as an indication of future performance. Also, operating results may fall below our expectations and the expectations of analysts or investors in one or more future quarters. If this were to occur, the market price of our ordinary shares would likely decline. For further information regarding the quarterly fluctuation of our revenues and operating results, see Item 1A, “Risk Factors—Fluctuations in our operating results on a quarterly and annual basis could cause the market price of our ordinary shares to decline”.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures” (as defined in Rules 13a- 15(e) and 15d- 15(e)) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of January 31, 2015, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the

Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of January 31, 2015.

The effectiveness of our internal control over financial reporting as of January 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the Company's fiscal quarter ended January 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting

Because of their inherent limitations, our disclosure controls and procedures and our internal control over financial reporting may not prevent material errors or 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. The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to risks, including that the controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

We have a Code of Business Conduct and Ethics for all of our directors, officers and employees. We also have a Code of Ethics for Finance Team applicable to our Chief Executive Officer, Chief Financial Officer and other Senior Financial Officers. These documents are available on our website at http://investor.ambarella.com/governance.cfm. To date, there have been no waivers under our Code of Business Conduct and Ethics and Code of Ethics for Finance Team. We will post any amendments or waivers, if and when granted, of our Code of Business Conduct and Ethics and Code of Ethics for Finance Team on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
(a)(1) Financial Statements
The following consolidated financial statements of the Registrant and Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included herewith:

(a)(2) Financial Statement Schedule

Financial statement schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or the notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ambarella, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income (loss), of redeemable convertible preference shares and shareholders’ equity and of cash flows present fairly, in all material respects, the financial position of Ambarella, Inc. and its subsidiaries at January 31, 2015 and January 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in fiscal year 2015). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

San Jose, California
March 30, 2015

AMBARELLA, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

	January 31, 2015	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$170,291	$143,394
Marketable securities	37,703	—
Accounts receivable, net	40,180	18,837
Inventories	21,693	10,452
Restricted cash	8	3
Deferred tax assets, current	1,990	1,599
Prepaid expenses and other current assets	3,506	2,951
Total current assets	275,371	177,236
Property and equipment, net	3,075	3,018
Deferred tax assets, non-current	3,936	1,134
Other assets	1,902	1,919
Total assets	$284,284	$183,307
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	21,036	8,321
Accrued liabilities	18,699	11,705
Income taxes payable	748	545
Deferred tax liabilities, current	92	—
Deferred revenue, current	4,907	4,831
Total current liabilities	45,482	25,402
Deferred revenue, non-current	198	—
Other long-term liabilities	1,393	1,544
Total liabilities	47,073	26,946
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preference shares, $0.00045 par value per share, 20,000,000 shares authorized and no shares issued and outstanding at January 31, 2015 and January 31, 2014, respectively	—	—
Ordinary shares, $0.00045 par value per share, 200,000,000 shares authorized at January 31, 2015 and January 31, 2014, respectively; 30,837,529 shares issued and outstanding at January 31, 2015; 28,748,513 shares issued and outstanding at January 31, 2014	14	13
Additional paid-in capital	140,564	110,285

Accumulated other comprehensive income (loss)	(1)	—
Retained earnings	96,634	46,063
Total shareholders' equity	237,211	156,361
Total liabilities and shareholders' equity	$284,284	$183,307

See accompanying notes to consolidated financial statements.

AMBARELLA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Year Ended January 31,		
	2015	2014	2013
Revenue	$218,278	$157,608	$121,066
Cost of revenue	79,142	57,761	40,405
Gross profit	139,136	99,847	80,661
Operating expenses:			
Research and development	57,978	48,777	42,829
Selling, general and administrative	29,297	23,153	17,926
Total operating expenses	87,275	71,930	60,755
Income from operations	51,861	27,917	19,906
Other income (loss), net	175	(22)	136
Income before income taxes	52,036	27,895	20,042
Provision for income taxes	1,465	2,241	1,854
Net income	$50,571	$25,654	$18,188
Net income per share attributable to ordinary shareholders:			
Basic	$1.70	$0.93	$0.64
Diluted	$1.57	$0.85	$0.60
Weighted-average shares used to compute net income per share attributable to ordinary shareholders:			
Basic	29,742,653	27,680,778	13,511,646
Diluted	32,278,127	30,172,563	15,016,986

See accompanying notes to consolidated financial statements.

AMBARELLA, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

	Year Ended January 31,		
	2015	2014	2013
Net income	$50,571	$25,654	$18,188
Other comprehensive income (loss):			
Unrealized gains (losses) on investments	(1)	—	—
Other comprehensive income (loss), net of tax	(1)	—	—
Comprehensive income	$50,570	$25,654	$18,188

See accompanying notes to consolidated financial statements.

AMBARELLA, INC.

CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES AND SHAREHOLDERS' EQUITY

(in thousands, except share data)

	Redeemable Convertible Preference Shares		Outstanding Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive Income	Retained	
	Shares	Amount	Shares	Amount	Capital	(Loss)	Earnings	Total
Balance--January 31, 2012	13,315,727	$50,900	7,600,869	$ 3	$4,225	$ —	$2,221	$6,449
Conversion of redeemable convertible preference shares to ordinary shares	(13,315,727)	(50,900)	13,315,727	6	50,894	—	—	50,900
Issuance of shares in connection with initial public offering, net of issuance cost	—	—	5,804,651	3	30,412	—	—	30,415
Conversion of preference share warrants to ordinary share warrants	—	—	—	—	110	—	—	110
Exercise of stock options, dollar amounts net of unvested stock options exercised early	—	—	313,827	—	950	—	—	950
Vesting of early exercised stock options	—	—	—	—	314	—	—	314
Stock-based compensation expense related to stock awards granted to employees and consultants	—	—	—	—	4,999	—	—	4,999
Excess income tax benefit associated with stock-based compensation	—	—	—	—	7	—	—	7
Net income	—	—	—	—	—	—	18,188	18,188
Balance--January 31, 2013	—	—	27,035,074	12	91,911	—	20,409	112,332
Exercise of stock options, dollar amounts net of unvested stock	—	—	1,160,286	1	6,919	—	—	6,920

options exercised early								
Vesting of early exercised stock options	—	—	—	—	143	—	—	143
Vesting of restricted stock units	—	—	174,888	—	—	—	—	—
Employee stock purchase plan	—	—	341,973	—	1,744	—	—	1,744
Exercise of warrants to purchase ordinary shares	—	—	36,292	—	130	—	—	130
Stock-based compensation expense related to stock awards granted to employees and consultants	—	—	—	—	8,535	—	—	8,535
Excess income tax benefit associated with stock-based compensation	—	—	—	—	903	—	—	903
Net income	—	—	—	—	—	—	25,654	25,654
Balance--January 31, 2014	—	—	28,748,513	13	110,285	—	46,063	156,361
Exercise of stock options, dollar amounts net of unvested stock options exercised early	—	—	1,456,944	1	8,507		—	8,508
Vesting of early exercised stock options	—	—	—	—	59		—	59
Vesting of restricted stock units	—	—	484,296	—	—		—	—
Employee stock purchase plan	—	—	147,776	—	2,735		—	2,735
Stock-based compensation expense related to stock awards granted to employees and consultants	—	—	—	—	15,692		—	15,692
Excess income tax benefit associated with stock-based compensation	—	—	—	—	3,286		—	3,286
Net unrealized gains (losses) on investments - net of taxes	—	—	—	—	—	(1)	—	(1)
Net income	—	—	—	—	—		50,571	50,571
Balance--January 31, 2015	—	$—	30,837,529	$ 14	$ 140,564	$ (1)	$ 96,634	$ 237,211

See accompanying notes to consolidated financial statements.

AMBARELLA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended January 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$50,571	$25,654	$18,188
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property and equipment	1,335	1,096	737
Amortization/accretion of marketable securities	675	—	—
Loss on disposal of long-lived assets	21	13	4
Amortization of other intangible assets	—	—	270
Stock-based compensation	15,692	8,535	4,999
Excess income tax benefits associated with stock-based compensation	(3,286)	(903)	7
Other non-cash items, net	26	—	(149)
Changes in operating assets and liabilities:			
Accounts receivable	(21,343)	1,316	(10,668)
Inventories	(11,241)	(1,534)	(2,132)
Prepaid expenses and other current assets	(563)	(375)	(1,134)
Deferred tax assets	(3,193)	(433)	(871)
Other assets	307	63	(443)
Accounts payable	12,715	1,270	45
Accrued liabilities	6,686	(2,539)	6,656
Income taxes payable	3,490	807	(244)
Deferred tax liabilities	92	—	—
Deferred revenue	274	1,380	(4,751)
Net cash provided by operating activities	52,258	34,350	10,514
Cash flows from investing activities:			
Investment in a private company	(290)	—	—
Purchase of investments	(59,807)	—	—
Sales of investments	8,729	—	—
Maturities of investments	12,668	—	—
Net proceeds from disposal of fixed assets	—	13	—
Purchase of property and equipment	(1,361)	(1,701)	(1,528)
Restricted Cash	—	—	514
Net cash used in investing activities	(40,061)	(1,688)	(1,014)
Cash flows from financing activities:			
Proceeds from exercise of stock options, warrants, and employee stock purchase plan, net of repurchase of stock options	11,414	9,360	1,610
Payment for initial public offering cost	—	(25)	(1,950)
Proceeds from initial public offering, net of underwriting discounts	—	—	32,390

and commissions			
Excess income tax benefits associated with stock-based compensation	3,286	903	—
Net cash provided by financing activities	14,700	10,238	32,050
Net increase in cash and cash equivalents	26,897	42,900	41,550
Cash and cash equivalents at beginning of period	143,394	100,494	58,944
Cash and cash equivalents at end of period	$170,291	$143,394	$100,494
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	$1,069	$1,766	$3,402
Supplemental disclosure of noncash investing activities:			
Increase in accrued liabilities related to non-monetary assets purchases	$75	$24	$122
Supplemental disclosure of noncash financing activities:			
Increase in accrued liabilities related to non-monetary financing activities	$—	$—	$25
Conversion of redeemable convertible preference shares to ordinary shares	$—	$—	$50,900
Conversion of redeemable convertible preference share warrants to ordinary share warrants	$—	$—	$110

See accompanying notes to consolidated financial statements

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AMBARELLA, INC.

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

Ambarella, Inc. (the "Company") was incorporated in the Cayman Islands on January 15, 2004. The Company is a developer of semiconductor processing solutions for video that enable high-definition video capture, sharing and display. The Company combines its processor design capabilities with its expertise in video and image processing, algorithms and software to provide a technology platform that is designed to be easily scalable across multiple applications and enable rapid and efficient product development. The Company's system-on-a-chip, or SoC, designs fully integrate high-definition video processing, image processing, audio processing and system functions onto a single chip, delivering exceptional video and image quality, differentiated functionality and low power consumption.

The Company sells its solutions to leading original design manufacturers, or ODMs, and original equipment manufacturers, or OEMs, globally.

In October 2012, in connection with its initial public offering, or IPO, the Company completed the sale of 6,000,000 ordinary shares inclusive of 1,095,349 shares sold by certain shareholders of the Company. In November 2012, a total of 900,000 ordinary shares were sold to the Company's IPO underwriters in connection with their exercise of the over-allotment option. The public offering price of the shares sold in this offering was $6.00 per share. The total net proceeds from the offering to the Company were approximately $30.4 million after deducting underwriting discounts and commissions and other offering expenses. Upon the completion of the IPO, all 13,315,727 outstanding redeemable convertible preference shares converted into ordinary shares on a one-to-one basis and all outstanding warrants to purchase redeemable convertible preference shares converted into warrants to purchase ordinary shares.

Basis of Consolidation

The Company's fiscal year ends on January 31. The consolidated financial statements of the Company and its subsidiaries have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported periods. Actual results could differ from those estimates.

On an ongoing basis, management evaluates its estimates and assumptions, including those related to (i) the collectability of accounts receivable; (ii) write down for excess and obsolete inventories; (iii) the estimated useful lives of long-lived assets; (iv) impairment of long-lived assets and financial instruments; (v) warranty obligations; (vi) the valuation of stock-based compensation awards and marketable securities; (vii) the probability of performance objectives achievement; (viii) the realization of tax assets and estimates of tax liabilities, including reserves for uncertain tax positions; and (ix) the recognition and disclosure of contingent liabilities. These estimates and assumptions are based on historical experience and on various other factors which the Company believes to be reasonable under the circumstances. The company may engage third-party valuation specialists to assist with estimates related to the valuation of financial instruments and assets associated with various contractual arrangements. Such estimates often require the selection of appropriate valuation methodologies and significant judgment. Actual results could differ from these estimates under different assumptions or circumstances.

Concentration of Risk

The Company's products are manufactured, assembled and tested by third-party contractors located primarily in Asia. The Company does not have long-term agreements with these contractors. A significant disruption in the operations of one or more of these contractors would impact the production of the Company's products which could have a material adverse effect on its business, financial condition and results of operations.

A substantial portion of the Company's revenue is derived from sales through its logistics provider, Wintech Microelectronics Co., Ltd., or Wintech, which serves as its non-exclusive sales representative in Asia other than Japan, and through one large direct ODM customer, Chicony Electronics Co., Ltd., or Chicony. Termination of the relationships with these two customers could result in a temporary or permanent loss of revenue and obligation to repurchase unsold product. Furthermore, any credit issues from these two customers could impair their abilities to make timely payment to the Company. See Note 12 for additional information regarding concentration with these two customers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, marketable securities and accounts receivable. The Company maintains its cash primarily in checking and money market accounts with reputable financial institutions. Cash deposits held with these financial institutions may exceed the amount of insurance provided on such deposits. The Company has not experienced any material losses on deposits of its cash. The cash equivalents and marketable securities consist primarily of money market funds, asset-backed securities, commercial paper and debt securities of corporations which management assesses to be high credit quality, in order to limit the exposure of each investment. The Company does not hold or issue financial instruments for trading purposes.

The Company performs ongoing credit evaluations of each of its customers and adjusts credit limits based upon payment history and the customer's credit worthiness. The Company regularly monitors collections and payments from its customers.

Foreign Currency Transactions

The U.S. dollar is the functional currency for the Company and its subsidiaries. Monetary assets and liabilities denominated in non-U.S. currencies are re-measured to U.S. dollars using current exchange rates in effect at the balance sheet date. Nonmonetary assets and liabilities are re-measured to U.S. dollars using historical exchange rates. Monetary and other accounts are re-measured to U.S. dollars using average exchange rates in effect during each period. Gains or losses from foreign currency re-measurement are included in other income (loss), net in the consolidated statements of operations, and, to date, have not been material.

Fair Value of Financial Instruments

The fair value accounting is applied to all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed in the financial statements on a recurring basis. The carrying amounts reflected in the consolidated balance sheets for cash equivalents, accounts receivable, accounts payable, accrued liabilities and other current liabilities, approximate fair value due to the short-term nature.

Cash, Cash Equivalents and Marketable Securities

The Company considers all highly liquid investments with original maturities of less than three months at the time of purchase to be cash equivalents. Investments that are highly liquid with original maturities at the time of purchase greater than three months are considered as marketable securities.

The Company classifies these investments as "available-for-sale" securities carried at fair value, based on quoted market prices of similar assets, with the unrealized gains or losses reported, net of tax, as a separate component of shareholders' equity and included in accumulated other comprehensive income (loss) in the consolidated balance sheets. The amortization of security premiums and accretion of discounts and the realized gains and losses are both recorded in other income (loss), net in the consolidated statements of operations. The Company reviews its investments for possible other-than-temporary impairments on a regular basis. If any loss on investment is believed to be other-than-temporary, a charge will be recorded and a new cost basis in the investment will be established. In evaluating whether a loss on a security is other-than-temporary, the Company considers the following factors: 1) general market conditions, 2) the duration and extent to which the fair value is less than cost, 3) the Company's intent and ability to hold the investment.

For securities in an unrealized loss position which is deemed to be other-than-temporary, the difference between the security's then-current amortized cost basis and fair value is separated into (i) the amount of the impairment related to the credit loss (i.e., the credit loss component) and (ii) the amount of the impairment related to all other factors (i.e., the non-credit loss component). The credit loss component is recognized in earnings. The non-credit loss component is recognized in accumulated other comprehensive loss. Due to the relative short term nature of the investments, there have been no other-than-temporary impairments recorded to date.

Trade Accounts Receivable and Allowances for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not include finance charges. The Company performs ongoing credit evaluation of its customers and generally requires no collateral. The Company assesses the need for allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments by considering factors such as historical collection experience, credit quality, aging of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay. There were no write-offs of accounts receivable for fiscal years 2015, 2014 and 2013, respectively. There was no material allowance for doubtful accounts recorded as of January 31, 2015 and 2014, respectively.

Inventories

The Company records inventories at the lower of cost or market. The cost includes materials and other production costs and is computed using standard cost on a first-in, first-out basis. Inventory reserves are recorded for estimated obsolescence or unmarketable inventories based on forecast of future demand and market conditions. If actual market conditions are less favorable than projected, or if future demand for the Company's products decrease, additional inventory write-downs may be required. Once inventory is written down, a new accounting cost basis has been established and, accordingly, any associated reserve is not reversed until the inventory is sold or scrapped. There have been no material inventory losses recognized to date.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful life of three years for computer equipment, computer software, machinery, equipment and furniture and fixture. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives. Repairs and maintenance are charged to expense as incurred.

Internal-Use Software

The Company capitalizes certain software that is acquired and developed solely for internal use. The capitalization costs include fees for services provided to develop software during the application development stage, costs incurred to obtain software, and certain costs for employees who are directly associated with and who directly devote time to the project. The capitalization begins when the preliminary project stage is completed and ceases no later than the point at which the project is substantially complete and ready for its intended use after all substantial testing is completed. The internal-use software is amortized over its estimated useful life. Repairs and maintenance are charged to expense as incurred. As of January 31, 2015, the Company has capitalized approximately $1.6 million of internal-use software and has been recorded in property and equipment, net on the consolidated balance sheets.

Impairment of Long-Lived Assets

The Company records long-lived assets at cost and evaluates them for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events or changes in circumstances that may indicate that an asset is impaired include significant decreases in the market value of an asset, significant underperformance relative to expected historical or projected future results of operations, a change in the extent or manner in which an asset is utilized, significant declines in the estimated fair value of the overall Company for a sustained period, shifts in technology, loss of key management or personnel, changes in the Company's operating model or strategy and competitive forces. When the sum of the expected future undiscounted cash flows expected to be generated by the related asset group is less than its carrying amount, an impairment loss would be recognized. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's estimated fair value. There has been no occurrence of events to date that would trigger an impairment analysis. As such, no impairment charge has been recognized as of January 31, 2015.

Cost Method Investment

The Company accounts for its investment in a privately held company under the cost method and reports the investment in other assets in the consolidated balance sheets. The Company monitors the carrying value of the investment and records a reduction in carrying value when a decline in value is deemed to be other than temporary. To date, there have been no identified events or changes in circumstances that may have a significant adverse effect on the fair value of this investment and the Company has not recognized any impairment losses related to this investment.

Revenue Recognition

The Company generates revenue from the sales of its SoCs to OEMs or ODMs, either directly or through logistics providers. Revenue from sales directly to OEMs and ODMs is recognized upon shipment provided persuasive evidence of an arrangement exists, legal title to the products and risk of ownership have transferred, the fee is fixed or determinable, and collection of the resulting receivable is reasonably assured. The Company provides its logistics providers with the rights to return excess levels of inventory and to future price adjustments. Given the inability to reasonably estimate these price changes and returns, revenue and costs related to shipments to logistics providers are deferred until the Company has received notification from its logistics providers that they have sold the Company’s products. Information reported by the Company’s logistics providers includes product resale price, quantity and end customer shipment information as well as remaining inventory on hand. At the time of shipment to a logistics provider, the Company records a trade receivable as there is a legally enforceable right to receive payment, reduces inventory for the value of goods shipped as legal title has passed to the logistics provider and defers the related margin as deferred revenue in the consolidated balance sheets. Any price adjustments are recorded as a change to deferred revenue at the time the adjustments are agreed upon.

Arrangements with certain OEM customers provide for pricing that is dependent upon the end products into which the Company’s SoCs are used. These arrangements may also entitle the Company to a share of the product margin ultimately realized by the OEM. The minimum guaranteed amount of revenue related to the sale of products subject to these arrangements is recognized when all other elements of revenue recognition are met. Any amounts at the date of shipment invoiced in excess of the minimum guaranteed contract price are deferred until the additional amounts the Company is entitled to are fixed or determinable. Additional amounts earned by the Company resulting from margin sharing arrangements and determination of the end products into which the products are ultimately incorporated are recognized when end customer sales volume is reported to the Company.

The Company sells a limited amount of software under perpetual licenses that include post-contract customer support, or PCS. The Company does not have evidence of fair value for the PCS and, accordingly, license revenue is recognized ratably over the estimated supporting period in accordance with ASC 985, Software Revenue Recognition. The Company also enters into development agreements with certain customers. Revenue is deferred for any amounts billed prior to delivery of development services. However, if the Company retains the intellectual property generated from these development agreements, receipts and costs related to these arrangements are included in research and development expense. The revenue from those licenses and services was not material for the fiscal years ended January 31, 2015, 2014 and 2013, respectively.

Cost of Revenue

Cost of revenue includes cost of materials, cost associated with packaging and assembly, testing and shipping, cost of personnel, stock-based compensation, logistics and quality assurance, warranty cost, royalty expense, write-downs of inventories and allocation of overhead.

Warranty Costs

The Company typically provides warranty on its products. The Company accrues for the estimated warranty costs at the time when revenue is recognized. The warranty accruals are regularly monitored by management based upon historical experience and any specifically identified failures. While the Company engages in extensive product quality assessment, actual product failure rates, material usage or service delivery costs could differ from estimates and revisions to the estimated warranty liability would be required. The Company’s warranty accruals have not been material to date.

Research and Development

Research and development costs are expensed as incurred and consist primarily of personnel costs, product development costs, which include engineering services, development software and hardware tools, license fees, cost of fabrication of masks for prototype products, other development materials costs, depreciation of equipment used in research and development and allocation of facilities costs.

Selling, General and Administrative

Selling, general and administrative expense consists of personnel costs, travel and trade show costs, legal expenses, other professional services and occupancy costs. Advertising expenses have not been material to date.

Operating Leases

The Company recognizes rent expense on a straight-line basis over the term of the lease. The difference between rent expense and rent payment is recorded as deferred rent and is included in accrued liabilities in the consolidated balance sheets.

Stock-Based Compensation

The Company measures stock-based compensation for equity awards granted to employees and directors based on the estimated fair value on the grant date, and recognizes that compensation as expense using the straight-line attribution method for service condition awards or using the graded-vesting attribution method for awards with performance conditions over the requisite service period, which is typically the vesting period of each award. The Company estimates the fair value of restricted stock units, or RSUs, based on the fair market value of its ordinary shares on the grant date. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. Determining the fair value of stock options on the grant date requires the input of various assumptions, including stock price of the underlying ordinary share, the exercise price of the stock option, expected volatility, expected term, risk-free interest rate and dividend rate. The expected term is calculated using the simplified method as prescribed in the guidance provided by the Securities and Exchange Commission, as neither relevant historical experience nor other relevant data are available to estimate future exercise behavior. The expected volatility is based on the historical volatilities of similar companies whose share prices are publicly available for a period commensurate with the expected term. The risk-free interest rate is derived from the average U.S. Treasury constant maturity rates during the respective periods commensurate with the expected term. The expected dividend yield is zero because the Company has not historically paid dividends and has no present intention to pay dividends. The Company uses historical data to estimate pre-vesting award forfeitures and records stock-based compensation only for those awards that are expected to vest. Forfeitures are estimated at the time of grant and revised if necessary in subsequent periods if actual forfeitures differ from estimates.

The Company recognizes non-employee stock-based compensation expense based on the estimated fair value of the equity instrument. The fair value of the non-employee awards is remeasured at each reporting period until services required under the arrangement are completed, which is the vesting date.

Prior to the initial public offering, or IPO, the Company engaged an independent appraiser to assist in the valuation of its ordinary share price. The board of directors directed these regular valuations and had input into determining the relevant objective and subjective factors accounted for and relevant approaches in each valuation. After the IPO, the exercise price of stock option awards is determined by the closing price of the Company’s ordinary shares traded on The NASDAQ Global Market on the grant date.

Income Taxes

The Company records income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in its financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company applies authoritative guidance for the accounting for uncertainty in income taxes. The guidance requires that tax effects of a position be recognized only if it is “more likely than not” to be sustained based solely on its technical merits as of the reporting date. Upon estimating the Company’s tax positions and tax benefits, the Company considered and evaluated numerous factors, which may require periodic adjustments and which may not reflect the final tax liabilities. The Company adjusts its financial statements to reflect only those tax positions that are more likely than not to be sustained under examination.

As part of the process of preparing consolidated financial statements, the Company is required to estimate its taxes in each of the jurisdictions in which it operates. The Company estimates actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as accruals and allowances not currently deductible for tax purposes. These differences result in deferred tax assets, which are included in the consolidated balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the consolidated statements of operations become deductible expenses under applicable income tax laws, or loss or credit carryforwards are utilized.

In assessing whether deferred tax assets may be realized, management considers whether it is more likely than not that some portion or all of deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

The Company makes estimates and judgments about its future taxable income based on assumptions that are consistent with its plans and estimates. Should the actual amounts differ from estimates, the amount of valuation allowance could be materially impacted. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement for the periods in which the adjustment is determined to be required.

Net Income Per Ordinary Share

The Company applies the two-class method to calculate and present net income per ordinary share. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Participating securities are defined as securities that may participate in undistributed earnings with ordinary shares, whether that participation is conditioned upon the occurrence of a specified event or not. Basic net income per ordinary share is computed by dividing net income allocable to ordinary shares by the weighted-average number of ordinary shares outstanding for the period. Diluted net income per ordinary share is computed by dividing net income allocable to ordinary shares and income allocable to participating securities, to the extent they are dilutive, by the weighted-average number of ordinary shares outstanding, including the dilutive effects of participating securities on an if-converted basis plus the dilutive effects of ordinary shares. The Company's potential dilutive ordinary share equivalents consist of incremental ordinary shares issuable upon the exercise of options, upon the issuance of shares pursuant to the Employee Stock Purchase Plan, or ESPP, upon release of vested restricted stock units, upon conversion of its redeemable convertible preference shares and upon exercise of warrants.

The Company performs an assessment as to whether instruments granted in stock-based payment transactions are participating securities. Stock-based payment awards that have not yet vested meet the definition of a participating security provided the right to receive the dividend is non-forfeitable and non-contingent. These participating securities should be included in the computation of basic net income per ordinary share under the two-class method. The Company has concluded that its non-vested early-exercised options meet the definition of a participating security and should be included in the computation of basic net income per ordinary share.

Comprehensive Income (Loss)

Comprehensive income (loss) includes unrealized gains or losses from available-for-sale securities that are excluded from net income.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance clarifies the principles and develops a common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards (the "IFRS"). Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity shall identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the entity satisfies a performance obligation. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The new revenue guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of adoption on its financial position, results of operations and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. In connection with each annual and interim period, management is required to assess whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the issuance date, and to provide related footnote disclosures in certain circumstances. The new guidance is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. This ASU is not expected to have an impact on the Company's financial statements or disclosures.

2. Financial Instruments and Fair Value

Beginning in fiscal year 2015, the Company invested a portion of its cash in marketable securities that are denominated in United States dollars. The investment portfolio consists of money market funds, asset-backed securities, commercial paper and debt securities of corporations. All of the investments are classified as available-for-sale securities and reported at fair value in the consolidated balance sheets as follows:

	As of January 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	$2,427	$ —	$ —	$2,427
Commercial paper	1,497	—	—	1,497
Corporate bonds	32,356	9	(10)	32,355
Asset-backed securities	3,851	—	—	3,851
Total cash equivalents and marketable securities	$40,131	$ 9	$ (10)	$40,130

	As of January 31, 2015 (in thousands)
Included in cash equivalents	$ 2,427
Included in marketable securities	37,703
Total cash equivalents and marketable securities	$ 40,130

The contractual maturities of the investments at January 31, 2015 were as follows:

	As of January 31, 2015 (in thousands)
Due within one year	$ 37,559
Due within one to two years	2,571
Total cash equivalents and marketable securities	$ 40,130

The unrealized losses on the available-for-sale securities were caused by fluctuations in market value and interest rates as a result of the economic environment. As the decline in market value was attributable to changes in market conditions and not credit quality, and because the Company neither intended to sell nor was it more likely than not that it will be required to sell these investments prior to a recovery of par value, the Company did not consider these investments to be other-than temporarily impaired as of January 31, 2015.

The following fair value hierarchy is applied for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.

Level 3—Unobservable inputs based on the Company’s own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

The Company measures the fair value of money market funds using quoted prices in active markets for identical assets and classifies them within Level 1. The fair value of the Company’s investments in other debt securities are obtained based on quoted prices for similar asserts in active markets, or model driven valuations using significant inputs derived from or corroborated by observable market data and are classified within Level 2.

The following table presents the fair value of the financial instruments measured on a recurring basis as of January 31, 2015:

	Total	Level 1	Level 2	Level 3
	(in thousands)			
Money market funds	$2,427	$2,427	$—	$ —
Commercial paper	1,497	—	1,497	—
Corporate bonds	32,355	—	32,355	—
Asset-backed securities	3,851	—	3,851	—
Total cash equivalents and marketable securities	$40,130	$2,427	$37,703	$ —

3. Inventories

Inventories at January 31, 2015 and 2014 consisted of the following:

	As of January 31, 2015	2014
	(in thousands)	
Work-in-progress	$13,805	$5,119
Finished goods	7,888	5,333
Total	$21,693	$10,452

4. Property and Equipment, net

Depreciation expense was approximately $1.3 million, $1.1 million and $0.7 million for the years ended January 31, 2015, 2014 and 2013, respectively. Property and equipment at January 31, 2015 and 2014 consisted of the following:

	As of January 31, 2015	2014
	(in thousands)	
Computer equipment and software	$5,310	$4,521
Machinery and equipment	2,234	2,114
Furniture and fixtures	456	411
Leasehold improvements	1,215	1,198
Construction in progress	64	—
	9,279	8,244

Less: accumulated depreciation and amortization	(6,204)	(5,226)
Total property and equipment, net	$3,075	$3,018

In March 2013, the Company entered into a lease agreement of approximately 35,000 square feet for its new headquarters located in Santa Clara, California with an initial five-year term. Pursuant to the lease agreement, the Company agreed to pay certain construction costs. As of January 31, 2014, the Company had capitalized approximately $0.7 million of leasehold improvements as a result of the construction, which is being depreciated over the term of the lease.

In August 2012, the Company began implementation of its enterprise resources planning ("ERP") system. As of January 31, 2015, the Company capitalized approximately $1.6 million of internal-use software related to the ERP implementation project and amortized over an estimated economic useful life of three years under a straight-line method.

5. Accrued Liabilities

Accrued liabilities at January 31, 2015 and 2014 consisted of the following:

	As of January 31,	
	2015	2014
	(in thousands)	
Accrued employee compensation	$11,318	$8,108
Accrued warranty	203	269
Accrued rebates	254	270
Accrued product development costs	5,004	1,904
Other accrued liabilities	1,920	1,154
Total accrued liabilities	$18,699	$11,705

6. Deferred Revenue and Deferred Cost

Deferred revenue and related cost at January 31, 2015 and 2014 consisted of the following:

	As of January 31,	
	2015	2014
	(in thousands)	
Deferred revenue on product shipments	$4,663	$5,174
Deferred revenue from licenses & services	1,610	1,023
Deferred cost of revenue on product shipments	(1,168)	(1,366)
Total deferred revenue, net	$5,105	$4,831

7. Capital Stock

Initial Public Offering

In October 2012, in connection with its initial public offering, or IPO, the Company completed the sale of 6,000,000 ordinary shares inclusive of 1,095,349 shares sold by certain shareholders of the Company. In November 2012, a total of 900,000 ordinary shares were sold to the Company's IPO underwriters in connection with their exercise of over-allotment option. The public offering price of the shares sold in this offering was $6.00 per share. The total net proceeds from the offering to the Company were approximately $30.4 million after deducting underwriting discounts and commissions and other offering expenses. Upon the completion of the IPO, all 13,315,727 outstanding redeemable convertible preference shares converted into ordinary shares on a one-to-one basis and all outstanding warrants to purchase redeemable convertible preference shares converted into warrants to purchase ordinary shares.

Preference shares

After completion of the IPO, a total of 20,000,000 preference shares, with a $0.00045 par value per share, were authorized. There were no shares issued and outstanding as of January 31, 2015 and 2014, respectively.

Warrants

In connection with a financing agreement in 2004, the Company issued warrants to purchase 36,292 redeemable convertible preference shares at an exercise price of $3.582 per share.

Prior to the closing of IPO, the Company utilized the Black-Scholes option pricing model to determine the fair value of the warrants, including the consideration of underlying ordinary share price, a risk-free interest rate, expected term and expected volatilities. Certain inputs used in the model were unobservable. As a result, the valuation of warrants was categorized as Level 3 in accordance with ASC 820, Fair Value Measurement. The warrants were revalued up to the closing of IPO and any change in fair value had been recorded in other income (loss).

Upon the completion of the IPO, the warrants to purchase redeemable convertible preference shares converted to warrants to purchase ordinary shares. As a result, $110,000 of aggregate fair market value was reclassified from liabilities to shareholders' equity. As of January 31, 2014, the warrants were fully exercised and were no longer outstanding.

Ordinary shares

200,000,000 ordinary shares were authorized at January 31, 2015 and 2014, respectively. As of January 31, 2015 and 2014, the following ordinary shares were reserved for future issuance:

	As of January 31,	
	2015	2014
Shares reserved for options and restricted stock units	5,055,845	5,699,530
Shares reserved for employee stock purchase plan	667,990	456,410

8. Employee Benefits and Stock-based Compensation

401(k) Plan

The Company maintains a defined contribution 401(k) plan (the “401(k) Plan”) for all of its eligible U.S. employees. Under the 401(k) Plan, eligible employees may contribute up to the Internal Revenue Service annual contribution limitation. The Company is responsible for administrative costs of the Plan. The Company has not had any matching contributions to date.

Stock Option Plans

2004 Stock Plan. The board of directors adopted, and the shareholders approved, the 2004 Stock Plan, as amended, (the “2004 Plan”). The 2004 Plan was last amended on August 28, 2012. The 2004 Plan provides for the grant of incentive stock options (“ISOs”) within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), nonstatutory stock options (“NSOs”), stock purchase rights to acquire restricted stock and restricted stock units. Upon the completion of the IPO, no additional awards will be granted under the 2004 Plan and the 2004 Plan was terminated. However, all outstanding stock options and other awards previously granted under the 2004 Plan will remain subject to the terms of the 2004 Plan.

2012 Equity Incentive Plan. The board of directors adopted, and the shareholders approved, the 2012 Equity Incentive Plan, (the “EIP”). The EIP became effective on October 8, 2012. The EIP permits the grant of ISOs, within the meaning of Section 422 of the Code, to employees of the Company and any of the Company’s subsidiary corporations, and the grant of NSOs, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares, deferred stock units and dividend equivalents to employees, directors and consultants of the Company and any of the Company’s subsidiary corporations’ employees and consultants.

The exercise price of ISOs granted to a holder of more than 10% of the voting power of all classes of the Company’s shares shall be no less than 110% of fair market value on the grant date. The exercise price of ISOs granted to other employees and NSOs shall be no less than 100% of fair market value on the grant date. Options granted under the Plan have a term of up to 10 years from grant date. Options granted to new employees generally vest 25% on the first anniversary service date of the grant and remainder vest ratably over the following 36 months. Vesting schedules for other option grants vary and are subject to approval by the board of directors.

Restricted stock units, or RSUs, granted to new employees generally vest as to 1/4th of the shares on the first anniversary service date of the grant and 1/16th of the RSUs vest every 3 months thereafter, so as to be 100% vested on the fourth anniversary of the vesting commencement date. Vesting schedules for other service and performance condition awards vary and are subject to approval by the board of directors; provided that the performance RSUs shall not vest at all until the performance conditions are achieved and are subject to the RSU holder continuing to provide services to the Company through such vesting dates. The performance condition RSUs are automatically forfeited in their entirety, without any cost to or action by the Company, if there has been no achievement of the performance.

On February 1, 2014, the Company added 1,297,555 ordinary shares to the ordinary shares reserved for issuance, pursuant to an “evergreen” provision contained in the EIP. Pursuant to such provision, on February 1st of each fiscal year, the number of ordinary shares reserved for issuance under the EIP is automatically increased by a number equal to the lesser of (i) 3,500,000 ordinary shares, (ii) four and one half percent (4.5%) of the aggregate number of ordinary shares outstanding on January 31st of the preceding fiscal year, or (iii) a lesser number of shares that may be determined by the Company’s Board of Directors.

2012 Employee Stock Purchase Plan. The board of directors adopted, and the shareholders approved, the 2012 Employee Stock Purchase Plan, or ESPP, which became effective upon the completion of IPO. The ESPP permits eligible participants to purchase ordinary shares at a discount through contributions of up to 10% of their eligible compensation, subject to any IRS limitations. The ESPP provides for offering and purchase periods of six months in duration. The purchase price of ordinary shares is 85% of the lower of the closing market price of the Company’s ordinary shares on the first trading day of each offering period or on the purchase date.

On February 1, 2014, the Company added 359,356 ordinary shares to the ordinary shares reserved for issuance, pursuant to an "evergreen" provision contained in the ESPP. Pursuant to such provision, on February 1st of each fiscal year, the number of ordinary shares reserved for issuance under the ESPP is automatically increased by a number equal to the lesser of (i) 1,500,000 ordinary shares, (ii) one and one quarter percent (1.25%) of the aggregate number of ordinary shares outstanding on such date, or (iii) an amount determined by the Company's Board of Directors or a duly authorized committee of the Board of Directors.

Early Exercise Rights. Certain employees have the rights to early exercise unvested options, subject to repurchase rights held by the Company at their original purchase price upon termination of employment until vested. As of January 31, 2015 and 2014, a total of 86,925 and 86,340 shares of unvested early exercised options were repurchased, respectively. The unvested early exercised shares subject to the Company's repurchase rights were not material as of January 31, 2015.

Stock-based Compensation

The following table presents the classification of stock-based compensation for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
Stock-based compensation:			
Cost of revenue	$343	$178	$92
Research and development	8,654	4,887	2,942
Selling, general and administrative	6,695	3,470	1,965
Total stock-based compensation	$15,692	$8,535	$4,999

As of January 31, 2015, total unrecognized compensation cost related to unvested stock options and unvested restricted stock units was $10.3 million and $48.7 million, respectively, and is expected to be recognized over a weighted-average period of 2.39 years and 2.90 years, respectively.

The following table sets forth the weighted-average assumptions used to estimate the fair value of the stock options and employee stock purchase plan awards for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
Stock Options:			
Volatility	64 %	65 %	66 %
Risk-free interest rate	1.93%	1.55%	0.91%
Expected term (years)	6.01	6.06	6.05
Dividend yield	0 %	0 %	0 %
Employee stock purchase plan awards:			
Volatility	49 %	52 %	51 %
Risk-free interest rate	0.07%	0.04%	0.18%

Expected term (years)	0.5		0.5		0.94	
Dividend yield	0	%	0	%	0	%

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The following table summarizes stock option activities for the periods indicated:

	Option Outstanding					
	Shares	Weighted-Average Exercise Price	Weighted-Average Grant-date Fair Value	Total Intrinsic Value of options Exercised (in thousands)	Weighted-Average Remaining Contactual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 31, 2012	4,375,906	$ 5.63				
Granted	451,071	8.79	$ 5.23			
Exercised	(313,827)	3.21		$ 2,087		
Forfeited	(168,615)	7.22				
Outstanding at January 31, 2013	4,344,535	6.07				
Granted	255,520	18.14	$ 10.85			
Exercised	(1,160,286)	5.96		$ 18,217		
Forfeited	(81,063)	10.34				
Outstanding at January 31, 2014	3,358,706	6.92				
Granted	428,781	36.33	$ 21.37			
Exercised	(1,456,944)	5.84		$ 46,427		
Forfeited	(48,634)	13.38				
Outstanding at January 31, 2015	2,281,909	$ 13.00			6.35	$ 96,547
Exercisable at January 31, 2015	1,553,901	$ 7.22			5.30	$ 74,735
Vested and expected to vest at January 31, 2015	2,239,650	$ 12.68			6.30	$ 95,482

Exercisable shares include options with early exercise rights. The vested and expected-to-vest options are calculated based on vesting schedule of each grant as of the reporting date.

The intrinsic value of options outstanding, exercisable and expected-to-vest options are calculated based on the difference between the fair market value of the Company's ordinary shares on the reporting date and the exercise price. The closing price of the Company's ordinary shares was $55.31 on January 31, 2015, as reported by The NASDAQ Global Market. The intrinsic value of exercised options is calculated based on the difference between the fair market value of the Company's ordinary shares on the exercise date and the exercise price.

The following table summarizes restricted stock units activities for the periods indicated:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at January 31, 2012	—	$ —
Granted	345,171	9.99

Vested	—	—
Forfeited	(5,954)	9.99
Unvested at January 31, 2013	339,217	9.99
Granted	1,265,472	14.78
Vested	(174,888)	11.91
Forfeited	(19,712)	11.97
Unvested at January 31, 2014	1,410,089	14.02
Granted	1,111,204	38.60
Vested	(484,296)	17.39
Forfeited	(56,549)	19.93
Unvested at January 31, 2015	1,980,448	$ 26.82

As of January 31, 2015, the aggregate intrinsic value of unvested restricted stock units was $109.5 million.

Non-employee Stock-based Compensation

The fair value of awards granted to non-employees is determined on the grant date and remeasured at the end of each reporting period until such awards vest. The non-employee stock-based compensation was not material for the years ended January 31, 2015, 2014 and 2013, respectively.

9. Net Income Per Ordinary Share

The following table sets forth the computation of basic and diluted net income per ordinary share for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands, except share and per share data)		
Numerator:			
Net income	$50,571	$25,654	$18,188
Less: amount allocable to preference shareholders	—	—	(9,517)
Less: amount allocable to unvested early exercised options	(11)	(31)	(61)
Net income allocable to ordinary shareholders - basic	$50,560	$25,623	$8,610
Undistributed earnings reallocated to ordinary shareholders	1	2	432
Net income allocable to ordinary shareholders - diluted	$50,561	$25,625	$9,042
Denominator:			
Weighted-average ordinary shares outstanding	29,749,354	27,713,998	13,599,273
Less: weighted-average unvested early exercised options subject to repurchase	(6,701)	(33,220)	(87,627)
Weighted-average ordinary shares - basic	29,742,653	27,680,778	13,511,646
Effect of potentially dilutive securities:			
Employee stock options	1,818,401	2,034,500	1,443,809
Restricted stock units	704,788	316,350	16,930
Employee stock purchase plan	12,285	138,461	27,230
Warrants to purchase ordinary shares	—	2,474	6,737
Over-allotment shares	—	—	10,634
Weighted-average ordinary shares - diluted	32,278,127	30,172,563	15,016,986
Net income per ordinary share:			
Basic	$1.70	$0.93	$0.64
Diluted	$1.57	$0.85	$0.60

Earnings per share (EPS) of ordinary shares was calculated using the two-class method required for participating securities. Prior to the date of the IPO, all series of redeemable convertible preference shares were considered to be participating securities due to their non-cumulative dividend rights. In connection with the Company’s IPO in October

2012, all outstanding redeemable convertible preference shares converted to ordinary shares. Net income has been allocated to the ordinary shares, redeemable convertible preference shares and unvested early exercised options based on their respective rights to share in net income and weighted-average outstanding during the periods.

The following weighted-average potentially dilutive securities were excluded from the computation of diluted net income per ordinary share as their effect would have been antidilutive:

	Year Ended January 31,		
	2015	2014	2013
Options to purchase ordinary shares	217,514	183,859	2,053,520
Restricted stock units	167,702	1,576	60,504
Employee stock purchase plan	36,110	10,597	20,356
Early exercised options subject to repurchase	6,701	33,220	87,627
Redeemable convertible preference shares (if-converted basis)	—	—	9,131,824
Warrants to purchase ordinary shares	—	—	24,889
	428,027	229,252	11,378,720

10. Income Taxes

Income before income taxes consisted of the following for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
U.S. operations	$1,978	$1,990	$3,264
Non-U.S. operations	50,058	25,905	16,778
Income before income taxes	$52,036	$27,895	$20,042

Income tax provision consisted of the following for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
Current:			
U.S. federal tax	$3,135	$1,738	$2,022
U.S. state taxes	93	23	5
Non-U.S. foreign taxes	1,348	1,058	701
	4,576	2,819	2,728
Deferred:			
U.S. federal tax	(3,208)	(952)	(743)
U.S. state taxes	—	341	(109)
Non-U.S. foreign taxes	97	33	(22)
	(3,111)	(578)	(874)
Provision for income taxes	$1,465	$2,241	$1,854

Income tax provision differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income as a result of the following for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
U.S. federal tax at statutory rate	$17,692	$9,484	$6,814
U.S. state taxes	90	361	(107)
Non-U.S. foreign tax differential	(15,644)	(7,674)	(4,513)

Stock-based compensation	1,601	927	682
U.S. R&D credit	(2,298)	(858)	(890)
Other	24	1	(132)
Provision for income taxes	$1,465	$2,241	$1,854

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Temporary differences that gave rise to significant portions of the Company's deferred tax assets and liabilities at January 31, 2015 and 2014 were as follows:

	As of January 31, 2015	2014
	(in thousands)	
Deferred tax assets:		
Federal and state credits	$6,465	$2,587
Expenses not currently deductible	1,590	1,149
Foreign deferred	—	26
Stock-based compensation	2,044	1,460
Gross deferred tax assets	10,099	5,222
Valuation allowance	(3,996)	(2,302)
Total deferred tax assets	$6,103	$2,920
Deferred tax liabilities		
Property and equipment	(199)	(187)
Foreign deferred	(70)	—
Net deferred tax assets	$5,834	$2,733

Tax valuation allowance for the periods indicated below were as follows:

	Balance at Beginning of Period	Additional Charged to Expenses	Additions Charged to Other Account	Deductions Charged to Expenses or Other Accounts	Balance at End of Period
	(in thousands)				
Tax Valuation Allowance					
Year ended January 31, 2015	$2,302	1,694	—	—	$3,996
Year ended January 31, 2014	$1,243	1,059	—	—	$2,302
Year ended January 31, 2013	$1,301	—	—	(58)	$1,243

The Company conducts its business in several countries and regions and is subject to taxation in those jurisdictions. The Company is incorporated in the Cayman Islands with foreign subsidiaries in the U.S., China, Taiwan, and other foreign countries and regions. As such, the Company's worldwide operating income is subject to varying tax rates and its effective tax rate is highly dependent upon the geographic distribution of its earnings or losses and the tax laws and regulations in each geographical region. Consequently, the Company has experienced lower effective tax rates as a substantial amount of its operations are conducted in lower-tax jurisdictions. If the Company's operational structure was to change in such a manner that would increase the amount of operating income subject to taxation in higher-tax jurisdictions, or if the Company was to commence operations in jurisdictions assessing relatively higher tax rates, its effective tax rate could fluctuate significantly on a quarterly basis and/or be adversely affected. Dividend distributions received from the Company's U.S. subsidiary and certain other foreign subsidiaries may be subject to local country withholding taxes when, and if, distributed. Deferred tax liabilities have not been recorded on unremitted earnings of certain subsidiaries because management's intent is to indefinitely reinvest any undistributed earnings in those subsidiaries. If dividend distributions from those subsidiaries were to occur, the liability as of January 31, 2015 would be $28.6 million. Cumulative undistributed earnings of foreign subsidiaries for which no deferred taxes have been provided approximated $4.1 million at January 31, 2015.

As of January 31, 2015 and 2014, the Company had deferred tax assets (net of deferred tax liabilities) before valuation allowance, of $9.8 million and $5.0 million, respectively. Realization of the deferred tax assets is dependent upon future taxable income, if any, the amount and timing of which are uncertain.

The Company has Federal and California state research and development credit carryforwards of approximately $2.6 million and $5.9 million, respectively, at January 31, 2015. The Federal credits begin to expire in fiscal year 2034. The California credits can be carried forward indefinitely.

The Company reports its U.S. state deferred tax assets and related valuation allowance, net of the U.S federal tax rate of 34%. As of January 31, 2015, the Company has no valuation allowance other than state deferred tax assets as the Company has sufficient positive evidence to indicate no other valuation allowance is needed as a result of the Company's history of profitable operations in the United States. As of January 31, 2015, the Company has a full valuation allowance against its U.S. state deferred tax assets due to uncertainty regarding the future utilization of these deferred tax assets.

Utilization of the research credit carryforwards may be subject to an annual limitation due to the ownership percentage change limitations as defined by the U.S. Internal Revenue Code Section 382, as amended, and similar state provisions. The annual limitation may result in the expiration of the U.S. Federal and state research credit carryforwards before utilization. The Company does not expect any tax credit carryforwards to expire as a result of a Section 382 limitation.

The Company applies the provisions of FASB's guidance on accounting for uncertainty in income taxes. As of January 31, 2015, the Company had approximately $4.7 million in unrecognized tax benefits, $2.8 million of which would affect the Company's effective tax rate if recognized. The following table sets forth a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
Beginning balance:	$3,583	$3,018	$2,213
Additions based on tax positions related to the current year	1,284	539	325
Additions for tax positions of prior years	324	62	690
Settlements for prior periods	(43)	—	—
Lapse of applicable statute of limitations	(477)	(36)	(210)
Ending balance:	$4,671	$3,583	$3,018

The Company classified $1.2 million and $1.3 million of income tax liabilities as other long term liabilities as of January 31, 2015 and 2014, respectively, because payment of cash or settlement is not anticipated within one year from the balance sheet date.

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense. The Company recorded $7,180, $37,000 and $23,000 of interest expense and penalties related to uncertain tax positions for the years ended January 31, 2015, 2014 and 2013, respectively. The Company recorded noncurrent liabilities of $160,000 and $153,000 related to interest and penalties for uncertain tax positions at January 31, 2015 and 2014, respectively.

The Company is subject to income tax in the U.S. federal jurisdiction and various state and foreign jurisdictions. The U.S. Internal Revenue Service has concluded its audit of the Company's Federal income tax return for the fiscal year ended January 31, 2010 with no adjustments.

The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the

Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs. Although timing of the resolution and/or closure of audits is highly uncertain, the Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next 12 months.

As of January 31, 2015, the Company's long-term income taxes payable, including estimated interest and penalties, was approximately $1.4 million. The Company was unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audits, if any, or their outcomes.

11. Commitments and Contingencies

The Company leases its principal facilities and time-based software licenses under operating agreements with various expiration dates through April 2018. Net operating lease expenses for the years ended January 31, 2015, 2014 and 2013 were approximately $5.8 million, $5.0 million and $4.3 million, respectively. Future annual minimum payments under these operating agreements with initial lease terms in excess of one year are as follows:

Fiscal Year	As of January 31, 2015 (in thousands)
2016	$ 5,488
2017	4,968
2018	1,375
2019	238
2020	—
Total future annual minimum lease payments	$ 12,069

Contract Manufacturer Commitments

The Company's components and products are procured and built by independent contract manufacturers based on sales forecasts. These forecasts include estimates of future demand, historical trends, analysis of sales and marketing activities, and adjustment of overall market conditions. The Company regularly issues purchase orders to independent contract manufacturers which are cancelable only upon the agreement between the Company and the third-party. As of January 31, 2015 and 2014, total manufacturing purchase commitments were approximately $27.5 million and $13.7 million, respectively.

Indemnification

The Company, from time to time, in the normal course of business, indemnifies certain vendors with whom it enters into contractual relationships. The Company has agreed to hold the other party harmless against third-party claims in connection with the Company's future products. The Company also indemnifies certain customers against third party claims related to certain intellectual property matters. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim. The Company has not made payments under these obligations and no liabilities have been recorded for these obligations on the consolidated balance sheets as of January 31, 2015 and 2014, respectively.

12. Segment Reporting

The Company operates in one reportable segment related to the development and sales of low-power, high-definition video products. The Chief Executive Officer of the Company has been identified as the Chief Operating Decision Maker (the "CODM") and manages the Company's operations as a whole and for the purpose of evaluating financial performance and allocating resources, the CODM reviews financial information presented on a consolidated basis accompanied by information by customer and geographic region.

Geographic Revenue

The following table sets forth the Company's revenue by geographic region for the periods indicated:

	Year Ended January 31,		
	2015	2014	2013
	(in thousands)		
Hong Kong	$196,372	$135,382	$104,458
Asia Pacific	2,358	2,809	550
United States	6,677	7,128	7,990
North America	6,076	4,594	2,602
Europe	6,795	7,695	5,466
Total revenue	$218,278	$157,608	$121,066

As of January 31, 2015, substantially all of the Company's long-lived assets were located in the United States and Asia Pacific region with approximate net amount of $1.8 million and $1.0 million, respectively. As of January 31, 2014, substantially all of the Company's long-lived assets were located in the United States and Asia Pacific region with approximate net amount of $2.0 million and $0.9 million, respectively.

Major Customers

The customers representing 10% or more of revenue and accounts receivable were Wintech, the Company's logistic provider, and Chicony, a direct ODM customer, which combined accounted for approximately 89%, 85% and 80% of total revenue for the years ended January 31, 2015, 2014 and 2013, respectively. Accounts receivable with these two customers combined accounted for approximately $36.2 million and $15.9 million as of January 31, 2015 and 2014, respectively.

13. Related-Party Transactions

The Company considers an entity to be a related party if it owns more than 10% of the Company's total voting stock at the end of each reporting period or if an officer or employee of an entity also serves on the Company's board of directors or if it is a significant shareholder and has material business transactions with the Company.

In fiscal year 2015, the Company added additional software license commitments to its existing software license agreement with Cadence Design Systems, Inc. ("Cadence"). A member of the Company's Board of Directors is also the Chief Executive Officer, President and a Director of Cadence. Under these license commitments, the Company committed to pay an aggregate amount of $7.5 million payable through January 2017. The Company paid $2.3 million, $1.7 million and $1.8 million under these agreements for the years ended January 31, 2015, 2014 and 2013, respectively. License expenses related to these agreements included in research and development cost were approximately $1.9 million, $1.7 million and $1.8 million for the years ended January 31, 2015, 2014 and 2013, respectively.

In addition to the related party transactions noted above, the Company recognized revenue from sales to Wintech, the Company's logistics provider. Wintech, along with an affiliate, owned approximately 4.6% of the Company's voting stock as of January 31, 2013, but has sold such stock and is no longer a significant shareholder of the Company as of January 31, 2015 and 2014, respectively. The Company recognized revenue from sales to Wintech of approximately $125.1 million, $88.7 million and $76.5 million for the years ended January 31, 2015, 2014 and 2013, respectively. As of January 31, 2015 and 2014, the Company had receivables from Wintech of approximately $12.1 million and $7.9 million, respectively.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2015.

AMBARELLA, INC.

By: /s/ George Laplante
George Laplante, Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints George Laplante as his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign, and file with the Securities and Exchange Commission any and all amendments to this Annual Report on Form 10-K, together with all schedules and exhibits thereto, (ii) act on, sign, and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, and (iii) take any and all actions that may be necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on March 30, 2015.

Signature	Title
/s/ Feng-Ming Wang Feng-Ming Wang	President, Chief Executive Officer, Executive Chairman and Director (Principal Executive Officer)
/s/ George Laplante George Laplante	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Les Kohn Les Kohn	Chief Technical Officer and Director
/s/ Chenming C. Hu	Director

Chenming C. Hu	
/s/ Christopher B. Paisley Christopher B. Paisley	Director
/s/ Jeff Richardson Jeff Richardson	Director
/s/ Lip-Bu Tan Lip-Bu Tan	Director
/s/ Andrew W. Verhalen Andrew W. Verhalen	Director

EXHIBITS INDEX

Exhibit Number	Description
3.1(1)	Amended and Restated Memorandum of Association and Second Amended and Restated Articles of Association of the Registrant
4.1(2)	Third Amended and Restated Investors' Rights Agreement, dated January 5, 2012, by and among Ambarella, Inc. and certain of its shareholders
10.1.1(3)*	Amended and Restated 2004 Stock Plan
10.1.2(4)*	Form of Stock Option Agreement under Amended and Restated 2004 Stock Plan
10.1.3(5)*	Form of Restricted Stock Unit Award Agreement under Amended and Restated 2004 Stock Plan
10.2.1(6)*	2012 Equity Incentive Plan
10.2.2(7)*	Form of Stock Option Agreement under 2012 Equity Incentive Plan
10.2.3(8)*	Form of Restricted Stock Agreement under 2012 Equity Incentive Plan
10.2.3(9)*	Form of Restricted Stock Unit Agreement under 2012 Equity Incentive Plan
10.3(10)*	2012 Employee Stock Purchase Plan
10.4(11)*	Form of Indemnification Agreement
10.5(12)*	Offer Letter entered into by Ambarella, Inc. with George Laplante dated March 3, 2011, as amended
10.6.1(13)*	Form of Change of Control and Severance Agreement, entered into by Ambarella, Inc. with the Chief Executive Officer, Chief Financial Officer and Chief Technology Officer
10.6.2(14)*	Form of Change of Control and Severance Agreement, entered into by Ambarella, Inc. with executive officers other than the Chief Executive Officer, Chief Financial Officer and Chief Technology Officer
10.7.1(15)*	Description of Executive Bonus Plan For Fiscal Year 2013
10.7.2(16)*	Description of Executive Bonus Plan For Fiscal Year 2014
10.7.3(17)*	Description of Executive Bonus Plan For Fiscal Year 2015
10.7.4(18)*	Description of Executive Bonus Plan For Fiscal Year 2016
10.8.1(19)	

	Sales Representative Agreement dated January 31, 2011 by and between Ambarella, Inc. and WT Microelectronics Co., Ltd.
10.8.2(20)	Amendment No. 1 to Sales Representative Agreement dated February 1, 2012 by and between Ambarella, Inc. and WT Microelectronics Co., Ltd.
10.8.3(21)	Amendment No. 2 to Sales Representative Agreement dated October 1, 2012 by and between Ambarella, Inc. and WT Microelectronics Co., Ltd.
10.9.1(22)	Lease dated September 29, 2006 by and between Renault & Handley Employees' Investment Co. and Ambarella Corporation
10.9.2(23)	First Amendment to Lease dated November 12, 2009 by and between Renault & Handley Employees' Investment Co. and Ambarella Corporation
10.10(24)	Lease Agreement dated March 1, 2013 by and between Ambarella Corporation and Westcore Jay, LLC.
21.1(25)	List of subsidiaries of the registrant
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm
24.1	Power of Attorney (included in signature page).
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.

31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1±	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Labels Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

(1) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on September 12, 2012.
(2) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on August 22, 2012.
(3) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on September 12, 2012.
(4) Incorporated by reference to the Form S-1 (No. 333-174838) filed on June 10, 2011.
(5) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on September 12, 2012.
(6) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on September 12, 2012.
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(14) Incorporated by reference to the Form S-1 (No. 333-174838) filed on June 10, 2011.
(15) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on August 22, 2012.
(16) Incorporated by reference to the Form 8-K filed on March 11, 2013.
(17) Incorporated by reference to the Form 8-K filed on March 21, 2014.
(18) Incorporated by reference to the Form 8-K filed on March 2, 2015.
(19) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on September 26, 2012.
(20) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on September 26, 2012.
(21) Incorporated by reference to the Form S-1/A (No. 333-174838) filed on October 5, 2012.
(22) Incorporated by reference to the Form S-1 (No. 333-174838) filed on June 10, 2011.
(23) Incorporated by reference to the Form S-1 (No. 333-174838) filed on June 10, 2011.
(24) Incorporated by reference to the Form 10-K filed on April 4, 2013.
(25) Incorporated by reference to the Form S-1 (No. 333-174838) filed on June 10, 2011.
* Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate
± In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 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 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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