https://fortune.com/2025/06/03/nvidia-chips-h20-writedown-4-5-billion-china/

Nvidia’s chips are among the world’s hottest commodities. So why is the company likely trashing $4.5 billion worth of them?

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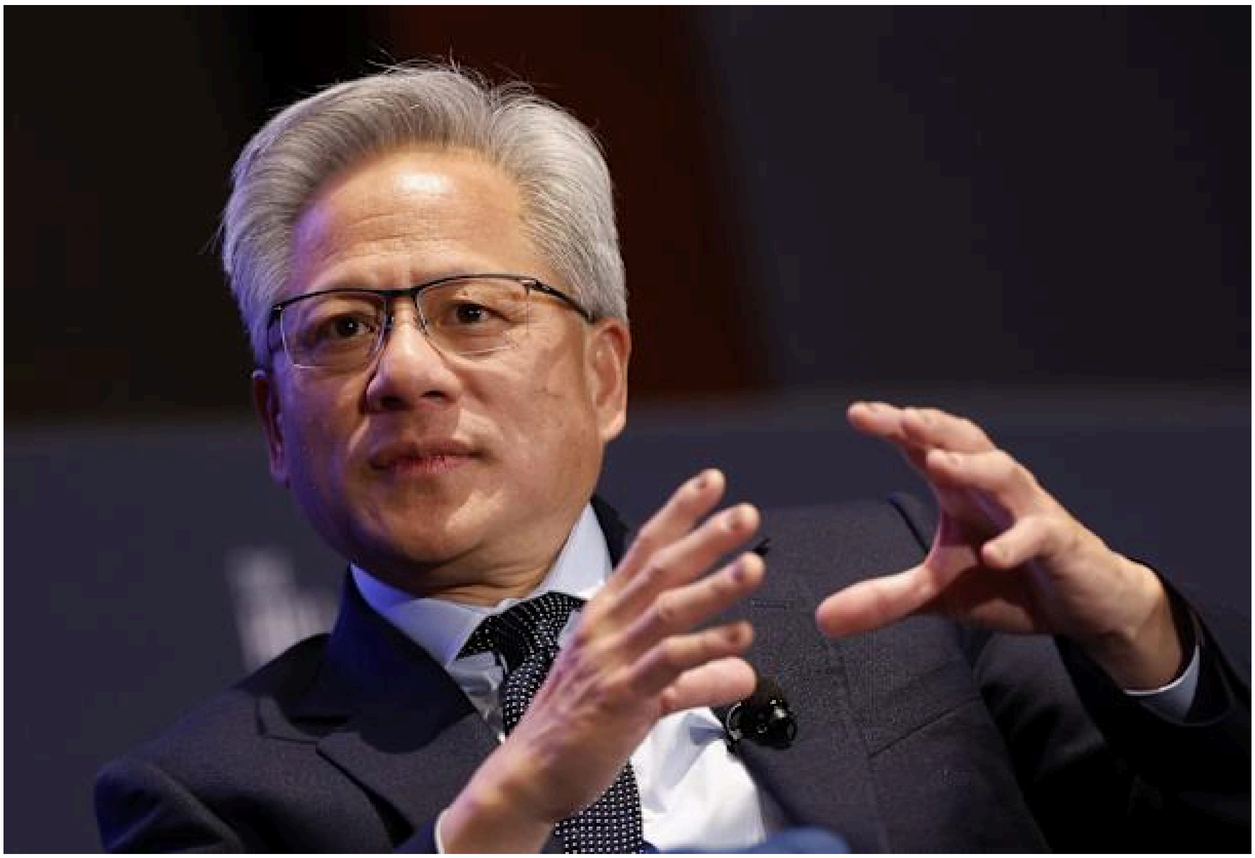

Nvidia CEO Jensen Huang. · Fortune · Kevin Dietsch/Getty Images

Nvidia’s blockbuster quarterly earnings last week came with a big dose of negative news: A $4.5 billion write-down on chips originally destined for customers in China that will ultimately go undelivered.

The company had developed the so-called H20 chips, which are less powerful than its top-of-the-line semiconductors, to comply with Biden Administration regulations against sending technology to foreign adversaries that could help their AI efforts. The Trump

Administration, however, went a step further in early April and banned exports of even second-tier chips.

“We are taking a multibillion-dollar write-off on inventory that cannot be sold or repurposed,” said Nvidia CEO Jensen Huang on a May 28 earnings call.

The details around the decision to write the value of the chips to zero—rather than sell them to other customers—weren’t explained. The company added, without elaborating, that it’s “exploring limited options” for the unused inventory, a move that would apparently fall short of selling the chips.

The H20 was built specifically for the China market under the old export rules. Because of the chip’s design and limited capabilities, it may be difficult to use in other countries. “It doesn’t really fit anywhere else without a lot of expensive tweaking,” says Arash Azadegan, a professor of supply chain management at Rutgers Business School.

This tweaking could involve additional costs for Nvidia. Furthermore, some of the chips may “not meet the performance needs of customers in other regions” or may be engineered “specific to Chinese customer requests or requirements,” says Chad Autry, a University of Tennessee supply chain professor.

Even if it could sell the chips by cutting their price, Nvidia would risk damaging its image as a seller of top-tier innovation. The company’s new Blackwell GPUs, after all, power cutting-edge AI like OpenAI’s yet-to-be-released GPT-5 model. “Nvidia probably doesn’t want to flood the market with discounted chips—it could mess with their pricing, confuse customers, and distract from their big push into the newer Blackwell lineup,” says Azadegan, referencing Blackwell’s used in new products from Amazon’s AWS, MicrosoftAzure, Google Cloud, and Oracle, among others.

Nvidia declined to comment beyond what its executives said during the company’s earnings call last week.

After China-based DeepSeek released its ChatGPT rival in January, major Chinese firms like Alibaba, ByteDance, and Tencent purchased Nvidia’s H20 chips, Reuters reported in February. These companies have likely developed powerful AI capabilities using H20 chips, so there’s little reason to believe that U.S. companies could not do the same if Nvidia sold H20 to them.