2016 Annual Report

workday®

Built for the future.™

WORKDAY, INC.
6230 STONERIDGE MALL ROAD
PLEASANTON, CALIFORNIA 94588

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held at 9:00 a.m. Pacific Daylight Time on Wednesday, June 1, 2016

April 21, 2016

TO THE HOLDERS OF COMMON STOCK OF WORKDAY, INC.:

The Annual Meeting of Stockholders of Workday, Inc., a Delaware corporation (Workday), will be held on **Wednesday, June 1, 2016, at 9:00 a.m.** Pacific Daylight Time, at 6160 Stoneridge Mall Road, Pleasanton, California, for the following purposes as more fully described in the accompanying Proxy Statement:

1. To elect three Class I directors to serve until the 2019 annual meeting of stockholders and until their respective successors are elected and qualified, subject to their earlier resignation or removal;
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2017;
3. To conduct an advisory vote to approve the compensation paid to Workday's named executive officers;
4. To approve a limit on annual awards to non-employee directors under the 2012 Equity Incentive Plan; and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors of Workday fixed the close of business on April 4, 2016 as the record date for the meeting. Only stockholders of record of our common stock at the close of business on April 4, 2016 are entitled to notice of and to vote at the meeting. Further information regarding voting rights and the matters to be voted upon is presented in our proxy statement.

A Notice of Internet Availability of Proxy Materials (Notice) is being mailed to stockholders of record as of the record date beginning on or about April 21, 2016. The Notice contains instructions on how to access our proxy statement for our 2016 Annual Meeting of Stockholders and our fiscal 2016 annual report to stockholders on Form 10-K (together, the proxy materials). The Notice also provides instructions on how to vote online, by telephone or by mail and includes instructions on how to receive a paper copy of proxy materials by mail. The proxy materials can be accessed directly at the following Internet address: www.proxyvote.com by entering the control number located on your proxy card.

If you have any questions regarding this information or the proxy materials, please visit our website at www.workday.com or contact our investor relations department at 925.951.9493.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the Annual Meeting of Stockholders, we urge you to submit your vote via the Internet, telephone or mail.

We appreciate your continued support of Workday and look forward to receiving your proxy.

By order of the Board of Directors,

Aneel Bhusri
Chief Executive Officer
Pleasanton, California

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WORKDAY, INC.
6230 Stoneridge Mall Road
Pleasanton, California 94588

PROXY STATEMENT
FOR 2016 ANNUAL MEETING OF STOCKHOLDERS
to be held on June 1, 2016 at 9:00 a.m. PDT

This proxy statement and the enclosed form of proxy are furnished in connection with solicitation of proxies by our Board of Directors for use at the annual meeting of stockholders (the Annual Meeting) to be held at 9:00 a.m. PDT on Wednesday, June 1, 2016, and any postponements or adjournments thereof. The Annual Meeting will be held at 6160 Stoneridge Mall Road, Pleasanton, California. Beginning on or about April 21, 2016, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials.

QUESTIONS AND ANSWERS

The information provided in the "question and answer" format below is for your convenience only and is merely a summary of the information contained in this proxy statement. You should read this entire proxy statement carefully.

What matters am I voting on?

You will be voting on:

- the election of three Class I directors to serve until the 2019 annual meeting of stockholders and until their respective successors are elected and qualified, subject to earlier resignation or removal;
- a proposal to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2017;
- a proposal, on an advisory basis, to approve the compensation paid to Workday's named executive officers;
- a proposal to approve a limit on annual awards to non-employee directors under the 2012 Equity Incentive Plan; and
- any other business that may properly come before the meeting.

How does the Board of Directors recommend I vote on these proposals?

The Board of Directors recommends a vote:

- FOR the election of A. George (Skip) Battle, Michael M. McNamara, and Jerry Yang as Class I directors to serve until the 2019 annual meeting of stockholders and until their respective successors are elected and qualified, subject to earlier resignation or removal;
- FOR the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending January 31, 2017;
- FOR an advisory vote to approve the compensation paid to Workday's named executive officers; and
- FOR the approval of a limit on annual awards to non-employee directors under the 2012 Equity Incentive Plan.

Who is entitled to vote?

Holders of our common stock as of the close of business on April 4, 2016, the record date, may vote at the Annual Meeting. As of the record date, we had 118,056,938 shares of Class A common stock outstanding and 77,876,654 shares of Class B common stock outstanding. In deciding all matters at the Annual Meeting, each holder of Class A common stock of Workday will be entitled to one (1) vote for each share of Class A common stock held as of the close of business on the record date, and each holder of Class B common stock of Workday will be entitled to ten (10) votes for each share of Class B common stock held as of the close of business on the record date. We do not have cumulative voting rights for the election of directors.

Registered Stockholders. If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice was provided to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to vote in person at the Annual Meeting.

Street Name Stockholders. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name and the Notice was forwarded to you by your broker or nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares. Beneficial owners are also invited to attend the Annual Meeting. However, since beneficial owners are not stockholders of record, you may not vote your shares in person at the Annual Meeting unless you follow your broker's procedures for obtaining a legal proxy. If you request a printed copy of the proxy materials by mail, your broker or nominee will provide a voting instruction card for you to use.

Who is Workday's transfer agent, and how may I contact them?

Workday's transfer agent is American Stock Transfer & Trust Company (AST). You may e-mail AST at info@amstock.com or you can call AST at 888-432-7410 or 718-921-8124 Monday-Friday between 5:00 am-5:00 pm PDT. Materials may be mailed to AST at:

Workday Shareholder Services
c/o American Stock Transfer
6201 15th Avenue
Brooklyn, NY 11219

How do I vote?

There are four ways for stockholders of record to vote:

- by Internet at www.proxyvote.com, 24 hours a day, seven days a week, until 11:59 p.m. EDT on May 31, 2016 (have your proxy card in hand when you visit the website);
- by toll-free telephone at 1-800-690-6903 until 11:59 p.m. EDT on May 31, 2016 (have your proxy card in hand when you call);
- by completing and mailing your proxy card so it is received prior to the Annual Meeting; or
- by written ballot at the Annual Meeting.

We encourage you to vote by Internet as it is the most cost-effective method.

Street name holders may submit their voting instructions by Internet or telephone using the information provided by their respective brokers or nominees and may complete and mail voting instruction forms to their respective brokers or nominees. However, street name holders may not vote by written ballot at the Annual Meeting unless they obtain a legal proxy from their respective brokers or nominees.

Can I change my vote?

Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

- entering a new vote by Internet or by telephone;
- returning a later-dated proxy card so that it is received prior to the Annual Meeting;
- notifying the Secretary of Workday, in writing, at the address listed on the front page; or
- completing a written ballot at the Annual Meeting.

Street name holders may change their voting instructions by submitting new instructions by Internet or by telephone or returning a later-dated voting instruction form to their respective brokers or nominees. In addition, street name holders who obtain a legal proxy from their respective brokers or nominees may change their votes by completing a ballot at the Annual Meeting.

What is the effect of giving a proxy?

Proxies are solicited by and on behalf of our Board of Directors. The persons named in the proxy have been designated as proxies by our Board of Directors. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, however, the shares will be voted in accordance with the recommendations of our Board of Directors as described above. If any matters not described in the Proxy Statement are properly presented at the Annual Meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, the proxy holders can vote your shares at the adjourned meeting date as well, unless you have properly revoked your proxy instructions, as described above.

What is a quorum?

The presence, in person or by proxy, of a majority of the aggregate voting power of the issued and outstanding shares of stock entitled to vote at the meeting will constitute a quorum at the meeting. Except as otherwise expressly provided by the Certificate of Incorporation or by law, the holders of shares of Class A common stock and Class B common stock will vote together as a single class on all matters submitted to a vote. Each holder of Class A common stock will have the right to one (1) vote per share of Class A common stock and each holder of Class B common stock will have the right to ten (10) votes per share of Class B common stock. A proxy submitted by a stockholder may indicate that the shares represented by the proxy are not being voted (stockholder withholding) with respect to a particular matter. In addition, a broker may not be permitted to vote stock (broker non-vote) held in street name on a particular matter in the absence of instructions from the beneficial owner of the stock. The shares subject to a proxy which are not being voted on a particular matter because of either stockholder withholding or broker non-votes will count for purposes of determining the presence of a quorum. Abstentions are voted neither "for" nor "against" a matter but are also counted in the determination of a quorum.

How many votes are needed for approval of each matter?

- **Proposal No. 1:** The election of directors requires a plurality of the votes cast by the holders of shares represented in person or by proxy at the Annual Meeting and entitled to vote thereon. "Plurality" means that the individuals who receive the largest number of votes cast "for" are elected as directors. As a result, any shares not voted "for" a particular nominee (whether as a result of stockholder withholding or a broker non-vote) will not be counted in such nominee's favor.
- **Proposal No. 2:** The ratification of the appointment of Ernst & Young LLP requires the approval of a majority of the votes cast by the holders of shares represented in person or by proxy at the Annual Meeting and entitled to vote thereon. Abstentions and broker non-votes will have no effect on the outcome of this proposal.
- **Proposal No. 3:** The advisory vote regarding named executive officer compensation requires the approval of a majority of the votes represented in person or by proxy and entitled to vote thereon. For purposes of this proposal, abstentions are treated as shares represented in person or by proxy and entitled to vote at the Annual Meeting and, therefore, will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote.
- **Proposal No. 4:** The approval of an amendment to the 2012 Equity Incentive Plan to provide a limit of $750,000 total value of shares for annual non-employee director grants requires the approval of a majority of the votes represented in person or by proxy and entitled to vote thereon. For purposes of this proposal, abstentions are treated as shares represented in person or by proxy and entitled to vote at the Annual Meeting and, therefore, will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote.

Because Proposal No. 3 is an advisory vote, the results will not be binding on the Workday's Board of Directors or Workday. The Compensation Committee and/or the Board of Directors will consider the outcome of the vote when establishing or modifying the compensation of our named executive officers and determining how often Workday should submit to stockholders an advisory vote to approve the compensation of its named executive officers included in Workday's proxy statement.

How are proxies solicited for the Annual Meeting?

The Board of Directors is soliciting proxies for use at the Annual Meeting. All expenses associated with this solicitation will be borne by Workday. We will reimburse brokers or other nominees for reasonable expenses that they incur in sending these proxy materials to you if a broker or other nominee holds your shares.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of common stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole routine matter—the proposal to ratify the appointment of Ernst & Young LLP. Your broker will not have discretion to vote on Proposal No. 1, Proposal No. 3 or Proposal No. 4 absent direction from you, as they are considered "non-routine" matters.

Why did I receive a notice regarding the availability of proxy materials on the Internet instead of a full set of proxy materials?

In accordance with the rules of Securities and Exchange Commission (SEC), we have elected to furnish our proxy materials, including this proxy statement and our annual report to our stockholders, primarily via the Internet. Beginning on or about April 21, 2016, we mailed to our stockholders a "Notice of Internet Availability of Proxy Materials" that contains notice of the Annual Meeting and instructions on how to access our proxy materials on the Internet, how to vote at the meeting, and how to request printed copies of the proxy materials and annual report. Stockholders may request to receive all future proxy materials in printed form by mail or electronically by e-mail by following the instructions contained in the Notice. We encourage stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact and cost of our annual meetings.

What does it mean if multiple members of my household are stockholders but we only received one Notice or full set of proxy materials in the mail?

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for notices and proxy materials with respect to two or more stockholders sharing the same address by delivering a single notice or set of proxy materials addressed to those stockholders. In accordance with a prior notice sent to certain brokers, banks, dealers or other agents, we are sending only one Notice or full set of proxy materials to those addresses with multiple stockholders unless we received contrary instructions from any stockholder at that address. This practice, known as "householding," allows us to satisfy the requirements for delivering Notices or proxy materials with respect to two or more stockholders sharing the same address by delivering a single copy of these documents. Householding helps to reduce our printing and postage costs, reduces the amount of mail you receive and helps to preserve the environment. If you currently receive multiple copies of the Notice or proxy materials at your address and would like to request "householding" of your communications, please contact your broker. Once you have elected "householding" of your communications, "householding" will continue until you are notified otherwise or until you revoke your consent.

Is my vote confidential?

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Workday or to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our business strategy and plans and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "continue," "anticipate," "intend," "expect," "seek," and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended January 31, 2016 (fiscal 2016). Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results. We are under no duty to update any of these forward-looking statements after the date of this report.

As used in this report, the terms "Workday," "we," "us," and "our" mean Workday, Inc. and its subsidiaries unless the context indicates otherwise.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

Our Board of Directors may establish the authorized number of directors from time to time by resolution. Our Board of Directors currently consists of eight members. Our Certificate of Incorporation and Bylaws provide for a classified Board of Directors consisting of three classes of directors, with directors serving staggered three-year terms.

Directors in a particular class will be elected for three-year terms at the annual meeting of stockholders in the year in which their terms expire. As a result, only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. The class of each director is set forth in the table below.

Our Certificate of Incorporation and Bylaws provide that our Board of Directors or our stockholders may fill vacant directorships. In the event that the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, our Certificate of Incorporation and Bylaws authorize only our Board of Directors to fill vacancies on our Board of Directors. Any additional directorships resulting from an increase in the authorized number of directors would be distributed among the three classes as the Board of Directors determines in its discretion. In order to provide for a more even distribution of directors among classes, in April 2016, the Board reclassified Michael Stankey from Class I to Class II of our Board of Directors.

Nominees	Class	Age	Position	Year Elected Director	Current Term Expires	Expiration of Term For Which Nominated
A. George (Skip) Battle(2)(3)	I	72	Director	2007	2017	2019
Michael M. McNamara(2)(4)	I	59	Director	2011	2016	2019
Jerry Yang(1)(3)	I	47	Director	2013	2016	2019
Other Directors						
Aneel Bhusri(1)	III	50	Director	2005	2018	—
Christa Davies(2)(4)	II	44	Director	2012	2017	—
David A. Duffield	III	75	Director	2005	2018	—
Michael Stankey	II	57	Director	2015	2017	—
George J. Still, Jr.(1)(3)(4)*	II	58	Director	2009	2017	—

(1) Member of the Investment Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Member of the Nominating and Governance Committee
* Lead Independent Director

Nominees for Director

A. George (Skip) Battle has served as a Director since March 2007. From 2004 to 2005, Mr. Battle served as Executive Chairman at Ask Jeeves, Inc., a provider of information search and retrieval services. From 2000 until 2004, Mr. Battle served as Chief Executive Officer at Ask Jeeves. From 1968 until his retirement in 1995, Mr. Battle was an employee and then partner at Arthur Andersen LLP and Andersen Consulting (now known as Accenture Ltd.), global accounting and consulting firms. Mr. Battle has served as a director of Expedia, Inc. from January 2005 to the present, of Fair Isaac Corporation from 1996 to the present, of LinkedIn Corporation from 2011 to the present, and of Netflix, Inc. from June 2005 to the present. He also served as a director of Open Table, Inc. from 2006 to July 2014, of the Masters Select family of funds from 1996 until December 2012, of Advent Software, Inc. from 2005 until May 2011, of Ask Jeeves from 1995 until 2005, and of PeopleSoft from 1995 to 2004. Mr. Battle received an A.B. in Economics from Dartmouth College and an M.B.A. from Stanford University. Mr. Battle brings to our Board of Directors a diversity of distinguished experiences and seasoned business acumen. His service on a number of public and private company boards provides an important perspective on best practices established at other companies.

Michael M. McNamara has served as a director since December 2011. From January 2006 to present, Mr. McNamara has served as the Chief Executive Officer of Flextronics International, Ltd. (Flex), a leading sketch-to-scale™ solutions company that designs and builds intelligent productions for a connected world, and from 1994 until his appointment as Chief Executive

Officer, Mr. McNamara served in other senior roles at Flex. Mr. McNamara has served as a director of Flex since 2005. He has been on the Advisory Board of Tsinghua University School of Economics and Management since 2006 and the presidential CEO Advisory Board of Massachusetts Institute of Technology since 2014, and is a director of a private company. Mr. McNamara also served as a director of Delphi Automotive LLP from 2009 to April 2013, and served as a director of MEMC Electronic Materials, Inc. from 2008 until 2012. Mr. McNamara holds a B.S. in Industrial Management from University of Cincinnati and an M.B.A. from Santa Clara University. Mr. McNamara brings to our Board of Directors extensive leadership and experience managing international operations. His service as Flex's Chief Executive Officer provides a management perspective to business and strategic decisions of the Board of Directors.

Jerry Yang has served as a director since November 2013. Since March 2012, Mr. Yang has worked with and invests in technology entrepreneurs as the founding partner of AME Cloud Ventures, his innovation investment firm. He is also a co-founder of Yahoo! Inc., where he served as a director from March 1995 to January 2012, and as Chief Executive Officer from June 2007 to January 2009. Mr. Yang also led Yahoo!'s investments in Yahoo Japan and Alibaba Group Holding Limited, and he is a currently a director of Alibaba Group, where he has served on the board from October 2005 to January 2012 and from September 2014 to the present. Mr. Yang is also a director of Lenovo, Inc. where he has served on the board since November 2014. From July 2000 to November 2012, Mr. Yang was a member of Cisco Systems, Inc.'s board of directors, and he was a director of Yahoo! Japan from January 1996 to January 2012. Mr. Yang also is a director of various private companies and foundations. Mr. Yang received a B.S. and M.S. in Electrical Engineering from Stanford University. Mr. Yang brings to our Board of Directors extensive global leadership and deep experience in consumer Internet technology.

The election of directors requires a plurality of the votes cast by the holders of shares represented in person or by proxy at the Annual Meeting and entitled to vote thereon. "Plurality" means that the individuals who receive the largest number of votes cast "for" are elected as directors. As a result, any shares not voted "for" a particular nominee (whether as a result of stockholder withholding or a broker non-vote) will not be counted in such nominee's favor.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR"
PROPOSAL NO. 1 TO ELECT A. GEORGE (SKIP) BATTLE,
MICHAEL M. MCNAMARA AND JERRY YANG AS CLASS I DIRECTORS

Other Directors

Aneel Bhusri co-founded Workday in 2005 and is our Chief Executive Officer and a Director. Mr. Bhusri has served as a Director of Workday from 2005 to the present, as President from January 2007 to September 2009, as Co-Chief Executive Officer from September 2009 to May 2014, as Chairman from January 2012 to May 2014, and as Chief Executive Officer from May 2014 to the present. From 1993 to 2004, Mr. Bhusri held a number of senior management positions with PeopleSoft, Inc. (PeopleSoft), a global enterprise software company, including Senior Vice President, Product Strategy, Marketing and Business Development. From 1999 to 2002 and in 2004, Mr. Bhusri served as Vice Chairman of the Board of Directors at PeopleSoft. Mr. Bhusri is an Advisory Partner at Greylock Partners, a Silicon Valley venture capital firm that he has been associated with since 1999, and prior to that time, worked at Norwest Venture Partners and at Morgan Stanley. He has also served as a director of Intel Corporation from June 2014 to the present, and serves as a director of various private companies and foundations. Mr. Bhusri received a B.S. in Electrical Engineering and a B.A. in Economics from Brown University and an M.B.A. from Stanford University. Mr. Bhusri brings to our Board of Directors extensive executive leadership and operational experience, including service as chairman of a public technology company and his experience and familiarity with our business as a co-founder and Chief Executive Officer.

Christa Davies has served as a Director since August 2012. Ms. Davies is the Chief Financial Officer and Executive Vice President of Global Finance at Aon plc, a global risk management, insurance and human resources solutions company. Ms. Davies has served as Aon's Chief Financial Officer since March 2008 and as Executive Vice President of Global Finance since November 2007. Prior to joining Aon, Ms. Davies spent five years at Microsoft Corporation, most recently as a Corporate Vice President and the Chief Financial Officer of the Platforms & Services Division. Ms. Davies received a B.E. in Mechanical Engineering from the University of Queensland, Australia, and an M.B.A. from the Harvard Business School. Ms. Davies brings to our Board of Directors extensive experience in the software and technology industries, as well as financial expertise.

David A. Duffield co-founded Workday in 2005 and is our Chairman of the Board. Mr. Duffield has served as a Director of Workday from 2005 to the present, as our President from 2006 to January 2007, as our Chief Executive Officer from 2005 to September 2009, as our co-Chief Executive Officer from September 2009 to May 2014 and as our Chairman of the Board from 2005 to January 2012 and from May 2014 to the present. Prior to Workday, Mr. Duffield founded PeopleSoft, and served as the company's CEO and Board Chairman. Other companies he launched include Integral Systems, Business Software Corporation and Information Associates. Mr. Duffield received a B.S. in Electrical Engineering and an M.B.A. from Cornell University. Mr. Duffield brings to our Board of Directors decades of experience founding and leading high growth technology companies focused on human resources, financial and student applications, and his experience and familiarity with our business as a co-founder, Chairman and former CEO.

Michael A. Stankey has served as our Vice Chairman since June 2015 and served as our President and Chief Operating Officer from September 2009 to June 2015. From October 2007 to September 2009, Mr. Stankey was a Partner with Greylock Partners. From December 2001 until its acquisition by Hewlett-Packard Company in April 2007, Mr. Stankey served as Chairman and Chief Executive Officer of PolyServe Inc., a storage virtualization software company. From 1993 to 2001, Mr. Stankey held a number of senior management positions with PeopleSoft, including Senior Vice President of North American Sales. Mr. Stankey received a Bachelor of Business Administration from the University of Wisconsin, Eau Claire.

George J. Still, Jr. has served as a Director since October 2009 and as Lead Independent Director since August 2012. Mr. Still is currently a Partner Emeritus at Norwest Venture Partners (NVP), a global venture capital firm. From 1994 to December 2012, Mr. Still served as NVP's Managing Partner. Prior to NVP, Mr. Still worked for Ernst & Young LLP, an accounting firm, and as a Partner with the Centennial Funds, a venture capital firm. From November 2006 to September 2014, Mr. Still served as a director of Rackspace Hosting, Inc. Mr. Still led the sole venture investment in PeopleSoft, where he served as a director from 1991 to 2001. Mr. Still also served as a director of the National Venture Capital Association from 1995 to 2000, and on the Stanford Business School Venture Capital Trust from 1997 to 2001. Mr. Still received a B.S. in Accounting from the Pennsylvania State University and an M.B.A. from the Tuck School of Business at Dartmouth College. Mr. Still has served as a member of the Board of Overseers at the Tuck School of Business since 2013, as a member of the Board of Advisors of Tuck's Center of Private Equity and Entrepreneurship since 2011, and has also served as a guest lecturer and a past member of the Dean's Advisory Council since 2005. Mr. Still has also served as a member of the Executive Committee of the United States Golf Association since 2015. Mr. Still brings to the Board of Directors financial and investing acumen through his many years of experience with NVP. His service as an advisor to technology companies provides a valuable resource for our Board of Directors.

PROPOSAL NO. 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of the Board of Directors (Audit Committee) has appointed the firm of Ernst & Young LLP, independent registered public accounting firm, to audit our consolidated financial statements for the year ending January 31, 2017. During our year ended January 31, 2016, Ernst & Young LLP served as our independent registered public accounting firm, and has audited our consolidated financial statements since their appointment in 2008.

Notwithstanding its selection and even if our stockholders ratify the selection, our Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of Workday and its stockholders. At the Annual Meeting, the stockholders are being asked to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending January 31, 2017. Our Audit Committee is submitting the selection of Ernst & Young LLP to our stockholders because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate governance. Representatives of Ernst & Young LLP will be present at the Annual Meeting and they will have an opportunity to make statements and will be available to respond to appropriate questions from stockholders.

Fees Paid to the Independent Registered Public Accounting Firm

The following table presents fees billed or to be billed by Ernst & Young LLP for professional services rendered with respect to the fiscal years ended January 31, 2016 and January 31, 2015. All of these services rendered since the formation of the Audit Committee were approved by the Audit Committee.

	Fiscal year ended January 31, 2016	2015
Audit Fees(1)	$2,560,696	$1,941,875
Audit-Related Fees(2)	262,000	298,847
Tax Fees(3)	1,094,948	518,926
All Other Fees	—	—
	$3,917,644	$2,759,648

(1) Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements and review of our quarterly consolidated financial statements.
(2) Includes fees for service organization control (SOC) audits under Statement on Standards for Attestation Engagements No. 16. In addition, the 2015 fees include $7,150 of fees associated with our response to an SEC comment letter.
(3) Includes fees in connection with tax compliance and tax consulting services.

Auditor Independence

Under its charter, the Audit Committee pre-approves audit and non-audit services rendered by our independent registered public accounting firm, Ernst & Young LLP. The Audit Committee has determined that the rendering of non-audit services for tax compliance and structure advice, SOC audits, privacy, and ISO 27001 attestation services and advice provided in connection with our convertible notes offering and follow-on equity offering by Ernst & Young LLP is compatible with maintaining the principal accountants' independence.

Pre-Approval Policies and Procedures

Consistent with requirements of the SEC and the Public Company Accounting Oversight Board (PCAOB) regarding auditor independence, our Audit Committee is responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. In recognition of this responsibility, our Audit Committee (or the chair if such approval is required prior to the next Audit Committee meeting) generally pre-approves of all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services.

The ratification of the appointment of Ernst & Young LLP requires the approval of a majority of the votes cast by the holders of shares represented in person or by proxy at the meeting and entitled to vote thereon. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 2 TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JANUARY 31, 2017.

PROPOSAL NO. 3:

ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

We are seeking an advisory, non-binding stockholder vote with respect to compensation awarded to our named executive officers for the fiscal year ended January 31, 2016.

Our executive compensation program and compensation paid to our named executive officers are described on pages 29-40 of this proxy statement. Our compensation programs are overseen by the Compensation Committee and reflect our philosophy to pay all of our employees, including our named executive officers, in ways that support the following principles that we believe reflect our core values:

- support, attract and retain the best talent;
- support a high-performance culture by rewarding excellence and achievement;
- recognize and retain top-performing talent via differentiated rewards and opportunities;
- reinforce alignment with Workday's values (in particular, a focus on excellence and an attitude of ownership);
- create alignment with Workday's long-term performance; and
- provide an opportunity for each employee to share in the success we create together.

To help achieve these objectives, we structure our Named Executive Officers' compensation to reward the achievement of short-term and long-term strategic and operational goals.

Based on the above, we request that stockholders approve, on nonbinding, advisory basis, the compensation paid to Workday's named executive officers as described in this proxy statement pursuant to the following resolution:

RESOLVED, that the compensation paid to Workday's named executive officers, as disclosed in this proxy statement, including the "Compensation Discussion and Analysis" section, compensation tables and narrative discussion, is hereby APPROVED.

Vote Required

Approval of named executive officer compensation requires the approval of a majority of the votes represented in person or by proxy and entitled to vote thereon. Abstentions are treated as shares represented in person or by proxy and entitled to vote at the Annual Meeting and, therefore, will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote.

As an advisory vote, this proposal is non-binding. Although the vote is non-binding, the Board of Directors and the Compensation Committee value the opinions of our stockholders, and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 3 TO APPROVE THE COMPENSATION PAID TO WORKDAY'S NAMED EXECUTIVE OFFICERS.

PROPOSAL NO. 4:

LIMIT ON ANNUAL AWARDS TO NON-EMPLOYEE DIRECTORS UNDER THE 2012 EQUITY INCENTIVE PLAN

General

Our 2012 Equity Incentive Plan, or the Plan, was adopted by our Board of Directors in August 2012, approved by our stockholders in September 2012, and became effective in October 2012. The Plan was reapproved by our stockholders on April 2, 2013. The Plan provides for the grant of awards to eligible employees, directors, consultants, independent contractors and advisors in the form of stock options, restricted stock awards ("RSAs"), stock appreciation rights ("SARs"), restricted stock units ("RSUs"), performance awards and stock bonuses. The Plan provides that no Participant will be eligible to receive more than 2,000,000 shares of Workday common stock ("Shares") in any calendar year under this Plan pursuant to the grant of awards except that new Employees of Workday or of a Parent or Subsidiary of Workday (including new Employees who are also officers and directors of Workday or any Parent or Subsidiary of Workday) are eligible to receive up to a maximum of 4,000,000 Shares in the calendar year in which they commence their employment. In January 2015, the Compensation Committee of our Board of Directors approved a limit on the aggregate number of Shares that may be granted to a non-employee director in any calendar year of 80,000 shares. The material terms of the Plan are described below under "Summary of the Plan."

We believe that our future success and our ability to remain competitive are dependent on our continuing efforts to attract, retain and motivate highly qualified personnel. Competition for these people in our industry is intense. Traditionally, a cornerstone of our method for attracting and retaining top caliber employees has been our equity-based compensation programs, including the grant of stock options and other equity awards under the Plan. Allowing employees to participate in owning shares of our common stock helps align the objectives of our stockholders and employees and is important in attracting, motivating and retaining the highly skilled personnel that are essential to our success.

Proposal

We are now asking our stockholders to approve an amendment to the Plan to provide a limit of $750,000 total value of Shares for annual non-employee director grants. This limit would not apply to initial grants to new non-employee directors, and would replace the previously-approved limit of 80,000 Shares in aggregate that may be granted to a non-employee director in any calender year.

If stockholder approval of this proposal is not obtained, the previous limit approved by the Compensation Committee will not be mandatory and can be changed at the discretion of the Committee; however, we expect to continue to limit the number of shares that may be granted to non-employee directors in any calendar year in accordance with the limit previously approved by the Compensation Committee.

Summary of the Plan

We adopted the Plan, which became effective in October 2012, as the successor to our 2005 Stock Plan. We reserved 25,000,000 shares of our common stock to be issued under our Plan. The number of shares reserved for issuance under our Plan increases automatically on the thirty-first day of March of each year by the number of shares equal to 5% of the total outstanding shares of our common stock as of the immediately preceding January 31. However, our Board of Directors or Compensation Committee may reduce the amount of the increase in any particular year. In addition, the following shares are available for grant and issuance under our Plan:

- shares subject to options or stock appreciation rights granted under our Plan that cease to be subject to the option or stock appreciation right for any reason other than exercise of the option or stock appreciation right;
- shares subject to awards granted under our Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under our Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled, or exchanged for cash or a different award (or combination thereof);
- shares reserved but not issued or subject to outstanding grants under our 2005 Stock Plan;
- shares issuable upon the exercise of options or subject to other awards under our 2005 Stock Plan that cease to be subject to such options or other awards by forfeiture or otherwise;

- shares issued under our 2005 Stock Plan that are forfeited or repurchased by us; and
- shares subject to awards under our 2005 Stock Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

Our Plan authorizes the award of stock options, RSAs, SARs, RSUs, performance awards and stock bonuses. No person will be eligible to receive more than 2,000,000 shares in any calendar year under our Plan other than a new employee of ours, who will be eligible to receive no more than 4,000,000 shares under the plan in the calendar year in which the employee commences employment. In addition, the Compensation Committee of our Board of Directors approved a limit on the aggregate number of Shares that may be granted to a non-employee director in any calendar year to 80,000 shares. Currently, non-employee directors may not receive an award for more than 80,000 Shares in any calendar year, which will be changed to a limit of $750,000 total value of Shares for annual non-employee director grants if this proposal is approved. This limit does not apply to new hire grants to non-employee directors.

Our Plan is administered by our Compensation Committee, all of the members of which are outside directors as defined under applicable federal tax laws, or by our Board of Directors acting in place of our Compensation Committee. The Compensation Committee has the authority to construe and interpret our Plan, grant awards and make all other determinations necessary or advisable for the administration of the plan.

Our Plan provides for the grant of awards to our employees, directors, consultants, independent contractors and advisors, provided the consultants, independent contractors, directors and advisors render services not in connection with the offer and sale of securities in a capital-raising transaction. The exercise price of stock options must be at least equal to the fair market value of our common stock on the date of grant.

In general, options granted under our Plan will vest over a four-year period. Options may vest based on time or achievement of performance conditions. Our Compensation Committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of options granted under our Plan is ten years.

An RSA is an offer by us to sell shares of our common stock subject to restrictions, which may vest based on time or achievement of performance conditions. The price (if any) of an RSA will be determined by the Compensation Committee. Unless otherwise determined by the Compensation Committee at the time of award, vesting will cease on the date the participant no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

Stock appreciation rights provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price up to a maximum amount of cash or number of shares. SARs may vest based on time or achievement of performance conditions.

Restricted stock units represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment or failure to achieve certain performance conditions, if any. If an RSU has not been forfeited, then on the date specified in the RSU agreement, we will deliver to the holder of the restricted stock unit whole shares of our common stock (which may be subject to additional restrictions), cash or a combination of our common stock and cash, net of shares that are sold to cover the recipient's estimated tax liability for such RSUs.

Performance shares are performance awards that cover a number of shares of our common stock that may be settled upon achievement of the pre-established performance conditions in cash or by issuance of the underlying shares. These awards are subject to forfeiture prior to settlement because of termination of employment or failure to achieve the performance conditions.

Performance conditions which may be used under the plan include:

- Attainment of objective operating goals and employee metrics
- Attainment of research and development milestones
- Billings
- Bookings
- Cash conversion cycle
- Cash flow (including free cash flow or operating cash flow)

- Contract awards or backlog
- Controllable operating profit, or net operating profit
- Credit rating
- Customer indicators
- Earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings)
- Earnings per share
- Economic value added
- Gross margin
- Growth in stockholder value relative to a pre-determined index
- Improvements in workforce diversity
- Improvements in productivity
- Individual confidential business objectives
- Market share
- Net income
- Net profit
- Net revenue
- New product invention or innovation
- Operating expenses or operating expenses as a percentage of revenue
- Operating income
- Operating margin
- Operating profit
- Overhead or other expense reduction
- Profit before tax
- Return on assets or net assets
- Return on equity
- Return on invested capital
- Revenue
- Stock price
- Strategic plan development and implementation
- Succession plan development and implementation
- Total stockholder return

Stock bonuses may be granted as additional compensation for service or performance, and therefore, not be issued in exchange for cash.

In the event there is a specified type of change in our capital structure without our receipt of consideration, such as a stock split, appropriate adjustments will be made to the number of shares reserved under our Plan, the maximum number of shares that can be granted in a calendar year, and the number of shares and exercise price, if applicable, of all outstanding awards under our Plan.

Unvested awards and unexercised stock options granted under our Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our Compensation Committee. Unless otherwise permitted by our Compensation Committee, stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under our Plan generally may be exercised for a period of six months after the termination of the optionee's service to us, for a period of 12 months in the case of death or for a period of six months in the case of disability, or such longer period as our Compensation Committee may provide. Options generally terminate immediately upon termination of employment for cause.

If we are party to a merger or consolidation, outstanding awards, including any vesting provisions, may be assumed or substituted by the successor company. In the alternative, outstanding awards may be cancelled in connection with a cash payment. Outstanding awards that are not assumed, substituted or cashed out will accelerate in full and expire upon the merger or consolidation. In the event of specified change in control transactions, our Compensation Committee may accelerate the vesting of awards (a) immediately upon the occurrence of the transaction, whether or not the award is continued, assumed or substituted by a surviving corporation or its parent in the transaction, or (b) in connection with a termination of a participant's service following such a transaction.

Our Plan will terminate in August 2022, ten years from the date our Board of Directors approved the plan, unless it is terminated earlier by our Board of Directors. Our Board of Directors may amend or terminate our Plan at any time. If our Board of Directors amends our Plan, it does not need to ask for stockholder approval of the amendment unless required by applicable law.

As of March 31, 2016, options to purchase 430,550 shares had been granted under our Plan, of which 126,676 shares had been exercised, 14,070,474 shares of restricted stock were granted, and 9,455,933 shares remained outstanding. The options outstanding as of March 31, 2016 had a weighted-average exercise price of $51.96 per share. As of the record date, there were approximately 5,470 employees and directors who were eligible to participate in the Plan.

History of Grants Under the Plan

Our Chief Executive Officer, our other named executive officers, our current executive officers as a group and our current non-employee directors as a group have been granted awards under the Plan, over the life of the Plan through March 31, 2016, as set forth in the table below. In addition, our current employees (excluding executive officers and directors) as a group have been granted awards under the Plan, over the life of the Plan through March 31, 2016, as follows:

Name and Position	Number of Securities Underlying Awards
Aneel Bhusri, Chief Executive Officer	343,377
James J. Bozzini, Executive Vice President, Services	152,612
Mark S. Peek, Co-President	246,465
Michael A. Stankey, Vice Chairman	290,317
W. Philip Wilmington, Co-President	250,100
All current executive officers (9 persons)	1,091,693
All current non-employee directors (5 persons)	130,450
All current employees (excluding executive officers)	10,614,601

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 4 TO APPROVE A LIMIT ON ANNUAL AWARDS TO NON-EMPLOYEE DIRECTORS UNDER THE 2012 EQUITY INCENTIVE PLAN.

DIRECTORS AND CORPORATE GOVERNANCE

Director Independence

Our Class A common stock is listed on the New York Stock Exchange. The listing rules of this stock exchange generally require that a majority of the members of a listed company's board of directors be independent. Our Board of Directors, also referred to as the Board, has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the rules of the New York Stock Exchange.

Leadership Structure

Mr. Aneel Bhusri serves as our Chief Executive Officer (CEO) and as a director, Mr. David A. Duffield serves as our Chairman of the Board and Mr. Michael A. Stankey serves as a Vice Chairman of the Board. Mr. Duffield is a co-founder of Workday and previously served as Workday's CEO and President. Mr. George J. Still, Jr. serves as Vice Chairman and Lead Independent Director of the Board. Our Board of Directors believes that the current Board leadership structure, coupled with a strong emphasis on Board independence, provides effective independent oversight of management. Independent directors and management sometimes have different perspectives and roles in strategy development. Our independent directors bring experience, oversight and expertise from outside of our company, while Mr. Bhusri, Mr.Duffield and Mr. Stankey bring company-specific experience and expertise.

Lead Independent Director

Mr. Still serves as one of our Vice Chairmen and as our Lead Independent Director. As Lead Independent Director, among other responsibilities, Mr. Still presides over regularly scheduled meetings at which only our independent directors are present, serves as a liaison between the CEO and Chairman and the independent directors, and performs such additional duties as our Board of Directors may otherwise determine and delegate.

Executive Sessions of Independent Directors

In order to promote open discussion among independent directors, our Board of Directors has a policy of conducting executive sessions of independent directors during each regularly scheduled Board meeting and at such other times if requested by an independent director. These executive sessions are chaired by our Lead Independent Director. The Lead Independent Director provides feedback to Workday's CEO, as needed, promptly after the executive session. Neither Mr. Bhusri, Mr. Duffield nor Mr. Stankey participates in such sessions.

Code of Conduct

We have adopted a Code of Conduct that applies to all of our directors, officers, and employees. The full text of our Code of Conduct is posted under the "Investor Relations" section on our website at: http://www.workday.com/Documents/pdf/investor/ir-code-of-conduct-2014-05-13.pdf.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines that apply to our Board of Directors. The full text of our Corporate Governance Guidelines is posted under the "Investor Relations" section on our website at: http://www.workday.com/Documents/pdf/investor/corporate-governance-guidelines.pdf.

Meetings of the Board of Directors

The Board met five times during fiscal 2016 and took action by unanimous consent four times. No director attended fewer than 75% of the total number of meetings of the Board and of any Board committees of which he or she was a member during fiscal 2016.

It is our policy that directors are invited and encouraged to attend our annual meetings of stockholders. We have scheduled our 2016 Annual Meeting on the same day as a regularly scheduled Board meeting in order to facilitate attendance by our Board members.

Committees of the Board of Directors

Our Board of Directors has established an Audit Committee, a Compensation Committee, a Nominating and Governance Committee and an Investment Committee. The current composition and functions of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our Board. The following table provides membership information for each of our Board committees:

	Audit Committee	Compensation Committee	Nominating & Governance Committee	Investment Committee
Aneel Bhusri				Member
David A. Duffield★				
A. George (Skip) Battle	Chair	Member		
Christa Davies	Member		Member	
Michael M. McNamara	Member		Chair	
Michael A. Stankey				
George J. Still Jr. ★★		Chair	Member	Member
Jerry Yang		Member		Chair

★ = Chair of the Board   C = Chair   = Member   ★★ = Lead Independent Director

Audit Committee

Our Audit Committee is composed of Messrs. Battle and McNamara and Ms. Davies, each of whom is independent and financially literate within the meaning of the New York Stock Exchange rules. Mr. Battle is the chairman of our Audit Committee. Each of Messrs. Battle and McNamara and Ms. Davies also satisfy the independence requirements of Rule 10A-3. Mr. Battle and Ms. Davies are each an Audit Committee financial expert, as that term is defined under SEC rules, and possess financial sophistication as defined under the rules of the New York Stock Exchange. The designation does not impose on either of them any duties, obligations or liabilities that are greater than are generally imposed on members of our Audit Committee and our Board of Directors. The Audit Committee met 10 times during fiscal 2016 and took action by unanimous consent two times. Our Audit Committee is directly responsible for, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and that firm, our interim and year-end operating results;
- establishing procedures for employees to submit anonymously concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls and internal audit function;
- reviewing material related party transactions or those that require disclosure; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

The Audit Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Audit Committee charter is posted under the "Investor Relations" section on our website at: http://www.workday.com/Documents/pdf/investor/ir-exhibit-i-audit-comm-charter.pdf.

Compensation Committee

Our Compensation Committee is composed of Messrs. Battle, Still and Yang, each of whom is independent within the meaning of New York Stock Exchange rules. Mr. Still is the chairman of our Compensation Committee. Each member of the Compensation Committee is also an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1984, as amended (the Code), is a "non-employee director" under Rule 16b-3(b)(3)(i) of the Exchange Act.

The Compensation Committee met five times during fiscal 2016 and took action by unanimous written consent 18 times. Our Compensation Committee is responsible for, among other things:

- reviewing and approving, or recommending that our Board of Directors approve, the compensation of our executive officers;
- reviewing and recommending to our Board of Directors the compensation of our directors;
- reviewing and approving, or recommending that our Board of Directors approve, the terms of any employment arrangements with our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our Board of Directors with respect to, incentive compensation and equity plans; and
- reviewing our overall compensation philosophy.

The Compensation Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Compensation Committee charter is posted under the "Investor Relations" section on our website at: http://www.workday.com/Documents/pdf/investor/compensation-comm-charter.pdf.

Nominating and Governance Committee

Our Nominating and Governance Committee is composed of Messrs. McNamara and Still and Ms. Davies, each of whom is independent within the meaning of the New York Stock Exchange rules. Mr. McNamara is the chairman of our Nominating and Governance Committee.

The Nominating and Governance Committee met three times during fiscal 2016. Our Nominating and Governance Committee is responsible for, among other things:

- identifying and recommending candidates for membership on our Board of Directors;
- reviewing and recommending our corporate governance guidelines and policies;
- reviewing proposed waivers of the Code of Conduct for directors and executive officers;
- overseeing the process of evaluating the performance of our Board of Directors; and
- assisting our Board of Directors on corporate governance matters.

The Nominating and Governance Committee operates under a written charter that was adopted by our Board of Directors and satisfies the applicable standards of the SEC and the New York Stock Exchange. A copy of the Nominating and Governance Committee charter is posted under the "Investor Relations" section on our website at: http://www.workday.com/Documents/pdf/investor/ir-exhibit-j-nominating-and-governance-comm-charter.pdf.

Investment Committee

Our Investment Committee is composed of Messrs. Bhusri, Still and Yang. Mr. Yang is the chairman of our Investment Committee. Our Investment Committee is responsible for reviewing and approving, or recommending that the Board of Directors approve, certain mergers, acquisitions, joint ventures, and investments, and working with management to develop effective and scalable processes for the review and execution of such transactions. The Investment Committee met six times during fiscal 2016.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is, or has at any time during the past year been, an officer or employee of ours. None of our executive officers currently serve, or in the past year has served, as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

Considerations in Evaluating Director Nominees

The Nominating and Governance Committee is responsible for identifying, evaluating and recommending candidates to the Board for Board membership, or the Board may conduct the process of identifying and evaluating Board candidates directly. A variety of methods are used to identify and evaluate director nominees, with the goal of maintaining and further developing an experienced and highly qualified Board. Candidates may come to our attention through current members of our Board, professional search firms, stockholders or other persons.

The Nominating and Governance Committee will recommend to the Board for selection all nominees to be proposed by the Board for election by the stockholders, including approval or recommendation of a slate of director nominees to be proposed by the Board for election at each annual meeting of stockholders, and, if requested by the Board, will recommend all director nominees to be appointed by the Board to fill interim director vacancies.

The Board will be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Board may, either directly or upon the recommendation of the Nominating and Governance Committee, consider the minimum qualifications set forth below, any specific qualities or skills that it believes are necessary for one or more of the Board members to possess, and the desired qualifications, expertise and characteristics of Board members.

Director Qualifications

The Nominating and Governance Committee and the Board believe that candidates for director should have certain minimum qualifications, including, without limitation:

- demonstrated business acumen and leadership, and high levels of accomplishment;
- experience with high-growth companies;
- ability to exercise sound business judgment and to provide insight and practical wisdom based on experience;
- commitment to understand Workday and its business, industry and strategic objectives;
- integrity and adherence to high personal ethics and values, consistent with our Code of Conduct;
- ability to read and understand financial statements and other financial information pertaining to Workday;
- commitment to enhancing stockholder value;
- willingness to act in the interest of all stockholders; and
- for non-employee directors, independence under New York Stock Exchange listing standards and other applicable rules and regulations.

In the context of the Board's existing composition, other requirements that are expected to contribute to the Board's overall effectiveness and meet the needs of the Board and its committees may be considered.

In addition, under Workday's Corporate Governance Guidelines (Guidelines), a director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. Thus, the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member, as well as his or her other professional responsibilities, will be considered. Under the Guidelines, there are no limits on the number of three-year terms that may be served by a director. However, in connection with evaluating recommendations for nomination for re-election, director tenure is considered. Workday values diversity on a company-wide basis, but has not adopted a specific policy regarding Board diversity.

Stockholder Recommendations for Nominations to the Board of Directors

The Nominating and Governance Committee will consider properly submitted stockholder recommendations for candidates for our Board who meet the minimum qualifications as described above. The Nominating and Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. A stockholder of record can nominate a candidate for election to the Board of Directors by complying with the procedures in Article I, Section 1.12 of our Bylaws. Any eligible stockholder who wishes to submit a nomination should review the requirements in the Bylaws on nominations by stockholders. Any nomination should be sent in writing to the Secretary, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588. Submissions must include the full name of the proposed nominee, complete biographical information, a description of the proposed nominee's qualifications as a director, other information specified in our Bylaws, and a representation that the nominating stockholder is a beneficial or record holder of our stock and has been a holder for at least one year. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. These candidates are evaluated at meetings of the Nominating and Governance Committee, and may be considered at any point during the year. If any materials are provided by a stockholder in connection with the recommendation of a director candidate, such materials are forwarded to the Nominating and Governance Committee.

All proposals of stockholders that are intended to be presented by such stockholder at an annual meeting of Stockholders must be in writing and notice must be delivered to the Secretary at the principal executive offices of Workday not later than the dates described below under "*Additional Information — Stockholder Proposals for 2017 Annual Meeting*."

Non-Employee Director Compensation

Our non-employee directors are entitled to receive equity compensation for their service as directors. The following table presents the total compensation for each person who served as a non-employee member of our Board of Directors in fiscal 2016. Other than as set forth in the table below, in fiscal 2016 we did not pay any fees to, make any equity awards or non-equity awards to, or pay any other compensation to, the non-employee members of our Board of Directors. However, we reimburse directors for travel expenses incurred in connection with attendance at Board meetings.

Name	Grant Date	Number of Shares Subject to Restricted Stock Unit Award[(1)]	Value of Restricted Stock Unit Award on the Date of Grant[(2)]
George J. Still, Jr. (Vice Chairman of the Board)	June 15, 2015	5,379	$428,007
A. George (Skip) Battle	June 15, 2015	4,781	380,424
Christa Davies	June 15, 2015	4,333	344,777
Michael M. McNamara	June 15, 2015	4,632	368,568
Jerry Yang	June 15, 2015	4,482	356,633

(1) RSU awards shown in the table above vest on May 15, 2016.

(2) The amounts included in the "RSU Awards" column represent the aggregate grant date fair value of RSU awards calculated in accordance with FASB ASC Topic 718. The grant date fair value of each RSU award is measured based on the closing price of our Class A Common Stock on the date of grant.

Communications with the Board of Directors

Stockholders and other interested parties wishing to communicate with the Board of Directors or with an individual member of the Board of Directors may do so by writing to the Board of Directors or to the particular member of the Board of Directors, care of the Secretary at generalcounsel@workday.com or by mail to Secretary, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588. The communication should indicate that it contains a stockholder or interested party communication. All such communications will be forwarded to the director or directors to whom the communications are addressed.

REPORT OF THE AUDIT COMMITTEE

With respect to Workday's financial reporting process, the management of Workday is responsible for (1) establishing and maintaining internal controls and (2) preparing Workday's consolidated financial statements. Workday's independent registered public accounting firm, Ernst & Young LLP (EY), is responsible for performing an independent audit of Workday's consolidated financial statements and issuing opinions on the conformity of those audited financial statements with United States generally accepted accounting principles and the effectiveness of Workday's internal control over financial reporting. It is the responsibility of the Audit Committee to oversee these activities. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of Workday's financial statements.

The Audit Committee has reviewed and discussed the audited financial statements for the year ended January 31, 2016 with Workday's management and EY. The Audit Committee has also discussed with EY the matters required to be discussed by Auditing Standard No. 61, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB).

The Audit Committee also has received and reviewed the written disclosures and the letter from EY required by applicable requirements of the PCAOB regarding EY's communications with the Audit Committee concerning independence, and has discussed with EY its independence from Workday.

Based on our review and discussions with Workday's management and EY, we recommended to the Board of Directors that the audited consolidated financial statements be included in Workday's Annual Report on Form 10-K for the fiscal year ended January 31, 2016, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board of Directors:
A. George (Skip) Battle (Chair)
Christa Davies
Michael M. McNamara

RELATED PARTY TRANSACTIONS

In addition to the executive officer and director compensation arrangements discussed under "Executive Compensation," we describe below transactions for fiscal 2016 to which we have been a participant, in which the amount involved in the transaction exceeds or will exceed $120,000 and in which any of our directors, executive officers, or holders of more than 5% of our Class A common stock, or any immediate family member of, or person sharing the same household with, any of these individuals, had or will have a direct or indirect material interest.

Stock Voting Agreement

Mr. Duffield and Mr. Bhusri, our co-founders, have entered into a stock voting agreement with each other and us. This agreement applies to all Class B common stock owned from time to time by our co-founders and each of their permitted transferees, which represents approximately 85% of the outstanding voting power of our capital stock.

Real Estate Leases

In fiscal 2016, we leased certain office space in Pleasanton, California under various lease agreements with NPC Holdings, LLC (NPC), an affiliate of Mr. Duffield, as set forth in the table below:

Location	Expiration	Base rent/square foot as of 01/31/2016	Tenant improvement allowance received in FY16	Base rent paid in FY16
Building 6120	07/31/2025	$ 28.80	$ —	$ 389,356
Building 6130	03/31/2023	24.60-$27.93	—	2,305,612
Building 6140	02/09/2025	27.60-$31.80	599,222	577,605
Building 6150	02/28/2025	28.20-$28.80	194,000	258,809
Building 6160	05/31/2024	27.60	3,881,951	2,450,928
Total:			$4,675,173	$5,982,310

In addition, in fiscal 2016, we incurred expenses of $19,745 for the lease of certain office space and related expenses in Incline Village, Nevada under a lease agreement with Nevada Pacific Development Corporation, an affiliate of Mr. Duffield.

Aircraft Reimbursement

In May 2012, we entered into an agreement with Mr. Duffield to reimburse him for the use of his aircraft for Workday business at a rate of twice the applicable fuel costs plus crew travel expenses. The amount paid under this agreement in fiscal 2016 was $296,192.

Employment Arrangements with Immediate Family Members of Our Executive Officers and Directors

Michael Duffield, a son of David Duffield, our co-founder, Chairman and a member of our Board of Directors, has been employed by us since May 2005. He currently serves as General Manager of our Education & Government business. During the fiscal year ended January 31, 2016, Mr. Duffield had total cash compensation, including base salary, bonus and other compensation, of $376,791.

Leah Wilmington, a daughter of W. Philip Wilmington, our co-President, has been employed by us since June 2010. She currently serves as a Manager, Presales. During the fiscal year ended January 31, 2016, Ms. Wilmington had total cash compensation, including base salary, bonus and other compensation, of $205,910.

Christina Erickson, a sister-in-law to James J. Bozzini, our Executive Vice President, Services, has been employed by us since June 2015. She currently serves as Senior Customer Updates Analyst. During the fiscal year ended January 31, 2016, Ms. Erickson had total cash compensation, including base salary, bonus and other compensation, of $73,095.

Lien Wolfe, a sister-in-law to Mr. Bozzini, has been employed by us since February 2015. She currently serves as Director, Enterprise Applications. During the fiscal year ended January 31, 2016, Ms. Wolfe had total cash compensation, including base salary, bonus and other compensation, of $213,141.

The salary and bonus levels of Mr. Duffield, Ms. Wilmington, Ms. Erickson and Ms. Wolfe were based on reference to internal pay equity when compared to the compensation paid to employees in similar positions who were not related to our executive officers and directors. They also received equity awards on the same general terms and conditions as applicable to other employees in similar positions who were not related to our executive officers and directors.

Relationship with Aon, plc

Ms. Davies, one of our directors, is the Chief Financial Officer and Executive Vice President of Global Finance of Aon, plc. Aon is a customer of Workday and made payments to Workday of $6,696,416 in fiscal 2016. Aon's affiliates provide insurance brokerage and other non-advisory products and services to Workday for which Aon receives industry-standard commissions from the carriers with which it places insurance policies or standard commercial prices for its other products and services.

Relationship with Flextronics International, Ltd.

Mr. McNamara, one of our directors, is the Chief Executive Officer of Flex. Flex is a customer of Workday and made payments to Workday of $4,797,210 in fiscal 2016.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements and our Bylaws require us to indemnify our directors to the fullest extent not prohibited by Delaware law. Subject to certain limitations, our Bylaws also require us to advance expenses incurred by our directors and officers.

Statement of Policy Regarding Related Party Transactions

We have adopted a written related-party transactions policy which provides that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of our common stock, and any members of the immediate family member of the foregoing "related parties," are not permitted to enter into a material related party transaction with us without the review, consideration and approval or ratification of the disinterested members of the Audit Committee. For this policy, a material related party transaction is defined as a transaction with a related party in which the amount involved exceeds $120,000, or contributions to affiliated charities above $50,000. In approving or rejecting any proposed related party transaction, we expect that our Audit Committee will consider the relevant facts and circumstances available and deemed relevant to the Audit Committee in determining whether such transaction is fair to Workday and in the best interest of all of our stockholders, including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent of the related party's interest in the transaction; the benefits that the transaction provides to us; and whether the transaction was undertaken in the ordinary course of business.

NAMED EXECUTIVE OFFICERS AND OTHER EXECUTIVE MANAGEMENT

The following table provides certain information about our named executive officers and other executive management as of April 21, 2016. Officers are elected by the Board of Directors to hold office until their successors are elected and qualified.

Named Executive Officers:	Age	Current Position(s) with Workday
Aneel Bhusri	50	Co-founder, Chief Executive Officer and Director
James J. Bozzini	49	Executive Vice President, Services
Mark S. Peek	58	Co-President
Michael A. Stankey	56	Vice Chairman
W. Philip Wilmington	57	Co-President
Other Executive Officers and Management:		
Christine M. Cefalo	38	Executive Vice President, Marketing
Petros Dermetzis	54	Executive Vice President, Development
Michael L. Frandsen	54	Executive Vice President, Products
Ashley D. Goldsmith	43	Chief Human Resources Officer
James P. Shaughnessy	61	Senior Vice President, General Counsel and Secretary
Robynne D. Sisco	50	Chief Financial Officer
Stanley L. Swete	55	Chief Technology Officer

Named Executive Officers

For information on the business background of Messrs. Bhusri and Stankey, see “Proposal No. 1—Election of Directors” above.

James J. Bozzini joined Workday in 2007 to lead our Services and Operations functions, and currently serves as Executive Vice President, Customer Operations. Between 1991 and 1999, Mr. Bozzini held a number of senior management positions at PeopleSoft, including Senior Vice President of Services. Mr. Bozzini received a B.S. in Business Administration from California State University, Chico.

Mark S. Peek has served as our co-President since June 2015, as our Chief Financial Officer from June 2012 to April 2016, and as a director of Workday from December 2011 to June 2012. From January 2011 to May 2012, Mr. Peek served as the Chief Financial Officer and Co-President, Business Operations of VMware, Inc., a provider of business infrastructure virtualization solutions. From April 2007 to January 2011, Mr. Peek served as Chief Financial Officer of VMware. From 2000 to 2007, Mr. Peek was Senior Vice President and Chief Accounting Officer at Amazon.com, Inc., an online retail company. Prior to joining Amazon.com, Mr. Peek spent 19 years at Deloitte & Touche LLP, the last 10 years as a partner. Mr. Peek is a director of Trimble Navigation Limited, an advanced positioning systems company. Mr. Peek received a B.S. in Accounting and Business Administration from Minnesota State University

W. Philip Wilmington joined Workday in February 2015 as head of worldwide sales, and has served as our co-President since June 2015. From September 2012 to January 2015, Mr. Wilmington was the President and Chief Operating Officer of Tidemark Systems, Inc., a provider of corporate performance management software for planning, budgeting, forecasting and analytics. Mr. Wilmington also served as the Chief Executive Officer of OutlookSoft from 2005 to 2007, as co-President at PeopleSoft from October 2004 to December 2004, and previously held senior leadership positions at TriNet and Tesseract Software. Mr. Wilmington received his B.S. in Marketing from Bradley University, and currently serves on Bradley’s University’s Board of Trustees.

Other Executive Officers and Management

For information on the business background of Mr. Duffield, see “Proposal No. 1—Election of Directors” above.

Christine M. Cefalo joined Workday in 2008, and currently serves as Executive Vice President of Marketing. Since joining Workday, Christine has served in a variety of marketing and communications leadership positions, including Vice President of Corporate Communications. Prior to joining Workday, Christine served as a technology practice leader for global communications firm Porter Novelli and later founded her own public relations consultancy, and also spent five years on the public relations team at PeopleSoft. Ms. Cefalo received a B.A. in Journalism from California State University, Chico.

Petros Dermetzis joined Workday in 2005 to lead our Development function, and currently serves as our Executive Vice President, Development. From 1993 to 2005, Mr. Dermetzis held a number of key development and international sales operations positions at PeopleSoft, most recently as General Manager and Group Vice President of Tools & Technology. Mr. Dermetzis received a B.A. in Marketing Engineering from Huddersfield University and an M.S. in Information Management from Lancaster University in the United Kingdom.

Michael L. Frandsen joined Workday in 2010 to lead our Products function, and currently serves as our Executive Vice President, Products, Support & Delivery. From January 2008 to December 2008, Mr. Frandsen served as Chief Executive Officer at Potenco, Inc. a developer of hand-held micro-generators. From November 2006 to July 2007, Mr. Frandsen served as Senior Vice President, Product Management and Strategy at DemandTec, Inc., a SaaS marketing and merchandising optimization solutions company. From 1995 to 2002, Mr. Frandsen held a number of key leadership roles at PeopleSoft, including general manager of supply chain management. Mr. Frandsen received a B.S. in Business from the University of Colorado at Boulder.

Ashley D. Goldsmith has served as our Chief Human Resources Officer (CHRO) since September 2013. From 2010 to 2013, Ms. Goldsmith served as CHRO and Executive Vice President at Polycom, Inc., a standards-based unified communication and collaboration company. From 2008 to 2010, Ms. Goldsmith was Senior Vice President of Human Resources, corporate communications, and environmental health and safety for the Tissue Diagnostics Division of F. Hoffmann-La Roche AG, a global healthcare company. Ms. Goldsmith has also served as CHRO at Ventana Medical Systems from 2007 to 2008, and held a number of human resources roles at The Home Depot from 1995 to 2007. Ms. Goldsmith holds an M.B.A. from the Kellogg School of Management at Northwestern University, an M.S. in human resource development from Georgia State University, and a B.S. in psychology from Vanderbilt University.

James P. Shaughnessy joined Workday in August 2011 and serves as our Senior Vice President, General Counsel and Secretary. From June 2007 to August 2011, Mr. Shaughnessy was Senior Vice President, Chief Administrative Officer and General Counsel of Orbitz Worldwide, Inc., a global online travel company. Mr. Shaughnessy served as Senior Vice President, General Counsel and Secretary of PeopleSoft in 2004. Prior to 2007, Mr. Shaughnessy also served as Senior Vice President and General Counsel of Lenovo Group Ltd. and in senior legal positions with Hewlett-Packard Company, Compaq Computer Company and Digital Equipment Corporation. Mr. Shaughnessy received a B.S. in Political Science from Northern Michigan University and a J.D. and a Masters of Public Policy from the University of Michigan.

Robynne D. Sisco joined Workday in August 2012 as Chief Accounting Officer, and has served as Workday's Chief Financial Officer since April 2016. From June 2009 to August 2012, Ms. Sisco served as Chief Accounting Officer and Corporate Controller at VMWare, a provider of business infrastructure virtualization solutions. Ms. Sisco also previously served as Senior Vice President and Chief Accounting Officer at VeriSign, and held senior finance positions at Oracle, Visa, General Electric and Ford. Ms. Sisco received a B.A. in Economics from Claremont McKenna College and an M.B.A. in Finance from Golden Gate University.

Stanley A. Swete has served as our Chief Technology Officer since February 2007. From April 2005 to February 2007, Mr. Swete served as our Vice President of Products and Technology. From 1992 to 2002 and in 2004, Mr. Swete held a number of key leadership roles at PeopleSoft, including head of the products and technology organization. He was also manager of tools development, general manager of financial applications, general manager of CRM, and was responsible for the initial release of PeopleSoft's Internet architecture. Mr. Swete received a B.S. and M.S. in Industrial Engineering from Stanford University.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview of the material components of our executive compensation program during fiscal 2016 for:

- Aneel Bhusri, our Chief Executive Officer and Director;
- James J. Bozzini, our Executive Vice President, Services;
- Mark S. Peek, our co-President;
- Michael A. Stankey, our Vice Chairman of the Board; and
- W. Philip Wilmington, our co-President.

We refer to these executive officers collectively in this Compensation Discussion and Analysis and the accompanying compensation tables as our named executive officers (NEOs). The compensation provided to our NEOs for fiscal 2016 is set forth in detail in the Summary Compensation Table and other tables that follow this section, as well as the accompanying footnotes and narrative discussions relating to those tables. This section also discusses our executive compensation philosophy, objectives and design; how and why the Compensation Committee of our Board of Directors (the Compensation Committee) arrived at the specific compensation policies and decisions involving our executive team, including our NEOs, during fiscal 2016; the role of Compensia, our outside compensation consultant; and the peer group used in evaluating executive officer compensation.

Executive Summary

Fiscal 2016 Financial and Business Highlights

We provide enterprise cloud applications for financial management, human capital management (HCM) and analytics. We offer Workday applications to our customers on an enterprise-wide subscription basis, typically with three-year terms and with subscription fees based on the size and nature of the customer's workforce.

In fiscal 2016, we achieved significant financial and operational results:

- We increased our revenues from $788 million in fiscal 2015 to $1.16 billion in fiscal 2016;
- We increased our operating cash flows from $102 million in fiscal 2015 to $259 million in fiscal 2016;
- We substantially increased our number of customers, and surpassed the 1,000 customer milestone;
- We issued two new updates to the Workday platform with hundreds of new features, including Workday Talent Insights, Workday Professional Services Automation, Workday Payroll for the UK and Workday Inventory;
- We announced our intent to deliver Workday Planning, a new budgeting, planning, and forecasting application, which is expected to be generally available in calendar year 2016;
- We unveiled Workday Learning, a new application expected to be generally available in calendar year 2016, which is intended to offer a more personalized, meaningful learning experience for organizations to evolve and encourage career development at every stage of the employee lifecycle;
- We achieved 98% customer satisfaction ratings; and
- We were named a "Top Workplace in the Bay Area" and a "Best Place to Work in the Bay Area" for large companies in two different media surveys, and also made our inaugural appearance in the list of 100 Best Companies to Work For by *Fortune* magazine.

In addition, in fiscal 2016, we implemented several key leadership changes that were designed to strengthen our management team and prepare for continued significant revenue growth. In February 2015, we hired W. Philip Wilmington as Executive Vice President and Head of Worldwide Sales. Mr. Wilmington was previously Chief Executive Officer of Tidemark Systems, Inc. In June 2015, we appointed Michael Stankey as Vice Chairman of our Board of Directors. In addition, Mark Peek and Mr. Wilmington were each promoted to Co-President in June 2015. Mr. Peek continues to oversee most aspects of our business operations, and Mr. Wilmington continues to lead worldwide sales, with added responsibility for customer services.

Executive Compensation Philosophy, Objectives and Design

Philosophy

We operate in a highly competitive and rapidly evolving market, and we expect competition among companies in our market to continue to increase. Our ability to compete and succeed in this environment is directly correlated to our ability to recruit, incentivize and retain talented individuals in the areas of product development, sales, marketing, services and general and administrative functions. The market for skilled personnel in the software industry is very competitive. Our compensation philosophy is designed to establish and maintain a compensation program that attracts and rewards talented individuals who possess the skills necessary to create long-term value for our stockholders, expand our business and assist in the achievement of our strategic goals.

In fiscal 2016, our Compensation Committee reviewed and assessed our compensation philosophy, which is intended to promote Workday's core values. The Compensation Committee believes that a great work environment, substantial employee ownership and meaningful pay and benefits support a winning team, company and workplace. Further, our compensation is designed to be focused on ownership, innovation and results and to be fair and flexible. Accordingly, key elements of our total rewards philosophy include the following:

Focus on ownership: We believe that all of our employees should share in the ownership of Workday, and therefore, equity compensation is a larger part of total rewards than the market norm.

Focus on innovation and results: We reward results, while recognizing market-based differences between functions. The development of great products is the life-blood of the company, and the compensation structure for product developers is weighted toward long-term compensation in support of longer-term objectives. In contrast, sales compensation is weighted toward variable short-term compensation in accordance with market practices and to promote revenue growth.

Fair and flexible: The Compensation Committee recognizes the importance of providing fair rewards for employee contributions. We seek to provide target total direct compensation (salary, bonus and equity) that is at or above market norms, and to provide parity and consistency within functions. We also believe in adhering to budgets, ensuring transparency and promoting understanding of our compensation philosophy and practices by employees, while at the same time retaining the flexibility needed to promote employee acquisition and retention.

Objectives

Consistent with our compensation philosophy, the primary goals of our executive compensation programs are to:

- Provide competitive compensation to recruit, retain and motivate top talent;
- Align the interests of our executive officers and stockholders through the use of equity awards; and
- Motivate and reward behavior consistent with our goals and performance objectives.

The Compensation Committee reviews our compensation structure periodically as needed to focus on different business objectives, and reviews our compensation program at least annually.

Design

Our executive compensation program has been heavily weighted towards equity. The Compensation Committee believes that compensation in the form of equity helps to align the interests of our executive officers with the long-term interests of our stockholders by driving achievement of our strategic and financial goals. We use restricted stock units (RSUs) as our primary equity vehicle for our executive officers, including our NEOs. We believe that RSU awards can align the interests of employees with stockholders and provide a longer-term focus through a multi-year vesting schedule, while managing dilution to existing investors and providing greater transparency and predictability to our executive officers in the value of their compensation. To maintain a competitive compensation program, we also offer cash compensation in the form of base salaries and, to a lesser extent, semi-annual cash bonuses. Historically, our cash compensation has been low relative to companies in our peer group, and bonus opportunities have not been uniformly applied to all executives, resulting in total cash compensation for our executive officers that is typically at or below the 25th percentile of companies in our peer group. We do not benchmark to this percentile, but use the peer group information for general guidance only.

During fiscal 2016, our Compensation Committee, with the assistance of its compensation consultant, reviewed our executive compensation, including base salaries, bonuses, equity awards, and benefit programs, to ensure that our compensation program promotes stockholder interests and provides appropriate rewards and incentives for our executive officers.

Our Compensation-Setting Process

Pursuant to its charter and in accordance with New York Stock Exchange rules, the Compensation Committee is responsible for reviewing, evaluating, and approving the compensation arrangements of our executive officers and for establishing and maintaining our executive compensation policies and practices. Our Compensation Committee seeks input and receives recommendations from other members of our executive team when discussing the performance and compensation of other executive officers, and in determining the financial and accounting implications of our compensation programs and hiring decisions. The Compensation Committee is authorized to engage its own independent advisors to provide advice on matters related to executive compensation and general compensation programs. For additional information on the Compensation Committee, see "Committees of the Board of Directors—Compensation Committee" elsewhere in this proxy statement.

The initial compensation arrangements with our executive officers other than our CEO and Chairman were the result of arm's-length negotiations between us and each individual executive officer at the time of his or her hire. In fiscal 2016, the Compensation Committee and our Board of Directors considered numerous factors in determining whether to make adjustments to the cash and equity compensation of our executive officers, including our NEOs. The Compensation Committee and our Board of Directors reviewed the performance of our executive officers, taking into consideration financial, operational, customer, strategic, product and competitive factors, as well as the succession planning objectives for our various executive officer positions. The Compensation Committee and our Board of Directors also reviewed a study by Compensia regarding the compensation of executives at the companies in our compensation peer group. However, as noted above, we do not benchmark the compensation levels of our executive officers to our compensation peer group. Except with respect to our CEO's and Chairman's compensation, our CEO made recommendations to the Compensation Committee regarding the compensation for our executive officers, which was also taken into account by the Compensation Committee in making its decisions regarding executive compensation. Our CEO and Chairman were not present for the Board discussions of our Board of Directors regarding their performance and compensation. Following deliberation, the Compensation Committee granted RSU awards to our NEOs, as described below and in the Summary Compensation Table.

2015 Stockholder Advisory Vote on Executive Compensation

At our Annual Meeting of Stockholders in June 2015, we conducted our initial stockholder advisory vote on the compensation of our NEOs (commonly known as a "Say-on-Pay" vote). Our stockholders approved the fiscal 2015 compensation of our NEOs, with approximately 98% of the votes cast in favor of our Say-on-Pay proposal.

The Compensation Committee intends to consider the results of the Say-on-Pay vote on our executive compensation program as part of its annual executive compensation review, which generally takes place in April. Following our 2015 Annual Meeting of Stockholders, the Compensation Committee reviewed the results of the Say-on-Pay vote, and concluded that our executive compensation program was operating as anticipated. Consequently, the Compensation Committee did not make any significant changes to our executive compensation program based on its review of the voting results.

Our Board of Directors values the opinions of our stockholders and the Compensation Committee will continue to consider the outcome of future Say-on-Pay votes, as well as feedback received throughout the year, when making compensation decisions for our NEOs. The next Say-on-Pay vote on the compensation of our NEOs will take place at the 2016 Annual Meeting of Stockholders.

At our 2015 Annual Meeting of Stockholders, we also submitted a proposal on the frequency of future stockholder advisory votes regarding the compensation of our NEOs (commonly known as a "Say-on-Frequency" vote). Consistent with the recommendation of our Board of Directors and the preference of our stockholders as reflected in the results of our initial Say-on-Frequency vote, our Board of Directors has adopted a policy providing for annual Say-on-Pay votes. At the present time, we expect to hold the next Say- on-Frequency vote at our 2021 Annual Meeting of Stockholders.

Role of Human Resources Team

The role of our Human Resources team and management is to design our executive compensation programs, policies and governance and make recommendations to the Compensation Committee regarding these matters. Management is responsible for, among other things:

- Reviewing the effectiveness of the compensation programs, including competitiveness and alignment with Workday's objectives;
- Recommending changes to compensation programs, as may be required, to ensure achievement of all program objectives;

- Recommending base salaries, bonuses and other awards for our executive officers, including our NEOs other than the CEO and Chairman; and
- Reviewing and making recommendations with respect to the adoption and approval of, or amendments to, company-wide incentive compensation plans.

The Compensation Committee has retained Compensia to advise on our executive compensation programs and practices and our executive compensation decisions given its expertise in the technology industry and its knowledge of our peer companies. During fiscal 2016, Compensia provided the following services as requested by the Compensation Committee:

- Assisted in the development of the compensation peer group we use to understand market competitive compensation practices;
- Reviewed and assessed our compensation practices and the cash and equity compensation levels of our executive officers (including an equity retention analysis and change in control analysis), including our NEOs, and the members of our Board of Directors;
- Reviewed and assessed our current compensation programs to determine any changes that may need to be implemented in order to remain competitive with the market, as well as conducting an equity burn rate and overhang analysis; and;
- Advised on regulatory developments relating to executive compensation, and conducted a risk assessment relating to executive compensation.

All other analyses related to executive compensation for fiscal 2016 were conducted internally. Internal analyses included gathering and analyzing data, and reviewing and advising on principal aspects of executive compensation. Base salaries, equity awards, and bonuses for our executive officers were among the items reviewed based on market data provided by Compensia.

The total fees paid to Compensia for fiscal 2016 were $120,235. During fiscal 2016, the Compensation Committee reviewed the fees provided to Compensia relative to Compensia's revenues, the services provided by Compensia to the Compensation Committee, the relationships between Compensia and its consultants and our executive officers, and other factors relating to Compensia's independence, and concluded that Compensia is independent within the meaning of the listing standards of The New York Stock Exchange and that its engagement did not present any conflict of interest.

Compensation Peer Group

Due to our significant growth, in January 2015, our Compensation Committee determined that compensation peer group that is used for reference purposes should be revised for fiscal 2016 in order to better reflect companies that are in applications software, systems software, or internet software and services sectors, with similar revenues, significant revenue growth and mid-level market capitalization. The compensation peer group was generally developed based on companies with revenues of .5 to 2.0 times our annual revenues, as well as market capitalization of .2 to 2.0 times our market capitalization, and at least a 4.0 ratio of market capitalization to revenues. LinkedIn, Akamai and RedHat were added to our peer group because of their similar profile to Workday although they were above the 2.0 times maximum on revenue range. We also generally sought to include companies with revenue growth of greater than 25% where possible.

The compensation peer group for fiscal 2016 consisted of the following companies:

Akami Technologies*	Pandora*
ANSYS*	Red Hat*
athenahealth, Inc.	ServiceNow, Inc.
Concur Technologies, Inc.	Splunk, Inc.
CoStar Group, Inc.	Tableau Software*
Fortinet, Inc.	Twitter*
LinkedIn*	The Ultimate Software Group, Inc.
NetSuite, Inc.	VeriSign*
Palo Alto Networks, Inc.	Yelp*

* Added to the compensation peer group for fiscal 2016

In addition, we deleted the following companies from our fiscal 2016 peer group as they did not meet one or more of the criteria discussed above:

Ariba, Inc.	Guidewired Software, Inc.
Aruba Networks, Inc.	Qlik Technologies Inc.
Aspen Technology, Inc.	RealPage, Inc.
CommVault Systems, Inc.	Solar Winds, Inc.
Fusion-io Inc.	Sourcefire, Inc.

While the Compensation Committee and our Board of Directors consider the compensation levels of the executives at the companies in our compensation peer group to provide a general understanding of market practices among similar companies, we do not benchmark or specifically set compensation levels based on the percentile levels reflected by the compensation peer group.

Elements of Our Executive Compensation Program

The key elements of our executive compensation program include base salary, semi-annual cash bonuses, equity-based awards, and welfare and health programs. Except with respect to target semi-annual cash bonuses, which typically are expressed as a pre-determined percentage of each executive officer's base salary, we do not use specific formulas or weightings in determining the allocation of the various pay elements. Rather, each executive officer's compensation has been designed to provide a combination of pay elements that are tied to achievement of our short-term and long-term financial and operational objectives. In particular, our use of RSU awards, which generally vest over four years, promote a culture of long-term value creation, while cash bonuses are payable based upon semi-annual performance. In fiscal 2016, the Compensation Committee conducted its regular annual review of our executive compensation program, including an evaluation of competitive market practices; conducted annual performance reviews for our executive officers; made adjustments to our executive officers' base salaries and target annual bonus opportunities as needed; and made annual equity awards. Following deliberation and consideration of the factors discussed below, our Board of Directors and Compensation Committee determined that equity awards should continue to be a significant portion of executive compensation, and that cash compensation (including salary and bonuses) should remain lower relative to market norms.

Base Salary

We offer base salaries that are intended to provide a stable level of fixed compensation to our executive officers, including our NEOs, for performance of their day-to-day responsibilities. Our CEO and Chairman each received a base salary of $33,280 per year upon the commencement of their employment, which has not changed significantly since that time. Other than our CEO and Chairman, each executive officer's base salary was established as the result of arm's-length negotiation with the individual at the time of his or her initial hiring. Base salaries for our executive officers are reviewed annually to determine whether an adjustment is warranted or required. In fiscal 2016, the Compensation Committee reviewed the base salaries of our executive officers, including our NEOs, after considering a compensation analysis performed by Compensia, and determined to maintain their annual base salaries at their fiscal 2015 levels, with the exception of W. Philip Wilmington. In November 2015, Mr. Wilmington's base salary was increased from $300,000 to $400,000 in recognition of his substantial contributions in his role as Head of Worldwide Sales and his promotion to co-President of Workday.

The base salaries paid to our NEOs during fiscal 2016 are set forth in the Summary Compensation Table below.

Annual Cash Bonuses

Historically, our CEO and Chairman have not participated in an annual cash bonus plan, other than the company-wide bonus plan that is available to all employees. Our executive officers other than the CEO are eligible to participate in a semi-annual cash bonus plan available to key employees. The target annual bonus opportunity of each of the NEOS other than the CEO and Chairman is equal to 50% of his or her base salary, other than Mr. Wilmington, whose target bonus is 100% of his base salary. Because of our emphasis on equity-based compensation, annual bonuses are not intended to constitute a material amount of the total compensation for our NEOs. The performance objectives for our executive officers do not have specific targets associated with them, and our Compensation Committee has complete discretion to determine the amount of bonus for each performance period.

The NEOs' discretionary performance objectives for fiscal 2016 generally required contributions to: 1) performance relative to their individual and organizational goals; 2) contributions to achievement of corporate goals; 3) contributions to achievement of financial goals; and 4) evaluation of their leadership. The Compensation Committee reviewed the performance of the company and the individual NEOs, and determined that the performance objectives had generally been met. Therefore, a total of $322,597 was paid to the named executive officers for the first half of fiscal 2016, representing 101% of their collective target bonus, and a total of $354,088 was paid to the named executive officers for the second half of fiscal 2016, representing 99% of their collective target bonus.

The bonuses paid to our NEOs for fiscal 2016 are set forth in the Summary Compensation Table below.

Equity-Based Awards

The majority of the target total direct compensation of our executive officers, including our NEOs, is provided through time-based equity awards. We make annual equity grants to our executive officers in order to effectively align their interests with those of our stockholders and ensure appropriate incentives are in place to promote a focus on our long-term strategic and financial objectives. The sizes of these awards are not determined based on a specific formula, but rather through the exercise of the Compensation Committee's judgment after considering the performance of the executive officers, the recommendations of our CEO (except with respect to his awards or awards for the Chairman), the appropriate level of compensation for the position, the need to hire or retain an individual in a particular position, the current unvested equity held by such individuals, and the perceived retentive value of the proposed awards. In addition, the Compensation Committee reviews and considers the equity awards granted to the executives at the companies in the compensation peer group, although it does not specifically benchmark to those companies.

As discussed above, our equity awards generally take the form of RSU awards with a four-year time-based vesting schedule. The Compensation Committee believes that these RSU awards serve as an effective retention tool for our executive officers, because unvested awards are generally forfeited if an executive officer voluntarily leaves us before the awards have vested. While we have not granted to our executive officers RSU awards with specific performance-based vesting, the Compensation Committee believes that time-based RSU awards encourage completion of our long-term objectives. Many of our executive officers joined us prior to our initial public offering and therefore have experienced significant appreciation in the value of their pre-IPO equity awards. The Compensation Committee reviewed the size and vesting schedule for the remaining unvested portion of all outstanding equity awards held by our executive officers, including our NEOs, and agreed that the existing equity awards, together with the fiscal 2016 equity grants, appropriately satisfied our motivation and retention goals for the near-term future for each individual.

The RSU awards granted to our NEOs in fiscal 2016 were as follows:

Named Executive Officer	Number of Shares Subject to Restricted Stock Unit Award(1)	Value of Restricted Stock Unit Award on the Date of Grant(4)
Aneel Bhusri	104,607(1)	$ 9,224,245
James J. Bozzini	46,492(1)	4,099,665
Mark S. Peek	69,738(1)	6,149,497
	25,000(2)	1,989,250
Michael A. Stankey	92,984(1)	8,199,329
W. Philip Wilmington	137,100(3)	11,318,976
	113,000(2)	8,991,410

(1) These RSU awards are subject to quarterly vesting based on continued service over four years, with one-fourth of such awards vesting one year from April 15, 2015, after which the awards vest in equal installments over the next twelve quarters.

(2) These RSU awards are subject to quarterly vesting based on continued service over four years, with one-fourth of such awards vesting one year from June 15, 2015, after which the awards vest in equal installments over the next twelve quarters.

(3) These RSU awards were provided in connection with Mr. Wilmington's commencement of employment, and are subject to quarterly vesting based on continued service over four years, with one-fourth of such awards vesting one year from March 15, 2015, after which the awards vest in equal installments over the next twelve quarters.

(4) The amounts reported represent the grant date fair value of the RSU awards without regards to forfeitures as computed in accordance with Financial Accounting Standards Board, Accounting Standards Codification Section 718 (ASC 718). These amounts do not reflect the actual economic value that may ultimately be realized by the NEOs.

The size of these awards was determined by the Compensation Committee based on its collective judgment and after considering the following factors:

- each executive officer's individual performance, including financial, operational, customer, strategic, product and competitive factors;
- the size and vesting schedule of outstanding and unvested equity awards;
- the level of each executive officer's target total cash compensation (base salary plus target annual cash bonus opportunity), which is generally lower than the cash compensation for executives with similar responsibilities at companies in the compensation peer group; and
- the recommendations of the CEO (except with respect to his award or the award for the Chairman).

In addition, for the CEO and Chairman, executive leadership factors were also considered.

For Mr. Wilmington's initial RSU grant in connection with his commencement of employment in February 2015, the Committee considered his previous experience and compensation levels, and his proposed responsibilities at Workday. Mr. Wilmington and Mr. Peek also received an additional RSU grant in June 2015 in connection with their promotions to Co-President. The equity awards granted to our NEOs for fiscal 2016 are set forth in the Summary Compensation Table and the Grants of Plan-Based Awards Table below.

Benefits Programs

Our employee benefit programs, including our 401(k) plan, employee stock purchase plan, and health, and welfare programs, are designed to provide a competitive level of benefits to our employees generally, including our executive officers and their families. We adjust our employee benefit programs as needed based upon regular monitoring of applicable laws and practices and the competitive market. Our executive officers are eligible to participate in the same employee benefit plans, and on the same terms and conditions, as all other U.S. full-time employees.

Perquisites and Other Personal Benefits

Currently, we do not view perquisites or other personal benefits as a significant component of our executive compensation program. Accordingly, we do not generally provide perquisites to our executive team. In the future, we may provide perquisites or other personal benefits in limited circumstances, such as where we believe it is appropriate to assist an individual executive in the performance of his or her duties, to make our executive team more efficient and effective and for recruitment, motivation or retention purposes. All future practices with respect to perquisites or other personal benefits will be subject to review and approval by the Compensation Committee.

Post-Employment Compensation

We have a change in control policy applicable to our executive officers and certain other employees which provides for severance payments and benefits in the event of a termination of employment following a change in control of Workday. In addition, certain of our executive officers have post-employment compensation arrangements. The Compensation Committee determined that these arrangements and policy were both competitively reasonable and necessary to recruit and retain key executives. The material terms of these post-employment payments to named executive officers are set forth in "Potential Payments upon Termination or Change in Control" below. We do not provide for single trigger acceleration following a Change of Control and do not provide tax gross-ups.

Other Compensation Policies

Executive Officer Recoupment Policy

The Compensation Committee has adopted a policy that provides for the recovery of all or any portion of an executive officer's incentive-based compensation in the event that we restate our financial results as a result of fraud by such executive officer, and the compensation earned by the executive officer was based on achieving financial results in excess of what could have been earned by the executive officer based on the restated financial results, in all cases as determined by the Board of Directors. The recovery period extends up to three years prior to the date of the restatement, for periods after the effective date of the policy.

Equity Awards Grant Policy

The Compensation Committee has adopted a policy governing equity awards that are granted to our executive officers and employees and members of our Board of Directors. This policy provides that equity awards will be granted either by our Board of Directors or the Compensation Committee at a meeting or by unanimous written consent, subject to equity award guidelines adopted by our Board of Directors, and provides that the CEO and CFO may make awards to non-executive employees within prescribed limits. Generally, new hire awards will be effective on the 15th day of the month following commencement of employment, and refresh, promotion and discretionary awards will be effective on the 15th day of the second month of the fiscal quarter, or April 15 with respect to annual refresh grants, unless otherwise approved by counsel. The exercise price of all stock options and stock appreciation rights must be equal to or greater than the fair market value of our common stock, as defined in the 2012 Equity Incentive Plan, on the date of grant.

Derivatives Trading and Hedging Policy

Our Policy on Trading in Securities prohibits the trading of derivatives or the hedging of our equity securities by our employees, including our executive officers and members of our Board of Directors.

Policy regarding 10b5-1 Plans for Directors and Executive Officers

Generally, our Policy on Trading in Securities requires our executive officers and members of our Board of Directors to adopt plans in accordance with Exchange Act Rule 10b5-1 for sales of securities which they beneficially own, and provides that such individuals may not trade in our equity securities during "blackout" periods.

Stock Ownership Guidelines

We maintain Stock Ownership Guidelines that require our CEO and Chairman of our Board of Directors to own and hold shares of our stock with a value equal or greater than five times their annual base salaries, our other executive officers to own and hold shares of our stock with a value equal or greater than three times their annual base salaries, and members of our Board of Directors to own and hold shares of our stock with a value equal or greater than $1 million. Under this policy, this ownership requirement may be satisfied by ownership of shares of either our Class A or Class B Common Stock, vested RSUs, and any other shares of our equity securities held by affiliates or family members in which the individual holds a beneficial interest.

Compensation Policies and Practices as they relate to Risk Management

The Compensation Committee has reviewed our executive and employee compensation programs, and does not believe that our compensation policies and practices encourage undue or inappropriate risk taking or create risks that are reasonably likely to have a material adverse effect on us. The reasons for the Compensation Committee's determination include the following:

- We structure our compensation program to consist of both fixed and variable components. The fixed (or base salary) component of our compensation programs is designed to provide income independent of our stock price performance so that employees will not focus exclusively on stock price performance to the detriment of other important business metrics. The variable (cash bonus and equity) components of our compensation programs are designed to reward both short-term and long-term company performance, which we believe discourages employees from taking actions that focus only on our short-term success. Our RSUs have time-based vesting.
- We maintain internal controls over the measurement and calculation of financial information, which are designed to prevent this information from being manipulated by any employee, including our executive officers.
- We do not cap the cash incentive award for our Sales Incentive Plan to provide maximum incentive for our sales force to meet and exceed their revenue objectives. However, we do maintain internal controls over the determination of sales incentive awards.
- Our employees of Workday are required to comply with our Code of Business Conduct, which covers, among other things, accuracy in keeping financial and business records.
- The Compensation Committee approves the employee annual and new hire equity award guidelines as well as the overall annual equity pool. Any recommended equity awards outside these guidelines require approval by the Compensation Committee.
- A significant portion of the compensation paid to our executive officers and the members of our Board of Directors is in the form of equity, to align their interests with the interests of stockholders.

- We maintain Stock Ownership Guidelines for our executive officers and the members of the Board of Directors to ensure that they retain specified levels of equity in Workday.
- As part of our Policy on Trading in Securities, we prohibit hedging transactions involving our securities so that our executive officers and other employees cannot insulate themselves from the effects of poor stock price performance.
- Our Board of Directors has adopted an Executive Officer Recoupment Policy providing that it may require reimbursement or forfeiture of all or a portion of any cash compensation that was paid to an executive officer based on financial results if a restatement of those results is required and it determines that fraud on the part of the executive officer contributed to the need for the restatement.

Tax and Accounting Considerations

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code (the Code) limits the amount that we may deduct from our federal income taxes for remuneration paid to certain of our executive officers to $1 million per executive officer per year, unless the remuneration is exempt from this limitation. Section 162(m) provides an exception from this deduction limitation for "qualified performance-based compensation" as well as for the gain recognized by executive officers upon the exercise of qualifying compensatory stock options. Gains from the settlement of RSU awards and bonus payments to the covered executive officers may not be tax deductible. We generally believe the income from the majority of our cash compensation paid will be deductible. In addition, we believe that income from the exercise of stock options will be deductible. However, income from the settlement of RSUs may not be deductible for fiscal 2016 or future years. While our Compensation Committee is mindful of the benefit to us of the full deductibility of the compensation paid to our executive officers and will consider deductibility when analyzing potential compensation alternatives, the Compensation Committee believes that it should not be constrained by the requirements of Section 162(m) where those requirements would impair flexibility in compensating our executive officers in a manner that can best promote our corporate objectives. Therefore, the Compensation Committee has not adopted a policy that requires that all compensation to be deductible for income tax purposes.

No Tax Reimbursement of Parachute Payments and Deferred Compensation

We did not provide any executive officer, including any NEO, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999, or 409A of the Code during fiscal 2016, and we have not agreed and are not otherwise obligated to provide any NEO with such a "gross-up" or other reimbursement.

Accounting Treatment

We account for stock compensation in accordance with the authoritative guidance set forth in ASC Topic 718, which requires companies to measure and recognize the compensation expense for all share-based awards made to employees and directors, including stock options, RSU awards and shares acquired through our Employee Stock Purchase Plan (ESPP), over the period during which the award recipient is required to perform services in exchange for the award (for executive officers, generally the four-year or five-year vesting period of the award). We estimate the fair value of stock options and shares acquired through our ESPP using the Black-Scholes option pricing model. This calculation is performed for accounting purposes and reported in the compensation tables below.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management and, based on such review and discussions, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be incorporated by reference in Workday's Annual Report on Form 10-K for fiscal 2016 and included in this proxy statement.

Submitted by the Compensation Committee of our Board of Directors:

George J. Still, Jr. (Chair)
A. George (Skip) Battle
Jerry Yang

SUMMARY COMPENSATION TABLE

The following table provides information concerning all plan and non-plan compensation earned by each of our named executive officers during the fiscal years ended January 31, 2016, January 31, 2015 and January 31, 2014.

Name and Principal Position	Year	Salary	Bonus(1)	Option Awards(2)	Stock Awards (2)	All Other Compensation(3)	Total
Aneel Bhusri	2016	$ 32,555	$ —	$—	$ 9,224,245	$ 500	$ 9,257,300
Chief Executive Officer	2015	33,280	—	—	8,139,471	130,416	8,303,167
	2014	33,280	—	—	9,730,842	3,975	9,768,097
James J. Bozzini	2016	195,641	98,250	—	4,099,665	2,411	4,395,967
Executive Vice President, Services	2015	200,000	104,219	—	3,617,543	20,283	3,942,045
	2014	200,000	81,500	—	4,324,819	3,846	4,610,165
Mark S. Peek	2016	269,007	135,750	—	8,138,747	—	8,543,504
Co-President	2015	275,000	143,301	—	5,426,314	19,964	5,864,579
	2014	266,667	120,250	—	5,946,662	12,813	6,346,392
Michael A. Stankey	2016	269,007	135,750	—	8,199,329	3,311	8,607,397
Vice Chairman of the Board	2015	275,000	143,301	—	7,235,085	26,752	7,680,138
	2014	275,000	132,750	—	7,568,433	7,272	7,983,455
W. Philip Wilmington	2016	293,365	265,144	—	20,310,386	4,280	20,873,175
Co-President	2015	—	—	—	—	—	—
	2014	—	—	—	—	—	—

(1) Includes $1,500 cash bonuses paid to all employees under the company-wide bonus plan in the fiscal year ended January 31, 2014 (for Messrs. Bozzini, Peek and Stankey). Under such company-wide bonus plan, employees also received one week's additional personal time off (PTO). For Messrs. Bozzini, Peek, Stankey and Wilmington, amounts also include payment of bonuses pursuant to the executive bonus program.

(2) The amounts reported reflect the grant date fair value of the stock options, restricted stock awards and RSUs granted to the named executive officers as computed in accordance with ASC 718. The fair value of each option grant is estimated based on the fair market value on the date of grant using the Black-Scholes option pricing model. The fair value of each restricted stock award or RSU is measured based on the closing price of our Class A common stock on the date of grant.

(3) All other compensation consists of spousal expenses related to attendance at company-sponsored events for Messrs. Bhusri, Bozzini, Stankey and Wilmington, as well as payout of accrued PTO in accordance with a change in our PTO policy in fiscal 2015 applicable to all employees. Mr. Bhusri also received a service award gift card in fiscal 2016. For Mr. Bhusri, the fiscal 2015 amount also includes $125,000 for Workday's payment of the fees associated with Mr. Bhusri's HSR Act filing otherwise payable by Mr. Bhusri, as approved by the Compensation Committee.

Grants of Plan-Based Awards in Fiscal 2016

The following table provides information regarding grants of incentive plan-based awards under our 2012 Equity Incentive Plan and made during the fiscal year ended January 31, 2016 to each of our named executive officers.

		Equity Grants	
Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (1)
Aneel Bhusri	04/15/2015	104,607	$ 9,224,245
James J. Bozzini	04/15/2015	46,492	4,099,665
Mark S. Peek	04/15/2015	69,738	6,149,497
	06/15/2015	25,000	1,989,250
Michael A. Stankey	04/15/2015	92,984	8,199,329
W. Philip Wilmington	03/15/2015	137,100	11,318,976
	06/15/2015	113,000	8,991,410

(1) These RSUs are shown at their aggregate grant date fair value in accordance with ASC 718. The fair value of each restricted stock award is measured based on the closing price of our Class A common stock on the date of grant.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information regarding each unexercised stock option, restricted shares and RSUs held by our named executive officers as of January 31, 2016.

		Option Awards			Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (1)(2)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (3)
Aneel Bhusri	04/15/2015	—	$ —	—	104,607	$ 6,591,287
	04/15/2014	—	—	—	104,607	6,591,287
	08/30/2013	—	—	—	117,393	7,396,933
	05/22/2012	—	—	—	400,000	25,204,000
	11/04/2010	2,928,356	1.30	11/04/2020	—	—
James J. Bozzini	04/15/2015	—	—	—	46,492	2,929,461
	04/15/2014	—	—	—	46,492	2,929,461
	08/30/2013	—	—	—	52,175	3,287,547
	05/04/2012	50,000	7.05	05/03/2022	—	—
	02/18/2011	164,250	2.30	02/17/2021	—	—
	07/29/2010	5,250	1.00	07/28/2020	—	—
	12/18/2009	200	0.65	12/17/2019	—	—
	03/16/2009	15,000	0.50	03/15/2019	—	—
Mark S. Peek	06/15/2015	—	—	—	25,000	1,575,250
	04/15/2015	—	—	—	69,738	4,394,191
	04/15/2014	—	—	—	69,738	4,394,191
	08/30/2013	—	—	—	71,741	4,520,400
	05/22/2012	—	—	—	45,000	2,835,450
Michael A. Stankey	04/15/2015	—	—	—	92,984	5,858,922
	04/15/2014	—	—	—	92,984	5,858,922
	08/30/2013	—	—	—	91,306	5,753,191
	05/04/2012	150,000	7.05	05/03/2022	—	—
	02/18/2011	675,000	2.30	02/17/2021	—	—
	10/27/2009	462,234	0.65	10/26/2019	—	—
W. Philip Wilmington	06/15/2015	—	—	—	113,000	7,120,130
	03/15/2015	—	—	—	137,100	8,638,671

(1) Options vest over a five-year period as follows: 20% of the Class B common stock underlying the options vest on the first anniversary of the vesting start date and thereafter 5% of the Class B common stock underlying the options vest each quarter. Notwithstanding the vesting schedule, these stock options were immediately exercisable in full as of the date of grant, with the underlying shares subject to a lapsing right of repurchase in favor of us at the exercise price.

(2) In addition, Mr. Peek has exercised options, some of which had not yet vested and were therefore subject to a right of repurchase as of January 31, 2016 in the event that his service with Workday terminates. Mr. Peek has 180,000 shares subject to a right of repurchase.

(3) The market value of unvested shares and RSUs is calculated by multiplying the number of unvested shares held by the applicable named executive officer by the closing price of our Class A common stock on January 29, 2016, the last trading day of our fiscal year, which was $63.01.

Option Exercises and Stock Vested in Fiscal 2016

The following table summarizes the value realized by our named executive officers on option awards exercised and restricted stock awards vested during the year ended January 31, 2016.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting(#)	Value Realized on Vesting ($) [2]
Aneel Bhusri	271,644	$21,374,021	216,770	$16,882,821
James J. Bozzini	142,000	11,054,954	7,453	588,116
Mark S. Peek	—	—	40,248	3,175,070
Michael A. Stankey	661,500	51,186,638	13,043	1,029,223
W. Philip Wilmington	—	—	—	—

(1) The value realized on exercise is calculated as the difference between the fair market value of our Class A common stock on the date of exercise and the applicable exercise price of those options.

(2) The value realized on vesting is calculated by multiplying the number of shares by the underlying value of the underlying shares on the vesting dates.

401(k) Plan

We maintain a tax-qualified 401(k) retirement plan for all employees who satisfy certain eligibility requirements, including requirements relating to age and length of service. Under our 401(k) plan, employees may elect to defer up to 75% of their eligible compensation subject to applicable annual limits set pursuant to the Code. We intend for the 401(k) plan to qualify, depending on the employee's election, under Code Section 401 so that contributions by employees to the 401(k) plan, and income earned on those contributions, are not taxable to employees until withdrawn from the 401(k) plan, or under Code Section 402A so that contributions by employees to the 401(k) plan are taxable as income, but qualifying withdrawals and income earned on those contributions are not taxable to employees.

Pension Benefits

We do not offer any defined benefit pension plans.

Nonqualified Deferred Compensation

We do not offer any nonqualified deferred compensation plans.

EQUITY COMPENSATION PLAN INFORMATION

Securities Authorized for Issuance Under Equity Compensation Plans

The following table includes information as of January 31, 2016 for equity compensation plans:

Plan Category	Number of Securities to be Issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of Securities Remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	9,972,280	$5.06	59,052,748(1)
Equity compensation plans not approved by security holders	2,928,356	1.30	—

(1) Included in this amount are 4,579,287 shares available for future issuance under the 2012 Employee Stock Purchase Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 31, 2016, certain information regarding beneficial ownership of our common stock (a) by each person known by us to be the beneficial owner of more than five percent of the outstanding shares of Class A common stock or Class B common stock, (b) by each director and nominee for director, (c) by the named executive officers (as defined in "Executive Compensation" above) and (d) by all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of Class A common stock or Class B common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 117,925,330 shares of Class A common stock and 77,945,959 shares of Class B common stock outstanding at March 31, 2016. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options held by that person or entity that are currently exercisable or that will become exercisable, and RSUs that will become vested and settleable, within 60 days of March 31, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588.

	Shares Beneficially Owned				% Total Voting Power[1]
	Class A		Class B		
Name of Beneficial Owner	Shares	%	Shares	%	%
Named Executive Officers and Directors:					
David A. Duffield[2]	1,076,006	*	76,279,771	97%	84%
Aneel Bhusri[3]	47,522	*	76,279,771	97%	84%
James J. Bozzini[4]	163,701	*	209,700	*	*
Mark S. Peek[5]	21,234	*	469,543	*	*
Michael A. Stankey[6]	39,934	*	1,099,987	2%	*
W. Philip Wilmington	1,559	*	0	*	*
A. George (Skip) Battle[7]	92,461	*	354,623	*	*
Christa Davies[8]	79,625	*	165,000	*	*
Michael M. McNamara[9]	183,319	*	180,000	*	*
George J. Still, Jr.[10]	155,136	*	400,784	1%	*
Jerry Yang[11]	46,452	*	0	*	*
All executive officers and directors as a group (13 persons)[12]	2,014,162	2%	79,826,905	100%	87%
5% Stockholders:					
Baillie Gifford & Co[13]	7,477,016	6%	—	—	
Jennison Associates LLC[14]	9,505,372	8%	—	—	*
Morgan Stanley and affiliates[15]	5,855,469	5%	—	—	*
Prudential Financial Inc. and affiliates[16]	9,746,760	7%	—	—	*
The Vanguard Group and affiliates[17]	7,676,258	7%	—	—	*
Wellington Management Group LLP and affiliates[18]	11,642,307	10%	—	—	*

* Less than 1%

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. The holders of our Class B common stock are entitled to 10 votes per share, and holders of our Class A common stock are entitled to one vote per share.

(2) Includes (i) 1,050,000 shares of Class A common stock held by Dave & Cheryl Duffield Foundation (the Duffield Foundation), (ii) 18,553 shares of Class A common stock held by Mr. Duffield, (iii) 7,453 RSUs held directly by Mr. Duffield which vest within 60 days of March 31, 2016 and will be settled in shares of Class A common stock, (iv) 65,269,972 shares of Class B common stock held by The David A. Duffield Trust (the Duffield Trust), including 407,000 shares of Class B common stock which may be repurchased by us at the original exercise price within 60 days of March 31, 2016, and (v) 11,009,799 shares of Class B common stock subject to a voting agreement entered into by Messrs. Duffield and Bhusri. Mr. Duffield has sole voting and dispositive power with regard to the shares held by the Duffield Trust and the Duffield Foundation.

(3) Includes (i) 30,751 shares of Class A common stock held directly by Mr. Bhusri, (ii) 16,771 RSUs held directly by Mr. Bhusri which vest within 60 days of March 31, 2016 and will be settled in shares of Class A common stock, (iii) 7,126,443 shares of Class B common stock held directly by Mr. Bhusri, (iv) 1,000,000 shares of restricted Class B common stock held directly by Mr. Bhusri, (v) 2,878,356 shares of Class B common stock issuable to Mr. Bhusri pursuant to options exercisable within 60 days of March 31, 2015, (vi) 5,000 shares of Class B common stock held by Mr. Bhusri's minor child, and (v) 65,269,972 shares of Class B common stock subject to a voting agreement entered into by Messrs. Duffield and Bhusri. Mr. Bhusri has voting and dispositive power with regard to the shares held by Mr. Bhusri's minor child.

(4) Includes (i) 14,422 shares of Class A common stock held directly by Mr. Bozzini, (ii) 108,595 shares of Class A common stock held by the Bozzini Revocable Trust, (iii) 7,453 RSUs held directly by Mr. Bozzini which vest within 60 days of March 31, 2016 and will be settled in shares of Class A common stock, (iv) 11,077 shares of Class A common stock held by the Bozzini Irrevocable Trust for the benefit of a minor child, (v) 11,077 shares of Class A common stock held by the Bozzini Irrevocable Trust for the benefit of a minor child, (vi) 11,077 shares of Class A common stock held by the Bozzini Irrevocable Trust for the benefit of a minor child, and (vii) 209,700 shares of Class B common stock issuable to Mr. Bozzini pursuant to options exercisable within 60 days of March 31, 2016.

(5) Includes (i) 10,986 shares of Class A common stock held directly by Mr. Peek, (ii) 10,248 RSUs held directly by Mr. Peek which vest within 60 days of March 31, 2016 and will be settled in shares of Class A common stock, (iii) 409,543 shares of Class B common stock held directly by Mr. Peek, of which 147,500 shares may be repurchased by us at the original exercise price within 60 days of March 31, 2016, and (iv) 60,000 shares of restricted Class B common stock held directly by Mr. Peek, of which 37,500 shares are subject to forfeiture as of March 31, 2016.

(6) Includes (i) 26,891 shares of Class A common stock held directly by Mr. Stankey, (ii) 13,043 RSUs held directly by Mr. Stankey which vest within 60 days of March 31, 2016 and will be settled in shares of Class A common stock, and (iii) 1,099,987 shares of Class B common stock issuable to Mr. Stankey pursuant to options exercisable within 60 days of March 31, 2016.

(7) Includes (i) 28,356 Class A shares held directly by Mr. Battle, (ii) 4,781 shares of RSUs held directly by Mr. Battle which will be settled in shares of Class A common stock on the vesting date of May 15, 2016, (iii) 11,824 shares of Class A common stock held by the A. George Battle 2011 Separate Property Trust, (iv) 47,500 shares of Class A common stock held by the Battle Family Foundation, and (v) 354,623 shares of Class B common stock held directly by Mr. Battle, of which 21,000 shares of Class B common stock may be repurchased by us at the original exercise price within 60 days of March 31, 2016. Mr. Battle has voting and dispositive power with regard to the shares held by the A. George Battle 2011 Separate Property Trust and the Battle Family Foundation.

(8) Includes (i) 75,292 shares of Class A common stock held directly by Ms. Davies, (ii) 4,333 shares of RSUs held directly by Ms. Davies which will be settled in shares of Class A common stock on the vesting date of May 15, 2016, and (iii) 165,000 shares of Class B common stock issuable to Ms. Davies pursuant to options exercisable within 60 days of March 31, 2016.

(9) Includes (i) 145,122 shares of Class A common stock held directly by Mr. McNamara, (ii) 4,632 shares of RSUs held directly by Mr. McNamara which will be settled in shares of Class A common stock on the vesting date of May 15, 2016, (iii) 4,000 shares of Class A common stock held by Mr. McNamara's child, (iv) 29,565 shares of Class A common stock held by Flextronics International USA, Inc. 2005 Senior Executive Deferred Compensation Plan dated June 30, 2005 (Flextronics Trust), and (v) 180,000 shares of Class B common stock issuable to Mr. McNamara pursuant to options exercisable within 60 days of March 31, 2016. Mr. McNamara has voting and dispositive power with regard to the shares held by his child. Mr. McNamara does not have voting and dispositive power with regard to the shares held by the Flextronics Trust.

(10) Includes (i) 10,757 shares of Class A common stock held directly by Mr. Still, (ii) 5,379 shares of RSUs held directly by Mr. Still which will be settled in shares of Class A common stock on the vesting date of May 15, 2016, (iii) 44,000 shares of Class A common stock held by Still Family Partners, a California limited partnership, (iv) 95,000 shares of Class A common stock held by the Still Family Trust, (v) 180,784 shares of Class B common stock held by Still Family Partners, and (vi) 220,000 shares of Class B common stock issuable to Mr. Still pursuant to options exercisable within 60 days of March 31, 2016. Mr. Still has voting and dispositive power with regard to the shares held by Still Family Partners, and the Still Family Trust.

(11) Includes (i) 39,470 shares of Class A common stock held directly by Mr. Yang, (ii) 2,500 shares of Class A common stock held by the JY Trust, and (iii) 4,482 shares of RSUs held directly by Mr. Yang which will be settled in shares of Class A common stock on the vesting date of May 15, 2016. Mr. Yang has voting and dispositive power with regard to the shares held by the JY Trust.

(12) The total number of shares of Class A common stock includes the shares described in footnotes 2 through 12 above, as well as 10,225 Class A common stock held by officers who are not named executive officers and 37,000 shares of Class A common stock held by an officer's family trust. In addition 15,238 RSUs vesting within 60 days of March 31, 2016 held by officers who are not named executive officers. The total number of shares of Class B common stock includes the shares of Class B common stock described in footnotes 2 through 12 above, as well as 134,000 shares of Class B Common Stock issuable pursuant to options exercisable within 60 days of March 31, 2016 held by officers who are not named executive officers and 9,000 shares of restricted Class B common stock held by an officer who is not a named executive officer, which shares are subject to forfeiture as of March 31, 2016.

(13) Based on information contained in a Schedule 13G filed by Baillie Gifford & Co on February 11, 2016, Baillie Gifford & Co has sole voting power over 4,318,132 Class A shares and sole dispositive power over 7,477,016 Class A shares. The filing states that Baillie Gifford & Co is an investment advisor in accordance with rule 240.13d-1(b)(1)(ii)(E) and the shares beneficially owned by Baillie Gifford & Co. are held by Baillie Gifford & Co. and/or one or more of its investment adviser subsidiaries, which may include Baillie Gifford Overseas Limited, or behalf of interment advisory clients, which may include investment companies registered under the Investment Company Act, employee benefit plans, pension funds or other institutional clients. Baillie Gifford & Co. is located at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN Scotland UK.

(14) Based on information contained in Amendment 5 in a Schedule 13G filed by Jennison Associates LLC (Jennison) on February 5, 2016, Jennison has sole voting power over 4,790,933 Class A shares and shared dispositive power over 9,505,372 Class A shares. The filing states that Prudential Financial, Inc. (Prudential) may be deemed the beneficial owner of securities beneficially owned by Jennison and the shares reported by Jennison may also be reported on the Amendment 5 to the 13G filed by Prudential on January 28, 2016, as described in footnote 17 below. Jennison is located at 466 Lexington Ave, New York, New York, 10017.

(15) Based on information contained in Amendment 1 in a Schedule 13G filed by Morgan Stanley and Morgan Stanley Investment Management Inc. (MS) on February 11, 2016, MS has sole voting power over 5,813,672 Class A shares and shared dispositive power over 5,855,469 Class A shares. The filing states that the securities being reported on by Morgan Stanley as a parent holding company are owned, or may be deemed to be beneficially owned, by Morgan Stanley Investment Management Inc., an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) as amended. Morgan Stanley Investment Management Inc. is a wholly-owned subsidiary of Morgan Stanley. Morgan Stanley is located at 1585 Broadway, New York, New York, 10036 and Morgan Stanley Investment Management Inc. is located at 522 Fifth Avenue, New York, New York, 10036.

(16) Based on information contained in Amendment 5 to a Schedule 13G filed by Prudential on January 28, 2016, Prudential has sole voting power and sole dispositive power over 586,029 Class A shares, shared voting power over 4,446,322 Class A shares, and shared dispositive power over 9,160,761 Class A shares. The filing states Prudential may be deemed the beneficial owner of securities beneficially owned by The Prudential Insurance Company of America, Jennison Associates LLC, Prudential Investment Management, Inc., PGIM, Inc. and Quantitative Management Associates LLC. Prudential is located at 751 Broad Street, Newark, New Jersey 07102.

(17) Based on information contained in Amendment 1 to a Schedule 13G filed by The Vanguard Group (Vanguard) on February 10, 2016, Vanguard has sole voting power over 105,389 Class A shares, shared voting power over 10,300 Class A shares, sole dispositive power over 7,555,177 Class A shares and shared dispositive power over 121,081 Class A shares. The filing states that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 73,781 Class A shares or .06% of the Class A common stock outstanding as a result of its serving as investment manager of collective trust accounts. In addition, Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 78,908 shares or .07% of the Class A common stock outstanding as a result of its serving as investment manager of Australian investment offerings. Vanguard is located at 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(18) Based on information contained in a Schedule 13G filed by Wellington Management Group LLP, Wellington Group Holdings LLP, and Wellington Investment Advisors Holdings LLP (Wellington) on April 11, 2016, Wellington has shared voting power over 6,788,043 Class A shares, and shared dispositive power over 11,642,307 Class A shares and Wellington Management Company LLP, an investment advisor in accordance with Rule 240.13d-1(b)(1)(ii)(E), has shared voting power over 6,788,043 Class A shares, and shared dispositive power over 9,530,329 Class A shares. The filing states that Wellington Management Group, LLP, as parent holding company to certain holding companies and the Wellington Investment Advisers, is owned of record by clients of the Wellington Investment Advisers. Wellington Investment Advisors Holdings LLP controls directly or indirectly through Wellington Management Global Holdings, Ltd., the Wellington Investment Advisers. Wellington Investment Holdings LLP is owned by Wellington Management Group LLP. Wellington and Wellington Management Company LLP are located at 280 Congress Street, Boston, Massachusetts 02210.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (Exchange Act), requires that our executive officers and directors, and persons who own more than 10% of our common stock, file reports of ownership and changes of ownership with the SEC. Such directors, executive officers and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

SEC regulations require us to identify in this proxy statement anyone who filed a required report late during the most recent fiscal year. Based on our review of forms we received, or written representations from reporting persons stating that they were not required to file these forms, we believe that during fiscal 2016, all Section 16(a) filing requirements were satisfied on a timely basis except for a late filing for Michael McNamara and a late filing for Michael Stankey.

EMPLOYMENT ARRANGEMENTS AND INDEMNIFICATION AGREEMENTS

James J. Bozzini

We entered into an offer letter agreement with Mr. Bozzini, our Executive Vice President, Services, on December 4, 2008. Pursuant to the offer letter, Mr. Bozzini's initial base salary was established at $75,000 per year, with an increase to $150,000 per year commencing February 1, 2007. In addition, on January 19, 2007, in accordance with the terms of his offer letter, Mr. Bozzini was granted a stock option to purchase 200,000 shares of our common stock at an exercise price of $0.25 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vested according to the 2005 Stock Plan and the related stock option agreement. On May 10, 2007, also in accordance with the terms of his offer letter and based on his performance, Mr. Bozzini was granted an additional stock option to purchase 200,000 shares of our common stock at an exercise price of $0.25, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vested according to the 2005 Stock Plan and related stock option agreement. Mr. Bozzini's employment is at will and may be terminated at any time, with or without cause. However, Mr. Bozzini will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Bozzini's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

Mark S. Peek

We entered into an offer letter agreement with Mr. Peek, our co-President, in April 2012, which was amended in May 2012. Pursuant to the offer letter, Mr. Peek's initial base salary was established at $250,000 per year. In addition, he received a hiring bonus of $50,000 and was entitled an annual target bonus of $100,000 based upon performance against agreed-upon goals. On May 22, 2012, in accordance with the terms of his offer letter, Mr. Peek was granted a stock option to purchase 500,000 shares of our common stock at an exercise price of $7.05 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors, and 150,000 shares of restricted stock. This option and restricted stock vests as to 20% of the shares after 12 months of continuous service, with the balance vesting in equal quarterly installments over the next 16 quarters.In June 2015, Mr. Peek was promoted to co-President in addition to his role as CFO and received 25,000 RSUs in connection with his promotion. Mr. Peek's employment is at will and may be terminated at any time, with or without cause. However, Mr. Peek will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Peek's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

James P. Shaughnessy

We entered into an offer letter agreement with Mr. Shaughnessy, our Senior Vice President, General Counsel and Secretary, on July 7, 2011. Pursuant to the offer letter, Mr. Shaughnessy's initial base salary was established at $200,000 per year. In addition, Mr. Shaughnessy was eligible to receive an annual target bonus of 25% of his base salary based on the achievement of mutually agreed-upon objectives, with a guaranteed payment at target on the one-year anniversary of his employment. Mr. Shaughnessy also received a one-time hiring bonus of $100,000. In connection with his relocation, Mr. Shaughnessy was granted a one-time relocation allowance of $100,000, as well as reimbursement of specified relocation-related expenses. On August 30, 2011, in accordance with the terms of his offer letter, Mr. Shaughnessy was granted a stock option to purchase 240,000 shares of our common stock at an exercise price of $3.70 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vests according to the 2005 Stock Plan and his related stock option agreement. Mr. Shaughnessy's employment is at will and may be terminated at any time, with or without cause. However, Mr. Shaughnessy will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Shaughnessy's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

Robynne D. Sisco

We entered into an offer letter agreement with Ms. Sisco, our Chief Financial Officer, on August 25, 2012. Pursuant to the offer letter, Ms. Sisco's initial base salary was established at $200,000 per year, and she also received a one-time hiring bonus of $50,000. In addition, on August 28, 2012, in accordance with the terms of her offer letter, Ms. Sisco was granted a stock option to purchase 175,000 shares of our common stock at an exercise price of $9.20 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. Also in accordance with the terms of her offer letter, on August 28, 2012, Ms. Sisco was granted 30,000 shares of restricted stock. This option and restricted stock vest according to the 2005 Stock Plan and the related stock option and restricted stock agreements.

Ms. Sisco's employment is at will and may be terminated at any time, with or without cause. However, Ms. Sisco will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Ms. Sisco's employment is terminated for other than "cause" or her voluntary resignation, she will be entitled to receive a severance payment equal to her then current annual base salary and the vesting of 50% of her then unvested equity awards will be accelerated.

Michael A. Stankey

We entered into an offer letter agreement with Mr. Stankey, our President and Chief Operating Officer, on September 4, 2009. Pursuant to the offer letter, Mr. Stankey's initial base salary was established at $33,280 per year, with an increase to $275,000 per year commencing January 1, 2010. In addition, Mr. Stankey is eligible to receive an annual target bonus of $125,000 based on the achievement of mutually agreed-upon objectives. On October 27, 2009, in accordance with the terms of his offer letter, Mr. Stankey was granted a stock option to purchase 2,700,000 shares of our common stock at an exercise price of $0.65 per share, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vests according to the 2005 Stock Plan and the related stock option agreement. On February 18, 2011, also in accordance with the terms of his offer letter and based on his performance, Mr. Stankey was granted an additional stock option to purchase 675,000 shares of our common stock at an exercise price of $2.30, which was equal to the fair market value of our common stock on the date the option was granted as determined by our Board of Directors. This option vests according to the 2005 Stock Plan and related stock option agreement. Mr. Stankey's employment is at will and may be terminated at any time, with or without cause. However, Mr. Stankey will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Stankey's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

W. Philip Wilmington

We entered into an offer letter agreement with Mr. Wilmington, our co-President, on February 15, 2015. Pursuant to the offer letter, Mr. Wilmington's initial base salary was established at $300,000 per year. In addition, Mr. Wilmington is eligible to participate in a variable ("incentive") compensation plan, in which his award will be targeted at 100% of his annual base salary based on the achievement of mutually agreed-upon objectives. On March 15, 2015, in accordance with the terms of his offer letter, Mr. Wilmington was granted 113,000 restricted stock units (the "RSUs"). In June 2015, Mr. Wilmington was promoted to co-President. In connection with this promotion and in recognition of his substantial contributions to Workday, Mr. Wilmington received a grant of 137,100 RSUs in June 2015 and a salary increase from $300,000 to $400,000 in November 2015. The RSUs vest according to the 2012 Equity Incentive Plan and the related RSU agreement. Mr. Wilmington's employment is at will and may be terminated at any time, with or without cause. However, Mr. Wilmington will be entitled to participate in our change in control policy that we have adopted. Under this policy, if Mr. Wilmington's employment is terminated for other than "cause" or his voluntary resignation, he will be entitled to receive a severance payment equal to his then current annual base salary and the vesting of 50% of his then unvested equity awards will be accelerated.

Potential Payments upon Termination or Change in Control

In May 2012, we adopted a change in control policy applicable to our executive officers and certain other employees. Under the policy, if any executive officer is terminated for any reason other than cause, death or disability within 12 months after a change in control or the officer voluntarily resigns for good reason within 12 months following a change in control, such officer would be entitled to receive severance benefits. Upon the occurrence of such an event, we have agreed to pay to such officer an amount equal to (i) his then-current annual base salary, and (ii) an estimate of the aggregate monthly benefits premium under COBRA for 12 months. In addition, 50% of the shares underlying all unvested equity awards held by such officer immediately prior to such termination will become vested and exercisable in full.

The following table sets forth quantitative estimates of the benefits that would have accrued to our NEOs pursuant to our change in control policy if their employment had been terminated by us without cause or if they experienced a constructive termination, each within 12 months following a change in control as of January 31, 2016.

			Intrinsic Value of Accelerated Equity Awards		
Name	**Cash Severance**	**Benefit Continuation**	**Restricted Stock Units** [1]	**Options**	**Total**
Aneel Bhusri	$ 33,280	$ —	$23,556,599	$27,322,200[2]	$50,912,079
James J. Bozzini	200,000	21,482	4,706,055	1,828,700[2]	6,756,237
Mark S. Peek	275,000	13,644	9,117,055	5,243,100[3]	14,648,799
Michael A. Stankey	275,000	26,013	8,989,223	1,733,700[2]	11,023,936
W. Philip Wilmington	400,000	16,514	8,108,242	—	8,524,756

(1) The estimated benefit amount of unvested restricted stock units was calculated by multiplying 50% of the number of unvested restricted stock units held by the applicable named executive officer by the closing price of our Class A Common Stock on January 29, 2016, which was $63.01
(2) The estimated benefit amount of unvested options was calculated by multiplying 50% of the number of unvested options subject to acceleration held by the applicable named executive officer by the difference between the closing price of our Class A Common Stock on January 29, 2016, which was $63.01, and the exercise price of the option.
(3) Represents early-exercised options. The estimated benefit amount of unvested options was calculated by multiplying 50% of the number of unvested, early-exercised options subject to acceleration held by the applicable named executive officer by the difference between the closing price of our Class A Common Stock on January 29, 2016, which was $63.01, and the exercise price of the option.

Indemnification arrangements

Our Certificate of Incorporation contains provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director’s duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which the director derived an improper personal benefit.

Our Certificate of Incorporation and our Bylaws require us to indemnify our directors and officers to the maximum extent not prohibited by the Delaware General Corporation Law and allow us to indemnify other employees and agents as set forth in the Delaware General Corporation Law. Subject to certain limitations, our Bylaws also require us to advance expenses incurred by our directors and officers for the defense of any action for which indemnification is required or permitted.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors, officers and certain of our key employees, in addition to the indemnification provided for in our Bylaws. These agreements, among other things, require us to indemnify our directors, officers and key employees for certain expenses, including attorneys’ fees, judgments, penalties, fines and settlement amounts actually and reasonably incurred by such director, officer or key employee in any action or proceeding arising out of their service to us or any of our subsidiaries or any other company or enterprise to which the person provides services at our request. Subject to certain limitations, our indemnification agreements also require us to advance expenses incurred by our directors, officers and key employees for the defense of any action for which indemnification is required or permitted.

We believe that these charter provisions and indemnification agreements are necessary to attract and retain qualified persons such as directors, officers and key employees. We also maintain directors’ and officers’ liability insurance.

The limitation of liability and indemnification provisions in our Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against our directors and officers for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder’s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ADDITIONAL INFORMATION

Stockholder Proposals for 2017 Annual Meeting

Any stockholder who wishes to submit a proposal for inclusion in our proxy materials must comply with Rule 14a-8 promulgated under the Exchange Act. For such proposals to be included in our proxy materials relating to our 2017 Annual Meeting of Stockholders, all applicable requirements of Rule 14a-8 must be satisfied and we must receive such proposals no later than December 22, 2016. Such proposals must be delivered to the Secretary of Workday at the address listed on the front page.

Proposals of stockholders that are not eligible for inclusion in the Proxy Statement and proxy for our 2017 Annual Meeting of Stockholders, or that concern one or more nominations for Directors at the meeting, must comply with the procedures, including minimum notice provisions, contained in our Bylaws. Notice must be received by the Secretary of Workday at the address listed on the front page, no earlier than February 17, 2017 and no later than March 18, 2017.

However, if the date of our 2017 Annual Meeting of Stockholders is advanced by more than 30 days prior to, or delayed by more than 60 days after, the one-year anniversary of the date of the previous year's annual meeting, then, for notice to the stockholder to be timely, it must be so received by the Secretary at the address listed on the front page not earlier than the close of business on the 105th day prior to such annual meeting and not later than the close of business on the later of (1) the 75th day prior to such annual meeting, or (2) the tenth day following the day on which public announcement of the date of such annual meeting is first made.

A copy of the pertinent provisions of the Bylaws is available upon request to the Secretary of Workday at the address listed on the front page.

Solicitation of Proxies

We will bear the expense of preparing, printing and distributing proxy materials to our stockholders. In addition to solicitations by mail, there may be incidental personal solicitation at nominal cost by directors, officers, employees or our agents. We will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of our common stock for which they are record holders.

2016 Annual Report

A copy of our 2016 Annual Report, which includes our Annual Report on Form 10-K for the year ended January 31, 2016 and our 2016 proxy statement, each as filed with the SEC, is available, without charge, by mailing a request to Investor Relations, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588. The Annual Report on Form 10-K and proxy statement are also available at the web address shown on the Notice of Annual Meeting of Stockholders and under the "Investor Relations" section on our website at: http://www.workday.com/company/investor _ relations.php.

OTHER MATTERS

We know of no other matters that are likely to be brought before the meeting. If, however, other matters that are not now known or determined come before the meeting, the persons named in the enclosed proxy or their substitutes will vote such proxy in accordance with their discretion.

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WORKDAY, INC.
2012 EQUITY INCENTIVE PLAN

1. PURPOSE. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of Workday, and any Parents and Subsidiaries that exist now or in the future, by offering them an opportunity to participate in Workday's future performance through the grant of Awards. Capitalized terms not defined elsewhere in the text are defined in Section 27.

2. SHARES SUBJECT TO THE PLAN.

2.1 Number of Shares Available. Subject to Sections 2.5 and 21 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the date of adoption of the Plan by the Board, is 25,000,000 Shares plus (i) any reserved shares not issued or subject to outstanding grants under Workday's 2005 Stock Plan (the "*Prior Plan*") on the Effective Date (as defined below), (ii) shares that are subject to stock options or other awards granted under the Prior Plan that cease to be subject to such stock options or other awards by forfeiture or otherwise after the Effective Date, (iii) shares issued under the Prior Plan before or after the Effective Date pursuant to the exercise of stock options that are, after the Effective Date, forfeited, (iv) shares issued under the Prior Plan that are repurchased by Workday at the original issue price, and (v) shares that are subject to stock options or other awards under the Prior Plan that are used to pay the exercise price of an option or withheld to satisfy the tax withholding obligations related to any award.

2.2 Lapsed, Returned Awards. Shares subject to Awards, and Shares issued under the Plan under any Award, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (a) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (b) are subject to Awards granted under this Plan that are forfeited or are repurchased by Workday at the original issue price; (c) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued; or (d) are surrendered pursuant to an Exchange Program. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares used to pay the exercise price of an Award or withheld to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. For the avoidance of doubt, Shares that otherwise become available for grant and issuance because of the provisions of this Section 2.2 will not include Shares subject to Awards that initially became available because of the substitution clause in Section 21.2 hereof.

2.3 Minimum Share Reserve. At all times Workday will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding Awards granted under this Plan.

2.4 Automatic Share Reserve Increase. The number of Shares available for grant and issuance under the Plan will be increased on March 31 of each of the ten (10) calendar years during the term of the Plan, by the lesser of (i) five percent (5%) of the number of shares of common stock issued and outstanding on each January 31 immediately prior to the date of increase, or (ii) such number of shares of common stock determined by the Board.

2.5 Adjustment of Shares. If the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of Workday, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 2.1, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, (c) the number of Shares subject to other outstanding Awards, (d) the maximum number of shares that may be issued as ISOs set forth in Section 5.8, and (e) the maximum number of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3, will be proportionately adjusted, provided that fractions of a Share will not be issued.

3. ELIGIBILITY. ISOs may be granted only to U.S. Employees. All other Awards may be granted to Employees, Consultants, Directors and Non-Employee Directors of Workday or any Parent or Subsidiary of Workday; provided that such Consultants, Directors and Non-Employee Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. No Participant will be eligible to receive more than two million (2,000,000) Shares in any calendar year under this Plan pursuant to the grant of Awards except that new Employees of Workday or of a Parent or Subsidiary of Workday (including new Employees who are also officers and directors of Workday or any Parent or Subsidiary of Workday) are eligible to receive up to a maximum of Four million (4,000,000) Shares in the calendar year in which they commence their employment.

4. ADMINISTRATION.

4.1 Committee Composition; Authority. This Plan will be administered by the Committee or by the Board acting as the Committee, and may delegate such administration as set forth in Section 4.1(q) below. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board or where applicable, the Committee will establish the terms for the grant of an Award to Insiders. The Committee will have the authority to:

(a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;

(b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;

(c) select persons to receive Awards;

(d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may vest and be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine;

(e) determine the number of Shares or other consideration subject to Awards;

(f) determine the Fair Market Value in good faith and interpret the applicable provisions of this Plan and the definition of Fair Market Value in connection with circumstances that impact the Fair Market Value, if necessary;

(g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of Workday or any Subsidiary of Workday;

(h) grant waivers of Plan or Award conditions;

(i) determine the vesting, exercisability and payment of Awards;

(j) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;

(k) determine whether an Award has been earned;

(l) determine the terms and conditions of, and institute any, Exchange Program;

(m) reduce or waive any criteria with respect to Performance Factors;

(n) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code with respect to persons whose compensation is subject to Section 162(m) of the Code;

(o) adopt terms and conditions, rules and/or procedures (including the adoption of any subplan under this Plan) relating to the operation and administration of the Plan to accommodate requirements of local law and procedures outside of the United States;

(p) make all other determinations necessary or advisable for the administration of this Plan; and

(q) delegate any of the foregoing as permitted by applicable law to one or more executive officers pursuant to a specific delegation, in which case references to “Committee” in this Section 4.1 will refer to such delegate(s), except with respect to Insiders.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination will be final and binding on Workday and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement will be submitted by the Participant or Workday to the Committee for review. The resolution of such a dispute by the Committee will be final and binding on Workday and the Participant. The Committee may delegate to one or more executive officers the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, in which case references to "Committee" in this Section 4.2 will refer to such delegate(s).

4.3 Section 162(m) of the Code and Section 16 of the Exchange Act. When necessary or desirable for an Award to qualify as "performance-based compensation" under Section 162(m) of the Code the Committee will include at least two persons who are "outside directors" (as defined under Section 162(m) of the Code) and at least two (or a majority if more than two then serve on the Committee) such "outside directors" will approve the grant of such Award and timely determine (as applicable) the Performance Period and any Performance Factors upon which vesting or settlement of any portion of such Award is to be subject. When required by Section 162(m) of the Code, prior to settlement of any such Award at least two (or a majority if more than two then serve on the Committee) such "outside directors" then serving on the Committee will determine and certify in writing the extent to which such Performance Factors have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned. Awards granted to Insiders must be approved by two or more "non-employee directors" (as defined in the regulations promulgated under Section 16 of the Exchange Act). With respect to Participants whose compensation is subject to Section 162(m) of the Code, and provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code, the Committee may adjust the performance goals to account for changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships, including without limitation (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to the operations of Workday or not within the reasonable control of Workday's management, or (iii) a change in accounting standards required by generally accepted accounting principles.

4.4 Documentation. The Award Agreement for a given Award, the Plan and any other documents may be delivered to, and accepted by, a Participant or any other person in any manner (including electronic distribution or posting) that meets applicable legal requirements.

5. OPTIONS. The Committee may grant Options to Participants and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("*ISOs*") or Nonqualified Stock Options ("*NQSOs*"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may vest and be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 Option Grant. Each Option granted under this Plan will identify the Option as an ISO or an NQSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each Option; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

5.2 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, or a specified future date. The Award Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 Exercise Period. Options may be vested and exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of Workday or of any Parent or Subsidiary of Workday ("*Ten Percent Stockholder*") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (i) the Exercise Price of an Option will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 11 and the Award Agreement and in accordance with any procedures established by Workday.

5.5 Method of Exercise. Any Option granted hereunder will be vested and exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when Workday receives: (i) notice of exercise (in such form as the Committee or Workday may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee or Workday and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of Workday or of a duly authorized transfer agent of Workday), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. Workday will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.5 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

5.6 Termination of Participation. The exercise of an Option will be subject to the following (except as may be otherwise provided in an Award Agreement):

(a) If the Participant is Terminated for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the Termination Date no later than one hundred eighty (180) days after the Termination Date (or such shorter time period or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be the exercise of an NQSO), but in any event no later than the expiration date of the Options.

(b) If the Participant is Terminated because of the Participant's death (or the Participant dies within ninety (90) days after a Termination other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant's legal representative, or authorized assignee, no later than twelve (12) months after the Termination Date (or such shorter time period not less than six (6) months or longer time period not exceeding five (5) years as may be determined by the Committee), but in any event no later than the expiration date of the Options; provided that the Committee will have the authority, in its sole discretion, to accelerate the vesting of any such Options.

(c) If the Participant is Terminated because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than six (6) months after the Termination Date (with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code, or (b) twelve (12) months after the Termination Date when the Termination is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NQSO), but in any event no later than the expiration date of the Options; provided that the Committee will have the authority, in its sole discretion, to accelerate the vesting of any such Options.

(d) If the Participant is terminated for Cause, then Participant's Options will expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee, but in any no event later than the expiration date of the Options. Unless otherwise provided in the Award Agreement, Cause will have the meaning set forth in the Plan.

5.7 Limitations on Exercise. The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs. With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of Workday and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), such Options will be treated as NQSOs. For purposes of this Section 5.8, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment. No more than twenty-five million (25,000,000) Shares will be issued pursuant to the exercise of ISOs.

5.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 18 of this Plan, by written notice to affected Participants, the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; provided, however, that the Exercise Price may not be reduced below the Fair Market Value on the date the action is taken to reduce the Exercise Price.

5.10 Delegation. The Committee may, to the extent permitted by applicable law, delegate to one or more executive officers pursuant to a specific delegation the authority to grant Options to Participants other than Insiders, subject to the foregoing provisions of this Section 5 (substituting references to "the Committee" by "the Committee's delegate(s) as the context requires).

5.11 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

6. RESTRICTED STOCK AWARDS.

6.1 Awards of Restricted Stock. A Restricted Stock Award is an offer by Workday to sell to a Participant Shares that are subject to restrictions ("*Restricted Stock*"). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

6.2 Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. Except as may otherwise be provided in an Award Agreement, a Participant accepts a Restricted Stock Award by signing and delivering to Workday an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

6.3 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan, and the Award Agreement and in accordance with any procedures established by Workday.

6.4 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with Workday or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant's Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee will: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.5 Termination of Participation. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

6.6 Delegation. The Committee may, to the extent permitted by applicable law, delegate to one or more executive officers pursuant to a specific delegation the authority to grant Restricted Stock Awards to Participants other than Insiders, subject to the foregoing provisions of this Section 6 (substituting references to "the Committee" by "the Committee's delegate(s) as the context requires).

7. STOCK BONUS AWARDS.

7.1 Awards of Stock Bonuses. A Stock Bonus Award is an award to an eligible person of Shares for services to be rendered or for past services already rendered to Workday or any Subsidiary. All Stock Bonus Awards will be made pursuant to an Award Agreement. No payment from the Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

7.2 Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with Workday or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award, the Committee will: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

7.3 Form of Payment to Participant. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, as determined in the sole discretion of the Committee.

7.4 Termination of Participation. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

7.5 Delegation. The Committee may, to the extent permitted by applicable law, delegate to one or more executive officers pursuant to a specific delegation the authority to grant Stock Bonus Awards to Participants other than Insiders, subject to the foregoing provisions of this Section 7 (substituting references to "the Committee" by "the Committee's delegate(s) as the context requires).

8. STOCK APPRECIATION RIGHTS.

8.1 Awards of SARs. A Stock Appreciation Right ("*SAR*") is an award to a Participant that may be settled in cash or Shares, having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs will be made pursuant to an Award Agreement.

8.2 Terms of SARs. The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect of the Participant's Termination on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

8.3 Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement will set forth the expiration date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 5.6 also will apply to SARs.

8.4 Form of Settlement. Upon exercise of a SAR, a Participant will be entitled to receive payment from Workday in an amount determined by multiplying (i) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (ii) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from Workday for the SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

8.5 Termination of Participation. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

8.6 Delegation. The Committee may, to the extent permitted by applicable law, delegate to one or more executive officers pursuant to a specific delegation the authority to grant SARs to Participants other than Insiders, subject to the foregoing provisions of this Section 8 (substituting references to "the Committee" by "the Committee's delegate(s) as the context requires).

9. RESTRICTED STOCK UNITS.

9.1 Awards of Restricted Stock Units. A Restricted Stock Unit ("*RSU*") is an award to a Participant covering a number of Shares that may be settled in cash, or by issuance of those Shares. All RSUs will be made pursuant to an Award Agreement.

9.2 Terms of RSUs. The Committee will determine the terms of an RSU including, without limitation: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; (c) the consideration to be distributed on settlement; and (d) the effect of the Participant's Termination on each RSU. An RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

9.3 Form and Timing of Settlement. Payment of earned RSUs will be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned RSUs in cash, Shares, or a combination of both. The Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

9.4 Termination of Participation. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

9.5 Delegation. The Committee may, to the extent permitted by applicable law, delegate to one or more executive officers pursuant to a specific delegation the authority to grant RSUs to Participants other than Insiders, subject to the foregoing provisions of this Section 9 (substituting references to "the Committee" by "the Committee's delegate(s) as the context requires).

10. PERFORMANCE AWARDS.

10.1 Performance Awards. A Performance Award is an award to a Participant of a cash bonus or a Performance Share bonus. Grants of Performance Awards will be made pursuant to an Award Agreement.

10.2 Terms of Performance Awards. The Committee will determine, and each Award Agreement will set forth, the terms of each award of Performance Award including, without limitation: (a) the amount of any cash bonus; (b) the number of Shares deemed subject to a Performance Share bonus; (c) the Performance Factors and Performance Period that will determine the time and extent to which each Performance Award will be settled; (d) the consideration to be distributed on settlement; and (e) the effect of the Participant's Termination on each Performance Award. In establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; and (y) select from among the Performance Factors to be used. Prior to settlement the Committee will determine the extent to which Performance Awards have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and different performance goals and other criteria. No Participant will be eligible to receive more than ten million dollars ($10,000,000) in Performance Awards in any calendar year under this Plan.

10.3 Value, Earning and Timing of Performance Shares. Any Performance Share bonus will have an initial value equal to the Fair Market Value of a Share on the date of grant. After the applicable Performance Period has ended, the holder of a Performance Share bonus will be entitled to receive a payout of the number of Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Factors or other vesting provisions have been achieved. The Committee, in its sole discretion, may pay an earned Performance Share bonus in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Shares at the close of the applicable Performance Period) or in a combination thereof.

10.4 Termination of Participation. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

10.5 Delegation. The Committee may, to the extent permitted by applicable law, delegate to one or more executive officers pursuant to a specific delegation the authority to grant Performance Awards to Participants other than Insiders, subject to the foregoing provisions of this Section 10 (substituting references to "the Committee" by "the Committee's delegate(s) as the context requires).

11. PAYMENT FOR SHARE PURCHASES.

Payment from a Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where expressly approved for the Participant by Workday and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement):

(a) by surrender of shares of Workday held by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled;

(b) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to Workday or a Subsidiary of Workday;

(c) by consideration received by Workday pursuant to a broker-assisted or other form of cashless exercise program implemented by Workday in connection with the Plan;

(d) by cancellation of indebtedness of Workday to the Participant;

(e) by any combination of the foregoing; or

(f) by any other method of payment as is permitted by applicable law.

12. GRANTS TO NON-EMPLOYEE DIRECTORS.

12.1 Types of Awards. Non-Employee Directors are eligible to receive any type of Award offered under this Plan except ISOs. Awards pursuant to this Section 12 may be automatically made pursuant to policy adopted by the Board, or made from time to time as determined in the discretion of the Board; provided that the value of Shares subject to an annual Award in any calendar year (not including any initial Award to a director in the calendar year in which the director first becomes a Non-Employee Director) shall not exceed $750,000 at the time of grant.

12.2 Eligibility. Awards pursuant to this Section 12 will be granted only to Non-Employee Directors. A Non-Employee Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Section 12.

12.3 Vesting, Exercisability and Settlement. Except as set forth in Section 21, Awards will vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price granted to Non-Employee Directors will not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

12.4 Election to receive Awards in Lieu of Cash. A Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from Workday in the form of cash or Awards or a combination thereof, as determined by the Board. Such Awards will be issued under the Plan.

13. WITHHOLDING TAXES.

13.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan, Workday may require the Participant to remit to Workday, or to the Subsidiary employing the Participant, an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax requirements or any other tax liability legally due from the Participant prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax requirements or any other tax liability legally due from the Participant.

13.2 Stock Withholding. The Committee or its delegate(s), as permitted by applicable law, in its sole discretion and pursuant to such procedures as it may specify from time to time and to limitations of local law, may require or permit a Participant to satisfy such tax withholding obligation or any other tax liability legally due from the Participant, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have Workday withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, or (iii) delivering to Workday already-owned Shares having a Fair Market Value equal to the minimum amount required to be withheld. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

14. TRANSFERABILITY.

14.1 Transfer Generally. Unless determined otherwise by the Committee or its delegate(s) or pursuant to this Section 14, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by (i) a will or (ii) by the laws of descent or distribution. If the Committee makes an Award transferable, including, without limitation, by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift or domestic relations order to a Permitted Transferee, such award may contain such additional terms and conditions as the Committee or its delegate(s) deems appropriate. All Awards will be exercisable: (i) during the Participant's lifetime only by (A) the Participant, or (B) the Participant's guardian or legal representative; (ii) after the Participant's death, by the legal representative of the Participant's heirs or legatees; and (iii) in the case of all awards except ISOs, by a Permitted Transferee (for awards made transferable by the Committee) or such person's guardian or legal representative.

14.2 Award Transfer Program. Notwithstanding any contrary provision of the Plan, the Committee will have all discretion and authority to determine and implement the terms and conditions of any Award Transfer Program instituted pursuant to this Section 14.2 and will have the authority to amend the terms of any Award participating, or otherwise eligible to participate in, the Award Transfer Program, including (but not limited to) the authority to (i) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Award, (ii) amend or remove any provisions of the Award relating to the Award holder's continued service to Workday or one of its Subsidiaries, (iii) amend the permissible payment methods with respect to the exercise or purchase of any such Award, (iv) amend the adjustments to be implemented in the event of changes in the capitalization and other similar events with respect to such Award, and (v) make such other changes to the terms of such Award as the Committee deems necessary or appropriate in its sole discretion.

15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.

15.1 Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Awards until the Shares subject to the Award are issued to the Participant, except for any dividend equivalent rights permitted by an applicable Award Agreement. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of Workday will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased by Workday.

16. CERTIFICATES. All Shares or other securities whether or not certificated, delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as Workday may deem necessary or advisable, including restrictions under any applicable U.S. federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted and any non-U.S. exchange controls or securities law restrictions to which the Shares are subject.

17. ESCROW; PLEDGE OF SHARES. To enforce any restrictions on a Participant's Shares, Workday may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by Workday, appropriately endorsed in blank, with Workday or an agent designated by Workday to hold in escrow until such restrictions have lapsed or terminated, and Workday may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with Workday all or part of the Shares so purchased as collateral to secure the payment of the Participant's obligation to Workday under the promissory note; provided, however, that Workday may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, Workday will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as Workday will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

18. REPRICING; EXCHANGE AND BUYOUT OF AWARDS. Without prior stockholder approval the Committee may (i) reprice Options or SARs (and where such repricing is a reduction in the Exercise Price of outstanding Options or SARs, the consent of the affected Participants is not required provided written notice is provided to them, notwithstanding any adverse tax consequences to them arising from the repricing), and (ii) with the consent of the respective Participants (unless not required pursuant to Section 5.9 of the Plan), pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE. An Award will not be effective unless such Award is in compliance with all applicable U.S. and foreign federal and state securities and exchange control laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, Workday will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that Workday determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal or foreign law or ruling of any governmental body that Workday determines to be necessary or advisable. Workday will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any foreign or state securities laws, exchange controls, stock exchange or automated quotation system, and Workday will have no liability for any inability or failure to do so.

20. NO OBLIGATION TO EMPLOY. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, Workday or any Subsidiary of Workday or limit in any way the right of Workday or any Subsidiary of Workday to terminate Participant's employment or other relationship at any time.

21. CORPORATE TRANSACTIONS.

21.1 In the event that Workday is a party to a merger or consolidation, all Shares acquired under the Plan and all Awards will be subject to the agreement of merger or consolidation. Such agreement need not treat all Awards in an identical manner, and it will provide for one or more of the following with respect to each Award:

(a) The continuation of the Award by Workday (if Workday is the surviving corporation).

(b) The assumption of the Award by the surviving corporation or its parent and, with respect to an Award that is subject to Section 409A of the Code, in a manner that complies with Section 424(a) of the Code (whether or not the Award is an ISO).

(c) The substitution by the surviving corporation or its parent of a new Award, and with respect an Award that is subject to Section 409A of the Code, in a manner that complies with Section 424(a) of the Code (whether or not the Award is an ISO).

(d) Full exercisability of an Option, full vesting of the Shares subject to an Option and/or full vesting of all other Awards, followed by the cancellation of the Option or Award. The full exercisability of an Option, full vesting of the Shares subject to the Option and/or full vesting of all other Awards may be contingent on the closing of such merger or consolidation. The Participant will be able to exercise an Option during a period of not less than five full business days preceding the effective date of such merger or consolidation, unless (A) a shorter period is required to permit a timely closing of such merger or consolidation and (B) such shorter period still offers the Participant a reasonable opportunity to exercise an Option. Any exercise of an Option during such period may be contingent on the closing of such merger or consolidation.

(e) A payment to the Participant equal to the excess of (A) the Fair Market Value of the Shares subject to the Award as of the effective date of such merger or consolidation over (B) the Exercise Price or Purchase Price of Shares, as the case may be, subject to the Award in connection with the cancellation of the Award. Such payment will be made in the form of cash, cash equivalents, or securities of the surviving corporation or its parent with a Fair Market Value equal to the required amount. The successor corporation may provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). Subject to Section 409A of the Code, such payment may be made in installments and may be deferred until the date or dates when the Award would have become exercisable or such Shares would have vested. The amount of such payment initially will be calculated without regard to whether or not the Award is then exercisable or such Shares are then vested. However, such payment may be subject to vesting based on the Participant's continuing service as an Employee, Consultant or Director. In addition, any escrow, holdback, earnout or similar provisions in the agreement of merger or consolidation may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Shares. If the Exercise Price of the Shares subject to an Option exceeds the Fair Market Value of such Shares, then the Option may be cancelled without making a payment to the Participant. For purposes of this subsection, the Fair Market Value of any security will be determined without regard to any vesting conditions that may apply to such security.

21.2 Assumption of Awards by Workday. Workday, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event Workday assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event Workday elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price. Substitute Awards will not reduce the number of Shares authorized for grant under the Plan or authorized for grant to a Participant in any calendar year.

21.3 Non-Employee Directors' Awards. Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Non-Employee Directors will accelerate and such Awards will become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

22. ADOPTION AND STOCKHOLDER APPROVAL. This Plan will be submitted for the approval of Workday's stockholders, consistent with applicable laws, within twelve (12) months before or after the date this Plan is adopted by the Board.

23. TERM OF PLAN/GOVERNING LAW. Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate ten (10) years from the date this Plan is adopted by the Board. This Plan and all Awards granted hereunder will be governed by and construed in accordance with the laws of the State of Delaware without regard to its conflict of laws rules.

24. AMENDMENT OR TERMINATION OF PLAN. The Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of Workday, amend this Plan in any manner that requires such stockholder approval; provided further, that a Participant's Award will be governed by the version of this Plan then in effect at the time such Award was granted.

25. NONEXCLUSIVITY OF THE PLAN. Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of Workday for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

26. INSIDER TRADING POLICY. Each Participant who receives an Award will comply with any policy adopted by Workday from time to time covering transactions in Workday's securities by Employees, officers and/or directors of Workday and its Subsidiaries or Parent.

27. DEFINITIONS. As used in this Plan, and except as elsewhere defined herein, the following terms will have the following meanings:

"***Award***" means any award under the Plan, including any Option, Restricted Stock Award, Stock Bonus Award, Stock Appreciation Right, Restricted Stock Unit or Performance Award.

"***Award Agreement***" means, with respect to each Award, the written or electronic agreement between Workday and the Participant setting forth the terms and conditions of the Award and country-specific appendix thereto for grants to non-U.S. Participants, which will be in substantially a form (which need not be the same for each Participant) that the Committee (or in the case of Award agreements that are not used by Insiders, the Committee's delegate(s)) has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

"***Award Transfer Program***" means any program instituted by the Committee which would permit Participants the opportunity to transfer any outstanding Awards to a financial institution or other person or entity approved by the Committee.

"***Board***" means the Board of Directors of Workday.

"***Cause***" means (i) embezzlement or misappropriation of funds; (ii) conviction of, or entry of a plea of nolo contendre to, a felony or other crime involving moral turpitude; (iii) commission of material acts of dishonesty, fraud, or deceit; (iv) breach of any material provisions of any employment agreement; (v) habitual or willful neglect of duties; (vi) breach of fiduciary duty; or (vii) material violation of any other duty whether imposed by law or the Board.

"***Code***" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"***Committee***" means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

"***Common Stock***" means the Class A common stock of Workday.

"***Consultant***" means any person, including an advisor or independent contractor, engaged by Workday or a Subsidiary of Workday to render services to such entity.

"***Corporate Transaction***" means the occurrence of any of the following events: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of Workday representing fifty percent (50%) or more of the total voting power represented by Workday's then-outstanding voting securities; (ii) the consummation of the sale or disposition by Workday of all or substantially all of Workday's assets; (iii) the consummation of a merger or consolidation of Workday with any other corporation, other than a merger or consolidation which would result in the voting securities of Workday outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of Workday or such surviving entity or its parent outstanding immediately after such merger or consolidation or (iv) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of Workday give up all of their equity interest in Workday (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of Workday).

"***Director***" means a member of the Board.

"***Disability***" means in the case of incentive stock options, total and permanent disability as defined in Section 22(e)(3) of the Code and in the case of other Awards, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

"***Effective Date***" means the day immediately prior to the date of the underwritten initial public offering of Workday's Common Stock pursuant to a registration statement that is declared effective by the SEC.

"***Employee***" means any person, including Officers and Directors, providing services as an employee to Workday or any Subsidiary of Workday. Neither service as a Director nor payment of a director's fee by Workday will be sufficient to constitute "employment" by Workday.

"***Exchange Act***" means the United States Securities Exchange Act of 1934, as amended.

"***Exchange Program***" means a program pursuant to which (i) outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof) or (ii) the exercise price of an outstanding Award is increased or reduced.

"***Exercise Price***" means, with respect to an Option, the price at which a holder may purchase the Shares issuable upon exercise of an Option and with respect to a SAR, the price at which the SAR is granted to the holder thereof.

"***Fair Market Value***" means, as of any date, the value of a share of Workday's Common Stock determined as follows:

(a) its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street* Journal or such other source as the Committee deems reliable;

(b) in the case of an Option or SAR grant made on the Effective Date, the price per share at which shares of Workday's Common Stock are initially offered for sale to the public by Workday's underwriters in the initial public offering of Workday's Common Stock pursuant to a registration statement filed with the SEC under the Securities Act; or

(c) if none of the foregoing is applicable, by the Board or the Committee in good faith.

"***Insider***" means an officer or director of Workday or any other person whose transactions in Workday's Common Stock are subject to Section 16 of the Exchange Act.

"***Non-Employee Director***" means a Director who is not an Employee of Workday or any Subsidiary.

"***Option***" means an award of an option to purchase Shares pursuant to Section 5.

"***Parent***" has the same meaning as "parent corporation" in Sections 424(e) and 424(f) of the Code.

"*Participant*" means a person who holds an Award under this Plan.

"Performance Award" means cash or stock granted pursuant to Section 10 or Section 12 of the Plan.

"Performance Factors" means any of the factors selected by the Committee (or, with respect to Performance Awards to Participants who are not Insiders, the Committee's delegate(s), as applicable) and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to Workday as a whole or any business unit or Subsidiary, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established with respect to applicable Awards have been satisfied:

(a) Profit Before Tax;

(b) Billings;

(c) Revenue;

(d) Net revenue;

(e) Earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings);

(f) Operating income;

(g) Operating margin;

(h) Operating profit;

(i) Controllable operating profit, or net operating profit;

(j) Net Profit;

(k) Gross margin;

(l) Operating expenses or operating expenses as a percentage of revenue;

(m) Net income;

(n) Earnings per share;

(o) Total stockholder return;

(p) Market share;

(q) Return on assets or net assets;

(r) Workday's stock price;

(s) Growth in stockholder value relative to a pre-determined index;

(t) Return on equity;

(u) Return on invested capital;

(v) Cash Flow (including free cash flow or operating cash flows)

(w) Cash conversion cycle;

(x) Economic value added;

(y) Individual confidential business objectives;

(z) Contract awards or backlog;

(aa) Overhead or other expense reduction;

(bb) Credit rating;

(cc) Strategic plan development and implementation;

(dd) Succession plan development and implementation;

(ee) Improvement in workforce diversity;

(ff) Customer indicators;

(gg) New product invention or innovation;

(hh) Attainment of research and development milestones;

(ii) Improvements in productivity;

(jj) Bookings; and

(kk) Attainment of objective operating goals and employee metrics; and

The Committee may, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the Performance Factors to preserve the Committee's original intent regarding the Performance Factors at the time of the initial award grant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.

"***Performance Period***" means the period of service determined by the Committee or its delegate(s), with respect to Participants who are not Insiders, during which years of service or performance is to be measured for the Award.

"***Performance Share***" means a performance share bonus granted as a Performance Award.

"***Permitted Transferee***" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Employee, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons (or the Employee) have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests.

"***Plan***" means this Workday, Inc. 2012 Equity Incentive Plan.

"***Purchase Price***" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

"***Restricted Stock Award***" means an award of Shares pursuant to Section 6 or Section 12 of the Plan, or issued pursuant to the early exercise of an Option.

"***Restricted Stock Unit***" means an Award granted pursuant to Section 9 or Section 12 of the Plan.

"***SEC***" means the United States Securities and Exchange Commission.

"***Securities Act***" means the United States Securities Act of 1933, as amended.

"***Shares***" means shares of Workday's Common Stock and the common stock of any successor security.

"***Stock Appreciation Right***" means an Award granted pursuant to Section 8 or Section 12 of the Plan.

"***Stock Bonus***" means an Award granted pursuant to Section 7 or Section 12 of the Plan.

"***Subsidiary***" has the same meaning as "subsidiary corporation" in Sections 424(e) and 424(f) of the Code.

"***Termination***" or "***Terminated***" means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor or advisor to Workday or a Parent or Subsidiary of Workday. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence approved by Workday; provided, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by Workday and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, Workday may make such provisions respecting suspension of vesting of the Award while on leave from the employ of Workday or a Parent or Subsidiary of Workday as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. In the event of military leave, if required by applicable laws, vesting will continue for the longest period that vesting continues under any other statutory or Workday approved leave of absence and, upon a

Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she will be given vesting credit with respect to Awards to the same extent as would have applied had the Participant continued to provide services to Workday throughout the leave on the same terms as he or she was providing services immediately prior to such leave. An employee will have terminated employment as of the date he or she ceases to provide services (regardless of whether the termination is in breach of local employment laws or is later found to be invalid) and employment will not be extended by any notice period or garden leave mandated by local law. Workday, or in the case of Insiders, the Committee will have sole discretion to determine whether a Participant has ceased to provide services for purposes of the Plan and the effective date on which the Participant ceased to provide services (the "***Termination Date*** ").

"***Unvested Shares***" means Shares that have not yet vested or are subject to a right of repurchase in favor of Workday (or any successor thereto).

"***Workday***" means Workday, Inc., a Delaware corporation, or any successor corporation.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended January 31, 2016

OR

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

For transition period from __________to

Commission File Number 001-35680

Workday, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**20-2480422**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
6230 Stoneridge Mall Road Pleasanton, California	**94588**
(Address of principal executive offices)	**(Zip Code)**

(925) 951-9000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $0.001	**New York Stock Exchange**

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by a check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of the voting and non-voting stock of the Registrant as of July 31, 2015 (based on a closing price of $84.33 per share) held by non-affiliates was approximately $9.5 billion. As of February 29, 2016, there were approximately 195 million shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held in 2016. The Proxy Statement will be filed by the Registrant with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year ended January 31, 2016.

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements contained in this report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "seek", and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activities, performance, or achievements. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

As used in this report, the terms "Workday," "Registrant," "we," "us," and "our" mean Workday, Inc. and its subsidiaries unless the context indicates otherwise.

ITEM 1. BUSINESS

Overview

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations headquartered around the globe, ranging from medium-sized businesses to the world's largest enterprises, have selected Workday. We achieved this leadership position through our innovative and adaptable technology, focus on the consumer Internet experience and cloud delivery model.

Organizations today operate in environments that are highly complex and changing at an increasing rate. Managers and employees must quickly synthesize vast amounts of information and react to rapid changes in global business and regulatory environments. To be successful, they need highly functional and flexible software that enables informed decision-making about the enterprise-wide allocation of their resources. Additionally, managers and employees expect to interact with enterprise systems in an open, intuitive and collaborative way, including real-time access through a wide range of mobile and computing devices. We believe that legacy, on-premise systems make those interactions difficult, as their user interfaces are not intuitive and were not originally designed for mobility.

Workday is leading the way in helping organizations better manage their financial and human capital resources. As part of our applications, we provide embedded analytics that capture the content and context of everyday business events, facilitating fast and informed decision-making from wherever users are working. In addition, we provide an intuitive user experience similar to those of leading consumer Internet sites, reducing the time for training on our applications.

Since Workday is delivered in the cloud, organizations can embrace change in their operating environments with support for new regulatory requirements, increased performance and enhancement of the user experience that we deliver through our rapid innovation cycle of frequent functionality-rich feature releases. We deliver innovation regularly, with major feature releases delivered two times per year as part of our customers' subscription agreement. When the new feature releases are delivered, the prior version is fully replaced. As a result, all Workday customers are on the same version at all times. Feature releases are included in our customers' Workday subscription and are not subject to an additional fee. Workday customers benefit from the most current technologies without the burden of large upgrade costs typically associated with traditional on-premise software.

We deliver our cloud applications using an innovative technology foundation that leverages the most recent advances in cloud computing and data management and allows us to deliver applications that are highly functional, flexible and fast. Our use of a multi-tenant architecture in which customers are on the same version of our software enables innovations to be deployed quickly. In addition, we use objects to represent real-world entities such as employees, benefits, budgets, charts of accounts and organizations, combining business logic and data in one place and creating actionable analytics that are part of our core transactional systems of record. Our use of in memory data management allows rapid and efficient delivery of embedded business intelligence. We also provide open, standards-based web-services application programming interfaces and pre-built packaged integrations and connectors. This shift in approach substantially reduces the need for our customers to buy and support a broad range of IT infrastructure, significantly reducing costs and complexity.

Our Applications

Workday Financial Management

Workday Financial Management is a comprehensive, unified application built on a single, global core with a full range of financial capabilities, relevant analytics and metrics, and fully auditable process management built to help manage financial processes for global organizations.

Workday Financial Management provides the core finance functions of general ledger, global accounting, accounts payable, accounts receivable, cash management, asset management, employee expense management, revenue management, projects, procurement, inventory, and grants management. It also supports built-in financial, operational, and management reporting and analysis in real time without the use of complex and expensive bolt-on business intelligence systems.

Workday Human Capital Management (HCM)

Designed for the largest organizations in the world, Workday Human Capital Management (HCM) allows an organization to staff, pay, organize, and develop its global workforce. This unified application includes global human resources management (workforce lifecycle management, organization management, compensation, absence, and employee benefits administration) and global talent management (goal management, performance management, succession planning, and career and development planning).

Other Applications

Workday offers a variety of other applications that complement and are unified with Workday Financial Management and Workday HCM. Workday Recruiting is an end-to-end application that supports the needs of candidates, hiring managers, the interview team, and recruiters. Workday Payroll is designed to address the full spectrum of enterprise payroll needs and provides control, accuracy and flexibility, with native payroll offerings in the U.S., Canada and United Kingdom as well as a global payroll cloud partner program to support additional customer needs. Workday Time Tracking, our time and attendance application, is designed to automate workforce management processes and thereby reduce costs and compliance risks. Workday Professional Services Automation (PSA) supports the complete billable projects lifecycle, including project and resource management, time and expense tracking, project billing, revenue recognition, financial reporting, and analytics within a single, unified solution. Workday Insight Applications leverages advanced data science and machine learning methodologies to help customers make smarter financial and workforce decisions, including retention risk analysis through Workday Talent Insights. Workday Student Recruiting and Workday Student Admissions are available as part of Workday Student, an end-to-end student and faculty lifecycle information system to help colleges and universities advance their institutions and enable student success.

Customers

We currently have more than 1,200 customers, with a focus on large, global organizations. We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution, or a distinct business unit of a large organization, which has entered into a master subscription agreement with us to access our cloud applications, including customers that are in the process of deploying our applications. While a single customer may have multiple organizations, operating segments or locations, we only include the customer once for this metric. We exclude from our customer count small- to medium-sized business customers who have contracted for our subscription services through a former reseller partner.

Our current customer base spans numerous industry categories, including technology, financial services, business and professional services, healthcare and life sciences, manufacturing, retail and hospitality, education, government and non-profit. No individual customer represented more than 10% of our revenues in the year ended January 31, 2016.

We have built a company culture centered around our customers' success and satisfaction. We have developed several programs designed to provide customers with service options to enhance their experience with our applications. These services include 24x7 support; a professional services ecosystem that consists of our Workday consulting teams and system integrators that are trained on our applications; a Customer Success Management group to assist customers in production; and an online community to facilitate collaboration among customers and with the Workday application development teams.

Employees

As of January 31, 2016, we had approximately 5,200 employees. We also engage contractors and consultants. None of our employees are represented by a labor union. We have not experienced any work stoppages, and we consider our relations with our employees to be very good.

Sales and Marketing

We sell the Workday Service through our direct sales organization, that is comprised of field sales and field sales support personnel. Workday's field sales team is aligned by geography and the number of employees in a prospect account.

We generate customer leads, accelerate sales opportunities and build brand awareness through our marketing programs and through our strategic relationships. Our marketing programs target senior business leaders, including finance, HR and IT executives.

As a core part of our strategy, we have developed an ecosystem of partners to both broaden and complement our application offerings and to provide services that lie outside of Workday's areas of focus. These relationships include software and technology partners, consulting and implementation services providers, and business process outsourcing (BPO) partners, and enable Workday to address the finance and HR-related challenges our customers face while maintaining focus on executing against our strategy.

Product Development

Our ability to compete depends in large part on our continuous commitment to product development and our ability to rapidly introduce new applications, technologies, features and functionality. Our product development organization is responsible for the design, development, testing and certification of our applications. We focus our efforts on developing new applications and core technologies and further enhancing the usability, functionality, reliability, performance, and flexibility of existing applications.

Product development expenses were $470 million, $317 million and $182 million for the years ended January 31, 2016, 2015 and 2014, respectively.

Competition

The overall market for enterprise application software is rapidly evolving, highly competitive, and subject to changing technology, shifting customer needs and frequent introductions of new applications. We currently compete with large, well-established, enterprise application software vendors, such as SAP SE (SAP) and Oracle Corporation (Oracle). SAP and Oracle are established enterprise software companies that have greater name recognition, much longer operating histories and significantly greater financial, technical, sales, marketing, and other resources than we have and are able to provide a broader scope of business applications than our current suite of applications. We also face competition from other enterprise software vendors and from vendors of specific applications, some of which offer cloud-based solutions. These vendors include The Ultimate Software Group, Inc., Automated Data Processing, Inc. (ADP), and Infor Global Solutions, among others. We also face competition from cloud-based vendors including: providers of applications for HCM and payroll services, such as Ceridian, Inc. and providers of financial management applications such as NetSuite, Inc. We may also face competition from a variety of vendors of cloud-based and on-premise software applications that address only a portion of one of our applications. In addition, other cloud companies that provide services in different markets may develop solutions in our target markets, and some potential customers may elect to develop their own internal solutions. However, the domain expertise that is required for a successful solution in the areas of financial management, HCM and analytics may inhibit new entrants that are unable to invest the necessary capital to accurately reflect global requirements and regulations. We expect continued consolidation in our industry that could lead to significantly increased competition.

We believe the principal competitive factors in our market include the following:

- level of customer satisfaction;
- ease of deployment and use of applications;
- breadth and depth of application functionality;
- total cost of ownership;
- brand awareness and reputation;
- modern and adaptive technology platform;
- capability for configuration, integration, security, scalability and reliability of applications;

- ability to innovate and respond to customer needs rapidly;
- domain expertise on financial, HR and payroll regulations;
- size of customer base and level of user adoption;
- customer confidence in financial stability and future viability; and
- ability to integrate with legacy enterprise infrastructures and third-party applications.

We believe that we compete favorably on the basis of these factors. Our ability to remain competitive will largely depend on our ongoing performance in the areas of application development and customer support.

Intellectual Property

We rely on a combination of trade secrets, patents, copyrights, and trademarks, as well as contractual protections, to establish and protect our intellectual property rights. We require our employees, contractors, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. Although we rely on intellectual property rights, including trade secrets, patents, copyrights and trademarks, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new modules, features and functionality, and frequent enhancements to our applications are more essential to establishing and maintaining our technology leadership position. Our patents begin to expire in 2017.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop applications with the same functionality as our application. Policing unauthorized use of our technology and intellectual property rights is difficult.

We expect that software and other applications in our industry may be subject to third-party infringement claims as the number of competitors grows and the functionality of applications in different industry segments overlaps. Any of these third parties might make a claim of infringement against us at any time.

Corporate Information

We were incorporated in March 2005 in Nevada, and in June 2012 we reincorporated in Delaware. Our principal executive offices are located at 6230 Stoneridge Mall Road, Pleasanton, California 94588, and our telephone number is (877) WORKDAY. Our website address is www.workday.com. The information on, or that can be accessed through, our website is not part of this report. Workday is our registered trademark in the United States, the European Community, Canada, Norway, Switzerland, New Zealand, Hong Kong and Australia and the Workday logo, our Built for the Future tagline, and all of our product names are our trademarks. Other trademarks, service marks, or trade names appearing in this report are the property of their respective owners.

Available Information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to reports filed or furnished pursuant to Sections 13(a), 14 and 15(d) of the Securities Exchange Act of 1934, as amended. The public may obtain these filings at the Securities and Exchange Commission (SEC)'s Public Reference Room at 100 F Street, NE, Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding Workday and other companies that file materials with the SEC electronically. Copies of Workday's reports on Form 10-K, Forms 10-Q and Forms 8-K, may be obtained, free of charge, electronically through our internet website, http://www.workday.com/company/investor_relations/sec_filings.php.

ITEM 1A. RISK FACTORS

Investing in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including the consolidated financial statements and the related notes included elsewhere in this report, before making an investment decision. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that materially and adversely affect our business. If any of the following risks actually occurs, our business operations, financial condition, results of operations, and prospects could be materially and adversely affected. The market price of our securities could decline due to the materialization of these or any other risks, and you could lose part or all of your investment.

Risk Factors Related to Our Business

If our security measures are breached or unauthorized access to customer data is otherwise obtained, our applications may be perceived as not being secure, customers may reduce the use of or stop using our applications and we may incur significant liabilities.

Our applications involve the storage and transmission of our customers' proprietary information, including personal or identifying information regarding their employees, customers and suppliers, as well as their finance and payroll data. As a result, unauthorized or excessive access or security breaches could result in the loss of information, litigation, indemnity obligations and other liabilities. While we have security measures in place designed to protect customer information and prevent data loss and other security breaches, if these measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and someone obtains unauthorized access to our customers' data, our reputation could be damaged, our business may suffer and we could incur significant liabilities. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any or all of these issues could negatively affect our ability to attract new customers, cause existing customers to elect to terminate or not renew their subscriptions, result in reputational damage, cause us to issue refunds or service credits to customers for prepaid and unused subscription services, or result in lawsuits, regulatory fines or other action or liabilities, which could adversely affect our operating results.

We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our business.

We host our applications and serve all of our customers from data centers located in Ashburn, Virginia; Atlanta, Georgia; Portland, Oregon; Dublin, Ireland; and Amsterdam, the Netherlands. While we control and have access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

In addition, we rely upon Amazon Web Services (AWS), which provides a distributed computing infrastructure platform for business operations, to operate certain aspects of our services, such as environments for development testing, training and sales demonstrations. Given this, along with the fact that we cannot easily switch our AWS operations to another cloud provider, any disruption of or interference with our use of AWS would impact our operations and our business could be adversely impacted.

Problems faced by our third-party data center operations, with the telecommunications network providers with whom we or they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, or problems faced by AWS, could adversely affect the experience of our customers. Our third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party data center operators or any of the service providers with whom we or they contract may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers or AWS are unable to keep up with our needs for capacity, this could have an adverse effect on our business. Any changes in third-party service levels at our data centers or at AWS or any errors, defects, disruptions, or other performance problems with our applications could adversely affect our reputation and may damage our customers' stored files or result in lengthy interruptions in our services. Interruptions in our services might adversely affect our reputation and operating results, cause us to issue refunds or service credits to customers for prepaid and unused subscription services, subject us to potential liabilities, result in contract terminations, or adversely affect our renewal rates.

Furthermore, our financial management application is essential to Workday's and our customers' financial projections, reporting and compliance programs, particularly customers who are public reporting companies. Any interruption in our service may affect the availability, accuracy or timeliness of such projections, reporting and programs and as a result could damage our reputation, cause our customers to terminate their use of our applications, require us to indemnify our customers against certain losses and prevent us from gaining additional business from current or future customers.

If we fail to manage our technical operations infrastructure, or experience service outages or delays in the deployment of our applications, we may be subject to liabilities and our reputation and operating results may be adversely affected.

We have experienced significant growth in the number of users, transactions and data that our operations infrastructure supports. We seek to maintain sufficient excess capacity in our operations infrastructure to meet the needs of all of our customers, and to ensure that our services and solutions are accessible within an acceptable load time. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support version control, changes in hardware and software parameters, updates, the evolution of our applications and to reduce infrastructure latency associated with dispersed geographic locations. However, the provision of new hosting infrastructure requires significant lead time. If we do not accurately predict our infrastructure requirements, our existing customers may experience service outages. If our operations infrastructure fails to scale, customers may experience delays as we seek to obtain additional capacity.

We have experienced, and may in the future experience, system disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks (internal and external), fraud, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Our customer agreements typically provide service level commitments on a monthly basis. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our applications, we may be contractually obligated to issue refunds or service credits to customers for prepaid and unused subscription services, or we could face contract terminations. Any extended service outages could result in customer losses, and adversely affect our reputation, revenues and operating results.

Catastrophic events may disrupt our business.

Our corporate headquarters are located in Pleasanton, California and we have data centers located in Ashburn, Virginia; Atlanta, Georgia; Portland, Oregon; Sacramento, California; Dublin, Ireland; and Amsterdam, the Netherlands. We also rely on AWS's distributed computing infrastructure platform. The west coast of the United States contains active earthquake zones and the southeast is subject to seasonal hurricanes. Additionally, we rely on our network and third-party infrastructure and enterprise applications, internal technology systems and our website for our development, marketing, operational support, hosted services and sales activities. In the event of a major earthquake, hurricane or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our application development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could have an adverse effect on our operating results.

Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of our applications and adversely affect our business.

Our customers can use our applications to collect, use and store personal or identifying information regarding their employees, customers and suppliers. National and local governments and agencies in the countries in which our customers operate have adopted, are considering adopting, or may adopt laws and regulations regarding the collection, use, storage, processing and disclosure of personal information obtained from consumers and individuals, which could impact our ability to offer our services in certain jurisdictions or our customers' ability to deploy our solutions globally. Privacy-related laws are particularly stringent in Europe. The costs of compliance with and other burdens imposed by privacy-related laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, lead to significant fines, penalties or liabilities for noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business. Moreover, if Workday employees fail to adhere to adequate data protection practices around the usage of our customer's personal data, it may damage our reputation and brand.

Additionally, we expect that existing laws, regulations and standards may be interpreted in new and differing manners in the future, and may be inconsistent among jurisdictions. For example, the European Court of Justice in October 2015 issued a ruling immediately invalidating the U.S.-EU Safe Harbor Framework, which facilitated personal data transfers to the U.S. in compliance with applicable European data protection laws. While we do not depend upon the U.S.-EU Safe Harbor Framework for transferring European personal data to the U.S., there is regulatory uncertainty surrounding how data transfers from the European Union to the U.S. will be authorized in the future and different European data protection regulators could apply differing standards for the transfer of personal data. Future laws, regulations, standards and other obligations, and changes in the interpretation of existing laws, regulations, standards and other obligations could result in increased regulation, cost of compliance and limitations on data collection, use, disclosure and transfer for Workday and our customers, which could decrease demand for our applications, require us to restrict our business operations, and impair our ability to maintain and grow our customer base and increase our revenue.

The costs of compliance with, and other burdens imposed by, privacy laws and regulations that are applicable to the businesses of our customers may adversely affect our customers' ability and willingness to process, handle, store, use and transmit demographic and personal information of their employees, customers and suppliers, which could limit the use, effectiveness and adoption of our applications and reduce overall demand. Even the perception of privacy concerns, whether or not valid, may inhibit the adoption, effectiveness or use of our applications.

In addition to government activity, privacy advocacy groups and the technology and other industries have established or may establish various new, additional or different self-regulatory standards that may place additional burdens on us. Our customers may expect us to meet voluntary certifications, such as ISO 27018 or other standards established by third parties, such as TRUSTe. If we are unable to maintain these certifications or meet these standards, it could reduce demand for our applications and adversely affect our business.

We have experienced rapid growth. If we fail to manage our growth effectively, we may be unable to execute our business plan, maintain high levels of service and operational controls or adequately address competitive challenges.

We have experienced, and are continuing to experience, a period of rapid growth in our customers, headcount and operations. In particular, we grew from approximately 300 employees as of December 31, 2008 to approximately 5,200 employees as of January 31, 2016, and have also significantly increased the size of our customer base. We anticipate that we will significantly expand our operations and headcount in the near term, and will continue to expand our customer base. This growth has placed, and future growth will place, a significant strain on our management, general and administrative resources and operational infrastructure. Our success will depend in part on our ability to manage this growth effectively and to scale our operations. To manage the expected growth of our operations and personnel, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. As we continue to grow, we also need to ensure that our policies and procedures evolve to reflect our current operations and are appropriately communicated to and observed by employees, and that we appropriately manage our corporate information assets, including confidential and proprietary information. Failure to effectively manage growth could result in difficulty or delays in deploying customers, declines in quality or customer satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact our business performance and results of operations.

We depend on our senior management team and the loss of one or more key employees could adversely affect our business.

Our success depends largely upon the continued services of our executive officers. We also rely on our leadership team in the areas of product development, marketing, sales, services and general and administrative functions, and on mission-critical individual contributors in product development. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and they could terminate their employment with us at any time. The loss of one or more of our executive officers or key employees and any failure to develop an appropriate succession plan for these persons could have a serious adverse effect on our business.

An inability to attract and retain highly skilled employees could adversely affect our business and our future growth prospects.

To execute our growth plan, we must attract and retain highly qualified personnel, and our managers must be successful in hiring employees who are a good cultural fit and have the competencies to succeed at Workday. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software and Internet-related services and senior sales executives. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and may not be able to fill positions in desired geographic areas or at all.

Many of the companies with which we compete for experienced personnel have greater resources than we have and some of these companies may offer greater compensation packages. Particularly in the San Francisco Bay Area, job candidates and existing employees carefully consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain highly skilled employees. Job candidates may also be threatened with legal action by their existing employers if we hire them, which could have a chilling effect on hiring and result in a diversion of our time and resources. We must also continue to retain and motivate existing employees through our compensation practices, company culture and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business and future growth prospects could be adversely affected.

If we cannot maintain our corporate culture, we could lose the innovation, teamwork and passion that we believe contribute to our success, and our business may be harmed.

We believe that a critical component of our success has been our corporate culture, as reflected in our core values: employees, customer service, innovation, integrity and fun. We have invested substantial time and resources in building our team. As we continue to grow and develop the infrastructure associated with being a public company, we will need to maintain our corporate culture among a larger number of employees. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be adversely affected.

The markets for financial management and HCM applications are highly competitive, with relatively low barriers to entry for some applications or services. Our primary competitors are SAP and Oracle, well-established providers of financial management and HCM applications, which have long-standing relationships with many customers. Some customers may be hesitant to switch vendors or to adopt cloud applications such as ours, and prefer to maintain their existing relationships with competitors. SAP and Oracle are larger and have greater name recognition, much longer operating histories, larger marketing budgets and significantly greater resources than we do. These vendors, as well as other competitors, could offer financial management and HCM applications on a standalone basis at a low price or bundled as part of a larger product sale. In order to take advantage of customer demand for cloud applications, legacy vendors are expanding their cloud applications through acquisitions, strategic alliances and organic development. Legacy vendors may also seek to partner with other leading cloud providers, such as the alliance between Oracle and Salesforce.com. We also face competition from custom-built software vendors and from vendors of specific applications, some of which offer cloud-based solutions. These vendors include, without limitation: The Ultimate Software Group, Inc., Automatic Data Processing and Infor Global Solutions. We also face competition from cloud-based vendors including providers of applications for HCM and payroll services such as Ceridian and providers of financial management applications such as NetSuite, Inc. We may also face competition from a variety of vendors of cloud-based and on-premise software applications that address only a portion of one of our applications. In addition, other companies that provide cloud applications in different target markets may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. With the introduction of new technologies and market entrants, we expect this competition to intensify in the future.

Many of our competitors are able to devote greater resources to the development, promotion and sale of their products and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition. In addition, many of our competitors have established marketing relationships, access to larger customer bases and major distribution agreements with consultants, system integrators and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources. If our competitors' products, services or technologies become more accepted than our applications, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, then our revenues could be adversely affected. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels, our operating results would be negatively affected. Pricing pressures and increased competition could result in reduced sales, reduced margins, losses or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

If the market for enterprise cloud computing grows more slowly than in recent years, our business could be adversely affected.

The enterprise cloud computing market is not as mature as the market for on-premise enterprise software. Our success will depend to a substantial extent on the continued growth of cloud computing in general, and of financial management and HCM services in particular. Many enterprises have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to cloud computing. It is difficult to predict customer adoption rates and demand for our applications, the future growth rate and size of the cloud computing market or the entry of competitive applications. The continued expansion of the cloud computing market depends on a number of factors, including the cost, performance, and perceived value associated with cloud computing, as well as the ability of cloud computing companies to address security and privacy concerns. Further, the cloud computing market is less developed in many jurisdictions outside of the United States. If we or other cloud computing providers experience security incidents, loss of customer data, disruptions in delivery or other problems, the market for cloud computing applications as a whole, including our applications, may be negatively affected. If there is a reduction in demand for cloud computing caused by a lack of customer acceptance, technological challenges, weakening economic conditions, security or privacy concerns, competing technologies and products, decreases in corporate spending or otherwise, it could result in decreased revenues or growth rates and our business could be adversely affected.

To date, we have derived a substantial majority of our subscription services revenues from our HCM application. Our efforts to increase sales of our HCM application as well as our other applications may not succeed, and may reduce our revenue growth rate.

To date, we have derived a substantial majority of our subscription services revenues from our HCM application. Any factor adversely affecting sales of this application, including application release cycles, market acceptance, product competition, performance and reliability, reputation, price competition, and economic and market conditions, could adversely affect our business and operating results. Our participation in the markets for other applications is more recent, and it is uncertain what proportion of revenues will be contributed by non-HCM applications. Further, the introduction of new applications beyond these markets may not be successful.

If we are not able to provide successful enhancements, new features and modifications, our business could be adversely affected.

If we are unable to provide enhancements and new features for our existing applications or new applications that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. For example, we are focused on enhancing the features and functionality of our applications to enhance their utility to larger customers with complex, dynamic and global operations. The success of enhancements, new features and applications depends on several factors, including the timely completion, introduction and market acceptance of the enhancements or new features or applications. Failure in this regard may significantly impair our revenue growth. In addition, because our applications are designed to operate on a variety of systems, we will need to continuously modify and enhance our applications to keep pace with changes in Internet-related hardware, iOS, Android and other mobile-related technologies and other software, communication, browser and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. We must also appropriately balance the product capability demands of our current customers with the capabilities required to address the broader market. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our product development expenses. Any failure of our applications to operate effectively with future network platforms and technologies could reduce the demand for our applications, result in customer dissatisfaction and adversely affect our business.

Our applications must integrate with a variety of third-party technologies, and if we are unable to ensure that our solutions interoperate with such technologies, demand for our applications and our operating results could be adversely affected.

Our applications must integrate with a variety of technologies and we must continuously modify and enhance our applications to adapt to changes in operating systems, hardware, software, communication, browser and database technologies. Any failure of our solutions to operate effectively with future technologies or our failure to respond to changes in a timely and effective manner could reduce the demand for our applications, result in customer dissatisfaction and harm our operating results and business.

If our applications fail to perform properly, our reputation could be adversely affected, our market share could decline and we could be subject to liability claims.

Our applications are inherently complex and may contain material defects or errors. Any defects in functionality or that cause interruptions in the availability of our applications could result in:

- loss or delayed market acceptance and sales;
- breach of warranty claims;
- issue refunds or service credits to customers for prepaid and unused subscription services;
- loss of customers;
- diversion of development and customer service resources; and

- injury to our reputation.

The costs incurred in correcting any material defects or errors might be substantial and could adversely affect our operating results.

Because of the large amount of data that we collect and process, it is possible that hardware failures or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Furthermore, the availability or performance of our applications could be adversely affected by a number of factors, including customers' inability to access the Internet, the failure of our network or software systems, security breaches or variability in user traffic for our services. We may be required to issue credits or refunds for prepaid amounts related to unused services or otherwise be liable to our customers for damages they may incur resulting from certain of these events. For example, our customers access our applications through their Internet service providers. If a service provider fails to provide sufficient capacity to support our applications or otherwise experiences service outages, such failure could interrupt our customers' access to our applications, which could adversely affect their perception of our applications' reliability and our revenues. In addition to potential liability, if we experience interruptions in the availability of our applications, our reputation could be adversely affected and we could lose customers.

Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us and defending a suit, regardless of its merit, could be costly and divert management's attention.

Because we sell applications to manage complex operating environments of large customers, we encounter long sales cycles, which could adversely affect our operating results in a given period.

Our ability to increase revenues and achieve and maintain profitability depends, in large part, on widespread acceptance of our applications by large businesses and other organizations. As we target our sales efforts at these customers, we face greater costs, longer sales cycles and less predictability in completing some of our sales. In the large enterprise market, the customer's decision to use our applications may be an enterprise-wide decision and, therefore, these types of sales require us to provide greater levels of education regarding the use and benefits of our applications. In addition, our target customers may prefer to purchase applications that are critical to their business from one of our larger, more established competitors. Our typical sales cycles are six to twelve months, and we expect that this lengthy sales cycle may continue or increase as customers adopt our applications beyond HCM. Longer sales cycles could cause our operating and financial results to suffer in a given period.

Our customers' deployment timeframes vary based on many factors including the number and type of applications being deployed, the complexity and scale of the customers' businesses, the configuration requirements, the number of integrations with other systems and other factors, many of which are beyond our control.

The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could negatively affect our ability to market our applications.

We rely on our reputation and recommendations from key customers in order to promote subscriptions to our applications. The loss of, or failure to renew by, any of our key customers could have a significant impact on our revenues, reputation and our ability to obtain new customers. In addition, acquisitions of our customers could lead to cancellation of our contracts with those customers or by the acquiring companies, thereby reducing the number of our existing and potential customers. Acquisitions of our partners could also result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications.

Our business could be adversely affected if our customers are not satisfied with the deployment services provided by us or our partners.

Our business depends on our ability to satisfy our customers, both with respect to our application offerings and the professional services that are performed to help our customers use features and functions that address their business needs. Professional services may be performed by our own staff, by a third party, or by a combination of the two. Our strategy is to work with third parties to increase the breadth of capability and depth of capacity for delivery of these services to our customers, and third parties provide a majority of our deployment services. If customers are not satisfied with the quality of work performed by us or a third party or with the type of professional services or applications delivered, then we could incur additional costs to address the situation, the revenue recognition of the contract could be impacted, and the dissatisfaction with our services could damage our ability to expand the applications subscribed to by our customers. We must also align our product development and professional services operations in order to ensure that customers' evolving needs are met. Negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and our financial results.

Once our applications are deployed, our customers depend on our support organization to resolve technical issues relating to our applications. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our applications to existing and prospective customers, and our business, operating results and financial position.

Sales to customers outside the United States or with international operations expose us to risks inherent in international sales and operations.

A key element of our growth strategy is to expand our international operations and develop a worldwide customer base. To date, we have not realized a substantial portion of our revenues from customers headquartered outside the United States. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that are different from those in the United States. Because of our limited experience with international operations, our international expansion efforts may not be successful in creating demand for our applications outside of the United States or in effectively selling subscriptions to our applications in all of the international markets we enter. In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- the need to localize and adapt our applications for specific countries, including translation into foreign languages, localization of contracts for different legal jurisdictions and associated expenses;
- the need for a go-to-market strategy that aligns product management efforts and the development of supporting infrastructure;
- stricter data privacy laws including requirements that customer data be stored and processed in a designated territory and obligations on us as a data processor;
- difficulties in appropriately staffing and managing foreign operations and providing appropriate compensation for local markets;
- difficulties in leveraging executive presence and company culture globally;
- different pricing environments, longer sales cycles and longer accounts receivable payment cycles and collections issues;
- new and different sources of competition;
- potentially weaker protection for intellectual property and other legal rights than in the United States and practical difficulties in enforcing intellectual property and other rights outside of the United States;
- laws, customs and business practices favoring local competitors;
- compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- increased financial accounting and reporting burdens and complexities;
- restrictions on the transfer of funds;
- ensuring compliance with anti-corruption laws including the Foreign Corrupt Practices Act;
- the effects of currency fluctuations on our revenues and customer demand for our services;
- adverse tax consequences and tax rulings; and
- unstable economic and political conditions.

The majority of our international costs are denominated in local currencies. In addition, we anticipate that over time, an increasing portion of our international sales contracts may be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may impact our operating results when translated into U.S. dollars. We have a hedging program but we cannot assure that this hedging program will be effective and we will continue to have risk of exchange rate fluctuations.

We have acquired, and may in the future acquire, other companies, employee teams or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results.

We have acquired, and may in the future acquire, other companies, employee teams or technologies to complement or expand our applications, enhance our technical capabilities, obtain personnel or otherwise offer growth opportunities. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience in acquisitions. We may not be able to integrate acquired personnel, operations and technologies successfully or effectively manage the combined operations following the acquisition. We also may not achieve the anticipated benefits from the acquisitions due to a number of factors, including:

- inability to integrate or benefit from acquisitions in a profitable manner;
- incurrence of acquisition-related costs or liabilities, some of which may be unanticipated;
- difficulty integrating the intellectual property and operations of the acquired business;
- difficulty integrating and retaining the personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty terminating or converting the customers of the acquired business onto our applications and contract terms;
- diversion of management's attention from other business concerns;
- adverse effects on our existing business relationships with business partners and customers as a result of the acquisition;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial position may suffer.

We have a history of cumulative losses and we do not expect to be profitable for the foreseeable future.

We have incurred significant losses in each period since our inception in 2005. These losses and our accumulated deficit reflect the substantial investments we made to acquire new customers and develop our applications. We expect our operating expenses to increase in the future due to anticipated increases in sales and marketing expenses, product development expenses, operations costs and general and administrative costs, and therefore we expect our losses to continue for the foreseeable future. Furthermore, to the extent we are successful in increasing our customer base, we will also incur increased losses in the acquisition period because costs associated with acquiring customers are generally incurred up front, while subscription services revenues are generally recognized ratably over the terms of the agreements, which are typically three years. You should not consider our recent growth in revenues as indicative of our future performance. Accordingly, we cannot assure you that we will achieve profitability in the future, nor that, if we do become profitable, we will sustain profitability.

We may not receive significant revenues from our current development efforts for several years, if at all.

Developing software applications is expensive and the investment in product development often involves a long return on investment cycle. We have made and expect to continue to make significant investments in development and related product opportunities. Accelerated product introductions and short product life cycles require high levels of expenditures that could adversely affect our operating results if not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our development efforts to maintain our competitive position. However, we may not receive significant revenues from these investments for several years, if at all.

If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.

Our ability to forecast our future rate of growth is limited and subject to a number of uncertainties, including general economic and market conditions. We plan our expense levels and investment on estimates of future revenue and future anticipated rates of growth. We may not be able to adjust our spending quickly enough if our growth rates fall short of our expectations.

Moreover, we have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties (which we use to plan our business) are incorrect or change due to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

We may not be able to sustain our revenue growth rates in the future.

You should not consider our historical revenue growth rates as indicative of our future performance. Our revenue growth rates have declined, and may decline in future periods, as the size of our customer base increases and as we achieve higher market penetration rates. Other factors may also contribute to declines in our growth rates, including slowing demand for our services, increasing competition, a decrease in the growth of our overall market, our failure to continue to capitalize on growth opportunities, and the maturation of our business, among others. As our growth rates decline, investors' perceptions of our business and the trading price of our securities could be adversely affected.

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, including the levels of our revenues, gross margin, core operating margin, profitability, cash flow and unearned revenue, may vary significantly in the future and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly results may negatively impact the value of our securities. Factors that may cause fluctuations in our quarterly financial results include, without limitation, those listed below:

- our ability to attract new customers;
- the addition or loss of large customers, including through acquisitions or consolidations;
- the timing of operating expenses and recognition of revenues;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- network outages or security breaches;
- general economic and market conditions;
- customer renewal rates;
- increases or decreases in the number of elements of our services or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- the mix of applications sold during a period;
- seasonal variations in sales of our applications, which have historically been highest in our fiscal fourth quarter;
- the timing and success of new application and service introductions by us or our competitors;
- changes in the competitive dynamics of our industry, including consolidation among competitors, customers or strategic partners;
- changes in laws and regulations that impact our business; and
- the timing of expenses related to acquisitions and potential future charges for impairment of goodwill.

Because we recognize subscription services revenues over the term of the contract, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.

We generally recognize subscription services revenues from customers ratably over the terms of their contracts, which are typically three years. As a result, most of the subscription services revenues we report in each quarter are derived from the recognition of unearned revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscription contracts in any single quarter will likely have a minor impact on our revenue results for that quarter. However, such a decline will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our applications, and potential changes in our pricing policies or rate of renewals, may not be fully reflected in our results of operations until future periods. We may be unable to adjust our cost structure to reflect the changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while revenues are recognized over the life of the customer agreement. As a result, increased growth in the number of our customers could result in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as subscription revenues from new customers generally are recognized over the applicable subscription term.

Our ability to predict the rate of customer subscription renewals or adoptions, and the impact these renewals and adoptions will have on our revenues or operating results, is limited.

As the markets for our applications mature, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have used historically. Moreover, large customers, which are the focus of our sales efforts, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could adversely affect our revenues, gross margin, profitability, financial position and cash flow.

In addition, our customers have no obligation to renew their subscriptions for our applications after the expiration of the initial subscription period. Our customers may renew for fewer elements of our applications or on different pricing terms. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our pricing or our applications and their ability to continue their operations and spending levels. If our customers do not renew their subscriptions for our applications on similar pricing terms, our revenues may decline and our business could suffer. In addition, over time the average term of our contracts could change based on renewal rates or for other reasons.

Our future success also depends in part on our ability to sell additional features or enhanced elements of our applications to our current customers. This may require increasingly costly sales efforts that are targeted at senior management. If these efforts are not successful, our business may suffer.

Failure to adequately expand our direct sales force will impede our growth.

We will need to continue to expand and optimize our sales infrastructure in order to grow our customer base and our business. We plan to continue to expand our direct sales force, both domestically and internationally. Identifying and recruiting qualified personnel and training them in the use of our software requires significant time, expense and attention. It can take significant time before our sales representatives are fully trained and productive. Our business may be adversely affected if our efforts to expand and train our direct sales force do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new direct sales personnel are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues.

If we fail to develop widespread brand awareness cost-effectively, our business may suffer.

We believe that developing and maintaining widespread positive awareness of our brand is critical to achieving widespread acceptance of our applications, attracting new customers and hiring and retaining employees. Brand promotion activities may not generate customer awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses, we may fail to attract or retain customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our applications. In addition, if our brand is negatively impacted, it may be more difficult to hire and retain employees.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on relationships with third parties, such as deployment partners, and technology and content providers. Identifying partners, and negotiating and documenting relationships with them, requires significant time and resources. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our services. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our applications or increased revenues.

Adverse economic conditions may negatively impact our business.

Our business depends on the overall demand for enterprise software and on the economic health of our current and prospective customers. Any significant weakening of the economy in the United States or Europe and of the global economy, more limited availability of credit, a reduction in business confidence and activity, decreased government spending, and other difficulties may affect one or more of the sectors or countries in which we sell our applications. In addition, a strong dollar could reduce demand for our products in countries with relatively weaker currencies. These adverse conditions could result in reductions in sales of our applications, longer sales cycles, reductions in subscription duration and value, slower adoption of new technologies and increased price competition. Any of these events would likely have an adverse effect on our business, operating results and financial position.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We rely on patent, copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate.

We may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could seriously adversely affect our brand and our business.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in our industry. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. In the future, they may claim that our applications and underlying technology infringe or violate their intellectual property rights, even if we are unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our services, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications, or refund fees, which could be costly. Even if we were to prevail in such a dispute, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

Some of our applications utilize open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

Some of our applications include software covered by open source licenses, which may include, by way of example, GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our applications. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be impacted by an open source license, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and services. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated, and could negatively affect our business.

We employ third-party licensed software for use in or with our applications, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which would adversely affect our business.

Our applications incorporate certain third-party software obtained under licenses from other companies. We anticipate that we will continue to rely on such third-party software and development tools from third parties in the future. Although we believe that there are commercially reasonable alternatives to the third-party software we currently license, this may not always be the case, or it may be difficult or costly to replace. In addition, integration of the software used in our applications with new third-party software may require significant work and require substantial investment of our time and resources. To the extent that our applications depend upon the successful operation of third-party software in conjunction with our software, any undetected errors or defects in this third-party software could prevent the deployment or impair the functionality of our applications, delay new application introductions, result in a failure of our applications and injure our reputation. Our use of additional or alternative third-party software would require us to enter into license agreements with third parties.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our applications, and could have a negative impact on our business.

Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations relating to Internet usage. Changes in these laws or regulations could require us to modify our applications in order to comply with these laws or regulations. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications, or negatively impact demand for Internet-based applications such as ours.

In addition, businesses could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. Businesses have been adversely affected by “viruses,” “worms” and similar malicious programs and have experienced a variety of outages and other delays as a result of damage to Internet infrastructure. These issues could negatively impact demand for our cloud-based applications.

We may discover weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities.

As a public company, we are required to design and maintain proper and effective internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated.

The process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 is challenging and costly. In the future, we may not be able to complete our evaluation, testing and any required remediation in a timely fashion. If we identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be negatively affected, and we could become subject to investigations by the New York Stock Exchange (NYSE), the SEC, or other regulatory authorities, which could require additional financial and management resources. In addition, because we use Workday's financial management application, any problems that we experience with financial reporting and compliance could be negatively perceived by prospective or current customers, and negatively impact demand for our applications.

The requirements of being a public company may strain our resources and divert management’s attention.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the listing requirements of the NYSE and other applicable securities rules and regulations. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources. In particular, we have incurred and expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management’s attention may be diverted from other business concerns, which could harm our business and operating results.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We will not be able to utilize a portion of our net operating loss or research tax credit carryforwards, which could adversely affect our profitability.

As of January 31, 2016, we had federal and state net operating loss carryforwards due to prior period losses, which if not utilized will begin to expire in fiscal 2025 and 2017 for federal and state purposes, respectively. We also have federal research tax credit carryforwards, which if not utilized will begin to expire in 2025. These net operating loss and research tax credit carryforwards could expire unused and be unavailable to reduce future income tax liabilities, which could adversely affect our profitability. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. It is possible that an ownership change, or any future ownership change, could have a material effect on the use of our net operating loss carryforwards or other tax attributes, which could adversely affect our profitability.

Adverse tax laws or regulations could be enacted or existing laws could be applied to us or our customers, which could increase the costs of our services and adversely impact our business.

We operate and are subject to taxes in the United States and numerous foreign jurisdictions throughout the world. Changes to federal, state, local or international tax laws on income, sales, use, indirect or other tax laws, statutes, rules, regulations or ordinances on multinational corporations are currently being considered by the United States and other countries where we do business. These contemplated legislative initiatives include, but not limited to, changes to transfer pricing policies and definitional changes to permanent establishment could be applied solely or disproportionately to services provided over the Internet. These contemplated tax initiatives, if finalized and adopted by countries, may ultimately impact our effective tax rate and could adversely affect our sales activity resulting in a negative impact on our operating results and cash flows.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us (possibly with retroactive effect), which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties and interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely impacting our operating results and cash flows. If our customers must pay additional fines or penalties, it could adversely affect demand for our services.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board (FASB), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Risks Related to Our Class A Common Stock

Our Chairman and CEO have control over key decision making as a result of their control of a majority of our voting stock.

As of January 31, 2016, our co-founder and Chairman David Duffield, together with his affiliates, held voting rights with respect to 66 million shares of Class B common stock and 1 million shares of Class A common stock. In addition, Mr. Duffield holds 0.1 million RSUs, which will be settled in an equivalent number of shares of Class A common stock. As of January 31, 2016, our co-founder and CEO Aneel Bhusri, together with his affiliates, held voting rights with respect to 7 million shares of Class B common stock. In addition, Mr. Bhusri holds exercisable options to acquire 3 million shares of Class B common stock, 1 million shares of Class B restricted stock and 0.3 million RSUs, which will be settled in an equivalent number of shares of Class A common stock. Further, Messrs. Duffield and Bhusri have entered into a voting agreement under which each has granted a voting proxy with respect to certain Class B common stock beneficially owned by him effective upon his death or incapacity as described in our registration statement on Form S-1 filed in connection with our initial public offering. Messrs. Duffield and Bhusri have each initially designated the other as their respective proxies. Accordingly, upon the death or incapacity of either Mr. Duffield or Mr. Bhusri, the other would individually continue to control the voting of shares subject to the voting proxy. Collectively, the shares described above represent a substantial majority of the voting power of our outstanding capital stock. As a result, Messrs. Duffield and Bhusri have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation, or sale of all or substantially all of our assets. In addition, they have the ability to control the management and affairs of our company as a result of their positions as our Chairman and CEO, respectively, and their ability to control the election of our directors. As board members and officers, Messrs. Duffield and Bhusri owe a fiduciary duty to our stockholders and must act in good faith in a manner they reasonably believe to be in the best interests of our stockholders. As stockholders, even as controlling stockholders, they are entitled to vote their shares in their own interests, which may not always be in the interests of our stockholders generally.

The dual class structure of our common stock has the effect of concentrating voting control with our Chairman and CEO, and also with other executive officers, directors and affiliates; this will limit or preclude the ability of non-affiliates to influence corporate matters.

Our Class B common stock has ten votes per share and our Class A common stock, which is the stock that is publicly traded, has one vote per share. Stockholders who hold shares of Class B common stock, including our executive officers, directors and other affiliates, together hold a substantial majority of the voting power of our outstanding capital stock as of January 31, 2016. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the conversion of all shares of all Class A and Class B shares to a single class of common stock on the date that is the first to occur of (i) October 11, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock. This concentrated control will limit or preclude the ability of non-affiliates to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, our Chairman and CEO retain a significant portion of their holdings of Class B common stock for an extended period of time, they could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

Our stock price has been volatile in the past and may be subject to volatility in the future.

The trading price of our Class A common stock has been volatile historically, and could be subject to wide fluctuations in response to various factors described below. These factors, as well as the volatility of our Class A common stock, could also impact the price of our convertible senior notes. The factors that may affect the trading price of our securities, some of which are beyond our control, include:

- overall performance of the equity markets;
- fluctuations in the valuation of companies perceived by investors to be comparable to us, such as high-growth or cloud companies, or in valuation metrics, such as our price to revenues ratio;
- guidance as to our operating results that we provide to the public, differences between our guidance and market expectations, our failure to meet our guidance or changes in recommendations by securities analysts that follow our securities;
- announcements of technological innovations, new applications or enhancements to services, acquisitions, strategic alliances or significant agreements by us or by our competitors;
- disruptions in our services due to computer hardware, software or network problems;
- announcements of customer additions and customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- the economy as a whole, market conditions in our industry, and the industries of our customers;
- trading activity by directors, executive officers and significant stockholders, or the perception in the market that the holders of a large number of shares intend to sell their shares;
- the exercise of rights held by certain of our stockholders, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders;
- the size of our market float and significant option exercises;
- any future issuances of securities;
- sales and purchases of any Class A common stock issued upon conversion of our convertible senior notes or in connection with the convertible note hedge and warrant transactions related to such convertible senior notes;
- our operating performance and the performance of other similar companies; and
- the sale or availability for sale of a large number of shares of our Class A common stock in the public market.

Additionally, the stock markets have at times experienced extreme price and volume fluctuations that have affected and may in the future affect the market prices of equity securities of many companies. These fluctuations have, in some cases, been unrelated or disproportionate to the operating performance of these companies. Further, the trading prices of publicly traded shares of companies in our industry have been particularly volatile and may be very volatile in the future.

In the past, some companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could harm our business.

We have indebtedness in the form of convertible senior notes.

In June 2013, we completed an offering of $350 million of 0.75% convertible senior notes due July 15, 2018 (2018 Notes), and we concurrently issued an additional $250 million of 1.50% convertible senior notes due July 15, 2020 (2020 Notes).

As a result of these convertible notes offerings, we incurred $350 million principal amount of indebtedness, which we may be required to pay at maturity in 2018, and $250 million principal amount of indebtedness, which we may be required to pay at maturity in 2020, or upon the occurrence of a fundamental change (as defined in the applicable indenture). There can be no assurance that we will be able to repay this indebtedness when due, or that we will be able to refinance this indebtedness on acceptable terms or at all. In addition, this indebtedness could, among other things:

- make it difficult for us to pay other obligations;
- make it difficult to obtain favorable terms for any necessary future financing for working capital, capital expenditures, debt service requirements or other purposes;
- require us to dedicate a substantial portion of our cash flow from operations to service and repay the indebtedness, reducing the amount of cash flow available for other purposes; and
- limit our flexibility in planning for and reacting to changes in our business.

Exercise of the warrants associated with our 2018 Notes or our 2020 Notes may affect the price of our Class A common stock.

In connection with our offering of the 2018 Notes, we sold warrants to acquire up to approximately 4.2 million shares of our Class A common stock at an initial strike price of $107.96, which become exercisable beginning on October 15, 2018. In connection with our offering of the 2020 Notes, we sold warrants to acquire up to approximately 3.1 million shares of our Class A common stock at an initial strike price of $107.96, which become exercisable beginning on October 15, 2020. The warrants may be settled in shares or in cash. The exercise of the warrants could have a dilutive effect if the market price per share of our Class A common stock exceeds the strike price of the warrants. The counterparties to the warrant transactions and note hedge transactions relating to the 2018 Notes and the 2020 Notes are likely to enter into or unwind various derivative instruments with respect to our Class A common stock or purchase or sell shares of our Class A common stock or other securities linked to or referencing our Class A common stock in secondary market transactions prior to the respective maturity of the 2018 Notes and the 2020 Notes. These activities could adversely affect the trading price of our Class A common stock.

Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any transaction that would result in a change in control of our company requires the approval of a majority of our outstanding Class B common stock voting as a separate class;
- our dual class common stock structure, which provides our chairman and CEO with the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- when the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock:
    - certain amendments to our restated certificate of incorporation or restated bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
    - our stockholders will only be able to take action at a meeting of stockholders and not by written consent; and
    - vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- only our chairman of the board, chief executive officer, either co-president, or a majority of our board of directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- we will have two classes of common stock until the date that is the first to occur of (i) October 11, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, or (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock;

- our restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without the approval of the holders of Class A common stock; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could depress the market price of our securities.

We have broad discretion in the use of our cash balances and may not use them effectively.

We have broad discretion in the use of our cash balances and may not use them effectively. The failure by our management to apply these funds effectively could adversely affect our business and financial condition. Pending their use, we may invest the net proceeds from these offerings in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our securities.

If securities or industry analysts publish inaccurate or unfavorable research about our business, or discontinue publishing research about our business, the price and trading volume of our securities could decline.

The trading market for our securities will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our securities to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Consequently, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters, which includes operations and product development facilities, is located in Pleasanton, California and consists of approximately 538,172 square feet of space under multiple leases.

We also lease offices in various North American, European and Asian locations. We expect to expand our facilities capacity at our corporate headquarters and in certain field locations during fiscal 2017.

An affiliate of our Chairman, Mr. Duffield, acquired commercial real estate in close proximity to our corporate headquarters in 2013. At the time of this acquisition, we had existing leases in the buildings acquired by an affiliate of Mr. Duffield. During the year ended January 31, 2016, we leased approximately 120,077 of additional square footage from the same affiliate of Mr. Duffield. We expect to lease additional space at that site in the coming year and beyond. We have and will continue to seek independent evaluations of current market rates at the time we sign new leases with the goal of leasing at a rate comparable to the current market price.

In January 2014, we acquired a 95 year lease for a 6.9 acre parcel of land in Pleasanton, California. We paid $10 million to acquire the lease and $2 million in prepaid rent through December 31, 2020. We expect to start construction of our new development center, consisting of approximately 410,000 square feet of office space, on this property during the first half of fiscal 2017.

We believe that our existing facilities are adequate to meet current requirements, and that we will be able to obtain additional space at other locations at commercially reasonable terms to support our continuing expansion.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees, we may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information for Common Stock

Our Class A common stock is listed on the New York Stock Exchange under the symbol "WDAY."

The following table sets forth for the indicated periods the high and low intra-day sales prices of our Class A common stock as reported by the New York Stock Exchange.

	High	Low
Year ended January 31, 2016		
First quarter	$ 95.17	$ 78.40
Second quarter	93.62	74.26
Third quarter	84.84	65.33
Fourth quarter	85.67	60.17
Year ended January 31, 2015		
First quarter	$ 116.47	$ 64.21
Second quarter	92.15	65.75
Third quarter	97.40	75.23
Fourth quarter	97.16	76.36

Our Class B common stock is not listed or traded on any stock exchange.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors considers relevant.

Stockholders

As of January 31, 2016, there were 37 stockholders of record of our Class A common stock, including The Depository Trust Company, which holds shares of our common stock on behalf of an indeterminate number of beneficial owners, as well as 210 stockholders of record of our Class B common stock.

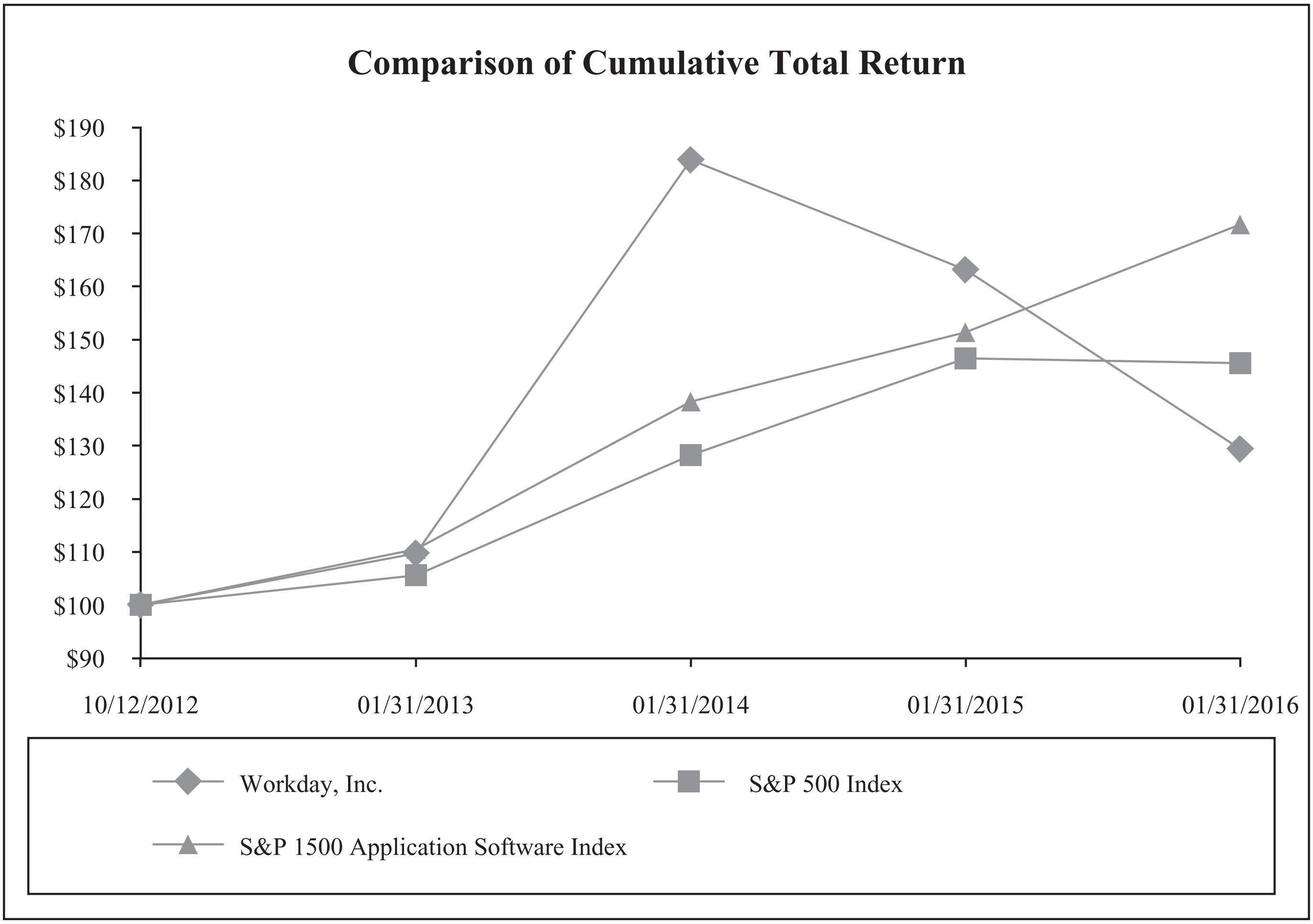
Securities Authorized for Issuance under Equity Compensation Plans

The information concerning our equity compensation plans is incorporated by reference herein to the section of the Proxy Statement entitled "Equity Compensation Plan Information."

Stock Performance Graph

The following shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the S&P 500 Index and the S&P 1500 Application Software Index. The chart assumes $100 was invested at the close of market on October 12, 2012, in the Class A common stock of Workday, Inc., the S&P 500 Index and the S&P 1500 Application Software Index, and assumes the reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



Company/Index	Base Period 10/12/2012	1/31/2013	1/31/2014	1/31/2015	1/31/2016
Workday, Inc.	**$ 100.00**	$ 109.71	$ 183.90	$ 163.20	$ 129.41
S&P 500 Index	**100.00**	105.57	128.26	146.50	145.51
S&P 1500 Application Software Index	**100.00**	110.49	138.28	151.34	171.74

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data and the consolidated balance sheets data are derived from our audited consolidated financial statements and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations", our consolidated financial statements and the related notes included elsewhere in this filing. Our historical results are not necessarily indicative of our results in any future period.

	Year Ended January 31,				
	2016	2015	2014	2013	2012
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues:					
Subscription services	$ 929,234	$ 613,328	$ 354,169	$ 190,320	$ 88,634
Professional services	233,112	174,532	114,769	83,337	45,793
Total revenues	1,162,346	787,860	468,938	273,657	134,427
Costs and expenses(1):					
Costs of subscription services	149,869	102,476	69,195	39,251	22,342
Costs of professional services	224,558	162,327	107,615	77,284	43,026
Product development	469,944	316,868	182,116	102,665	62,014
Sales and marketing	434,056	315,840	197,373	123,440	70,356
General and administrative	148,578	106,051	65,921	48,880	15,133
Total costs and expenses	1,427,005	1,003,562	622,220	391,520	212,871
Operating loss	(264,659)	(215,702)	(153,282)	(117,863)	(78,444)
Other expense, net	(24,242)	(30,270)	(17,549)	(1,203)	(1,018)
Loss before provision for income taxes	(288,901)	(245,972)	(170,831)	(119,066)	(79,462)
Provision for income taxes	1,017	2,010	1,678	124	167
Net loss	(289,918)	(247,982)	(172,509)	(119,190)	(79,629)
Accretion of redeemable convertible preferred stock	—	—	—	(568)	(342)
Net loss attributable to Class A and Class B common stockholders	$ (289,918)	$ (247,982)	$ (172,509)	$ (119,758)	$ (79,971)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	$ (1.53)	$ (1.35)	$ (1.01)	$ (1.62)	$ (2.71)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	190,016	183,702	171,297	74,011	29,478

(1) Costs and expenses include share-based compensation expenses as follows (in thousands):

	Year Ended January 31,				
	2016	2015	2014	2013	2012
Costs of subscription services	$ 12,060	$ 6,053	$ 2,408	$ 601	$ 230
Costs of professional services	19,526	12,890	4,818	1,312	398
Product development	109,362	63,938	21,644	3,528	1,124
Sales and marketing	51,617	29,875	12,131	2,717	839
General and administrative	57,405	43,292	20,850	7,170	1,591

	As of January 31,				
	2016	2015	2014	2013	2012
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 300,087	$ 298,192	$ 581,326	$ 84,158	$ 57,529
Marketable securities	1,669,372	1,559,517	1,305,253	706,181	53,634
Working capital	1,439,629	1,467,122	1,601,768	629,528	37,934
Property and equipment, net	214,158	140,136	77,664	44,585	25,861
Total assets	2,730,094	2,350,090	2,165,640	959,080	232,638
Total unearned revenue	899,729	632,744	413,565	285,260	188,097
Convertible senior notes, net	507,476	481,958	457,787	—	—
Total liabilities	1,593,937	1,224,115	978,423	366,797	237,293
Redeemable convertible preferred stock	—	—	—	—	170,906
Total stockholders' equity (deficit)	1,136,157	1,125,975	1,187,217	592,283	(175,561)

	Year Ended January 31,				
	2016	2015	2014	2013	2012
			(in thousands)		
Cash Flow Data:					
Net cash provided by (used in) operating activities	$ 258,637	$ 102,003	$ 46,263	$ 11,214	$ (13,774)
Free cash flows[2]	124,970	(1,643)	(29,577)	(23,401)	(34,756)

(2) Free cash flows, a non-GAAP financial measure, is defined as net cash provided by (used in) operating activities minus purchases of property and equipment, property and equipment acquired under capital leases and purchase of other intangible assets. Each adjusting item is separately presented on our consolidated statements of cash flows. See Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures" for further information.

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

You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and notes thereto included elsewhere in this report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in "Risk Factors."

Our fiscal year ends on January 31. References to fiscal 2016, for example, refer to the year ended January 31, 2016.

Overview

Workday provides financial management, human capital management, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. We offer innovative and adaptable technology focused on the consumer Internet experience and cloud delivery model. Our applications are designed for global enterprises to manage complex and dynamic operating environments. We provide our customers highly adaptable, accessible and reliable applications to manage critical business functions that enable them to optimize their financial and human capital resources.

We were founded in 2005 to deliver cloud applications to global enterprises. Our applications are designed around the way people work today – in an environment that is global, collaborative, fast-paced and mobile. Our cycle of frequent updates has facilitated rapid innovation and the introduction of new applications throughout our history. We began offering our Human Capital Management (HCM) application in 2006, and our Financial Management application in 2007. Since then we have continued to invest in innovation and have consistently introduced new services to our customers.

We offer Workday applications to our customers on an enterprise-wide subscription basis, typically with three-year terms and with subscription fees largely based on the size of the customer's workforce. We generally recognize revenues from subscription fees ratably over the term of the contract. We currently derive a substantial majority of our subscription services revenues from subscriptions to our HCM application. We market our applications through our direct sales force.

We have achieved significant growth in a relatively short period of time. Our diverse customer base includes large, global companies and our direct sales force generally targets organizations with more than 1,000 workers. A substantial amount of our growth comes from new customers. Our current financial focus is on growing our revenues and expanding our customer base. While we are incurring losses today, we strive to invest in a disciplined manner across all of our functional areas to sustain continued near-term revenue growth and support our long-term initiatives. Our operating expenses have increased significantly in absolute dollars in recent periods, primarily due to the significant growth of our employee population. We had approximately 5,200 and approximately 3,750 employees as of January 31, 2016 and 2015, respectively.

We intend to continue investing for long-term growth. We have invested, and expect to continue to invest, heavily in our application development efforts to deliver additional compelling applications and to address customers' evolving needs. In addition, we plan to continue to expand our ability to sell our applications globally, particularly in Europe and Asia, through investments in product development and customer support to address the business needs of local markets, increasing our sales and marketing organizations, building and leasing additional office space, and expanding our ecosystem of services partners to support local deployments. We expect to make further significant investments in our data center infrastructure as we plan for future growth. We are also investing in personnel to service our growing customer base. These investments will increase our costs on an absolute basis in the near-term. Many of these investments will occur in advance of experiencing any direct benefit from them and will make it difficult to determine if we are allocating our resources efficiently. We expect our product development, sales and marketing, and general and administrative expenses as a percentage of total revenues to decrease over time as we grow our revenues, and we anticipate that we will gain economies of scale by increasing our customer base without direct incremental development costs and by utilizing more of the capacity of our data centers.

Since inception, we have invested heavily in our professional services organization to help ensure that customers successfully deploy and adopt our applications. Additionally, we continue to expand our professional services partner ecosystem to further support our customers. We believe our investment in professional services, as well as partners building consulting practices around Workday, will drive additional customer subscriptions and continued growth in revenues. Due to our expanding partner ecosystem, we will not be ramping our professional services organization at the same growth rates as we have in the past, and we expect professional services revenues and the cost of professional services as a percentage of total revenues will continue to decline over time.

Components of Results of Operations

Revenues

We primarily derive our revenues from subscription services fees and professional services fees. Subscription services revenues primarily consist of fees that give our customers access to our cloud applications, which include routine customer support at no additional cost. Professional services fees include deployment services, optimization services, and training.

Subscription services revenues accounted for 80% of our total revenues during fiscal 2016 and represented 97% of our total unearned revenue as of January 31, 2016. Subscription services revenues are driven primarily by the number of customers, the number of workers at each customer, the number of applications subscribed to by each customer, and the price of our applications.

The mix of the applications to which a customer subscribes can affect our financial performance due to price differentials in our applications. Compared to our other offerings, our HCM application has been available for a longer period of time, is more established in the marketplace and has benefited from continued enhancements of the functionality over a longer period of time, all of which help us to improve our pricing for that application. However, new products or services offerings by competitors in the future could impact the mix and pricing of our offerings.

Subscription services fees are generally recognized ratably as revenues over the contract term beginning on the date the application is made available to the customer, which is generally within one week of contract signing. Our subscription contracts typically have a term of three years and are non-cancelable. We generally invoice our customers in advance, in annual installments. Amounts that have been invoiced are initially recorded as unearned revenue. Amounts that have not yet been invoiced represent backlog and are not reflected in our consolidated financial statements.

The majority of our consulting engagements are billed on a time and materials basis, and revenues are typically recognized as the services are performed. We offer a number of training options intended to support our customers in configuring, using and administering our services. In some cases, we supplement our consulting teams by subcontracting resources from our service partners and deploying them on customer engagements. As Workday's professional services organization and the Workday-related consulting practices of our partner firms continue to develop, we expect the partners to increasingly contract directly with our subscription customers. As a result of this trend, and the increase of our subscription services revenues, we expect professional services revenues as a percentage of total revenues to decline over time.

Costs and Expenses

Costs of subscription services revenues. Costs of subscription services revenues consist primarily of employee-related expenses related to hosting our applications and providing customer support, the costs of data center capacity, and depreciation of computer equipment and software.

Costs of professional services revenues. Costs of professional services revenues consist primarily of employee-related expenses associated with these services, the cost of subcontractors and travel. The percentage of total revenues derived from professional services was 20% in fiscal 2016. The cost of providing professional services is significantly higher as a percentage of the related revenues than for our subscription services.

Product development. Product development expenses consist primarily of employee-related costs. We continue to focus our product development efforts on adding new features and applications, increasing the functionality and enhancing the ease of use of our cloud applications.

Sales and marketing. Sales and marketing expenses consist primarily of employee-related costs, sales commissions, marketing programs and travel. Marketing programs consist of advertising, events, corporate communications, brand building and product marketing activities. Commissions earned by our sales force that can be associated specifically with a non-cancelable subscription contract are generally deferred and amortized over the same period that revenues are recognized for the related non-cancelable contract.

General and administrative. General and administrative expenses consist of employee-related costs for finance and accounting, legal, human resources and management information systems personnel, legal costs, professional fees and other corporate expenses.

Results of Operations

Revenues

Our total revenues for fiscal 2016, 2015 and 2014 were as follows:

	Year Ended January 31,				
	2016	2015	2014	2015 to 2016 % Change	2014 to 2015 % Change
	(in thousands, except percentages)				
Subscription services	$ 929,234	$ 613,328	$ 354,169	52%	73%
Professional services	233,112	174,532	114,769	34%	52%
Total revenues	$ 1,162,346	$ 787,860	$ 468,938	48%	68%

Fiscal 2016 compared to fiscal 2015. Total revenues were $1.2 billion for fiscal 2016, compared to $788 million for fiscal 2015, an increase of $374 million, or 48%. Subscription services revenues were $929 million for fiscal 2016, compared to $613 million for fiscal 2015, an increase of $316 million, or 52%. The increase in subscription revenues was due primarily to an increased number of customer contracts as compared to the prior year period. Professional services revenues were $233 million for fiscal 2016, compared to $175 million for the prior year period, an increase of $58 million, or 34%. The increase in professional services revenues was due primarily to a greater number of customers requesting deployment and integration services.

Fiscal 2015 compared to fiscal 2014. Total revenues were $788 million for fiscal 2015, compared to $469 million for fiscal 2014, an increase of $319 million, or 68%. Subscription services revenues were $613 million for fiscal 2015, compared to $354 million for fiscal 2014, an increase of $259 million, or 73%. The increase in subscription revenues was due primarily to an increased number of customer contracts as compared to the prior year period. Professional services revenues were $175 million for fiscal 2015, compared to $115 million for the prior year period, an increase of $60 million, or 52%. The increase in professional services revenues was due primarily to a greater number of customers requesting deployment and integration services.

Core Operating Expenses

We use the non-GAAP financial measure of core operating expenses to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate our financial performance and the ability of operations to generate cash. We believe that core operating expenses reflects our ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in our business, as it excludes expenses that are not reflective of ongoing operating results. We also believe that core operating expenses provides useful information to investors and others in understanding and evaluating our operating results and future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

The following discussion of our core operating expenses and the components comprising our core operating expenses highlights the factors that we focus upon in evaluating our operating margin and operating expenses. The increases or decreases in operating expenses discussed in this section do not include changes relating to share-based compensation expenses, and certain other expenses, which consist of employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets.

Reconciliations of our core operating expenses to the nearest GAAP measure, total operating expenses, are as follows:

	Year Ended January 31, 2016			
	Core Operating Expenses(1)	Share-Based Compensation Expenses	Other Operating Expenses	Total Operating Expenses
	(in thousands, except percentages)			
Costs of subscription services	$ 137,395	$ 12,060	$ 414	$ 149,869
Costs of professional services	204,264	19,526	768	224,558
Product development	353,381	109,362	7,201	469,944
Sales and marketing	380,957	51,617	1,482	434,056
General and administrative	89,078	57,405	2,095	148,578
Total	$ 1,165,075	$ 249,970	$ 11,960	$ 1,427,005
Operating loss	$ (2,729)	$ (249,970)	$ (11,960)	$ (264,659)
Operating margin	(0.2)%	(21.6)%	(1.0)%	(22.8)%

	Year Ended January 31, 2015			
	Core Operating Expenses(1)	Share-Based Compensation Expenses	Other Operating Expenses	Total Operating Expenses
	(in thousands, except percentages)			
Costs of subscription services	$ 96,219	$ 6,053	$ 204	$ 102,476
Costs of professional services	148,986	12,890	451	162,327
Product development	249,709	63,938	3,221	316,868
Sales and marketing	284,545	29,875	1,420	315,840
General and administrative	61,557	43,292	1,202	106,051
Total	$ 841,016	$ 156,048	$ 6,498	$ 1,003,562
Operating loss	$ (53,156)	$ (156,048)	$ (6,498)	$ (215,702)
Operating margin	(6.7)%	(19.8)%	(0.9)%	(27.4)%

	Year Ended January 31, 2014			
	Core Operating Expenses(1)	Share-Based Compensation Expenses	Other Operating Expenses	Total Operating Expenses
	(in thousands, except percentages)			
Costs of subscription services	$ 66,770	$ 2,408	$ 17	$ 69,195
Costs of professional services	102,141	4,818	656	107,615
Product development	158,928	21,644	1,544	182,116
Sales and marketing	184,359	12,131	883	197,373
General and administrative	43,773	20,850	1,298	65,921
Total	$ 555,971	$ 61,851	$ 4,398	$ 622,220
Operating loss	$ (87,033)	$ (61,851)	$ (4,398)	$ (153,282)
Operating margin	(18.6)%	(13.2)%	(0.9)%	(32.7)%

(1) See "Non-GAAP Financial Measures" below for further information.

Core Operating Margin

Core operating margins, calculated using GAAP revenues and core operating expenses, improved from (6.7)% for fiscal 2015 to (0.2)% for fiscal 2016 and from (18.6)% for fiscal 2014 to (6.7)% for fiscal 2015. The improvement in our core operating margin was primarily due to higher subscription services revenues in both fiscal 2016 and 2015 compared to prior fiscal years. The improvement in fiscal 2016 was also due to higher professional services revenues driven by improved utilization rates and increased demand for services, and improvements in operating leverage.

In evaluating our results, we generally focus on core operating expenses. We believe that our core operating expenses reflect our ongoing business in a manner that allows meaningful period-to-period comparisons. Our core operating expenses are reconciled to the most comparable U.S. generally accepted accounting principles (GAAP) measure, “total operating expenses,” in the table above.

Core operating expenses increased by $324 million, or 39% for fiscal 2016 compared to fiscal 2015, and by $285 million, or 51% for fiscal 2015 compared to fiscal 2014. As quantified below, these increases for both periods were primarily due to higher employee-related costs driven by higher headcount.

Costs of Subscription Services

Fiscal 2016 compared to fiscal 2015. Core operating expenses in costs of subscription services were $137 million for fiscal 2016, compared to $96 million for fiscal 2015, an increase of $41 million, or 43%. The increase was primarily due to increases of $13 million in employee-related costs driven by higher headcount, $12 million in depreciation expense related to our data centers, $7 million in service contracts expense to expand data center capacity, and $6 million in facility and IT-related expenses.

Fiscal 2015 compared to fiscal 2014. Core operating expenses in costs of subscription services were $96 million for fiscal 2015, compared to $67 million for fiscal 2014, an increase of $29 million, or 43%. The increase was primarily due to increases of $10 million in employee-related costs driven by higher headcount, $9 million in depreciation expense related to our data centers, $6 million in service contracts expense to expand data center capacity, and $3 million in facility and IT-related expenses.

We expect that core operating expenses in costs of subscription services will continue to increase in absolute dollars as we improve and expand our data center capacity and operations.

Costs of Professional Services

Fiscal 2016 compared to fiscal 2015. Core operating expenses in costs of professional services were $204 million for fiscal 2016, compared to $149 million for fiscal 2015, a $55 million increase, or 37%. This increase was primarily due to increases of $37 million to staff our deployment and integration engagements and $6 million in facility and IT-related expenses.

Fiscal 2015 compared to fiscal 2014. Core operating expenses in costs of professional services were $149 million for fiscal 2015, compared to $102 million for fiscal 2014, a $47 million increase, or 46%. This increase was primarily due to increases of $36 million to staff our deployment and integration engagements and $4 million in facility and IT-related expenses.

Due to the large increase in demand for our professional services, we have increased both our internal professional service staff as well as third-party supplemental staff. Going forward, we expect costs of professional services as a percentage of total revenues to continue to decline as we increasingly rely on third parties to deploy our applications and as the number of our customers continues to grow. For fiscal 2017, we anticipate professional services margins to be lower than fiscal 2016 as we invest in building our partnership ecosystem in the education and government sectors, as well as internationally.

Product Development

Fiscal 2016 compared to fiscal 2015. Core operating expenses in product development were $353 million for fiscal 2016, compared to $250 million for fiscal 2015, an increase of $103 million, or 41%. The increase was primarily due to increases of $73 million in employee compensation costs due to higher headcount, $20 million in facility and IT-related expenses, $4 million in third party costs for hardware maintenance and data center capacity, and $3 million in depreciation expense for our development cloud data center.

Fiscal 2015 compared to fiscal 2014. Core operating expenses in product development were $250 million for fiscal 2015, compared to $159 million for fiscal 2014, an increase of $91 million, or 57%. The increase was primarily due to increases of $66 million in employee compensation costs due to higher headcount, $9 million in facility and IT-related expenses, $6 million in depreciation expense for our development cloud data center and $5 million in third party costs for hardware maintenance and data center capacity.

We expect that product development expenses will continue to increase in absolute dollars as we improve and extend our applications and develop new technologies.

Sales and Marketing

Fiscal 2016 compared to fiscal 2015. Core operating expenses in sales and marketing were $381 million for fiscal 2016, compared to $285 million for fiscal 2015, an increase of $96 million, or 34%. The increase was primarily due to increases of $60 million in employee compensation costs due to higher headcount and higher commissionable sales volume, $15 million in advertising, marketing and event costs, $10 million in facility and IT-related expenses and $6 million in travel.

Fiscal 2015 compared to fiscal 2014. Core operating expenses in sales and marketing were $285 million for fiscal 2015, compared to $184 million for fiscal 2014, an increase of $101 million, or 55%. The increase was primarily due to increases of $68 million in employee compensation costs due to higher headcount and higher commissionable sales volume, $17 million in advertising, marketing and event costs, $7 million in facility and IT-related expenses and $6 million in travel.

We expect that sales and marketing expenses will continue to increase in absolute dollars as we continue to invest in the expansion of our domestic and international selling and marketing activities to build brand awareness and attract new customers.

General and Administrative

Fiscal 2016 compared to fiscal 2015. Core operating expenses in general and administrative were $89 million for fiscal 2016, compared to $62 million for fiscal 2015, an increase of $27 million, or 44%. The increase was primarily due to $13 million in higher employee compensation costs due to higher headcount and $10 million in higher professional services costs including consulting, legal and audit.

Fiscal 2015 compared to fiscal 2014. Core operating expenses in general and administrative were $62 million for fiscal 2015, compared to $44 million for fiscal 2014, an increase of $18 million, or 41%. The increase was primarily due to $12 million in higher employee compensation costs due to higher headcount, $4 million in higher professional services costs including consulting, legal and audit and $2 million in facility and IT-related expenses.

We expect general and administrative expenses will continue to increase in absolute dollars as we further invest in our infrastructure and support our global expansion.

Share-Based Compensation Expenses

Share-based compensation expenses were $250 million, $156 million and $62 million in fiscal 2016, 2015 and 2014, respectively. The increase in share-based compensation expenses for fiscal 2016 compared to fiscal 2015 was primarily due to grants of restricted stock units and performance-based restricted stock units to existing and new employees. The increase in share-based compensation expenses for fiscal 2015 compared to fiscal 2014 was primarily due to an increase in the number of employees, as well as a change in the timing of the cycle in which we grant additional equity awards to existing employees which resulted in grants that were made earlier in the fiscal year in fiscal 2015 relative to fiscal 2014. During fiscal 2016, 2015 and 2014, the realized excess tax benefits related to share-based compensation were immaterial. The next grant to existing employees is planned for the first quarter of fiscal 2017.

Other Operating Expenses

Other operating expenses include employer payroll tax-related items on employee stock transactions of $9 million, $5 million and $4 million for fiscal 2016, 2015 and 2014, respectively. In addition, other operating expenses include amortization of acquisition-related intangible assets of $3 million and $1 million for fiscal 2016 and 2015, respectively. There was no amortization of acquisition-related intangible assets in fiscal 2014.

Other Expense, Net

Other expense, net, was $24 million, $30 million, and $18 million for fiscal 2016, 2015 and 2014, respectively. The decrease in other expense, net for fiscal 2016 compared to fiscal 2015 was primarily due to the gain on sale of a cost method investment in fiscal 2016 of $3 million. The increase in other expense, net for fiscal 2015 compared to fiscal 2014 was primarily due to the interest expense related to our June 2013 issuance of 0.75% convertible senior notes due October 15, 2018 (2018 Notes) and 1.50% convertible senior notes due October 15, 2020 (2020 Notes, and together with the 2018 Notes, the Notes), as we incurred a full period of interest expense in fiscal 2015.We issued the Notes in June 2013, and therefore incurred interest on the Notes for only a portion of fiscal 2014.

The contractual cash interest expense related to the Notes was $6 million, $6 million and $4 million for fiscal 2016, 2015 and 2014, respectively. The associated non-cash interest expense related to amortization of the debt discount and amortization of debt issuance costs was $26 million, $24 million and $14 million for fiscal 2016, 2015 and 2014, respectively.

Liquidity and Capital Resources

As of January 31, 2016, our principal sources of liquidity were cash, cash equivalents and marketable securities totaling $2.0 billion, which were held for working capital purposes. Our cash equivalents and marketable securities are composed primarily of U.S. agency obligations, U.S. treasury securities, U.S. corporate securities, commercial paper, and money market funds.

We have financed our operations primarily through sales of equity securities, customer payments, and issuance of debt. Our future capital requirements will depend on many factors, including our customer growth rate, subscription renewal activity, the timing of construction of our new development center in Pleasanton, California, the timing and extent of development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced services offerings, the continuing market acceptance of our services, and acquisition activities. We may enter into arrangements to acquire or invest in complementary businesses, services and technologies or intellectual property rights in the future. We also may choose to seek additional equity or debt financing.

Our cash flows for fiscal 2016, 2015 and 2014 were as follows:

	Year Ended January 31,		
	2016	2015	2014
		(in thousands)	
Net cash provided by (used in):			
Operating activities	$ 258,637	$ 102,003	$ 46,263
Investing activities	(300,147)	(404,167)	(682,633)
Financing activities	44,109	19,455	1,133,610
Effect of exchange rate changes	(704)	(425)	(72)
Net increase (decrease) in cash and cash equivalents	$ 1,895	$ (283,134)	$ 497,168

In evaluating our performance internally, we focus on long-term, sustainable growth in free cash flows. We define free cash flows, a non-GAAP financial measure, as net cash provided by (used in) operating activities minus purchases of property and equipment, property and equipment acquired under capital leases and purchases of other (non-acquisition-related) intangible assets. See "Non-GAAP Financial Measures" below for further information.

Our free cash flows for fiscal 2016, 2015 and 2014 were as follows:

	Year Ended January 31,		
	2016	2015	2014
		(in thousands)	
Net cash provided by (used in) operating activities	$ 258,637	$ 102,003	$ 46,263
Purchases of property and equipment	(133,667)	(103,646)	(60,725)
Property and equipment acquired under capital leases	—	—	(115)
Purchase of other intangible assets	—	—	(15,000)
Free cash flows	$ 124,970	$ (1,643)	$ (29,577)

Operating Activities

Cash provided by operating activities was $259 million, $102 million and $46 million for fiscal 2016, 2015 and 2014, respectively. The improvements in cash flows provided by operating activities in both fiscal 2016 and 2015 compared to prior fiscal years resulted primarily from increased cash collections driven by growth in our customer sales contracts, partially offset by increases in our headcount related and other operational expenses.

Investing Activities

Cash used in investing activities for fiscal 2016, 2015 and 2014 was $300 million, $404 million and $683 million, respectively, which was primarily the result of the timing of purchases and maturities of marketable securities and capital expenditures of $134 million, $104 million and $61 million, respectively. During fiscal 2016, we paid $31 million to acquire new businesses and $17 million to purchase cost method investments, and we received proceeds of $103 million from the sale of available-for-sale securities and $4 million from the sale of a cost method investment. During fiscal 2015, we paid $26 million to acquire a new business and $10 million to purchase a cost method investment, and received proceeds of $53 million from the sale of available-for-sale securities. During fiscal 2014, we paid $10 million to purchase a leasehold interest in land in Pleasanton adjacent to our existing office space and $5 million to acquire patents.

We expect capital expenditures, excluding our development center, will be approximately $175 million for fiscal 2017. We expect that these capital outlays will largely be used to expand the infrastructure of our data centers and to build out additional office space to support our growth. We expect capital expenditures for the development center will be approximately $125 million for fiscal 2017.

Financing Activities

For fiscal 2016, cash provided by financing activities was $44 million, primarily as a result of $46 million of proceeds from the issuance of common stock from employee equity plans, partially offset by $3 million in principal payments on our capital lease obligations.

For fiscal 2015, cash provided by financing activities was $19 million, primarily as a result of $36 million of proceeds from the issuance of common stock from employee equity plans, partially offset by $10 million in principal payments on our capital lease obligations and $8 million of Class A common share repurchases for tax withholdings on vesting of restricted stock.

For fiscal 2014, cash provided by financing activities was $1 billion, primarily as a result of $584 million in net proceeds from issuance of the Notes, $592 million in net proceeds from our follow-on offering of Class A common stock, $93 million in proceeds from the issuance of warrants related to the Notes and $24 million in proceeds from the issuance of common stock from employee equity plans. These proceeds were partially offset by $144 million to purchase convertible senior notes hedges and $12 million in principal payments on our capital lease obligations. We purchased the convertible senior notes hedges to offset potential economic dilution to our Class A common stock upon any conversion of the Notes.

Free Cash Flows

In addition to cash provided by (used in) operating activities, management uses free cash flows as a key financial metric. Free cash flows increased by $127 million to $125 million for fiscal 2016, compared to $(2) million for fiscal 2015 and increased by $28 million to $(2) million for fiscal 2015, compared to $(30) million for fiscal 2014. The improvement in free cash flows in fiscal 2016 and 2015 was primarily due to increased sales and related cash collections, partially offset by increased capital expenditures and higher operating expenses, driven primarily by increased headcount.

Non-GAAP Financial Measures

Regulation S-K Item 10(e), "Use of non-GAAP financial measures in Commission filings," defines and prescribes the conditions for use of non-GAAP financial information. Our measures of core operating expenses, core operating margin and free cash flows each meet the definition of a non-GAAP financial measure.

Core Operating Expenses

We define core operating expenses as our total operating expenses excluding the following components, which we believe are not reflective of our ongoing operational expenses. In each case, for the reasons set forth below, management believes that excluding the component provides useful information to investors and others in understanding and evaluating our operating results and future prospects in the same manner as management, in comparing financial results across accounting periods and to those of peer companies and to better understand the long-term performance of our core business.

- *Share-Based Compensation Expenses.* Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation expenses in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. For restricted stock unit awards, the amount of share-based compensation expenses is not reflective of the value ultimately received by the grant recipients. Moreover, determining the fair value of certain of the share-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related share-based awards. Unlike cash compensation, the value of stock options and shares offered under the ESPP, which are elements of our ongoing share-based compensation expenses, is determined using a complex formula that incorporates factors, such as market volatility and forfeiture rates, that are beyond our control.
- *Other Operating Expenses.* Other operating expenses include employer payroll tax-related items on employee stock transactions and amortization of acquisition-related intangible assets. The amount of employer payroll tax-related items on employee stock transactions is dependent on our stock price and other factors that are beyond our control and do not correlate to the operation of the business. For business combinations, we generally allocate a portion of the purchase price to intangible assets. The amount of the allocation is based on estimates and assumptions made by management and is subject to amortization. The amount of purchase price allocated to intangible assets and the term of its related amortization can vary significantly and are unique to each acquisition and thus we do not believe it is reflective of our ongoing operations.

Free Cash Flows

We define free cash flows as net cash provided by (used in) operating activities minus purchases of property and equipment, property and equipment acquired under capital leases and purchases of other (non-acquisition-related) intangible assets. We use free cash flows as a measure of financial progress in our business, as it balances operating results, cash management and capital efficiency. When calculating free cash flows, we subtract the gross value of all equipment paid for or acquired under capital leases, so that we can evaluate our progress on free cash flows independent of our capital financing decisions. We believe information regarding free cash flows provides investors and others with an important perspective on the cash available to make strategic acquisitions and investments, to fund ongoing operations and to fund other capital expenditures.

Limitations on the Use of Non-GAAP Financial Measures

A limitation of our non-GAAP financial measures of core operating expenses, core operating margin and free cash flows is that they do not have uniform definitions. Our definitions will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-GAAP measures of core operating expenses, core operating margin and free cash flows should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with GAAP. Additionally, in the case of share-based compensation, if we did not pay out a portion of compensation in the form of share-based compensation and related employer payroll tax-related items, the cash salary expense included in costs of revenues and operating expenses would be higher, which would affect our cash position. Further, the non-GAAP measure of core operating expenses has certain limitations because it does not reflect all items of expense that affect our operations and are reflected in the GAAP measure of total operating expenses.

We compensate for these limitations by reconciling core operating expenses to the most comparable GAAP financial measure and reviewing these measures in conjunction with GAAP financial information. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view our non-GAAP financial measures in conjunction with the most comparable GAAP financial measures.

See “Results of Operations—Core Operating Expenses” for a reconciliation of the non-GAAP financial measure of core operating expenses to the most comparable GAAP measure, “total operating expenses,” for fiscal 2016, 2015 and 2014.

See “Liquidity and Capital Resources” for a reconciliation of free cash flows to the most comparable GAAP measure, “net cash provided by (used in) operating activities,” for fiscal 2016, 2015 and 2014.

Backlog

We generally sign multiple-year subscription contracts for our applications. The timing of our invoices to each customer is a negotiated term and varies among our subscription contracts. For multiple-year agreements, it is common to invoice an initial amount at contract signing followed by subsequent annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenues, unearned revenue or elsewhere in our consolidated financial statements. To the extent future invoicing is determined to be certain, we consider those future subscription invoices to be non-cancelable backlog. Future invoicing is determined to be certain when we have a fully executed non-cancelable contract and invoicing is not dependent on a future event such as customer funding or the delivery of a specific product or feature. The amount of non-cancelable subscription contract backlog was $1.6 billion and $965 million as of January 31, 2016 and 2015, respectively.

We expect that the amount of backlog relative to the total value of our contracts will change from year to year due to several factors, including the amount invoiced early in the contract term, the timing and duration of customer subscription agreements, varying invoicing cycles of subscription agreements, the timing of customer renewals, changes in customer financial circumstances and foreign currency fluctuations. Accordingly, we believe that fluctuations in backlog are not always a reliable indicator of future revenues and we do not utilize backlog as a key management metric internally.

Contractual Obligations

The following table summarizes our consolidated principal contractual cash obligations as of January 31, 2016:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
0.75% Convertible Senior Notes due 2018[1]	$ 350,000	$ —	$ 350,000	$ —	$ —
1.50% Convertible Senior Notes due 2020[1]	250,000	—	—	250,000	—
Aggregate interest obligation[2]	23,154	6,375	11,321	5,458	—
Operating lease obligations:					
Facilities space[3]	177,165	44,370	56,437	37,177	39,181
Facilities space with related party	77,315	7,540	17,951	18,699	33,125
Contractual commitments	7,083	7,083	—	—	—
Total	$ 884,717	$ 65,368	$ 435,709	$ 311,334	$ 72,306

(1) Represents aggregate principal amount of the notes, without the effect of associated discounts.
(2) Represents estimated aggregate interest obligations for our outstanding Notes that are payable in cash.
(3) For the 95-year lease we entered in January 2013, the cash obligations exclude the potential annual rental increases based on the increases to the Consumer Price Index (CPI). (See more information under "commitments" below). We believe it is likely we will make higher rent payments over the lease term due to future changes in the CPI.

Commitments

Our contractual commitments primarily consist of obligations under leases for office space and co-location facilities for data center capacity. For fiscal 2017, we anticipate leasing additional office space near our headquarters and in various other locations around the world to support our growth. In addition, our existing lease agreements often provide us with an option to renew. We expect our future operating lease obligations will increase as we expand our operations.

In January 2014, we entered into a 95-year lease for a 6.9 acre parcel of land in Pleasanton, California, under which we paid $2 million for base rent from commencement through December 31, 2020. Annual rent payments of $0.2 million plus increases based on increases in the consumer price index begin on January 1, 2021 and continue through the end of the lease. We expect to start construction of our new development center, consisting of approximately 410,000 square feet of office space, on this property during the first half of fiscal 2017. We have entered into an agreement with a contractor for the construction of the new development center, however it is not included in the table above because it allows for termination without significant penalty. As noted in the Liquidity and Capital Resources section above, we expect capital expenditures related to the development center will be approximately $125 million for fiscal 2017.

We are not required to make principal payments under the Notes prior to maturity. If the Notes are not converted to Class A common stock prior to their maturity dates, we are required to repay $350 million in principal on July 15, 2018 and $250 million in principal on July 15, 2020. We are also required to make interest payments on a semi-annual basis at the interest rates described in Note 10 of the notes to the consolidated financial statements.

Purchase orders are not included in the table above. Our purchase orders represent authorizations to purchase rather than binding agreements. The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Off-Balance Sheet Arrangements

Through January 31, 2016, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in Note 2 to our consolidated financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We derive our revenues primarily from subscription services fees and from professional services fees, including training. We sell subscriptions to our cloud applications through contracts that are generally three years in length. Our arrangements do not contain general rights of return. Our subscription contracts do not provide customers with the right to take possession of the software supporting the applications and, as a result, are accounted for as service contracts.

We commence revenue recognition for our cloud applications and professional services when all of the following criteria are met:

- There is persuasive evidence of an arrangement;
- The service has been or is being provided to the customer;
- Collection of the fees is reasonably assured; and
- The amount of fees to be paid by the customer is fixed or determinable.

Subscription Services Revenues

Subscription services revenues are generally recognized ratably over the contractual term of the arrangement beginning on the date that our service is made available to the customer, assuming all other revenue recognition criteria have been met.

Professional Services Revenues

Professional services revenues are generally recognized as the services are rendered for time and material contracts, or on a proportional performance basis for fixed price contracts. The majority of our professional services contracts are on a time and materials basis. Training revenues are recognized as the services are rendered.

Multiple Deliverable Arrangements

For arrangements with multiple deliverables, we evaluate whether the individual deliverables qualify as separate units of accounting. In order to treat deliverables in a multiple deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, we account for each deliverable separately and revenue is recognized for the respective deliverables as they are delivered.

Subscription contracts have standalone value as we sell the subscriptions separately. All of our professional services have standalone value and can be accounted for separately from subscription services, given the availability of the professional services from other vendors, the nature of our professional services and ongoing sales of our applications to new customers without professional services.

When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple deliverable arrangement accounting guidance provides a hierarchy when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. If neither VSOE nor TPE exist for a deliverable, arrangements with multiple deliverables can be separated into discrete units of accounting based on our best estimate of selling price. The amount of arrangement fee allocated is limited by contingent revenues, if any.

We determine the best estimate of selling price for our deliverables based on our overall pricing objectives, taking into consideration market conditions and entity-specific factors. We evaluate our best estimate of selling price by reviewing historical data related to sales of our deliverables, including comparing the percentages of our contract prices to our list prices. We also consider several other data points in our evaluation, including the size of our arrangements, the cloud applications sold, customer demographics and the numbers and types of users within our arrangements.

Deferred Commissions

Sales commissions earned by our sales force are considered to be direct sales commissions when they can be associated specifically with a non-cancelable subscription contract. Direct sales commissions are deferred when earned and amortized over the same period that revenues are recognized for the related non-cancelable subscription contract. The commission payments are paid in full after the customer has paid for its first year of service. During fiscal 2016, we deferred $32 million of commissions and we amortized $20 million to sales and marketing expenses in the accompanying consolidated statements of operations. During fiscal 2015, we deferred $23 million of commission expenditures and we amortized $16 million to sales and marketing expenses in the accompanying consolidated statements of operations. Deferred commissions on our consolidated balance sheets totaled $51 million and $37 million at January 31, 2016 and 2015, respectively.

Convertible Senior Notes

In accounting for the issuance of the Notes, we separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the Notes as a whole. This difference represents a debt discount that is amortized to interest expense over the terms of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, we allocated the total amount incurred to the liability and equity components. Issuance costs attributable to the liability components are being amortized to expense over the respective terms of the Notes, and issuance costs attributable to the equity components were netted with the respective equity component in additional paid-in capital.

Recent Accounting Pronouncements

Refer to Note 2 of the notes to consolidated financial statements for a full description of recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We transact business globally in multiple currencies. As a result, our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Our most significant currency exposures are the Euro, British Pound Sterling and Canadian Dollar. Due to the relative size of our international operations to date and the fact that the majority of our contracts are currently in U.S. dollars, our foreign currency exposure has been fairly limited. We anticipate that our exposure to foreign currency fluctuations will increase over time, and, as a result, we have a hedging program focused on certain currencies. For fiscal 2017 and beyond, we expect the number of contracts denominated in currencies other than the U.S. dollars to increase.

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities totaling $2.0 billion as of January 31, 2016. Cash equivalents and marketable securities were invested primarily in U.S. agency obligations, U.S. treasury securities, U.S. corporate securities, commercial paper, and money market funds. The cash, cash equivalents and marketable securities are held for working capital purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our marketable securities as “available for sale,” no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary.

An immediate increase of 100-basis points in interest rates would have resulted in a $8 million market value reduction in our investment portfolio as of January 31, 2016. Each of our investments earn less than 100-basis points and as a result, an immediate decrease of 100-basis points in interest rates would have increased the market value by $5 million as of January 31, 2016. This estimate is based on a sensitivity model that measures market value changes when changes in interest rates occur. Fluctuations in the value of our investment securities caused by a change in interest rates (gains or losses on the carrying value) are recorded in Accumulated other comprehensive income (loss), and are realized only if we sell the underlying securities.

Market Risk and Market Interest Risk

In June 2013, we issued $350 million of 2018 Notes and $250 million of 2020 Notes. Holders may convert the Notes prior to maturity upon the occurrence of certain circumstances. Upon conversion, holders of the Notes will receive cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at our election.

Concurrently with the issuance of the Notes, we entered into separate note hedge and warrant transactions. These separate transactions were completed to reduce the potential economic dilution from the conversion of the Notes.

Our Notes have fixed annual interest rates at 0.75% and 1.50% and, therefore, we do not have economic interest rate exposure on our Notes. However, the values of the Notes are exposed to interest rate risk. Generally, the fair market value of our fixed interest rate Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair values of the 2018 Notes and the 2020 Notes are affected by our stock price. The carrying values of our 2018 Notes and 2020 Notes were $307 million and $201 million, respectively, as of January 31, 2016. These represent the liability component of the principal balance of our Notes as of January 31, 2016. The total estimated fair values of the 2018 Notes and 2020 Notes at January 31, 2016 were $362 million and $264 million, respectively, and the fair value was determined based on the quoted bid price of the Notes in an over-the-counter market as of the last day of trading for the fiscal period ended at January 31, 2016, which were $103.50 and $105.63, respectively. For further information, see Note 10 of the notes to consolidated financial statements.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WORKDAY, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Workday, Inc.

We have audited the accompanying consolidated balance sheets of Workday, Inc. as of January 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, cash flows, and stockholders' equity for each of the three years in the period ended January 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Workday, Inc. at January 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Workday, Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 22, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
March 22, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Workday, Inc.

We have audited Workday, Inc.'s internal control over financial reporting as of January 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Workday, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, Workday, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the fiscal 2016 consolidated financial statements of Workday, Inc. and our report dated March 22, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Francisco, California
March 22, 2016

WORKDAY, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	January 31, 2016	January 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 300,087	$ 298,192
Marketable securities	1,669,372	1,559,517
Accounts receivable, net of allowance for doubtful accounts of $1,592 and $1,262	293,407	188,357
Deferred costs	21,817	20,471
Prepaid expenses and other current assets	77,625	41,850
Total current assets	2,362,308	2,108,387
Property and equipment, net	214,158	140,136
Deferred costs, noncurrent	30,074	20,998
Goodwill and acquisition-related intangible assets, net	65,816	34,779
Other assets	57,738	45,790
Total assets	$ 2,730,094	$ 2,350,090
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 19,605	$ 10,623
Accrued expenses and other current liabilities	43,122	24,132
Accrued compensation	91,211	56,152
Capital leases	—	3,207
Unearned revenue	768,741	547,151
Total current liabilities	922,679	641,265
Convertible senior notes, net	507,476	481,958
Unearned revenue, noncurrent	130,988	85,593
Other liabilities	32,794	15,299
Total liabilities	1,593,937	1,224,115
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10 million shares authorized as of January 31, 2016 and January 31, 2015; no shares issued and outstanding as of January 31, 2016 and January 31, 2015	—	—
Class A common stock, $0.001 par value; 750 million shares authorized as of January 31, 2016 and January 31, 2015; 116 million and 105 million shares issued and outstanding as of January 31, 2016 and January 31, 2015	115	104
Class B common stock, $0.001 par value; 240 million shares authorized as of January 31, 2016 and January 31, 2015; 79 million and 83 million shares issued and outstanding as of January 31, 2016 and January 31, 2015 (including 1 million shares subject to repurchase, legally issued and outstanding as of January 31, 2016 and January 31, 2015)	78	82
Additional paid-in capital	2,247,454	1,948,300
Accumulated other comprehensive income (loss)	799	(140)
Accumulated deficit	(1,112,289)	(822,371)
Total stockholders' equity	1,136,157	1,125,975
Total liabilities and stockholders' equity	$ 2,730,094	$ 2,350,090

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended January 31,		
	2016	2015	2014
Revenues:			
Subscription services	$ 929,234	$ 613,328	$ 354,169
Professional services	233,112	174,532	114,769
Total revenues	1,162,346	787,860	468,938
Costs and expenses[1]:			
Costs of subscription services	149,869	102,476	69,195
Costs of professional services	224,558	162,327	107,615
Product development	469,944	316,868	182,116
Sales and marketing	434,056	315,840	197,373
General and administrative	148,578	106,051	65,921
Total costs and expenses	1,427,005	1,003,562	622,220
Operating loss	(264,659)	(215,702)	(153,282)
Other expense, net	(24,242)	(30,270)	(17,549)
Loss before provision for income taxes	(288,901)	(245,972)	(170,831)
Provision for income taxes	1,017	2,010	1,678
Net loss	(289,918)	(247,982)	(172,509)
Net loss attributable to Class A and Class B common stockholders	$ (289,918)	$ (247,982)	$ (172,509)
Net loss per share attributable to Class A and Class B common stockholders, basic and diluted	$ (1.53)	$ (1.35)	$ (1.01)
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders	190,016	183,702	171,297

(1) Costs and expenses include share-based compensation expenses as follows:

	Year Ended January 31,		
	2016	2015	2014
Costs of subscription services	$ 12,060	$ 6,053	$ 2,408
Costs of professional services	19,526	12,890	4,818
Product development	109,362	63,938	21,644
Sales and marketing	51,617	29,875	12,131
General and administrative	57,405	43,292	20,850

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

	Year Ended January 31,		
	2016	2015	2014
Net loss	$ (289,918)	$ (247,982)	$ (172,509)
Other comprehensive income (loss), net of tax:			
Net change in foreign currency translation adjustment	(3,158)	(525)	(72)
Net change in unrealized gains (losses) on available-for-sale investments	(842)	116	273
Net change in market value of effective foreign currency forward exchange contracts	4,939	—	—
Other comprehensive income (loss), net of tax:	939	(409)	201
Comprehensive loss	$ (288,979)	$ (248,391)	$ (172,308)

See Notes to Consolidated Financial Statements

WORKDAY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended January 31,		
	2016	2015	2014
Cash flows from operating activities			
Net loss	$ (289,918)	$ (247,982)	$ (172,509)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	85,939	59,205	34,695
Share-based compensation expenses	249,970	156,048	61,851
Amortization of deferred costs	23,477	19,288	12,219
Amortization of debt discount and issuance costs	25,518	24,171	14,395
Gain on sale of cost method investment	(3,220)	—	—
Other	1,047	2,924	678
Changes in operating assets and liabilities, net of business combinations:			
Accounts receivable	(105,264)	(96,876)	(25,037)
Deferred costs	(33,899)	(23,514)	(21,071)
Prepaid expenses and other assets	(28,366)	(15,524)	(25,876)
Accounts payable	6,824	1,120	3,547
Accrued expense and other liabilities	59,724	3,964	35,066
Unearned revenue	266,805	219,179	128,305
Net cash provided by (used in) operating activities	258,637	102,003	46,263
Cash flows from investing activities			
Purchases of marketable securities	(2,125,841)	(1,737,840)	(1,587,240)
Maturities of marketable securities	1,901,858	1,419,454	983,242
Sales of available-for-sale securities	102,711	53,182	—
Business combinations, net of cash acquired	(31,436)	(26,317)	—
Purchases of property and equipment	(133,667)	(103,646)	(60,725)
Purchases of cost method investments	(16,550)	(10,000)	(2,000)
Sale of cost method investment	3,538	—	—
Purchase of other intangible assets	—	—	(15,000)
Other	(760)	1,000	(910)
Net cash provided by (used in) investing activities	(300,147)	(404,167)	(682,633)
Cash flows from financing activities			
Proceeds from follow-on offering, net of issuance costs	—	—	592,241
Proceeds from borrowings on convertible senior notes, net of issuance costs	—	—	584,291
Proceeds from issuance of warrants	—	—	92,708
Purchase of convertible senior notes hedges	—	—	(143,729)
Proceeds from issuance of common stock from employee equity plans	45,656	36,239	23,692
Principal payments on capital lease obligations	(3,193)	(9,759)	(12,129)
Shares repurchased for tax withholdings on vesting of restricted stock	—	(8,291)	(3,806)
Other	1,646	1,266	342
Net cash provided by (used in) financing activities	44,109	19,455	1,133,610
Effect of exchange rate changes	(704)	(425)	(72)
Net increase (decrease) in cash and cash equivalents	1,895	(283,134)	497,168
Cash and cash equivalents at the beginning of period	298,192	581,326	84,158
Cash and cash equivalents at the end of period	$ 300,087	$ 298,192	$ 581,326
Supplemental cash flow data			
Cash paid for interest	$ 6,456	$ 6,869	$ 4,886
Cash paid for taxes	2,124	943	—
Non-cash investing and financing activities:			
Property and equipment acquired under capital leases	$ —	$ —	$ 115
Vesting of early exercised stock options	1,887	1,887	3,043
Purchases of property and equipment, accrued but not paid	14,052	8,776	1,613
Non-cash additions to property and equipment	7,256	—	—

See Notes to Consolidated Financial Statements

WORKDAY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balances as of January 31, 2013	166,424,872	$ 162	$ 993,933	$ 68	$ (401,880)	$ 592,283
Issuance of common stock under employee equity plans	8,689,384	10	23,682	—	—	23,692
Follow-on offering, net of issuance costs	6,900,000	7	592,234	—	—	592,241
Vesting of early exercised stock options	—	1	3,042	—	—	3,043
Vested restricted stock units, net	41,775	—	—	—	—	—
Shares withheld for tax withholding on vesting of restricted stock	—	—	(3,806)	—	—	(3,806)
Share-based compensation	—	—	61,851	—	—	61,851
Exercise of warrants	1,350,000	1	—	—	—	1
Excess tax benefits from share-based compensation	—	—	342	—	—	342
Purchase of convertible senior notes hedges	—	—	(143,729)	—	—	(143,729)
Issuance of warrants	—	—	92,708	—	—	92,708
Equity component of convertible senior	—	—	140,899	—	—	140,899
Other comprehensive income	—	—	—	201	—	201
Net loss	—	—	—	—	(172,509)	(172,509)
Balances as of January 31, 2014	183,406,031	$ 181	$ 1,761,156	$ 269	$ (574,389)	$ 1,187,217
Issuance of common stock under employee equity plans	3,952,173	4	36,235	—	—	36,239
Vesting of early exercised stock options	—	—	1,887	—	—	1,887
Vested restricted stock units, net	1,057,851	1	—	—	—	1
Shares withheld for tax withholding on vesting of restricted stock	—	—	(8,292)	—	—	(8,292)
Share-based compensation	—	—	156,048	—	—	156,048
Excess tax benefits from share-based	—	—	1,175	—	—	1,175
Other	—	—	91	—	—	91
Other comprehensive income	—	—	—	(409)	—	(409)
Net loss	—	—	—	—	(247,982)	(247,982)
Balances as of January 31, 2015	188,416,055	$ 186	$ 1,948,300	$ (140)	$ (822,371)	$ 1,125,975
Issuance of common stock under employee equity plans	4,103,433	5	45,651	—	—	45,656
Vesting of early exercised stock options	—	—	1,887	—	—	1,887
Vested restricted stock units, net	1,959,862	2	(2)	—	—	—
Share-based compensation	—	—	249,970	—	—	249,970
Excess tax benefits from share-based compensation	—	—	1,646	—	—	1,646
Other	—	—	2	—	—	2
Other comprehensive income	—	—	—	939	—	939
Net loss	—	—	—	—	(289,918)	(289,918)
Balances as of January 31, 2016	194,479,350	$ 193	$ 2,247,454	$ 799	$ (1,112,289)	$ 1,136,157

See Notes to Consolidated Financial Statements

Note 1. Overview and Basis of Presentation

Company and Background

Workday provides financial management, human capital management, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. We offer innovative and adaptable technology focused on the consumer Internet experience and cloud delivery model. Our applications are designed for global enterprises to manage complex and dynamic operating environments. We provide our customers highly adaptable, accessible and reliable applications to manage critical business functions that enable them to optimize their financial and human capital resources. We were originally incorporated in March 2005 in Nevada and in June 2012, we reincorporated in Delaware.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2016, for example, refer to the year ended January 31, 2016.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the results of Workday, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Certain prior period amounts reported in our consolidated financial statements and notes thereto have been reclassified to conform to the current period presentation. The reclassifications, which include reclassifications related to the adoption of ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs,* and ASU 2015-17, *Balance Sheet Classification of Deferred Taxes* (see Note 2 - Recently Adopted Accounting Pronouncements), were immaterial and had no effect on previously reported operating results.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. These estimates include, but are not limited to, the determination of the relative selling prices for our services, certain assumptions used in the valuation of equity awards and the fair value of assets acquired and liabilities assumed through business combinations. Actual results could differ from those estimates and such differences could be material to our consolidated financial position and results of operations.

Segment Information

We operate in one operating segment, cloud applications. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker, who is our chief executive officer, in deciding how to allocate resources and assessing performance. Our chief operating decision maker allocates resources and assesses performance based upon discrete financial information at the consolidated level. Since we operate in one operating segment, all required financial segment information can be found in the consolidated financial statements.

Note 2. Summary of Significant Accounting Policies

Revenue Recognition

We derive our revenues primarily from subscription services fees and from professional services fees, including training. We sell subscriptions to our cloud applications through contracts that are generally three years in length. Our arrangements do not contain general rights of return. Our subscription contracts do not provide customers with the right to take possession of the software supporting the applications and, as a result, are accounted for as service contracts.

We commence revenue recognition for our cloud applications and professional services when all of the following criteria are met:

- There is persuasive evidence of an arrangement;
- The service has been or is being provided to the customer;
- Collection of the fees is reasonably assured; and
- The amount of fees to be paid by the customer is fixed or determinable.

Subscription Services Revenues

Subscription services revenues are generally recognized ratably over the contractual term of the arrangement beginning on the date that our service is made available to the customer, assuming all revenue recognition criteria have been met.

Professional Services Revenues

Professional services revenues are generally recognized as the services are rendered for time and materials contracts, or on a proportional performance basis for fixed price contracts. The majority of our professional services contracts are on a time and materials basis. Training revenues are recognized as the services are rendered.

Multiple Deliverable Arrangements

For arrangements with multiple deliverables, we evaluate whether the individual deliverables qualify as separate units of accounting. In order to treat deliverables in a multiple deliverable arrangement as separate units of accounting, the deliverables must have standalone value upon delivery. If the deliverables have standalone value upon delivery, we account for each deliverable separately and revenue is recognized for the respective deliverables as they are delivered.

Subscription contracts have standalone value as we sell the subscriptions separately. All of our professional services have standalone value and can be accounted for separately from subscription services, given the availability of the professional services from other vendors, the nature of our professional services and ongoing sales of our applications to new customers without professional services.

When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple deliverable arrangement accounting guidance provides a hierarchy when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. If neither VSOE nor TPE exist for a deliverable, arrangements with multiple deliverables can be separated into discrete units of accounting based on our best estimate of selling price. The amount of arrangement fee allocated is limited by contingent revenues, if any.

We determine the best estimate of selling price for our deliverables based on our overall pricing objectives, taking into consideration market conditions and entity-specific factors. We evaluate our best estimate of selling price by reviewing historical data related to sales of our deliverables, including comparing the percentages of our contract prices to our list prices. We also consider several other data points in our evaluation, including the size of our arrangements, the cloud applications sold, customer demographics and the numbers and types of users within our arrangements.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the time of purchase. Our cash equivalents generally consist of investments in U.S. agency obligations, U.S. treasury securities, commercial paper and money market funds. Cash and cash equivalents are stated at fair value.

Marketable Securities

Our marketable securities consist of U.S. agency obligations, U.S. treasury securities, U.S. corporate securities, and commercial paper. We classify our marketable securities as available-for-sale at the time of purchase and reevaluate such classification as of each balance sheet date. We may sell these securities at any time for use in current operations or for other purposes, such as consideration for acquisitions, even if they have not yet reached maturity. As a result, we classify our investments, including securities with maturities beyond twelve months, as current assets in the accompanying consolidated balance sheets. All marketable securities are recorded at their estimated fair value. Unrealized gains and losses for available-for-sale securities are recorded in other comprehensive income (loss). We evaluate our investments to assess whether those with unrealized loss positions are other-than-temporarily impaired. We consider impairments to be other than temporary if they are related to deterioration in credit risk or if it is likely we will sell the securities before the recovery of their cost basis. Realized gains and losses and declines in value judged to be other-than-temporary are determined based on the specific identification method and are reported in other expense, net in the consolidated statements of operations.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on our assessment of the collectability of accounts. We regularly review the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice, the collection history of each customer and other relevant factors to determine the appropriate amount of our allowance. Accounts receivable deemed uncollectable are charged against the allowance for doubtful accounts when identified. For all periods presented, the allowance for doubtful accounts activity was not significant.

Deferred Commissions

Sales commissions earned by our sales force are considered to be direct sales commissions when they can be associated specifically with a non-cancelable subscription contract. Direct sales commissions are deferred when earned and amortized over the same period that revenues are recognized for the related non-cancelable subscription contract. The commission payments are paid in full after the customer has paid for its first year of service.

Amortization of deferred commissions is included in the Sales and marketing line in the accompanying consolidated statements of operations.

Derivative Financial Instruments and Hedging Activities

We use derivative financial instruments to manage foreign currency risks (see Note 9). We account for these instruments in accordance with ASC 815, *Derivatives and Hedging* (ASC 815), which requires that every derivative instrument be recorded on the consolidated balance sheets as either an asset or liability measured at its fair value as of the reporting date.

Gains and losses resulting from changes in fair value are accounted for depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. For foreign currency forward contracts not designated as hedging instruments, which we use to hedge a portion of our net outstanding monetary assets and liabilities, the gains or losses are recognized in earnings in the period of change. For a derivative instrument designated as a cash flow hedge, which we use to hedge certain customer contracts denominated in foreign currencies, the change in fair value on the effective portion is recorded to Accumulated other comprehensive income (loss) in our consolidated balance sheets each reporting period. The balance in Accumulated other comprehensive income (loss) is subsequently reclassified to the related revenue line item in the consolidated statements of operations in the same period that the underlying revenues are earned.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the assets or the related lease term. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

Business Combinations

We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed as of the acquisition date. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill.

In addition, uncertain tax positions and tax-related valuation allowances are initially established in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to our preliminary estimates to goodwill provided that we are within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Goodwill and Acquisition-Related Intangible Assets

Acquisition-related intangible assets with a finite life are typically amortized over useful lives of three to four years. Goodwill is tested for impairment at least annually, and more frequently upon the occurrence of certain events. We completed our annual impairment test in our fourth quarter, which did not result in any impairment of the goodwill balance.

Unearned Revenue

Unearned revenue primarily consists of customer billings in advance of revenues being recognized from our subscription contracts. We generally invoice our customers for our subscription contracts in annual installments. Our typical payment terms provide that customers pay a portion of the total arrangement fee within 30 days of the contract date. Unearned revenue that is anticipated to be recognized during the succeeding twelve-month period is recorded as current unearned revenue and the remaining portion is recorded as noncurrent.

Convertible Senior Notes

In June 2013, we issued 0.75% convertible senior notes due July 15, 2018 (2018 Notes) with a principal amount of $350 million. Concurrently, we issued 1.50% convertible senior notes due July 15, 2020 (2020 Notes) with a principal amount of $250 million (together with the 2018 Notes, referred to as the Notes). In accounting for the Notes, we separated them into liability and equity components. The carrying amount of the liability components were calculated by measuring the fair value of a similar liability that does not have an associated convertible feature. The carrying amount of the equity components representing the conversion options were determined by deducting the fair value of the liability component from the par value of the Notes as a whole. These differences represent debt discounts that are amortized to interest expense over the terms of the Notes. The equity components are not remeasured as long as they continue to meet the conditions for equity classification. In accounting for the issuance costs related to the Notes, we allocated the total amount incurred to the liability and equity components. Issuance costs attributable to the liability components are being amortized to expense over the respective terms of the Notes, and issuance costs attributable to the equity components were netted with the respective equity component in additional paid-in capital.

Advertising Expenses

Advertising is expensed as incurred. Advertising expense was $31 million, $20 million and $9 million for fiscal 2016, 2015 and 2014, respectively.

Share-Based Compensation

All share-based compensation to employees is measured based on the grant-date fair value of the awards and recognized in our consolidated statements of operations over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award). We estimate the fair value of stock options granted and shares issued under our employee stock purchase plan using the Black-Scholes option-pricing model. For restricted stock awards and units and performance-based restricted stock units, fair value is based on the closing price of our common stock on the grant date. Compensation expense is generally recognized over the vesting period of the applicable award using the straight-line method.

Compensation expense for non-employee stock options is calculated using the Black-Scholes option-pricing model and is recorded as the options vest. Non-employee options subject to vesting are required to be periodically revalued over their service period, which is generally the same as the vesting period.

Income Taxes

We record a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, we recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized.

We recognize tax benefits from uncertain tax positions only if we believe that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although we believe that we have adequately reserved for our uncertain tax positions, we can provide no assurance that the final tax outcome of these matters will not be materially different. As we expand internationally, we will face increased complexity in determining the appropriate tax jurisdictions for revenue and expense items, as a result, our unrecognized tax benefits will likely increase in the future. We make adjustments to these reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and operating results. The provision for income taxes includes the effects of any accruals that we believe are appropriate, as well as the related net interest and penalties.

Warranties and Indemnification

Our cloud applications are generally warranted to perform materially in accordance with our online help documentation under normal use and circumstances. Additionally, our contracts generally include provisions for indemnifying customers against liabilities if our cloud applications contracts infringe a third party's intellectual property rights, and we may also incur liabilities if we breach the security and/or confidentiality obligations in our contracts. To date, we have not incurred any material costs, and we have not accrued any liabilities in the accompanying consolidated financial statements, as a result of these obligations. We have entered into service-level agreements with a majority of our customers warranting defined levels of uptime reliability and performance and permitting those customers to receive credits or refunds for prepaid amounts related to unused subscription services or to terminate their agreements in the event that we fail to meet those levels. To date, we have not experienced any significant failures to meet defined levels of reliability and performance as a result of those agreements and, as a result, we have not accrued any liabilities related to these agreements in the consolidated financial statements.

Foreign Currency Exchange

The functional currency for certain of our foreign subsidiaries is the U.S. dollar, while others use local currencies. We translate the foreign functional currency financial statements to U.S dollars for those entities that do not have U.S. dollars as their functional currency using the exchange rates at the balance sheet date for assets and liabilities, the period average exchange rates for revenues and expenses, and the historical exchange rates for equity transactions. The effects of foreign currency translation adjustments are recorded in Accumulated other comprehensive income (loss) as a component of stockholders' equity, and related periodic movements are summarized as a line item in our consolidated statements of comprehensive income. Foreign currency transaction gains and losses are included in Other expense, net on the consolidated statements of operations for the period.

Concentrations of Risk and Significant Customers

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities and accounts receivable. Our deposits exceed federally insured limits.

No single customer represented over 10% of accounts receivable in the consolidated financial statements as of January 31, 2016 or 2015. No single customer represented over 10% of total revenues for any of the periods in the consolidated financial statements.

In order to reduce the risk of down-time of our cloud applications, we have established data centers in various geographic regions. We have internal procedures to restore services in the event of disaster at one of our current data center facilities. We serve our customers and users from data center facilities operated by third parties, located in Ashburn, Virginia; Atlanta, Georgia; Portland, Oregon; Dublin, Ireland; and Amsterdam, the Netherlands. Even with these procedures for disaster recovery in place, our cloud applications could be significantly interrupted during the implementation of the procedures to restore services.

In addition, we rely on Amazon Web Services (AWS), which provides a distributed computing infrastructure platform for business operations, to operate certain aspects of our services, such as environments for development testing, training and sales demonstrations. Any disruption of or interference with our use of AWS would impact our operations.

Recently Adopted Accounting Pronouncements

As of January 31, 2016, we retrospectively adopted, for all comparative periods presented, ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In order to conform to the current financial statement presentation, $6 million and $9 million of unamortized debt issuance costs have been reclassified from Other assets to Convertible senior notes, net on the consolidated balance sheets as of January 31, 2016 and 2015, respectively. See Note 10 for additional information.

As of January 31, 2016, we retrospectively adopted, for all comparative periods presented, ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 provides presentation requirements to classify deferred tax assets and liabilities as noncurrent in a classified statement of financial position. Adoption of this ASU resulted in a reclassification of $1 million of current deferred tax assets from Prepaid expenses and other current assets to Other assets on the consolidated balance sheets as of both January 31, 2016 and 2015.

Recently Issued Accounting Pronouncements

On May 28, 2014, the FASB issued ASU 2014-9 regarding ASC Topic 606, *Revenue from Contracts with Customers*. The standard provides principles for recognizing revenue for the transfer of promised goods or services to customers with the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for our fiscal year beginning February 1, 2018. Early adoption is permitted. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

On January 5, 2016, the FASB issued ASU 2016-1 regarding ASC Topic 825-10, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard requires entities to carry all investments in equity securities at fair value through net income. The guidance is effective for our fiscal year beginning February 1, 2018. Early adoption is permitted. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

On February 25, 2016, FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. These amendments require the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases under ASC 840 "Leases". The guidance is effective for our fiscal year beginning February 1, 2019. Early adoption is permitted. We are currently evaluating the accounting, transition and disclosure requirements of the standard and cannot currently estimate the financial statement impact of adoption.

Note 3. Marketable Securities

At January 31, 2016, marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. agency obligations	$ 1,018,513	$ 127	$ (405)	$ 1,018,235
U.S. treasury securities	338,736	70	(141)	338,665
U.S. corporate securities	135,065	36	(18)	135,083
Commercial paper	177,390	—	(1)	177,389
Money market funds	148,961	—	—	148,961
	$ 1,818,665	$ 233	$ (565)	$ 1,818,333
Included in cash and cash equivalents	$ 148,961	$ —	$ —	$ 148,961
Included in marketable securities	$ 1,669,704	$ 233	$ (565)	$ 1,669,372

At January 31, 2015, marketable securities consisted of the following (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Aggregate Fair Value
U.S. agency obligations	$ 1,303,829	$ 422	$ (16)	$ 1,304,235
U.S. treasury securities	180,559	91	(1)	180,649
U.S. corporate securities	99,618	27	(13)	99,632
Commercial paper	89,984	—	—	89,984
Money market funds	142,137	—	—	142,137
	$ 1,816,127	$ 540	$ (30)	$ 1,816,637
Included in cash and cash equivalents	$ 257,120	$ —	$ —	$ 257,120
Included in marketable securities	$ 1,559,007	$ 540	$ (30)	$ 1,559,517

We do not believe the unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence, which includes our intent to hold these investments to maturity as of January 31, 2016. No marketable securities held as of January 31, 2016 have been in a continuous unrealized loss position for more than 12 months. During fiscal 2016, we sold $103 million of our available-for-sale securities and the realized gain from the sale is immaterial.

Note 4. Deferred Costs

Deferred costs consisted of the following (in thousands):

	January 31, 2016	January 31, 2015
Current:		
Deferred professional service costs	$ 895	$ 3,606
Deferred sales commissions	20,922	16,865
Total	$ 21,817	$ 20,471
Noncurrent:		
Deferred professional service costs	$ 360	$ 1,254
Deferred sales commissions	29,714	19,744
Total	$ 30,074	$ 20,998

Note 5. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	January 31, 2016	January 31, 2015
Computers, equipment and software	$ 230,705	$ 139,569
Computers, equipment and software acquired under capital leases	24,400	34,112
Furniture and fixtures	18,894	13,082
Leasehold improvements	90,562	47,496
	364,561	234,259
Less accumulated depreciation and amortization	(150,403)	(94,123)
Property and equipment, net	$ 214,158	$ 140,136

Depreciation expense was $71 million, $46 million and $29 million for fiscal 2016, 2015 and 2014, respectively. These amounts include depreciation of assets recorded under capital leases of $3 million, $9 million and $12 million for fiscal 2016, 2015 and 2014, respectively.

Note 6. Business Combinations

In fiscal 2016 we acquired two businesses in order to expand our product and service offerings. We have included the financial results of the acquired businesses in our consolidated financial statements from the respective acquisition dates. The consideration paid for these acquisitions was $31 million, net of cash acquired.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed for all business combinations during the year ended January 31, 2016 (in thousands):

Cash	$	2,143
Developed technology		17,660
Deferred revenue		(214)
Net deferred tax liability		(3,796)
Net liabilities assumed		(1,195)
Net assets acquired		14,598
Goodwill		18,981
Total purchase consideration	$	33,579

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The preliminary estimated fair values of assets acquired and liabilities assumed, including current and noncurrent income taxes payable and deferred taxes, and identifiable intangible assets may be subject to change as additional information is received and certain tax returns are finalized. We expect to finalize the allocation of purchase consideration as soon as practicable and no later than one year from the acquisition date.

Developed technology represents the estimated fair value of the acquired existing technology and the goodwill balance is not deductible for U.S. income tax purposes.

Pro forma results of operations for these acquisitions have not been presented because they are not material to the consolidated results of operations, either individually or in aggregate.

Note 7. Goodwill and Acquisition-related Intangible Assets, Net

Goodwill and acquisition-related intangible assets, net consisted of the following (in thousands):

	January 31,			
	2016		2015	
Acquired developed technology	$	20,461	$	4,200
Customer relationship assets		338		338
		20,799		4,538
Less accumulated amortization		(5,308)		(2,071)
Acquisition-related intangible assets, net		15,491		2,467
Goodwill		50,325		32,312
Goodwill and acquisition-related intangible assets, net	$	65,816	$	34,779

Developed technology from acquisitions is typically amortized over a useful life of three to four years. Amortization expense related to acquired developed technology was $3 million and $1 million for fiscal 2016 and 2015, respectively. There was no amortization expense in fiscal 2014.

As of January 31, 2016, our future estimated amortization expense related to the acquired developed technology is as follows (in thousands):

Fiscal Period:		
2017	$	5,326
2018		4,193
2019		3,811
2020		2,161
Total	$	15,491

Note 8. Other Assets

Other assets consisted of the following (in thousands):

	January 31, 2016	January 31, 2015
Cost method investment	$ 28,742	$ 12,910
Acquired land leasehold interest, net	9,781	9,886
Technology patents, net	3,020	3,942
Other	16,195	19,052
Total	$ 57,738	$ 45,790

We invested $17 million and $10 million in private companies in fiscal 2016 and fiscal 2015, respectively. The investments are recorded at cost as we do not have significant influence over the company's operational or financial policies. The investments are tested for impairment at least annually, and more frequently upon the occurrence of certain events. We completed our annual impairment test in our fourth quarter, which did not result in any impairment of the cost method balance.

As of January 31, 2016, our future estimated amortization expense related to the acquired land leasehold interest and technology patents are as follows (in thousands):

Fiscal Period:	
2017	$ 1,027
2018	889
2019	520
2020	463
2021	301
Thereafter	9,601
Total	$ 12,801

Note 9. Fair Value Measurements

We measure our financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires that we maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs that are supported by little or no market activity.

Financial Assets

We value our marketable securities using quoted prices for identical instruments in active markets when available. If we are unable to value our marketable securities using quoted prices for identical instruments in active markets, we value our investments using independent reports that utilize quoted market prices for comparable instruments. We validate, on a sample basis, the derived prices provided by the independent pricing vendors by comparing their assessment of the fair values of our investments against the fair values of the portfolio balances of another third-party professional's pricing service. To date, all of our marketable securities can be valued using one of these two methodologies.

Based on our valuation of our marketable securities, we concluded that they are classified in either Level 1 or Level 2 and we have no financial assets or liabilities measured using Level 3 inputs. The following tables present information about our assets that are measured at fair value on a recurring basis using the above input categories (in thousands):

	Fair Value Measurements as of January 31, 2016		
Description	**Level 1**	**Level 2**	**Total**
U.S. agency obligations	$ —	$ 1,018,235	1,018,235
U.S. treasury securities	338,665	—	338,665
U.S. corporate securities	—	135,083	135,083
Commercial paper	—	177,389	177,389
Money market funds	148,961	—	148,961
	$ 487,626	$ 1,330,707	$ 1,818,333
Included in cash and cash equivalents			$ 148,961
Included in marketable securities			$ 1,669,372

	Fair Value Measurements as of January 31, 2015		
Description	**Level 1**	**Level 2**	**Total**
U.S. agency obligations	$ —	$ 1,304,235	$ 1,304,235
U.S. treasury securities	180,649	—	180,649
U.S. corporate securities	—	99,632	99,632
Commercial paper	—	89,984	89,984
Money market funds	142,137	—	142,137
	$ 322,786	$ 1,493,851	$ 1,816,637
Included in cash and cash equivalents			$ 257,120
Included in marketable securities			$ 1,559,517

Financial Liabilities

The carrying amounts and estimated fair values of financial instruments not recorded at fair value are as follows (in thousands):

	January 31, 2016		January 31, 2015	
	Net Carrying Amount before unamortized debt issuance costs	**Estimated Fair Value**	**Net Carrying Amount before unamortized debt issuance costs**	**Estimated Fair Value**
0.75% Convertible senior notes	$ 310,013	$ 362,250	$ 295,276	$ 407,750
1.50% Convertible senior notes	203,923	264,063	195,225	299,063

The difference between the principal amount of the notes, $350 million for the 0.75% convertible senior notes and $250 million for the 1.50% convertible senior notes, and the net carrying amount before unamortized debt issuance costs represents the unamortized debt discount (see Note 10). The estimated fair value of the convertible senior notes, which we have classified as Level 2 financial instruments, was determined based on the quoted bid price of the convertible senior notes in an over-the-counter market on January 31, 2016 and January 31, 2015.

Based on the closing price of our common stock of $63.01 on January 31, 2016, the if-converted value of the 0.75% convertible senior notes and the if-converted value of the 1.50% convertible senior notes were less than their respective principal amounts.

Derivative Financial Instruments

We conduct business on a global basis in multiple foreign currencies, subjecting Workday to foreign currency risk. To mitigate this risk, we utilize hedging contracts as described below. We do not enter into any derivatives for trading or speculative purposes.

Our foreign currency contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

Cash Flow Hedges

We are exposed to foreign currency fluctuations resulting from customer contracts denominated in foreign currencies. We initiated a hedging program in fiscal 2016 by entering into foreign currency forward contracts related to certain customer contracts. We designate these forward contracts as cash flow hedging instruments as the accounting criteria for such designation have been met. The effective portion of the gains or losses resulting from changes in the fair value of these hedges is recorded in Accumulated other comprehensive income (loss) on the consolidated balance sheets and will be subsequently reclassified to the related revenue line item in the consolidated statements of operations in the same period that the underlying revenues are earned. The changes in value of these contracts resulting from changes in forward points on our forward contracts are excluded from the assessment of hedge effectiveness and are recorded as incurred in Other expense, net in the consolidated statements of operations.

As of January 31, 2016, we had 65 outstanding foreign currency forward contracts designed as cash flow hedges with a total notional value of $133 million which had maturities not greater than 15 months. The notional value represents the amount that will be bought or sold upon maturity of the forward contract.

During fiscal 2016, all cash flow hedges were considered effective.

Foreign Currency Forward Contracts not Designated as Hedges

We also enter into foreign currency forward contracts to hedge a portion of our net outstanding monetary assets and liabilities. These forward contracts are not designated as hedging instruments under applicable accounting guidance, and therefore all changes in the fair value of the forward contracts are recorded in Other expense, net in our consolidated statements of operations. These forward contracts are intended to offset the foreign currency gains or losses associated with the underlying monetary assets and liabilities.

As of January 31, 2016 and 2015, we had 21 and 7 outstanding forward contracts with total notional values of $22 million and $10 million, respectively. All contracts have maturities not greater than 15 months.

The fair values of outstanding derivative instruments were as follows (in thousands):

	Consolidated Balance Sheets Location	January 31, 2016	January 31, 2015
Derivative Assets:			
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets	$ 4,695	$ —
Foreign currency forward contracts not designated as hedges	Prepaid expenses and other current assets	605	371
Derivative Liabilities:			
Foreign currency forward contracts designated as cash flow hedges	Accrued expenses and other current liabilities	$ 98	$ —
Foreign currency forward contracts not designated as hedges	Accrued expenses and other current liabilities	56	5

Gains (losses) associated with foreign currency forward contracts designated as cash flow hedges were as follows (in thousands):

	Consolidated Statements of Operations Location	January 31, 2016	January 31, 2015	January 31, 2014
Gains (losses) recognized in OCI (effective portion) (1)	Accumulated other comprehensive income (loss)	$ 4,939	$ —	$ —
Gains (losses) reclassified from OCI into income (effective portion)	Revenues	3	—	—
Gains (losses) recognized in income (amount excluded from effectiveness testing and ineffective portion)	Other expense, net	148	—	—

(1) Of the total effective portion of foreign currency forward contracts designated as cash flow hedges as of January 31, 2016, $0.5 million is expected to be reclassified out of Accumulated other comprehensive income (loss) within the next 12 months.

Gains (losses) associated with foreign currency forward contracts not designated as cash flow hedges were as follows (in thousands):

		January 31,		
Derivative Type	Consolidated Statements of Operations Location	2016	2015	2014
Foreign currency forward contracts not designated as hedges	Other expense, net	$ 876	$ 441	$ —

We are subject to master netting agreements with certain counterparties of the foreign exchange contracts, under which we are permitted to net settle transactions of the same currency with a single net amount payable by one party to the other. It is our policy to present the derivatives gross in the consolidated balance sheets. Our foreign currency forward contracts are not subject to any credit contingent features or collateral requirements and we do not believe we are subject to significant counterparty concentration risk given the short-term nature, volume, and size of the derivative contracts outstanding.

As of January 31, 2016, information related to these offsetting arrangements was as follows (in thousands):

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Received	Net Assets Exposed
Derivative Assets						
Counterparty A	$ 212	$ —	$ 212	$ (82)	$ —	$ 130
Counterparty B	760	—	760	—	—	760
Counterparty C	4,328	—	4,328	(72)	—	4,256
Total	$ 5,300	$ —	$ 5,300	$ (154)	$ —	$ 5,146

				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral Pledged	Net Liabilities Exposed
Derivative Liabilities						
Counterparty A	$ 82	$ —	$ 82	$ (82)	$ —	$ —
Counterparty B	—	—	—	—	—	—
Counterparty C	72	—	72	(72)	—	—
Total	$ 154	$ —	$ 154	$ (154)	$ —	$ —

Note 10. Convertible Senior Notes, Net

Convertible Senior Notes

In June 2013, we issued 0.75% convertible senior notes due July 15, 2018 (2018 Notes) with a principal amount of $350 million. The 2018 Notes are unsecured, unsubordinated obligations, and interest is payable in cash in arrears at a fixed rate of 0.75% on January 15 and July 15 of each year, beginning on January 15, 2014. The 2018 Notes mature on July 15, 2018 unless repurchased or converted in accordance with their terms prior to such date. We cannot redeem the 2018 Notes prior to maturity.

Concurrently, we issued 1.50% convertible senior notes due July 15, 2020 (2020 Notes) with a principal amount of $250 million (together with the 2018 Notes, referred to as the Notes). The 2020 Notes are unsecured, unsubordinated obligations of Workday, and interest is payable in cash in arrears at a fixed rate of 1.50% on January 15 and July 15 of each year, beginning on January 15, 2014. The 2020 Notes mature on July 15, 2020 unless repurchased or converted in accordance with their terms prior to such date. We cannot redeem the 2020 Notes prior to maturity.

The terms of the Notes are governed by Indentures by and between us and Wells Fargo Bank, National Association, as Trustee (the Indentures). Upon conversion, holders of the Notes will receive cash, shares of Class A common stock or a combination of cash and shares of Class A common stock, at our election.

For the 2018 Notes, the initial conversion rate is 12.0075 shares of Class A common stock per $1,000 principal amount, which is equal to an initial conversion price of approximately $83.28 per share of Class A common stock, subject to adjustment. Prior to the close of business on March 14, 2018, the conversion is subject to the satisfaction of certain conditions as described below. For the 2020 Notes, the initial conversion rate is 12.2340 shares of Class A common stock per $1,000 principal amount, which is equal to an initial conversion price of approximately $81.74 per share of Class A common stock, subject to adjustment. Prior to the close of business on March 13, 2020, the conversion is subject to the satisfaction of certain conditions, as described below.

Holders of the Notes who convert their Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the Indentures) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a corporate event that constitutes a fundamental change (as defined in the Indentures), holders of the Notes may require us to repurchase all or a portion of their Notes at a price equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest.

Holders of the 2018 Notes and 2020 Notes may convert all or a portion of their Notes prior to the close of business on March 14, 2018 for the 2018 Notes and March 13, 2020 for the 2020 Notes, in multiples of $1,000 principal amount, only under the following circumstances:

- if the last reported sale price of Class A common stock for at least twenty trading days during a period of thirty consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the respective Notes on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per $1,000 principal amount of the respective Notes for each day of that five day consecutive trading day period was less than 98% of the product of the last reported sale price of Class A common stock and the conversion rate of the respective Notes on such trading day; or
- upon the occurrence of specified corporate events, as noted in the Indentures.

In accounting for the issuance of the Notes, we separated each of the Notes into liability and equity components. The carrying amounts of the liability components were calculated by measuring the fair value of similar liabilities that do not have associated convertible features. The carrying amount of the equity components representing the conversion option were determined by deducting the fair value of the liability components from the par value of the respective Notes. These differences represent debt discounts that are amortized to interest expense over the respective terms of the Notes. The equity components are not remeasured as long as they continue to meet the conditions for equity classification.

We allocated the total issuance costs incurred to the 2018 Notes and 2020 Notes on a prorated basis using the aggregate principal balances. In accounting for the issuance costs related to the 2018 and 2020 Notes, we allocated the total amount of issuance costs incurred to liability and equity components. Issuance costs attributable to the liability components are being amortized to interest expense over the respective terms of the Notes, and the issuance costs attributable to the equity components were netted against the respective equity components in Additional paid in capital. For the 2018 Notes, we recorded liability issuance costs of $7 million and equity issuance costs of $2 million. Amortization expense for the liability issuance costs was $1 million for both fiscal 2016 and 2015. For the 2020 Notes, we recorded liability issuance costs of $5 million and equity issuance costs of $2 million. Amortization expense for the liability issuance costs was $1 million for both fiscal 2016 and 2015.

The Notes, net consisted of the following (in thousands):

	January 31, 2016		January 31, 2015	
	2018 Notes	2020 Notes	2018 Notes	2020 Notes
Principal amounts:				
Principal	$ 350,000	$ 250,000	$ 350,000	$ 250,000
Unamortized debt discount[1]	(39,987)	(46,077)	(54,724)	(54,775)
Net carrying amount before unamortized debt issuance costs	310,013	203,923	295,276	195,225
Unamortized debt issuance costs[1][2]	(3,458)	(3,002)	(4,866)	(3,677)
Net carrying amount	$ 306,555	$ 200,921	$ 290,410	$ 191,548
Carrying amount of the equity component[3]	$ 74,892	$ 66,007	$ 74,892	$ 66,007

(1) Included in the consolidated balance sheets within Convertible senior notes, net and amortized over the remaining lives of the Notes on the straight-line basis as it approximates the effective interest rate method.

(2) We adopted ASU 2015-03 on January 31, 2016 and have applied the new guidance retrospectively to all prior periods presented in the financial statements to conform to the fiscal 2016 presentation. See Note 2 for additional information.

(3) Included in the consolidated balance sheets within Additional paid-in capital, net of $2 million and $2 million for the 2018 Notes and 2020 Notes, respectively, in equity issuance costs.

As of January 31, 2016, the remaining life of the 2018 Notes and 2020 Notes is approximately 29 months and 53 months, respectively.

The effective interest rates of the liability components of the 2018 Notes and 2020 Notes are 5.75% and 6.25%, respectively. These interest rates were based on the interest rates of similar liabilities at the time of issuance that did not have associated convertible features. The following table sets forth total interest expense recognized related to the 2018 Notes and 2020 Notes (in thousands):

	Year Ended January 31,			
	2016		2015	
	2018 Notes	2020 Notes	2018 Notes	2020 Notes
Contractual interest expense	$ 2,625	$ 3,750	$ 2,625	$ 3,750
Interest cost related to amortization of debt issuance costs	1,408	675	1,408	674
Interest cost related to amortization of the debt discount	14,737	8,698	13,916	8,172

Notes Hedges

In connection with the issuance of the 2018 Notes and 2020 Notes, we entered into convertible note hedge transactions with respect to our Class A common stock (Purchased Options). The Purchased Options cover, subject to anti-dilution adjustments substantially identical to those in the Notes, approximately 7.3 million shares of our Class A common stock and are exercisable upon conversion of the Notes. The Purchased Options have initial exercise prices that correspond to the initial conversion prices of the 2018 Notes and 2020 Notes, respectively, subject to anti-dilution adjustments substantially similar to those in the Notes. The Purchased Options will expire in 2018 for the 2018 Notes and in 2020 for the 2020 Notes, if not earlier exercised. The Purchased Options are intended to offset potential economic dilution to our Class A common stock upon any conversion of the Notes. The Purchased Options are separate transactions and are not part of the terms of the Notes.

We paid an aggregate amount of $144 million for the Purchased Options, which is included in Additional paid-in capital in the consolidated balance sheets.

Warrants

In connection with the issuance of the 2018 Notes and 2020 Notes, we also entered into warrant transactions to sell warrants (the Warrants) to acquire, subject to anti-dilution adjustments, up to approximately 4.2 million shares in July 2018 and 3.1 million shares in July 2020 of our Class A common stock at an exercise price of $107.96 per share. If the warrants are not exercised on their exercise dates, they will expire. If the market value per share of our Class A common stock exceeds the applicable exercise price of the Warrants, the Warrants will have a dilutive effect on our earnings per share assuming that we are profitable. The Warrants are separate transactions, and are not part of the terms of the Notes or the Purchased Options.

We received aggregate proceeds of $93 million from the sale of the Warrants, which is recorded in Additional paid-in capital in the consolidated balance sheets.

Note 11. Commitments and Contingencies

Facility-related Commitments

We have entered into operating lease agreements for certain of our offices and data centers in the U.S. and other countries with various expiration dates. Certain of our office leases are with an affiliate of our Chairman, Mr. Duffield, who is also a significant stockholder (see Note 17). The operating lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised. This includes payments for office and data center square footage, as well as data center power capacity for certain data centers. We recognize these expenses on a straight-line basis over the period in which we benefit from the lease and we have accrued for rent expense incurred but not paid. Total rent expense was $46 million, $30 million and $18 million fiscal 2016, 2015 and 2014, respectively.

In January 2014, we entered into a 95-year lease for a 6.9-acre parcel of vacant land in Pleasanton, California, under which we paid $2 million for base rent from commencement through December 31, 2020. Annual rent payments of $0.2 million plus increases based on increases in the consumer price index begin on January 1, 2021 and continue through the end of the lease.

As of January 31, 2016, the future minimum payments by year for our non-cancelable leases are as follows (in thousands):

	Operating Leases	Operating Leases with Related Party
2017	$ 44,370	$ 7,540
2018	31,075	8,882
2019	25,362	9,069
2020	20,566	9,256
2021	16,611	9,443
Thereafter	39,181	33,125
	$ 177,165	$ 77,315

Legal Matters

We are a party to various legal proceedings and claims which arise in the ordinary course of business. In our opinion, as of January 31, 2016, there was not at least a reasonable possibility that we had incurred a material loss, or a material loss in excess of a recorded accrual, with respect to such loss contingencies.

Note 12. Common Stock and Stockholders' Equity

Common Stock

In connection with our initial public offering in October 2012 (IPO), we amended our certificate of incorporation to provide for Class A common stock, Class B common stock and preferred stock. Upon the closing of the IPO, all shares of our then-outstanding redeemable convertible preferred stock and convertible preferred stock automatically converted into an aggregate of 98 million shares of Class B common stock and an aggregate of 42 million shares of our then-outstanding common stock converted into an equal number of Class B common stock.

In January 2014, we completed our follow-on offering, in which we issued 7 million shares of our Class A common stock at a public offering price of $89.00 per share. We received net proceeds of $592 million after deducting underwriting discounts and commissions of $21 million and other offering expenses of $1 million.

As of January 31, 2016, there were 116 million shares of Class A common stock and 79 million shares of Class B common stock outstanding. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock can be converted into a share of Class A common stock at any time at the option of the holder. All of our Class A and Class B shares will convert to a single class of common stock upon the date that is the first to occur of (i) October 11, 2032, (ii) such time as the shares of Class B common stock represent less than 9% of the outstanding Class A and Class B common stock, (iii) nine months following the death of both Mr. Duffield and Mr. Bhusri, and (iv) the date on which the holders of a majority of the shares of Class B common stock elect to convert all shares of Class A common stock and Class B common stock into a single class of common stock.

Employee Equity Plans

Our board of directors adopted the 2012 Equity Incentive Plan (EIP) in August 2012 which became effective on October 10, 2012 and serves as the successor to our 2005 Stock Plan (together with the EIP, the Stock Plans). Pursuant to the terms of the EIP, the share reserve increased by 9 million on both March 25, 2015 and March 31, 2014. As of January 31, 2016, we had approximately 54 million shares of Class A common stock available for future grants.

We also have a 2012 Employee Stock Purchase Plan (ESPP). Under the ESPP, eligible employees are granted options to purchase shares at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are granted twice yearly on or about June 16 and December 16 and exercisable on or about the succeeding December 15 and June 15, respectively, of each year. Pursuant to the terms of the ESPP, the share reserve increased by 2 million shares on March 25, 2015. As of January 31, 2016, 5 million shares of Class A common stock were available for issuance under the ESPP. For fiscal 2016, 0.5 million shares of Class A common shares were purchased under the ESPP at a weighted-average price of $67.16 per share, resulting in cash proceeds of $34 million.

Stock Options

The Stock Plans provide for the issuance of incentive and nonstatutory options to employees and non-employees. We have also issued nonstatutory options outside of the Stock Plans. Options issued under the Stock Plans generally are exercisable for periods not to exceed 10 years and generally vest over five years. A summary of information related to stock option activity during fiscal 2016 is as follows (in millions, except share and per share data):

	Outstanding Stock Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Balance as of January 31, 2015	16,663,557	$ 4.06	$ 1,256
Stock option grants	—	—	
Stock options exercised	(3,595,411)	3.21	
Stock options canceled	(205,170)	10.19	
Balance as of January 31, 2016	12,862,976	$ 4.21	$ 756
Vested and expected to vest as of January 31, 2016	12,779,675	$ 4.18	$ 752
Exercisable as of January 31, 2016	11,532,044	$ 3.65	$ 685

The total grant-date fair value of stock options vested during fiscal 2016, 2015 and 2014 was $17 million, $20 million and $27 million, respectively. The total intrinsic value of the options exercised during fiscal 2016, 2015 and 2014 was $279 million, $311 million and $566 million, respectively. The intrinsic value is the difference between the current fair value of the stock and the exercise price of the stock option. The weighted-average remaining contractual life of vested and expected to vest options as of January 31, 2016 is approximately 5.2 years.

As of January 31, 2016, there was a total of $17 million in unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of approximately 1.3 years.

The options that are exercisable as of January 31, 2016 have a weighted-average remaining contractual life of approximately 5.0 years. The weighted-average remaining contractual life of outstanding options at January 31, 2016 is approximately 5.2 years.

Common Stock Subject to Repurchase

The Stock Plans allow for the early exercise of stock options for certain individuals as determined by the board of directors. We have the right to purchase at the original exercise price any unvested (but issued) common shares during the repurchase period following termination of services of an employee. The consideration received for an exercise of an option is considered to be a deposit of the exercise price and the related dollar amount is recorded as a liability. The shares and liabilities are reclassified into equity as the awards vest. As of January 31, 2016 and 2015, we had $3 million and $4 million respectively, recorded in liabilities related to early exercises of stock options.

Restricted Stock Units

The Stock Plans provide for the issuance of restricted stock units ("RSUs") to employees. RSUs generally vest over four years. A summary of information related to RSU activity during fiscal 2016 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Balance as of January 31, 2015	6,409,132	$ 76.93
RSUs granted	5,307,070	85.29
RSUs vested	(1,959,862)	77.21
RSUs forfeited	(545,258)	80.44
Balance as of January 31, 2016	9,211,082	$ 81.48

The weighted average grant-date fair value of RSUs granted during fiscal 2016, 2015 and 2014 was $85.29, $81.65 and $71.35, respectively. The total fair value of RSUs vested as of the vesting dates during fiscal 2016, 2015 and 2014 was $162 million, $90 million and $4 million, respectively.

As of January 31, 2016, there was a total of $611 million in unrecognized compensation cost related to unvested RSUs, which is expected to be recognized over a weighted-average period of approximately 2.8 years.

Restricted Stock Awards

The Stock Plans provide for the issuance of restricted stock awards to employees. Restricted stock awards generally vest over five years. Under the EIP, 0.5 million restricted awards of Class B common stock are outstanding with weighted average grant date fair value of $12.98, all of which are subject to forfeiture as of January 31, 2016. During fiscal 2016, 0.3 million shares of restricted stock awards vested with weighted average grant date fair value of $12.73.

As of January 31, 2016, there was a total of $6 million in unrecognized compensation cost related to restricted stock awards, which are expected to be recognized over a weighted-average period of approximately 1.8 years.

Performance-based Restricted Stock Units

We granted less than 0.1 million shares of performance-based restricted stock units (PRSUs) during the year ended January 31, 2016, with a weighted average grant date fair value per share of $76.45. The PRSU awards, which were granted to all employees other than executive management, included performance conditions related to company-wide goals and service conditions. These performance conditions were met and the PRSUs vested on March 15, 2016.

As of January 31, 2016, there was a total of $2 million in unrecognized compensation cost related to all PRSUs, which is expected to be recognized over a weighted-average period of approximately 2 months.

Share-based Compensation to Employees

All share-based payments to employees are measured based on the grant date fair value of the awards and recognized in the consolidated statements of operations over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award). We estimate the fair value of stock option awards and shares issued under the ESPP using the Black-Scholes option-pricing model. We determine the assumptions for the option-pricing model as follows:

Fair Value of Common Stock

Prior to our IPO, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each meeting at which awards were approved. The factors included, but were not limited to: (i) contemporaneous third-party valuations of our common stock; (ii) the prices, rights, preferences and privileges of our preferred stock relative to those of our common stock; (iii) the lack of marketability of our common stock; (iv) our actual operating and financial results; (v) current business conditions and projections; and (vi) the likelihood of achieving a liquidity event, such as an IPO or sale of our company, given prevailing market conditions.

Since our IPO, we have used the market closing price for our Class A common stock as reported on the New York Stock Exchange to determine the fair value of our common stock at each meeting at which awards were approved.

Risk-Free Interest Rate

The weighted-average, risk-free interest rate is based on the rate for a U.S. Treasury zero-coupon issue with a term that approximates the expected life of the option grant at the date closest to the option grant date.

Expected Term

The expected term represents the period that our share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options.

Volatility

We determine the price volatility factor based on the historical volatility of our common stock and our peer group's common stock.

Dividend Yield

We have not paid and do not expect to pay dividends.

Assumptions

The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period the estimates are revised. We consider many factors when estimating expected forfeitures, including the types of awards and employee class. Actual results, and future changes in estimates, may differ substantially from our current estimates.

The assumptions used for the periods presented were as follows:

	Year Ended January 31,		
Stock Options	**2016**	**2015**	**2014**
Expected volatility	n/a	n/a	54.8% – 55.8%
Expected term (in years)	n/a	n/a	6.11
Risk-free interest rate	n/a	n/a	0.9% - 1.8%
Dividend yield	n/a	n/a	—%

	Year Ended January 31,		
ESPP	**2016**	**2015**	**2014**
Expected volatility	32.0% – 34.2%	32.8% – 37.7%	27.7% – 30.4%
Expected term (in years)	0.5	0.5	0.5
Risk-free interest rate	0.26% – 0.51%	0.01% - 0.1%	0.1%
Dividend yield	—%	—%	—%
Weighted-average grant date fair value per share	$67.23 – 71.81	$64.12 – 72.26	$52.88 – 68.43

Note 13. Other Expense, Net

Other expense, net consisted of the following (in thousands):

	Year Ended January 31,		
	2016	**2015**	**2014**
Interest income	$ 4,855	$ 2,960	$ 1,992
Interest expense[(1)]	(31,932)	(31,060)	(19,618)
Gain from sale of cost method investment	3,220	—	—
Other income (expense)	(385)	(2,170)	77
Other expense, net	$ (24,242)	$ (30,270)	$ (17,549)

(1) Interest expense includes the contractual interest expense related to the 2018 Notes and 2020 Notes and non-cash interest related to amortization of the debt discount and debt issuance costs (see Note 10).

Note 14. Income Taxes

The components of loss before provision for income taxes were as follows (in thousands):

	Year Ended January 31, 2016	2015	2014
Domestic	$ (131,377)	$ (93,619)	$ (49,652)
Foreign	(157,524)	(152,353)	(121,179)
Total	$ (288,901)	$ (245,972)	$ (170,831)

The provision for (benefit from) income taxes consisted of the following (in thousands):

	Year Ended January 31, 2016	2015	2014
Current:			
Federal	$ (2,012)	$ 90	$ 60
State	489	106	178
Foreign	2,869	2,128	1,440
Total	$ 1,346	$ 2,324	$ 1,678
Deferred:			
Federal	$ —	$ —	$ —
State	—	—	—
Foreign	(329)	(314)	—
Total	(329)	(314)	—
Provision for income taxes	$ 1,017	$ 2,010	$ 1,678

The items accounting for the difference between income taxes computed at the federal statutory income tax rate and the provision for (benefit from) income taxes consisted of the following:

	Year Ended January 31, 2016	2015	2014
Federal statutory rate	35.0 %	35.0 %	35.0 %
Effect of:			
Foreign income at other than U.S. rates	(19.8)%	(22.5)%	(25.4)%
Intercompany transactions	— %	(0.2)%	(36.8)%
Research tax credits	4.9 %	6.9 %	12.7 %
State taxes	(0.2)%	(0.1)%	(0.1)%
Changes in valuation allowance	(15.8)%	(15.2)%	18.1 %
Stock compensation	(5.1)%	(4.0)%	(3.9)%
Other	0.6 %	(0.7)%	(0.6)%
	(0.4)%	(0.8)%	(1.0)%

As a result of our history of net operating losses, the current federal and current state provision for (benefit from) income taxes relates to accruals, expiration of statute of limitations and adjustments to the interest and penalties for uncertain tax positions, U.S. federal tax expense on taxable income before excess tax benefits and state minimum and capital based income taxes. During the fiscal year ended January 31, 2016, we had recorded a $3 million tax benefit from the release of an acquired uncertain tax position, including interest and penalties, due to the lapse of the statute of limitations.

We had unrecorded excess stock option tax benefits of $364 million as of January 31, 2016. These amounts will be credited to additional paid-in capital when the tax deduction is realized on the income tax returns.

Significant components of our deferred tax assets and liabilities were as follows (in thousands):

	January 31, 2016	January 31, 2015
Deferred tax assets:		
Unearned revenue	$ 35,884	$ 29,093
Other reserves and accruals	29,919	16,337
Federal net operating loss carryforwards	59,497	82,434
State and foreign net operating loss carryforwards	21,357	23,047
Property and equipment	19,518	18,864
Share-based compensation	61,930	34,009
Research and development credits	51,340	38,738
Other	7,725	4,767
	287,170	247,289
Valuation allowance	(222,760)	(177,211)
Deferred tax assets, net of valuation allowance	64,410	70,078
Deferred tax liabilities:		
Intercompany transactions	(62,951)	(61,389)
Other prepaid assets	(898)	(7,255)
Other	—	(783)
	(63,849)	(69,427)
Net deferred tax assets	$ 561	$ 651

We regularly assess the need for a valuation allowance against our deferred tax assets by considering both positive and negative evidence related to whether it is more likely than not that our deferred tax assets will be realized. In evaluating the need for a valuation allowance, we consider the cumulative losses in recent years as a significant piece of negative evidence that is generally difficult to overcome.

As of January 31, 2016, we recorded a valuation allowance of $223 million for the portion of the deferred tax asset that we do not expect to be realized. The valuation allowance on our net deferred tax assets increased by $46 million and $47 million for fiscal 2016 and 2015, respectively. We will continue to reassess the future realization of the deferred tax asset and adjust the valuation allowance accordingly.

As of January 31, 2016, we had approximately $1.2 billion of federal, $756 million of state and $77 million of foreign net operating loss carryforwards available to offset future taxable income. If not utilized, the federal and state net operating loss carryforwards expire in varying amounts between the years 2017 and 2036. The foreign net operating losses do not expire and may be carried forward indefinitely. The net operating losses include amounts relating to the excess tax benefit from stock option exercises, which will be recorded as a credit to additional paid-in capital when realized.

On December 18th, 2015 President Obama signed into law the Protecting Americans from Tax Hikes Act, 2016 (the PATH Act) that retroactively reinstated certain tax benefits and credits that had expired. One of the provisions of the PATH Act was to permanently reinstate the R&D tax credit. The enacted law did not impact our tax provision as the retroactive benefit of the research tax credit was fully offset by an increase in valuation allowance. We also had approximately $46 million of federal and $45 million of California research and development tax credit carryforwards as of January 31, 2016. The federal credits expire in varying amounts between the years 2026 and 2036. The California research credits do not expire and may be carried forward indefinitely.

Our ability to utilize the net operating loss and tax credit carryforwards in the future may be subject to substantial restrictions in the event of past or future ownership changes as defined in Section 382 of the Internal Revenue Code of 1986, as amended and similar state tax law.

We intend to permanently reinvest any future earnings from our foreign operations outside of the U.S. unless such earnings are subject to U.S. federal income taxes. Upon any repatriation of those earnings, in the form of dividends or otherwise, we would be subject to both U.S. income taxes adjusted for foreign tax credits and applicable foreign withholding taxes. As of January 31, 2016, our foreign operations have accumulative deficits; therefore, we have not provided a deferred tax liability. Additionally, we currently estimate any such hypothetical foreign withholding tax expense to be immaterial to our financial statements.

A reconciliation of the gross unrecognized tax benefit is as follows (in thousands):

	Year Ended January 31,		
	2016	2015	2014
Unrecognized tax benefits at the beginning of the period	$ 88,663	$ 77,090	$ 15,577
Additions for tax positions taken in prior years	2,818	3,946	1,928
Reductions for tax positions taken in prior years	(881)	(49)	(10,982)
Additions for tax positions related to the current year	9,144	7,676	70,567
Reductions related to a lapse of applicable statute of limitations	(1,284)	—	—
Unrecognized tax benefits at the end of the period	$ 98,460	$ 88,663	$ 77,090

Our policy is to include interest and penalties related to unrecognized tax benefits within our provision for income taxes. We had accrued interest expense of $0.1 million, $1 million and $1 million and accrued penalties of $0.1 million, $1 million and $1 million as of January 31, 2016, 2015 and 2014, respectively.

Of the total amount of unrecognized tax benefits of $98 million, $1 million, if recognized, would impact the effective tax rate, as of January 31, 2016. We believe that it is reasonably possible that the unrecognized tax benefits would decrease by approximately $0.1 million within the next 12 months as a result of the expiration of statute of limitations.

During the fiscal year ended January 31, 2016, we released a reserve in the amount of $1 million and corresponding interest and penalties in the amount of $2 million related to an acquired tax position due to the lapse of statute of limitations.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. Due to our net operating loss carryforwards, our income tax returns generally remain subject to examination by federal and most state and foreign tax authorities.

On December 1, 2015, the United States Tax Court issued its final decision with respect to Altera Corporation's litigation with the Internal Revenue Service ("IRS"). The litigation relates to the treatment of share-based compensation expense in an inter-company cost-sharing arrangement with the taxpayer's foreign subsidiary for fiscal years 2004 through 2007. In its final decision, the Court accepted Altera's position of excluding share-based compensation in its cost sharing arrangement and concluded that the related IRS Regulations were invalid. Subsequent to the decision, the IRS filed its appeal on February 23, 2016. Although the IRS has appealed the decision, based on the facts and circumstances of the Tax Court Case, we believe that it is more likely than not that the decision will be upheld. Therefore, we have recorded the effects of the decision and determined that there was no material impact to our effective tax rate and income tax expense due to our current full valuation allowance position. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

Note 15. Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including our outstanding stock options, outstanding warrants, common stock related to unvested early exercised stock options, common stock related to unvested restricted stock awards and convertible senior notes to the extent dilutive, and common stock issuable pursuant to the ESPP. Basic and diluted net loss per share was the same for each period presented, as the inclusion of all potential common shares outstanding would have been anti-dilutive.

The net loss per share attributable to common stockholders is allocated based on the contractual participation rights of the Class A common shares and Class B common shares as if the loss for the year has been distributed. As the liquidation and dividend rights are identical, the net loss attributable to common stockholders is allocated on a proportionate basis.

We consider shares issued upon the early exercise of options subject to repurchase and unvested restricted stock awards to be participating securities because holders of such shares have non-forfeitable dividend rights in the event of our declaration of a dividend for common shares. In future periods, to the extent we are profitable, we will subtract earnings allocated to these participating securities from net income to determine net income attributable to common stockholders.

The following table presents the calculation of basic and diluted net loss attributable to common stockholders per share (in thousands, except per share data):

	Year Ended January 31,					
	2016		2015		2014	
	Class A	Class B	Class A	Class B	Class A	Class B
Basic and diluted net loss attributable to Class A and Class B common stockholders per share:						
Numerator:						
Allocation of distributed net loss attributable to common stockholders	$ (168,832)	$ (121,086)	$ (133,736)	$ (114,246)	$ (64,985)	$ (107,524)
Denominator:						
Weighted-average common shares outstanding	110,655	79,361	99,070	84,632	64,528	106,769
Basic and diluted net loss per share	$ (1.53)	$ (1.53)	$ (1.35)	$ (1.35)	$ (1.01)	$ (1.01)

The anti-dilutive securities excluded from the weighted-average shares used to calculate the diluted net loss per common share were as follows (in thousands):

	Year Ended January 31,		
	2016	2015	2014
Outstanding common stock options	12,863	16,664	20,706
Shares subject to repurchase	621	1,164	1,709
Unvested restricted stock awards, units, and PRSUs	9,851	7,283	4,999
Shares related to the convertible senior notes	7,261	7,261	7,261
Shares subject to warrants related to the issuance of convertible senior notes	7,261	7,261	7,261
Shares issuable pursuant to the ESPP	345	246	182
	38,202	39,879	42,118

Note 16. Geographic Information

Revenue by geography is generally based on the address of the customer as specified in our master subscription agreement. The following tables set forth revenue by geographic area (in thousands):

	Year Ended January 31,		
	2016	2015	2014
United States	$ 974,217	$ 657,085	$ 394,564
International	188,129	130,775	74,374
Total	$ 1,162,346	$ 787,860	$ 468,938

Note 17. Related-Party Transactions

We currently lease certain office space from an affiliate of our Chairman, Mr. Duffield, adjacent to our corporate headquarters in Pleasanton, California under various lease agreements. The average term of the agreements is 10 years and the total rent due under the agreements is $6 million for the fiscal year ended January 31, 2016, and $88 million in total. Rent expense under these agreements for fiscal 2016, 2015 and 2014 was $6 million, $4 million and $1 million, respectively.

Note 18. 401(k) Plan

We have a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. To date, we have not made any matching contributions to this plan.

Note 19. Selected Quarterly Financial Data (unaudited)

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in fiscal 2016 and 2015 (in thousands except per share data):

	Quarter ended							
	January 31, 2016	October 31, 2015	July 31, 2015	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014	April 30, 2014
Consolidated Statements of Operations Data:								
Total revenues	$ 323,427	$ 305,266	$ 282,696	$ 250,957	$ 226,273	$ 215,070	$ 186,780	$ 159,737
Operating loss	(73,441)	(70,174)	(67,640)	(53,404)	(50,384)	(51,466)	(61,769)	(52,083)
Net loss	(81,128)	(77,811)	(69,421)	(61,558)	(59,466)	(59,912)	(69,215)	(59,389)
Net loss per share, basic and diluted	(0.42)	(0.41)	(0.37)	(0.33)	(0.32)	(0.33)	(0.38)	(0.32)

Note 20. Subsequent Event

On January 22, 2016, we entered into an agreement with the Vons Companies, Inc. to purchase real property. The real property is located in Pleasanton, California and includes land together with an office building of approximately 58,000 square feet. The purchase price was $15 million and was paid for with available cash on March 17, 2016.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report (the Evaluation Date).

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are designed to, and are effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our CEO and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of January 31, 2016 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report with respect to our internal control over financial reporting, which appears in Part II, Item 8 of this Annual Report on Form 10-K, and is incorporated herein by reference.

(c) Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during our most recently completed fiscal quarter. Based on that evaluation, our principal executive officer and principal financial officer concluded that there has not been any material change in our internal control over financial reporting during our most recent quarter covered by this report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(d) Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

See Management's Report on Internal Control over Financial Reporting above and the Report of Independent Registered Public Accounting Firm on our internal control over financial reporting in Item 8, which are incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, compliance with Section 16(a) of the Exchange Act, our Audit Committee and any changes to the process by which stockholders may recommend nominees to the Board required by this Item are incorporated herein by reference to information contained in the Proxy Statement, including "Proposal No 1: Election of Directors", "Directors and Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance."

The information concerning our executive officers required by this Item is incorporated herein by reference to information contained in the Proxy Statement including "Named Executive Officers and Other Executive Management."

We have adopted a code of ethics, our Code of Conduct, which applies to all employees, including our principal executive officer, our principal financial officer, and all other executive officers. The Code of Conduct is available on our Web site at *http://www.workday.com/Documents/pdf/investor/ir-code-of-conduct-2014-05-13.pdf*. A copy may also be obtained without charge by contacting Investor Relations, Workday, Inc., 6230 Stoneridge Mall Road, Pleasanton, California 94588 or by calling (925) 951-9000.

We plan to post on our Web site at the address described above any future amendments or waivers of our Code of Conduct.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Directors and Corporate Governance" and "Executive Compensation."

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

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Security Ownership of Certain Beneficial Owners and Management. "

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Directors and Corporate Governance" "Related Party Transactions" and "Employment Arrangements and Indemnification Agreements."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement, including "Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *Exhibits.* The following exhibits are included herein or incorporated herein by reference:

Exhibit No.	Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exhibit No.	
3.1	Restated Certificate of Incorporation of the Registrant	10-Q	001-35680	December 7, 2012	3.1	
3.2	Amended and Restated Bylaws of the Registrant	8-K	001-35680	June 5, 2015	3.1	
4.1	Form of Registrant's Class A common stock certificate	S-1/A	333-183640	October 1, 2012	4.1	
4.2	Form of Registrant's Class B common stock certificate	S-8	333-184395	October 12, 2012	4.9	
4.3	2018 Indenture dated June 17, 2013 between Workday, Inc. and Wells Fargo Bank, National Association	8-K	001-35680	June 17, 2013	4.1	
4.4	2020 Indenture dated June 17, 2013 between Workday, Inc. and Wells Fargo Bank, National Association	8-K	001-35680	June 17, 2013	4.2	
10.1	Form of Indemnification Agreement	S-1	333-183640	August 30, 2012	10.1	
10.2†	2005 Stock Plan, as amended and form of stock option and stock option exercise agreement	10-Q	001-35680	June 5, 2013	10.12	
10.3†	2012 Equity Incentive Plan	S-8	333-187665	April 1, 2013	4.4	
10.4†	2012 Equity Incentive Plan form of agreements	S-1	333-183640	August 30, 2012	10.3	
10.5†	2012 Employee Stock Purchase Plan	S-1	333-183640	August 30, 2012	10.4	
10.6†	Offer Letter between Michael A. Stankey and the Registrant, dated September 4, 2009	S-1	333-183640	August 30, 2012	10.5	
10.7†	Offer Letter between James P. Shaughnessy and the Registrant, dated July 7, 2011	S-1	333-183640	August 30, 2012	10.6	
10.8†	Offer Letter between Mark S. Peek and the Registrant, dated April 9, 2012, as amended May 22, 2012	S-1	333-183640	August 30, 2012	10.7	
10.9†	Offer Letter between James J. Bozzini and the Registrant dated December 4, 2006	10-K	001-365680	March 31, 2014	10.9	
10.10†	Offer Letter between Phil Wilmington and the Registrant dated February 15, 2015	10-K				X
10.11	Office Lease Agreement, dated September 18, 2008, between Registrant and 6200 Stoneridge Mall Road Investors, LLC	S-1	333-183640	August 30, 2012	10.8	
10.12	Restated and Amended Pleasanton Ground Lease by and between San Francisco Bay Area Rapid Transit District and CREA/Windstar Pleasanton, LLC and related assignment agreement dated January 30, 2014	10-K	001-365680	March 31, 2014	10.11	
10.13	Stock Restriction Agreement, by and among the Registrant, David A. Duffield and Aneel Bhusri	S-1/A	333-183640	October 1, 2012	10.11	

Exhibit No.	Exhibit	Incorporated by Reference				Filed Herewith
		Form	File No.	Filing Date	Exhibit No.	
10.14	Form of Convertible Bond Hedge Confirmation (2018)	8-K	001-35680	June 17, 2013	99.1	
10.15	Form of Warrant Confirmation (2018)	8-K	001-35680	June 17, 2013	99.2	
10.16	Form of Convertible Bond Hedge Confirmation (2020)	8-K	001-35680	June 17, 2013	99.3	
10.17	Form of Warrant Confirmation (2020)	8-K	001-35680	June 17, 2013	99.4	
10.18	Form of Additional Convertible Bond Hedge Confirmation (2018)	8-K	001-35680	June 24, 2013	99.1	
10.19	Form of Additional Warrant Confirmation (2018)	8-K	001-35680	June 24, 2013	99.2	
10.20	Form of Additional Convertible Bond Hedge Confirmation (2020)	8-K	001-35680	June 24, 2013	99.3	
10.21	Form of Additional Warrant Confirmation (2020)	8-K	001-35680	June 24, 2013	99.4	
21.1	List of Subsidiaries of Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm					X
24.1	Power of Attorney (see page 73 to this Report)					X
31.1	Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

† Indicates a management contract or compensatory plan.

* As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Workday, Inc. under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Pleasanton, State of California, on this 22nd day of March, 2016.

WORKDAY, INC.

/s/ Mark S. Peek

Mark S. Peek
Co-President and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark S. Peek or James P. Shaughnessy, or any of them, his attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ Aneel Bhusri **Aneel Bhusri**	Chief Executive Officer *(Principal Executive Officer)*	March 22, 2016
/s/ Mark S. Peek **Mark S. Peek**	Co-President and Chief Financial Officer *(Principal Financial and Accounting Officer)*	March 22, 2016
/s/ A. George Battle **A. George Battle**	Director	March 22, 2016
/s/ Christa Davies **Christa Davies**	Director	March 22, 2016
/s/ David A. Duffield **David A. Duffield**	Director	March 22, 2016
/s/ Michael M. McNamara **Michael M. McNamara**	Director	March 22, 2016
/s/ Michael A. Stankey **Michael A. Stankey**	Director	March 22, 2016
/s/ George J. Still, Jr. **George J. Still, Jr.**	Director	March 22, 2016
/s/ Jerry Yang **Jerry Yang**	Director	March 22, 2016

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