Table of Contents

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2018

OR

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

For the Transition Period from to

Commission File No. 000-17948

ELECTRONIC ARTS INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-2838567**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
209 Redwood Shores Parkway Redwood City, California	**94065**
(Address of principal executive offices)	***(Zip Code)***

(650) 628-1500
(Registrant's telephone number, including area code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☑

As of August 3, 2018 , there were 304,818,260 shares of the Registrant's Common Stock, par value $0.01 per share, outstanding.

ELECTRONIC ARTS INC.
FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2018

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited) (In millions, except par value data)	June 30, 2018	March 31, 2018 [a]
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,876	$ 4,258
Short-term investments	1,095	1,073
Receivables, net of allowances of $4 and $165, respectively	371	385
Other current assets	282	288
Total current assets	5,624	6,004
Property and equipment, net	440	453
Goodwill	1,886	1,883
Acquisition-related intangibles, net	107	71
Deferred income taxes, net	92	84
Other assets	98	89
TOTAL ASSETS	$ 8,247	$ 8,584
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 47	$ 48
Accrued and other current liabilities	815	821
Deferred net revenue (online-enabled games)	602	1,622
Total current liabilities	1,464	2,491
Senior notes, net	993	992
Income tax obligations	276	250
Deferred income taxes, net	1	1
Other liabilities	253	255
Total liabilities	2,987	3,989
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Common stock, $0.01 par value. 1,000 shares authorized; 305 and 306 shares issued and outstanding, respectively	3	3
Additional paid-in capital	339	657
Retained earnings	4,944	4,062
Accumulated other comprehensive loss	(26)	(127)
Total stockholders' equity	5,260	4,595
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,247	$ 8,584

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited).

(a) Derived from audited Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited) (In millions, except per share data)	Three Months Ended June 30, 2018	2017
Net revenue:		
Product	$ 202	$ 828
Service and other	935	621
Total net revenue	1,137	1,449
Cost of revenue:		
Product	68	64
Service and other	147	90
Total cost of revenue	215	154
Gross profit	922	1,295
Operating expenses:		
Research and development	362	325
Marketing and sales	140	121
General and administrative	114	105
Amortization of intangibles	6	1
Total operating expenses	622	552
Operating income	300	743
Interest and other income (expense), net	19	6
Income before provision for income taxes	319	749
Provision for income taxes	26	105
Net income	$ 293	$ 644
Earnings per share:		
Basic	$ 0.96	$ 2.08
Diluted	$ 0.95	$ 2.06
Number of shares used in computation:		
Basic	306	309
Diluted	310	313

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited).

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)	Three Months Ended June 30,	
(In millions)	2018	2017
Net income	$ 293	$ 644
Other comprehensive income (loss), net of tax:		
Net gains (losses) on derivative instruments	93	(56)
Foreign currency translation adjustments	(15)	4
Total other comprehensive income (loss), net of tax	78	(52)
Total comprehensive income	$ 371	$ 592

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited).

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Three Months Ended June 30,	
(In millions)	2018	2017
OPERATING ACTIVITIES		
Net income	$ 293	$ 644
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	38	31
Stock-based compensation	70	48
Change in assets and liabilities:		
Receivables, net	169	135
Other assets	48	80
Accounts payable	8	(44)
Accrued and other liabilities	(85)	(116)
Deferred income taxes, net	(74)	55
Deferred net revenue (online-enabled games)	(347)	(657)
Net cash provided by operating activities	120	176
INVESTING ACTIVITIES		
Capital expenditures	(32)	(33)
Proceeds from maturities and sales of short-term investments	207	438
Purchase of short-term investments	(228)	(693)
Acquisition, net of cash acquired	(50)	—
Net cash used in investing activities	(103)	(288)
FINANCING ACTIVITIES		
Proceeds from issuance of common stock	1	30
Cash paid to taxing authorities for shares withheld from employees	(89)	(95)
Repurchase and retirement of common stock	(300)	(150)
Net cash used in financing activities	(388)	(215)
Effect of foreign exchange on cash and cash equivalents	(11)	10
Decrease in cash and cash equivalents	(382)	(317)
Beginning cash and cash equivalents	4,258	2,565
Ending cash and cash equivalents	$ 3,876	$ 2,248
Supplemental cash flow information:		
Cash paid during the period for income taxes, net	$ 28	$ 7

See accompanying Notes to Condensed Consolidated Financial Statements (unaudited).

ELECTRONIC ARTS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

We are a global leader in digital interactive entertainment, with a mission to inspire the world to play. We develop, market, publish and distribute games, content and services that can be played on a variety of platforms including game consoles, PCs, mobile phones and tablets. In our games and services, we use brands that we either wholly own (such as Battlefield, Mass Effect, Need for Speed, The Sims, Plants v. Zombies and Titanfall) or license from others (such as FIFA, Madden NFL and Star Wars). We develop and publish games and services across diverse genres such as sports, first-person shooter, action, role-playing and simulation.

Our fiscal year is reported on a 52 - or 53 -week period that ends on the Saturday nearest March 31. Our results of operations for the fiscal year ending March 31, 2019 contains 52 weeks and ends on March 30, 2019. Our results of operations for the fiscal year ended March 31, 2018 contained 52 weeks and ended on March 31, 2018. Our results of operations for the three months ended June 30, 2018 and 2017 contained 13 weeks each and ended on June 30, 2018 and July 1, 2017, respectively. For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

The Condensed Consolidated Financial Statements are unaudited and reflect all adjustments (consisting only of normal recurring accruals unless otherwise indicated) that, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the amounts reported in these Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates. The results of operations for the current interim periods are not necessarily indicative of results to be expected for the current year or any other period.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 , as filed with the United States Securities and Exchange Commission ("SEC") on May 23, 2018 .

Recently Adopted Accounting Standards

On April 1, 2018 , we adopted six new accounting standards which are discussed below. Other than Accounting Standards Codification ("ASC") Topic 606, *Revenue From Contracts with Customers* (the "New Revenue Standard" or "ASC 606"), these other accounting standards did not have a material impact to our Condensed Consolidated Financial Statements **.**

In May 2014, the FASB issued the New Revenue Standard, which replaced ASC Topic 605, *Revenue Recognition* (the "Old Revenue Standard" or "ASC 605"), including industry-specific requirements, and provided companies with a single principles-based revenue recognition model for recognizing revenue from contracts with customers. The core principle of the New Revenue Standard is that a company should recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.

We adopted the New Revenue Standard on April 1, 2018 , the beginning of fiscal year 2019, using the modified retrospective method. We elected to apply the New Revenue Standard only to contracts that were not completed as of the adoption date. The comparative information for periods prior to April 1, 2018 has not been restated and continues to be reported under the accounting standards in effect for those periods. The net cumulative effect adjustment upon adoption resulted in an increase to retained earnings of $590 million , net of tax, and included the impact from the following adjustments to our Condensed Consolidated Balance Sheet at April 1, 2018:

BALANCE SHEETS (In millions)	Balance at March 31, 2018	Adjustments due to New Revenue Standard Adoption	Balance at April 1, 2018
Assets			
Receivables, net	$ 385	$ 158	$ 543
Deferred income taxes, net	84	(64)	20
Liabilities			
Accrued and other current liabilities			
Sales return and price protection reserves	$ —	$ 158	$ 158
Deferred net revenue (other)	108	(3)	105
Deferred net revenue (online-enabled games)	1,622	(673)	949
Stockholders' Equity			
Retained earnings	$ 4,062	$ 590	$ 4,652
Accumulated other comprehensive (loss)	(127)	22	(105)

The most significant impacts of the New Revenue Standard are:

- *The accounting for our transactions as multiple elements or "bundled" arrangements* . Under prior software revenue recognition accounting standards, because we did not have vendor-specific objective evidence of fair value ("VSOE") for unspecified future updates or online hosting, we were not able to account for performance obligations separately, and therefore, the entire sales price of most transactions that had multiple performance obligations was recognized ratably over the period we expected to provide the future updates and/or online hosting performance obligations (the "Estimated Offering Period"). Under the New Revenue Standard, this VSOE requirement is eliminated and is replaced with a requirement for us to determine our best estimate of the stand-alone selling price of each performance obligation and allocate the transaction price to each distinct performance obligation on a relative stand-alone selling price basis. Therefore, we are able to account for performance obligations separately.

  For example, for an individual sale of a game with both online and offline functionality, we typically have three distinct performance obligations; (1) the software license; (2) a right to receive future updates; and (3) online hosting. The software license performance obligation represents the game that is delivered digitally or via physical disc at the time of sale and typically provides access to offline core game content. The future update rights performance obligation includes updates on a when-and-if-available basis such as software patches or updates, and/or additional free content to be delivered in the future. The online hosting performance obligation consists of providing the customer with a hosted connection for online playability.

  Since we do not sell the performance obligations on a stand-alone basis, we consider market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. For games with services under the New Revenue Standard, generally 75 percent of the sales price is allocated to the software license performance obligation and recognized at a point in time upon delivery (which is usually at or near the same time as the booking of the transaction), and the remaining 25 percent is allocated to the future update rights and the online hosting performance obligations and recognized ratably over the Estimated Offering Period. For sales prior to April 1, 2018, our deferred revenue balances decreased by $740 million upon adoption of the New Revenue Standard because the software license performance obligation had been delivered in the prior fiscal year.

- *Mobile platform fees* . The adoption of the New Revenue Standard also changed how we present mobile platform fees after March 31, 2018. Previously, mobile platform fees retained by third-party application storefronts such as the Apple App Store and Google Play, were reported on a net basis (i.e. as a reduction of net revenue) because we previously determined that generally, the third party was considered the primary obligor. Upon adoption of the New

Revenue Standard, we concluded that we are the principal in the transactions, resulting in mobile platform fees now being reported within cost of revenue rather than as a reduction of net revenue. We recognized $64 million of mobile platform fees at April 1, 2018 as an increase to our deferred revenue balances. Mobile platform fees for the three months ended June 30, 2018 was $49 million , and accordingly increased both service and other net revenue and cost of revenue by this amount relative to the same period a year ago. While this change also decreased our gross margin percentage, it does not have a material impact on our annual total gross profit or overall profitability.

- *Increased portion of our sales from games with services are presented as service revenue* . The amount of the transaction price allocated to future update rights and the online hosting performance obligations are presented as service revenue under the New Revenue Standard (previously, revenue associated with future update rights were generally presented as product revenue). Therefore, for the three months ended June 30, 2018 , approximately $186 million of revenue for future update rights are now presented as service revenue under the New Revenue Standard as compared to product revenue under the Old Revenue Standard.

- *Sales returns and price protection reserves* . Upon adoption, our sales returns and price protection reserves are now presented within accrued and other liabilities (previously, these allowances were presented as contra-assets within receivables on our Condensed Consolidated Balance Sheets). We reclassified $158 million of sales returns and price protection reserves on April 1, 2018.

The adoption of the New Revenue Standard impacted our Condensed Consolidated Balance Sheet as of June 30, 2018 and our Condensed Consolidated Statement of Operations for the three months ended June 30, 2018 as follows:

BALANCE SHEETS (In millions)	As of June 30, 2018		
	Under New Revenue Standard	Under Old Revenue Standard	$ Change
Assets			
Receivables, net	$ 371	$ 242	$ 129
Other current assets	282	277	5
Deferred income taxes, net	92	118	(26)
Liabilities			
Accrued and other current liabilities			
Sales return and price protection reserves	$ 129	$ —	$ 129
Deferred net revenue (other)	63	89	(26)
Deferred net revenue (online-enabled games)	602	900	(298)
Other liabilities	253	257	(4)
Stockholders' Equity			
Retained earnings	$ 4,944	$ 4,644	$ 300
Accumulated other comprehensive income (loss)	(26)	(33)	7

(In millions, except per share data)	Three Months Ended June 30, 2018			
	Under New Revenue Standard	Under Old Revenue Standard	$ Change	% Change
Net revenue:				
Product	$ 202	$ 716	$ (514)	(72)%
Service and other	935	700	235	34 %
Total net revenue	1,137	1,416	(279)	(20)%
Cost of revenue:				
Product	68	78	(10)	(13)%
Service and other	147	88	59	67 %
Total cost of revenue	215	166	49	30 %
Gross profit	922	1,250	(328)	(26)%
Operating expenses:				
Total operating expenses	622	622	—	— %
Operating income	300	628	(328)	(52)%
Interest and other income (expense), net	19	19	—	— %
Income before provision for income taxes	319	647	(328)	(51)%
Provision for income taxes	26	64	(38)	(59)%
Net income	$ 293	$ 583	$ (290)	(50)%
Earnings per share:				
Basic	$ 0.96	$ 1.91	$ (0.95)	(50)%
Diluted	$ 0.95	$ 1.88	$ (0.93)	(49)%

The adoption of the New Revenue Standard accelerated the revenue recognition of prior period game sales into retained earnings, which will result in a one-time increase in cash taxes paid on our Condensed Consolidated Statement of Cash Flows for the fiscal year ending March 31, 2019.

Refer to the following sections of our Condensed Consolidated Financial Statements for the additional disclosures required by the New Revenue Standard:

- See Note 2 — *Summary of Significant Accounting Policies* , for our updated revenue accounting policy, including significant judgments, under ASC 606. For a discussion of our revenue recognition policy as it relates to revenue transactions accounted for prior to April 1, 2018, which were accounted for under ASC 605, refer to our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 .
- See Note 10 — *Balance Sheet Details* , for a discussion on our contract liabilities ("deferred net revenue") and our remaining performance obligations. We had an immaterial amount of contract assets as of April 1, 2018 and June 30, 2018 .
- See Note 16 — *Segment Information* , for our disaggregations of revenue.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments* (Topic 825-10), which requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. The ASU also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-04, *Liabilities – Extinguishments of Liabilities* (Subtopic 405-20): *Recognition of Breakage for Certain Prepaid Stored-Value Products* . The amendments in the ASU are designed to provide guidance and eliminate diversity in the accounting for derecognition of prepaid stored-value product liabilities. Typically, a prepaid stored-value product liability is to be derecognized when it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. This is when the likelihood of the product holder exercising its remaining rights becomes remote. This estimate shall be updated at the end of each period. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This update is intended to reduce the existing diversity in practice in how certain transactions are classified in the statement of cash flows. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* , which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income* (Topic 220): *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* . This update gives the option to reclassify to retained earnings tax effects related to items in accumulated other comprehensive income that the FASB refers to as having been stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

Other Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The FASB issued this standard to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. We anticipate adopting this standard beginning in the first quarter of fiscal year 2020, when the updated guidance is effective for us. We are currently evaluating the impact of this new standard on our Condensed Consolidated Financial Statements and related disclosures.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging* (Topic 815): *Targeted Improvements to Accounting for Hedging Activities* . This update is intended to make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. This update is effective for us beginning in the first quarter of fiscal year 2020. Early adoption is permitted. We are currently evaluating the timing of adoption and impact of this new standard on our Condensed Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326). The standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU2016-13 is effective for us beginning in the first quarter of fiscal year 2021. Early adoption is permitted beginning in the first quarter of fiscal year 2020. We are currently evaluating the timing of adoption and impact of this new standard on our Condensed Consolidated Financial Statements and related disclosures.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1 — *Description of Business and Basis of Presentation* , we adopted the New Revenue Standard on April 1, 2018. Other than adoption of this New Revenue Standard, there were no significant changes to our accounting policies during the three months ended June 30, 2018 . Refer to Note 1 — *Description of Business and Summary of Significant Accounting Policies* in our Annual Report on Form 10-K for the year ended March 31, 2018 for a summary of our other significant accounting policies.

Revenue Recognition

We derive revenue principally from sales of our games, and related extra-content and services that can be played by customers on a variety of platforms which include game consoles, PCs, mobile phones and tablets. Our product and service offerings include, but are not limited to, the following:

- full games with both online and offline functionality (“Games with Services”), which generally includes (1) the initial game delivered digitally or via physical disc at the time of sale and typically provide access to offline core game content (“software license”); (2) updates on a when-and-if-available basis, such as software patches or updates, and/or additional free content to be delivered in the future (“future update rights”); and (3) a hosted connection for online playability (“online hosting”);

- full games with online-only functionality which require an Internet connection to access all gameplay and functionality (“Online-Hosted Service Games”);

- extra content related to Games with Services and Online-Hosted Service Games which provides access to additional in-game content;
- subscriptions, such as Origin Access and EA Access, that generally offers access to a selection of full games, in-game content, online services and other benefits typically for a recurring monthly or annual fee; and
- licensing our games to third parties to distribute and host our games.

Effective April 1, 2018, we evaluate revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers* .

We evaluate and recognize revenue by:

- identifying the contract(s) with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., “transfer of control”).

Online-Enabled Games

Games with Services. Our sales of Games with Services are evaluated to determine whether the software license, future update rights and the online hosting are distinct and separable. Sales of Games with Services are generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting.

Since we do not sell the performance obligations on a stand-alone basis, we consider market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. We recognize revenue from these arrangements upon transfer of control for each performance obligation. For the portion of the transaction price allocated to the software license, revenue is recognized when control of the license has been transferred to the customer. For the portion of the transaction price allocated to the future update rights and the online hosting, revenue is recognized as the services are provided.

Online-Hosted Service Games. Sales of our Online-Hosted Service Games are determined to have one distinct performance obligation: the online hosting. We recognize revenue from these arrangements as the service is provided.

Extra Content. Revenue received from sales of downloadable content are derived primarily from the sale of virtual currencies and digital in-game content to our customers to enhance their gameplay experience. Sales of extra content are accounted for in a manner consistent with the treatment for our Games with Services and Online-Hosted Service Games as discussed above, depending upon whether or not the extra content has offline functionality.

Subscriptions

Revenue from subscriptions is recognized over the subscription term as the service is provided.

Licensing Revenues

In certain countries, we utilize third-party licensees to distribute and host our games in accordance with license agreements, for which the licensees typically pay us a fixed minimum guarantee and/or sales-based royalties. These arrangements typically include multiple performance obligations, such as a time-based license of software and future update rights. We recognize as revenue a portion of the minimum guarantee when we transfer control of the license of software (generally upon commercial launch) and the remaining portion ratably over the contractual term in which we provide the licensee with future update rights. Any sales-based royalties are generally recognized as the related sales occur by the licensee.

Revenue Classification

We classify our revenue as either product revenue or service and other revenue. Generally, performance obligations that are recognized upfront upon transfer of control are classified as product revenue, while performance obligations that are recognized over the Estimated Offering Period or subscription period as the services are provided are classified as service revenue.

Product revenue . Our product revenue includes revenue allocated to the software license performance obligation. Product revenue also includes revenue from the licensing of software to third-parties.

Service and other revenue . Our service revenue includes revenue allocated to the future update rights and the online hosting performance obligations. This also includes revenue allocated to the future update rights from the licensing of software to third-parties, software that offers an online-only service such as our Ultimate Team game mode, and subscription services.

Significant Judgments around Revenue Arrangements

Identifying performance obligations. Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, (i.e., the customer can benefit from the goods or services either on its own or together with other resources that are readily available), and are distinct in the context of the contract (i.e., it is separately identifiable from other goods or services in the contract). To the extent a contract includes multiple promises, we must apply judgment to determine whether those promises are separate and distinct performance obligations. If these criteria are not met, the promises are accounted for as a combined performance obligation.

Determining the transaction price. The transaction price is determined based on the consideration that we will be entitled to receive in exchange for transferring our goods and services to the customer. Determining the transaction price often requires significant judgment, based on an assessment of contractual terms and business practices. It further includes review of variable consideration such as discounts, sales returns, price protection, and rebates, which is estimated at the time of the transaction. See below for additional information regarding our sales returns and price protection reserves. In addition, the transaction price does not include an estimate of the variable consideration related to sales-based royalties. Sales-based royalties are recognized as the sales occur.

Allocating the transaction price. Allocating the transaction price requires that we determine an estimate of the relative stand-alone selling price for each distinct performance obligation. Determining the relative stand-alone selling price is inherently subjective, especially in situations where we do not sell the performance obligation on a stand-alone basis (which occurs in the majority of our transactions). In those situations, we determine the relative stand-alone selling price based on various observable inputs using all information that is reasonably available. Examples of observable inputs and information include: historical internal pricing data, cost plus margin analyses, third-party external pricing of similar or same products and services such as software licenses and maintenance support within the enterprise software industry. The results of our analysis resulted in a specific percentage of the transaction price being allocated to each performance obligation.

Determining the Estimated Offering Period. The offering period is the period in which we offer to provide the future update rights and/or online hosting for the game and related extra content sold. Because the offering period is not an explicitly defined period, we must make an estimate of the offering period for the service related performance obligations (i.e., future update rights and online hosting). Determining the Estimated Offering Period is inherently subjective and is subject to regular revision. Generally, we consider the average period of time customers are online when estimating the offering period. We also consider the estimated period of time between the date a game unit is sold to a reseller and the date the reseller sells the game unit to the customer (i.e., time in channel). Based on these two factors, we then consider the method of distribution. For example, games sold at retail would have a composite offering period equal to the online gameplay period plus time in channel as opposed to digitally-distributed software licenses which are delivered immediately via digital download and therefore, the offering period is estimated to be only the online gameplay period.

Additionally, we consider results from prior analyses, known and expected online gameplay trends, as well as disclosed service periods for competitors' games in determining the Estimated Offering Period for future sales. We believe this provides a reasonable depiction of the transfer of future update rights and online hosting to our customers, as it is the best representation of the time period during which our games are played. We recognize revenue for future update rights and online hosting performance obligations ratably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations. These performance obligations are generally recognized over an estimated nine-month period beginning in the month after shipment for software licenses sold through retail and an estimated six-month period for digitally-distributed software licenses.

Deferred Net Revenue

Because the majority of our sales transactions include future update rights and online hosting performance obligations, which are subject to a recognition period of generally six to nine months, our deferred net revenue balance is material. This balance increases from period to period by the revenue being deferred for current sales with these service obligations and is reduced by the recognition of revenue from prior sales that were deferred. Generally, revenue is recognized as the services are provided.

Principal Agent Considerations

We evaluate sales to end customers of our full games and related content via third-party storefronts, including digital storefronts such as Microsoft's Xbox Store, Sony's PlayStation Store, Apple App Store, and Google Play Store, in order to determine whether or not we are acting as the principal in the sale to the end customer, which we consider in determining if revenue should be reported gross or net of fees retained by the third-party storefront. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that we evaluate in determining gross versus net treatment include but are not limited to the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, except as discussed below, we have determined that generally the third party is considered the principal to end customers for the sale of our full games and related content. We therefore report revenue related to these arrangements net of the fees retained by the storefront. However, for sales arrangements via Apple App Store and Google Play Store, EA is considered the principal to the end customer and thus, we report revenue on a gross basis and mobile platform fees are reported within cost of revenue.

Payment Terms

Substantially all of our transactions have payment terms, whether customary or on an extended basis, of less than one year; therefore, we generally do not adjust the transaction price for the effects of any potential financing components that may exist.

Sales and Value-Added Taxes

Revenue is recorded net of taxes assessed by governmental authorities that are imposed at the time of the specific revenue-producing transaction between us and our customer, such as sales and value-added taxes.

Sales Returns and Price Protection Reserves

Sales returns and price protection are considered variable consideration under ASC 606. We reduce revenue for estimated future returns and price protection which may occur with our distributors and retailers ("channel partners"). Price protection represents our practice to provide our channel partners with a credit allowance to lower their wholesale price on a particular game unit that they have not resold to customers. The amount of the price protection for permanent markdowns is the difference between the old wholesale price and the new reduced wholesale price. Credits are also given for short-term promotions, temporarily reducing the wholesale price. In certain countries we also have a practice for allowing channel partners to return older products in the channel in exchange for a credit allowance.

When evaluating the adequacy of sales returns and price protection reserves, we analyze the following: historical credit allowances, current sell-through of our channel partners' inventory of our products, current trends in retail and the video game industry, changes in customer demand, acceptance of our products, and other related factors. In addition, we monitor the volume of sales to our channel partners and their inventories, as substantial overstocking in the distribution channel could result in high returns or higher price protection in subsequent periods.

(3) FAIR VALUE MEASUREMENTS

There are various valuation techniques used to estimate fair value, the primary one being the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability. We measure certain financial and nonfinancial assets and liabilities at fair value on a recurring and nonrecurring basis.

Fair Value Hierarchy

The three levels of inputs that may be used to measure fair value are as follows:

- *Level 1* . Quoted prices in active markets for identical assets or liabilities.
- *Level 2* . Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.
- *Level 3* . Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2018 and March 31, 2018 , our assets and liabilities that were measured and recorded at fair value on a recurring basis were as follows (in millions):

		Fair Value Measurements at Reporting Date Using			
	As of June 30, 2018	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification
Assets					
Bank and time deposits	$ 30	$ 30	$ —	$ —	Cash equivalents
Money market funds	2,239	2,239	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	613	—	613	—	Short-term investments
U.S. Treasury securities	213	213	—	—	Short-term investments
U.S. agency securities	74	—	74	—	Short-term investments
Commercial paper	119	—	119	—	Short-term investments and cash equivalents
Foreign government securities	54	—	54	—	Short-term investments
Asset-backed securities	50	—	50	—	Short-term investments
Certificates of deposit	2	—	2	—	Short-term investments
Foreign currency derivatives	59	—	59	—	Other current assets and other assets
Deferred compensation plan assets [a]	11	11	—	—	Other assets
Total assets at fair value	$ 3,464	$ 2,493	$ 971	$ —	
Liabilities					
Contingent consideration [b]	$ 122	$ —	$ —	$ 122	Other liabilities
Foreign currency derivatives	17	—	17	—	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities [a]	11	11	—	—	Other liabilities
Total liabilities at fair value	$ 150	$ 11	$ 17	$ 122	

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	Contingent Consideration
Balance as of March 31, 2018	$ 122
Additions	—
Change in fair value	—
Balance as of June 30, 2018	$ 122

		Fair Value Measurements at Reporting Date Using			
	As of March 31, 2018	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification
Assets					
Bank and time deposits	$ 286	$ 286	$ —	$ —	Cash equivalents
Money market funds	1,876	1,876	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	624	—	624	—	Short-term investments
U.S. Treasury securities	210	210	—	—	Short-term investments
U.S. agency securities	78	—	78	—	Short-term investments
Commercial paper	150	—	150	—	Short-term investments and cash equivalents
Foreign government securities	52	—	52	—	Short-term investments
Certificates of Deposit	2	—	2	—	Cash equivalents
Foreign currency derivatives	4	—	4	—	Other current assets and other assets
Deferred compensation plan assets [a]	10	10	—	—	Other assets
Total assets at fair value	$ 3,292	$ 2,382	$ 910	$ —	
Liabilities					
Contingent consideration [b]	$ 122	$ —	$ —	$ 122	Other liabilities
Foreign currency derivatives	56	—	56	—	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities [a]	11	11	—	—	Other liabilities
Total liabilities at fair value	$ 189	$ 11	$ 56	$ 122	

(a) The Deferred Compensation Plan assets consist of various mutual funds. See Note 14 in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 , for additional information regarding our Deferred Compensation Plan.

(b) The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with our acquisition of Respawn Entertainment, LLC (“Respawn”) that is contingent upon the achievement of certain performance milestones. We estimated fair value using a probability-weighted income approach combined with a real options methodology, and applied a discount rate that appropriately captures the risk associated with the obligation. At June 30, 2018, the discount rates used ranged from 3.2 percent to 3.8 percent . There were no material changes in the fair value of the contingent consideration during the three months ended June 30, 2018 . At March 31, 2018, the discount rates used ranged from 3.3 percent to 3.6 percent . See Note 6 in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 , for additional information regarding the Respawn acquisition.

(4) FINANCIAL INSTRUMENTS

Cash and Cash Equivalents

As of June 30, 2018 and March 31, 2018 , our cash and cash equivalents were $3,876 million and $4,258 million , respectively. Cash equivalents were valued using quoted market prices or other readily available market information.

Short-Term Investments

Short-term investments consisted of the following as of June 30, 2018 and March 31, 2018 (in millions):

	As of June 30, 2018				As of March 31, 2018			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 618	$ —	$ (5)	$ 613	$ 629	$ —	$ (5)	$ 624
U.S. Treasury securities	215	—	(2)	213	212	—	(2)	210
U.S. agency securities	75	—	(1)	74	79	—	(1)	78
Commercial paper	89	—	—	89	109	—	—	109
Foreign government securities	54	—	—	54	53	—	(1)	52
Asset-backed securities	50	—	—	50	—	—	—	—
Certificates of Deposit	2	—	—	2	—	—	—	—
Short-term investments	$ 1,103	$ —	$ (8)	$ 1,095	$ 1,082	$ —	$ (9)	$ 1,073

The following table summarizes the amortized cost and fair value of our short-term investments, classified by stated maturity as of June 30, 2018 and March 31, 2018 (in millions):

	As of June 30, 2018		As of March 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments				
Due within 1 year	$ 587	$ 585	$ 521	$ 520
Due 1 year through 5 years	516	510	561	553
Due after 5 years	—	—	—	—
Short-term investments	$ 1,103	$ 1,095	$ 1,082	$ 1,073

(5) DERIVATIVE FINANCIAL INSTRUMENTS

The assets or liabilities associated with our derivative instruments and hedging activities are recorded at fair value in other current assets/other assets, or accrued and other current liabilities/other liabilities, respectively, on our Condensed Consolidated Balance Sheets. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on the use of the derivative instrument and whether it is designated and qualifies for hedge accounting.

We transact business in various foreign currencies and have significant international sales and expenses denominated in foreign currencies, subjecting us to foreign currency risk. We purchase foreign currency forward contracts, generally with maturities of 18 months or less, to reduce the volatility of cash flows primarily related to forecasted revenue and expenses denominated in certain foreign currencies. Our cash flow risks are primarily related to fluctuations in the Euro, British pound sterling, Canadian dollar, Swedish krona, Australian dollar, Chinese yuan and South Korean won. In addition, we utilize foreign currency forward contracts to mitigate foreign currency exchange risk associated with foreign-currency-denominated monetary assets and liabilities, primarily intercompany receivables and payables. The foreign currency forward contracts not designated as hedging instruments generally have a contractual term of approximately three months or less and are transacted near month-end. We do not use foreign currency forward contracts for speculative trading purposes.

Cash Flow Hedging Activities

Certain of our forward contracts are designated and qualify as cash flow hedges. The effectiveness of the cash flow hedge contracts, including time value, is assessed monthly using regression analysis, as well as other timing and probability criteria. To qualify for hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedges and must be highly effective in offsetting changes to future cash flows on hedged transactions. The derivative assets or liabilities associated with our hedging activities are recorded at fair value in other current assets/other assets, or accrued and other current liabilities/other liabilities, respectively, on our Condensed Consolidated Balance Sheets. The effective portion of gains or losses resulting from changes in the fair value of these hedges is initially reported, net of tax, as a component of accumulated other comprehensive income (loss) in stockholders' equity. The gross amount of the effective portion of gains or losses resulting from changes in the fair value of these hedges is subsequently reclassified into net revenue or research and development expenses, as appropriate, in the period when the forecasted transaction is recognized in our Condensed Consolidated Statements of Operations. In the event that the gains or losses in accumulated other comprehensive income (loss) are deemed to be ineffective, the ineffective portion of gains or losses resulting from changes in fair value, if any, is reclassified to interest and other income (expense), net, in our Condensed Consolidated Statements of Operations. In the event that the underlying forecasted transactions do not occur, or it becomes remote that they will occur, within the defined hedge period, the gains or losses on the related cash flow hedges are reclassified from accumulated other comprehensive income (loss) to interest and other income (expense), net, in our Condensed Consolidated Statements of Operations.

Total gross notional amounts and fair values for currency derivatives with cash flow hedge accounting designation are as follows (in millions):

	As of June 30, 2018			As of March 31, 2018		
		Fair Value			Fair Value	
	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
Forward contracts to purchase	$ 224	$ —	$ 13	$ 329	$ 2	$ 4
Forward contracts to sell	$ 1,352	$ 59	$ 3	$ 1,575	$ 1	$ 48

The net impact of the effective portion of gains and losses from our cash flow hedging activities in our Condensed Consolidated Statements of Operations was a loss of $15 million and a gain of $17 million for the three months ended June 30, 2018 and 2017 , respectively.

During the three months ended June 30, 2018 and 2017 , we reclassified an immaterial amount of the ineffective portion of gains or losses resulting from changes in fair value into interest and other income (expense), net.

The amount excluded from the assessment of hedge effectiveness was a gain of $7 million during the three months ended June 30, 2018 and recognized in interest and other income (expense), net. The amount excluded from the assessment of hedge effectiveness was immaterial for the three months ended June 30, 2017 .

Balance Sheet Hedging Activities

Our foreign currency forward contracts that are not designated as hedging instruments are accounted for as derivatives whereby the fair value of the contracts are reported as other current assets or accrued and other current liabilities on our Condensed Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in interest and other income (expense), net, in our Condensed Consolidated Statements of Operations. The gains and losses on these foreign currency forward contracts generally offset the gains and losses in the underlying foreign-currency-denominated monetary assets and liabilities, which are also reported in interest and other income (expense), net, in our Condensed Consolidated Statements of Operations.

Total gross notional amounts and fair values for currency derivatives that are not designated as hedging instruments are accounted for as follows (in millions):

	As of June 30, 2018			As of March 31, 2018		
		Fair Value			Fair Value	
	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
Forward contracts to purchase	$ 249	$ —	$ 1	$ 210	$ 1	$ 1
Forward contracts to sell	$ 241	$ —	$ —	$ 257	$ —	$ 3

The effect of foreign currency forward contracts not designated as hedging instruments in our Condensed Consolidated Statements of Operations for the three months ended June 30, 2018 and 2017 was as follows (in millions):

		Amount of Gain (Loss) Recognized in the Statement of Operations	
		Three Months Ended June 30,	
	Statement of Operations Classification	2018	2017
Foreign currency forward contracts not designated as hedging instruments	Interest and other income (expense), net	$ 9	$ (6)

(6) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended June 30, 2018 and 2017 are as follows (in millions):

	Unrealized Net Gains (Losses) on Available-for-Sale Securities	Unrealized Net Gains (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Balances as of March 31, 2018	$ (8)	$ (89)	$ (30)	$ (127)
Cumulative-effect adjustment from the adoption of ASC 606	—	22	—	22
Cumulative-effect adjustment from the adoption of ASU 2018-02	—	1	—	1
Balances as of April 1, 2018	(8)	(66)	(30)	(104)
Other comprehensive income (loss) before reclassifications	—	78	(15)	63
Amounts reclassified from accumulated other comprehensive income (loss)	—	15	—	15
Total other comprehensive income (loss), net of tax	—	93	(15)	78
Balances as of June 30, 2018	$ (8)	$ 27	$ (45)	$ (26)

	Unrealized Net Gains (Losses) on Available-for-Sale Securities	Unrealized Net Gains (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Balances as of March 31, 2017	$ (3)	$ 32	$ (48)	$ (19)
Other comprehensive income (loss) before reclassifications	—	(39)	14	(25)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(17)	(10)	(27)
Total other comprehensive income (loss), net of tax	—	(56)	4	(52)
Balances as of June 30, 2017	$ (3)	$ (24)	$ (44)	$ (71)

The effects on net income of amounts reclassified from accumulated other comprehensive income (loss) for the three months ended June 30, 2018 and 2017 were as follows (in millions):

	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	
Statement of Operations Classification	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017
(Gains) losses on cash flow hedges from forward contracts		
Net revenue	$ 14	$ (19)
Research and development	1	2
Total, net of tax	$ 15	$ (17)
(Gains) losses on foreign currency translation		
Interest and other income (expense), net	$ —	$ (10)
Total, net of tax	$ —	$ (10)
Total net (gain) loss reclassified, net of tax	$ 15	$ (27)

(7) BUSINESS COMBINATIONS

GameFly Cloud Gaming

On May 3, 2018, we acquired cloud gaming technology assets and personnel from a wholly-owned subsidiary of GameFly, Inc. based in Israel ("GameFly Cloud Gaming") for total cash consideration of $50 million . The purchase price was allocated to the acquired net tangible and intangible assets based on their estimated fair values as of May 3, 2018, resulting in $43 million allocated to intangible assets, and $7 million allocated to goodwill that consists largely of expected synergies and workforce, substantially all of which is expected to be deductible for tax purposes. Subsequent to the acquisition, we also granted approximately $4 million in long-term equity in the form of restricted stock units to certain employees.

The results of operations attributable to the assets and personnel acquired in the GameFly Cloud Gaming acquisition and the fair value of the assets acquired have been included in our Condensed Consolidated Financial Statements since the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to our Condensed Consolidated Statements of Operations.

During the three months ended June 30, 2017, there were no acquisitions.

(8) GOODWILL AND ACQUISITION-RELATED INTANGIBLES, NET

The changes in the carrying amount of goodwill for the three months ended June 30, 2018 are as follows (in millions):

	As of March 31, 2018	Activity	Effects of Foreign Currency Translation	As of June 30, 2018
Goodwill	$ 2,251	$ 7	$ (4)	$ 2,254
Accumulated impairment	(368)	—	—	(368)
Total	$ 1,883	$ 7	$ (4)	$ 1,886

Goodwill represents the excess of the purchase price over the fair value of the underlying acquired net tangible and intangible assets.

Acquisition-related intangibles consisted of the following (in millions):

	As of June 30, 2018			As of March 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Acquisition-Related Intangibles, Net	Gross Carrying Amount	Accumulated Amortization	Acquisition-Related Intangibles, Net
Developed and core technology	$ 460	$ (417)	$ 43	$ 417	$ (414)	$ 3
Trade names and trademarks	161	(111)	50	161	(107)	54
Registered user base and other intangibles	5	(5)	—	5	(5)	—
Carrier contracts and related	85	(85)	—	85	(85)	—
In-process research and development	14	—	14	14	—	14
Total	$ 725	$ (618)	$ 107	$ 682	$ (611)	$ 71

The fair value of acquisition-related intangible assets acquired in the GameFly Cloud Gaming acquisition was $43 million , all of which was allocated to developed and core technology, and has a useful life of approximately 4.0 years .

Amortization of intangibles for the three months ended June 30, 2018 are classified in the Condensed Consolidated Statement of Operations as follows (in millions):

	Three Months Ended June 30,	
	2018	2017
Cost of service and other revenue	$ —	$ —
Cost of product revenue	1	—
Operating expenses	6	1
Total	$ 7	$ 1

Acquisition-related intangible assets are amortized using the straight-line method over the lesser of their estimated useful lives or the agreement terms, ranging from 1 to 9 years . As of June 30, 2018 and March 31, 2018 , the weighted-average remaining useful life for acquisition-related intangible assets was approximately 4.1 years and 4.3 years , respectively.

As of June 30, 2018 , future amortization of finite-lived acquisition-related intangibles that will be recorded in the Condensed Consolidated Statement of Operations is estimated as follows (in millions):

Fiscal Year Ending March 31,		
2019 (remaining nine months)	$	19
2020		22
2021		22
2022		22
2023		8
Thereafter		—
Total	$	93

(9) ROYALTIES AND LICENSES

Our royalty expenses consist of payments to (1) content licensors, (2) independent software developers, and (3) co-publishing and distribution affiliates. License royalties consist of payments made to celebrities, professional sports organizations, movie studios and other organizations for our use of their trademarks, copyrights, personal publicity rights, content and/or other intellectual property. Royalty payments to independent software developers are payments for the development of intellectual property related to our games. Co-publishing and distribution royalties are payments made to third parties for the delivery of products.

During the three months ended June 30, 2018 and 2017, we did not recognize any material losses or impairment charges on royalty-based commitments, respectively.

The current and long-term portions of prepaid royalties and minimum guaranteed royalty-related assets, included in other current assets and other assets, consisted of (in millions):

	As of June 30, 2018	**As of March 31, 2018**
Other current assets	$ 53	$ 68
Other assets	32	34
Royalty-related assets	$ 85	$ 102

At any given time, depending on the timing of our payments to our co-publishing and/or distribution affiliates, content licensors, and/or independent software developers, we classify any recognized unpaid royalty amounts due to these parties as accrued liabilities. The current and long-term portions of accrued royalties, included in accrued and other current liabilities and other liabilities, consisted of (in millions):

	As of June 30, 2018	**As of March 31, 2018**
Accrued royalties	$ 145	$ 171
Other liabilities	69	74
Royalty-related liabilities	$ 214	$ 245

As of June 30, 2018 , we were committed to pay approximately $897 million to content licensors, independent software developers, and co-publishing and/or distribution affiliates, but performance remained with the counterparty (*i.e.* , delivery of the product or content or other factors) and such commitments were therefore not recorded in our Condensed Consolidated Financial Statements. See Note 13 for further information on our developer and licensor commitments.

(10) BALANCE SHEET DETAILS

Property and Equipment, Net

Property and equipment, net, as of June 30, 2018 and March 31, 2018 consisted of (in millions):

	As of June 30, 2018	As of March 31, 2018
Computer, equipment and software	$ 742	$ 744
Buildings	338	336
Leasehold improvements	136	139
Equipment, furniture and fixtures, and other	82	84
Land	66	66
Construction in progress	9	7
	1,373	1,376
Less: accumulated depreciation	(933)	(923)
Property and equipment, net	$ 440	$ 453

During the three months ended June 30, 2018 and 2017 depreciation expense associated with property and equipment was $30 million and $29 million , respectively.

Accrued and Other Current Liabilities

Accrued and other current liabilities as of June 30, 2018 and March 31, 2018 consisted of (in millions):

	As of June 30, 2018	As of March 31, 2018
Other accrued expenses	$ 262	$ 260
Accrued compensation and benefits	216	282
Accrued royalties	145	171
Sales return and price protection reserves	129	—
Deferred net revenue (other)	63	108
Accrued and other current liabilities	$ 815	$ 821

Deferred net revenue (other) includes the deferral of subscription revenue, advertising revenue, licensing arrangements, and other revenue for which revenue recognition criteria has not been met.

As a result of the adoption of the New Revenue Standard, as of June 30, 2018 , our sales returns and price protection reserves are now classified within accrued and other liabilities (previously, these allowances were classified as a contra-asset within receivables on our Condensed Consolidated Balance Sheets).

Deferred net revenue

Deferred net revenue as of June 30, 2018 and April 1, 2018, as adjusted, consisted of (in millions):

	As of June 30, 2018	As of April 1, 2018 (as adjusted)
Deferred net revenue (online-enabled games)	$ 602	$ 949
Deferred net revenue (other)	63	105
Deferred net revenue (noncurrent)	11	5
Total Deferred net revenue	$ 676	$ 1,059

Total deferred net revenue decreased by $383 million , from April 1, 2018 , as adjusted, to June 30, 2018 . During the three months ended June 30, 2018 , we recognized revenue of $885 million , of which $768 million related to revenue recognized in the current period that was included in the deferred revenue balance at the beginning of the period. This was offset by the deferral of $502 million of revenue during this period.

Remaining Performance Obligations

As of June 30, 2018 , revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes our deferred revenue balance of $676 million and amounts to be invoiced and recognized as revenue in future periods of $29 million . These balances exclude any estimates for future variable consideration as we have elected the optional exemption to exclude sales-based royalty revenue. We expect to recognize substantially all of these balances as revenue over the next 12 months .

(11) INCOME TAXES

The provision for income taxes for the three months ended June 30, 2018 is based on our projected annual effective tax rate for fiscal year 2019 , adjusted for specific items that are required to be recognized in the period in which they are incurred.

Our effective tax rate for the three months ended June 30, 2018 was 8.2 percent as compared to 14.0 percent for the same period in fiscal year 2018. The effective tax rate for the three months ended June 30, 2018 was impacted by the lower U.S. statutory tax rate as a result of the U.S. Tax Cuts and Jobs Act enacted on December 22, 2017 (the “U.S. Tax Act”) and earnings realized in countries that have lower statutory tax rates, partially offset by less excess tax benefits from stock-based compensation recognized in the current period as compared to the same period in fiscal year 2018.

When compared to the statutory rate of 21.0 percent , the effective tax rate for the three months ended June 30, 2018 was lower due to earnings realized in countries that have lower statutory tax rates and the recognition of excess tax benefits from stock-based compensation. Excluding excess tax benefits, our effective tax rate would have been 11.3 percent for the three months ended June 30, 2018 .

The U.S. Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering the U.S. corporate income tax rates to 21.0 percent , generally implementing a territorial tax system and imposing a one-time transition tax on the deemed repatriation of undistributed earnings of foreign subsidiaries (the “Transition Tax”).

We recorded a provisional tax expense of $235 million related to the U.S. Tax Act for the year ended March 31, 2018, $192 million of which relates to the Transition Tax. During the three months ended June 30, 2018, we made no adjustments to these provisional amounts. The final calculation of taxes attributable to the U.S. Tax Act may differ from our estimates, potentially materially, due to, among other things, changes in interpretations of the U.S. Tax Act, our further analysis of the U.S. Tax Act, or any updates or changes to estimates that we have utilized to calculate the transition impacts.

Reasonable estimates of the impacts of the U.S. Tax Act are provided in accordance with SEC guidance that allows for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We expect to complete the accounting under the U.S. Tax Act as soon as practicable, but in no event later than one year from the enactment date of the U.S. Tax Act.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. Our provision for income taxes for the quarter ended June 30, 2018 provisionally does not reflect any deferred tax impacts of the U.S. taxes on foreign earnings. Because of the complexity of the rules regarding the new tax on foreign earnings, we are continuing to evaluate this accounting policy election.

On July 24, 2018, the Ninth Circuit Court of Appeals issued an opinion in *Altera Corp. v. Commissioner* (“the Altera opinion”) requiring related parties in an intercompany cost-sharing arrangement to share expenses related to stock-based compensation. This opinion reversed the prior decision of the United States Tax Court. On August 7, 2018, the Altera opinion was withdrawn for reconsideration. We will continue to monitor ongoing developments and potential impacts to our condensed consolidated financial statements. If the Altera opinion stands, it could result in material changes to our condensed consolidated financial statements.

We file income tax returns and are subject to income tax examinations in various jurisdictions with respect to fiscal years after 2008. The timing and potential resolution of income tax examinations is highly uncertain. While we continue to measure our uncertain tax positions, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued. It is reasonably possible that a reduction of up to $56 million of unrecognized tax benefits may occur within the next 12 months, a portion of which would impact our effective tax rate. The actual amount could

vary significantly depending on the ultimate timing and nature of any settlements and tax interpretations, including the Altera opinion.

(12) FINANCING ARRANGEMENTS

Senior Notes

In February 2016 , we issued $600 million aggregate principal amount of 3.70% Senior Notes due March 1, 2021 (the "2021 Notes") and $400 million aggregate principal amount of 4.80% Senior Notes due March 1, 2026 (the "2026 Notes," and together with the 2021 Notes, the "Senior Notes"). Our proceeds were $989 million , net of discount of $2 million and issuance costs of $9 million . Both the discount and issuance costs are being amortized to interest expense over the respective terms of the 2021 Notes and the 2026 Notes using the effective interest rate method. The effective interest rate is 3.94% for the 2021 Notes and 4.97% for the 2026 Notes. Interest is payable semiannually in arrears, on March 1 and September 1 of each year.

The carrying and fair values of the Senior Notes are as follows (in millions):

	As of June 30, 2018	As of March 31, 2018
Senior Notes:		
3.70% Senior Notes due 2021	$ 600	$ 600
4.80% Senior Notes due 2026	400	400
Total principal amount	$ 1,000	$ 1,000
Unaccreted discount	(1)	(2)
Unamortized debt issuance costs	(6)	(6)
Net carrying value of Senior Notes	$ 993	$ 992
Fair value of Senior Notes (Level 2)	$ 1,030	$ 1,038

As of June 30, 2018 , the remaining life of the 2021 Notes and 2026 Notes is approximately 2.7 years and 7.7 years , respectively.

The Senior Notes are senior unsecured obligations and rank equally with all our other existing and future unsubordinated obligations and any indebtedness that we may incur from time to time under our Credit Facility.

The 2021 Notes and the 2026 Notes are redeemable at our option at any time prior to February 1, 2021 or December 1, 2025, respectively, subject to a make-whole premium. Within one and three months of maturity, we may redeem the 2021 Notes or the 2026 Notes, respectively, at a redemption price equal to 100% of the aggregate principal amount plus accrued and unpaid interest. In addition, upon the occurrence of a change of control repurchase event, the holders of the Senior Notes may require us to repurchase all or a portion of the Senior Notes, at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. The Senior Notes also include covenants that limit our ability to incur liens on assets and to enter into sale and leaseback transactions, subject to certain allowances.

Credit Facility

In March 2015 , we entered into a $500 million senior unsecured revolving credit facility ("Credit Facility") with a syndicate of banks. The Credit Facility terminates on March 19, 2020 . The Credit Facility contains an option to arrange with existing lenders and/or new lenders to provide up to an aggregate of $250 million in additional commitments for revolving loans. Proceeds of loans made under the Credit Facility may be used for general corporate purposes.

The loans bear interest, at our option, at the base rate plus an applicable spread or an adjusted LIBOR rate plus an applicable spread, in each case with such spread being determined based on our consolidated leverage ratio for the preceding fiscal quarter. We are also obligated to pay other customary fees for a credit facility of this size and type. Interest is due and payable in arrears quarterly for loans bearing interest at the base rate and at the end of an interest period (or at each three month interval in the case of loans with interest periods greater than three months) in the case of loans bearing interest at the adjusted LIBOR rate. Principal, together with all accrued and unpaid interest, is due and payable on March 19, 2020 .

The credit agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, incur subsidiary indebtedness, grant liens, dispose of all or substantially all assets and pay dividends or make distributions, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a capitalization ratio and maintain a minimum level of total liquidity.

The credit agreement contains customary events of default, including among others, non-payment defaults, covenant defaults, cross-defaults to material indebtedness, bankruptcy and insolvency defaults, material judgment defaults and a change of control default, in each case, subject to customary exceptions for a credit facility of this size and type. The occurrence of an event of default could result in the acceleration of the obligations under the credit facility, an obligation by any guarantors to repay the obligations in full and an increase in the applicable interest rate.

As of June 30, 2018 , no amounts were outstanding under the Credit Facility. $2 million of debt issuance costs that were paid in connection with obtaining this credit facility are being amortized to interest expense over the 5 -year term of the Credit Facility.

Interest Expense

The following table summarizes our interest expense recognized for the three months ended June 30, 2018 and 2017 that is included in interest and other income (expense), net on our Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,	
	2018	2017
Amortization of debt issuance costs	$ (1)	$ (1)
Coupon interest expense	(10)	(10)
Total interest expense	$ (11)	$ (11)

(13) COMMITMENTS AND CONTINGENCIES

Lease Commitments

As of June 30, 2018 , we leased certain facilities, furniture and equipment under non-cancelable operating lease agreements. We were required to pay property taxes, insurance and normal maintenance costs for certain of these facilities and any increases over the base year of these expenses on the remainder of our facilities.

Development, Celebrity, League and Content Licenses: Payments and Commitments

The products we produce in our studios are designed and created by our employee designers, artists, software programmers and by non-employee software developers (“independent artists” or “third-party developers”). We typically advance development funds to the independent artists and third-party developers during development of our games, usually in installment payments made upon the completion of specified development milestones. Contractually, these payments are generally considered advances against subsequent royalties on the sales of the products. These terms are set forth in written agreements entered into with the independent artists and third-party developers.

In addition, we have certain celebrity, league and content license contracts that contain minimum guarantee payments and marketing commitments that may not be dependent on any deliverables. Celebrities and organizations with whom we have contracts include, but are not limited to: FIFA (Fédération Internationale de Football Association), FIFPRO Foundation, FAPL (Football Association Premier League Limited), and DFL Deutsche Fußball Liga E.V. (German Soccer League) (professional soccer); National Basketball Association (professional basketball); National Hockey League and NHL Players’ Association (professional hockey); National Football League Properties and PLAYERS Inc. (professional football); William Morris Endeavor Entertainment LLC (professional mixed martial arts); ESPN (content in EA SPORTS games); Disney Interactive (Star Wars); and Fox Digital Entertainment, Inc. (The Simpsons). These developer and content license commitments represent the sum of (1) the cash payments due under non-royalty-bearing licenses and services agreements and (2) the minimum guaranteed payments and advances against royalties due under royalty-bearing licenses and services agreements, the majority of which are conditional upon performance by the counterparty. These minimum guarantee payments and any related marketing commitments are included in the table below.

The following table summarizes our minimum contractual obligations as of June 30, 2018 (in millions):

		Fiscal Years Ending March 31,						
	Total	2019 (Remaining nine mos.)	2020	2021	2022	2023	2024	Thereafter
Unrecognized commitments								
Developer/licensor commitments	$ 897	$ 169	$ 233	$ 213	$ 201	$ 80	$ 1	$ —
Marketing commitments	326	55	88	83	74	26	—	—
Operating leases	225	29	39	39	32	25	19	42
Senior Notes interest	206	27	41	41	20	20	19	38
Other purchase obligations	104	29	34	14	9	5	3	10
Total unrecognized commitments	1,758	309	435	390	336	156	42	90
Recognized commitments								
Senior Notes principal and interest	1,014	14	—	600	—	—	—	400
Transition Tax	39	1	—	1	4	4	7	22
Licensing and lease obligations	96	18	25	26	27	—	—	—
Total recognized commitments	1,149	33	25	627	31	4	7	422
Total commitments	$ 2,907	$ 342	$ 460	$ 1,017	$ 367	$ 160	$ 49	$ 512

The unrecognized amounts represented in the table above reflect our minimum cash obligations for the respective fiscal years, but do not necessarily represent the periods in which they will be recognized and expensed in our Condensed Consolidated Financial Statements.

In addition, the amounts in the table above are presented based on the dates the amounts are contractually due as of June 30, 2018 ; however, certain payment obligations may be accelerated depending on the performance of our operating results. Furthermore, up to $30 million of the unrecognized amounts in the table above may be payable, at the licensor's election, in shares of our common stock, subject to a $10 million maximum during any fiscal year. The number of shares to be issued will be based on their fair market value at the time of issuance.

In addition to what is included in the table above, as of June 30, 2018 , we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling $237 million , of which we are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

In addition to what is included in the table above, as of June 30, 2018 , we may be required to pay up to $140 million of cash consideration in connection with the December 1, 2017 acquisition of Respawn based on the achievement of certain performance milestones through the end of calendar year 2022. As of June 30, 2018 , we have recorded $122 million of contingent consideration on our Condensed Consolidated Balance Sheet representing the estimated fair value.

Legal Proceedings

On July 29, 2010, Michael Davis, a former NFL running back, filed a putative class action in the United States District Court for the Northern District of California against the Company, alleging that certain past versions of *Madden NFL* included the images of certain retired NFL players without their permission. In March 2012, the trial court denied the Company's request to dismiss the complaint on First Amendment grounds. In January 2015, that trial court decision was affirmed by the Ninth Circuit Court of Appeals and the case was remanded back to the United States District Court for the Northern District of California, where the case is pending.

We are also subject to claims and litigation arising in the ordinary course of business. We do not believe that any liability from any reasonably foreseeable disposition of such claims and litigation, individually or in the aggregate, would have a material adverse effect on our Condensed Consolidated Financial Statements.

(14) STOCK-BASED COMPENSATION

Valuation Assumptions

We estimate the fair value of stock-based awards on the date of grant. We recognize compensation costs for stock-based awards to employees based on the grant-date fair value using a straight-line approach over the service period for which such awards are expected to vest. We account for forfeitures as they occur.

The determination of the fair value of market-based restricted stock units, stock options and ESPP purchase rights is affected by assumptions regarding subjective and complex variables. Generally, our assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes. We determine the fair value of our stock-based awards as follows:

- *Restricted Stock Units* and *Performance-Based Restricted Stock Units* . The fair value of restricted stock units and performance-based restricted stock units (other than market-based restricted stock units) is determined based on the quoted market price of our common stock on the date of grant.

- *Market-Based Restricted Stock Units* . Market-based restricted stock units consist of grants of performance-based restricted stock units to certain members of executive management that vest contingent upon the achievement of pre-determined market and service conditions (referred to herein as "market-based restricted stock units"). The fair value of our market-based restricted stock units is determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model are the risk-free interest rate, expected volatility, expected dividends and correlation coefficient.

- *Stock Options and Employee Stock Purchase Plan* . The fair value of stock options and stock purchase rights granted pursuant to our equity incentive plans and our 2000 Employee Stock Purchase Plan, as amended ("ESPP"), respectively, is determined using the Black-Scholes valuation model based on the multiple-award valuation method. Key assumptions of the Black-Scholes valuation model are the risk-free interest rate, expected volatility, expected term and expected dividends. The risk-free interest rate is based on U.S. Treasury yields in effect at the time of grant for the expected term of the option. Expected volatility is based on a combination of historical stock price volatility and implied volatility of publicly-traded options on our common stock. Expected term is determined based on historical exercise behavior, post-vesting termination patterns, options outstanding and future expected exercise behavior.

There were no ESPP shares issued during the three months ended June 30, 2018 and 2017 . There were an insignificant number of stock options granted during the three months ended June 30, 2018 and 2017 .

The estimated assumptions used in the Monte-Carlo simulation model to value our market-based restricted stock units were as follows:

	Three Months Ended June 30,	
	2018	**2017**
Risk-free interest rate	2.6%	1.5% - 1.6%
Expected volatility	16 - 47%	17 - 46%
Weighted-average volatility	28%	28%
Expected dividends	None	None

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense resulting from stock options, restricted stock units, market-based restricted stock units, performance-based restricted stock units, and the ESPP purchase rights included in our Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended June 30,	
	2018	2017
Cost of revenue	$ 1	$ 1
Research and development	47	28
Marketing and sales	7	7
General and administrative	15	12
Stock-based compensation expense	$ 70	$ 48

During the three months ended June 30, 2018 , we recognized an $8 million deferred income tax benefit related to our stock-based compensation expense. During the three months ended June 30, 2017 , we recognized a $10 million deferred income tax benefit related to our stock-based compensation expense.

As of June 30, 2018 , our total unrecognized compensation cost related to restricted stock units, market-based restricted stock units, performance-based restricted stock units was $677 million and is expected to be recognized over a weighted-average service period of 2.3 years . Of the $677 million of unrecognized compensation cost, $549 million relates to restricted stock units, $94 million relates to market-based restricted stock units, and $34 million relates to performance-based restricted stock units at 104 percent average vesting target.

Stock Options

The following table summarizes our stock option activity for the three months ended June 30, 2018 :

	Options (in thousands)	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2018	1,615	$ 30.28		
Granted	1	119.83		
Exercised	(24)	30.17		
Outstanding as of June 30, 2018	1,592	$ 30.34	5.23	$ 176
Vested and expected to vest	1,592	$ 30.34	5.23	$ 176
Exercisable as of June 30, 2018	1,592	$ 30.34	5.23	$ 176

The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price as of June 30, 2018 , which would have been received by the option holders had all the option holders exercised their options as of that date. We issue new common stock from our authorized shares upon the exercise of stock options.

Restricted Stock Units

The following table summarizes our restricted stock unit activity for the three months ended June 30, 2018 :

	Restricted Stock Rights (in thousands)	Weighted-Average Grant Date Fair Values
Outstanding as of March 31, 2018	5,948	$ 94.57
Granted	1,349	143.33
Vested	(1,528)	82.56
Forfeited or cancelled	(84)	95.33
Outstanding as of June 30, 2018	5,685	$ 109.36

Performance-Based Restricted Stock Units

Our performance-based restricted stock units cliff vest after a four-year performance period contingent upon the achievement of pre-determined performance-based milestones based on our non-GAAP net revenue and free cash flow as well as service conditions. If these performance-based milestones are not met but service conditions are met, the performance-based restricted stock units will not vest, in which case any compensation expense we have recognized to date will be reversed. Each quarter, we update our assessment of the probability that the non-GAAP net revenue and free cash flow performance milestones will be achieved. We amortize the fair values of performance-based restricted stock units over the requisite service period. The performance-based restricted stock units contain threshold, target and maximum milestones for each of non-GAAP net revenue and free cash flow.

The number of shares of common stock to be issued at vesting will range from zero percent to 200 percent of the target number of performance-based restricted stock units attributable to each performance-based milestone based on the company's performance as compared to these threshold, target and maximum performance-based milestones. Each performance-based milestone is weighted evenly where 50 percent of the total performance-based restricted stock units that vest will be determined based on non-GAAP net revenue and the other 50 percent will be determined based on free cash flow. The number of shares that vest based on each performance-based milestone is independent from the other.

The following table summarizes our performance-based restricted stock unit activity, presented with the maximum number of shares that could potentially vest, for the three months ended June 30, 2018 :

	Performance-Based Restricted Stock Units (in thousands)		Weighted-Average Grant Date Fair Value
Outstanding as of March 31, 2018	796	$	110.51
Granted	—		—
Forfeited or cancelled	—		—
Outstanding as of June 30, 2018	796	$	110.51

Market-Based Restricted Stock Units

Our market-based restricted stock units vest contingent upon the achievement of pre-determined market and service conditions. If these market conditions are not met but service conditions are met, the market-based restricted stock units will not vest; however, any compensation expense we have recognized to date will not be reversed. The number of shares of common stock to be issued at vesting will range from zero percent to 200 percent of the target number of market-based restricted stock units based on our total stockholder return ("TSR") relative to the performance of companies in the NASDAQ-100 Index for each measurement period, over either a one-year, two-year cumulative and three-year cumulative period, or over a two-year and four-year cumulative period.

The following table summarizes our market-based restricted stock unit activity, presented with the maximum number of shares that could potentially vest, for the three months ended June 30, 2018 :

	Market-Based Restricted Stock Units (in thousands)		Weighted-Average Grant Date Fair Value
Outstanding as of March 31, 2018	1,342	$	118.35
Granted	573		185.24
Vested	(415)		98.48
Forfeited or cancelled	(175)		115.76
Outstanding as of June 30, 2018	1,325	$	153.87

Stock Repurchase Program

In May 2015, our Board of Directors authorized a program to repurchase up to $1 billion of our common stock. We repurchased approximately 0.3 million shares for approximately $31 million under this program during the three months ended June 30, 2017. We completed repurchases under the May 2015 program in April 2017.

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $1.2 billion of our common stock. During the three months ended June 30, 2018 and 2017 , we repurchased approximately 0.6 million and 1.1 million shares for approximately $76 million and $119 million , respectively, under this program. This program was superseded and replaced by a new stock repurchase program approved in May 2018.

In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans.
The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. During the three months ended June 30, 2018 , we repurchased approximately 1.7 million shares for approximately $224 million under this program. We are actively repurchasing shares under this program.

The following table summarizes total shares repurchased during the three months ended June 30, 2018 and 2017 :

	May 2015 Program		May 2017 Program		May 2018 Program		Total	
(in millions)	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Three months ended June 30, 2018	—	$ —	0.6	$ 76	1.7	$ 224	2.3	$ 300
Three months ended June 30, 2017	0.3	$ 31	1.1	$ 119	—	$ —	1.4	$ 150

(15) EARNINGS PER SHARE

The following table summarizes the computations of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). Basic EPS is computed as net income divided by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation plans including stock options, restricted stock, restricted stock units, ESPP purchase rights, warrants, and other convertible securities using the treasury stock method.

	Three Months Ended June 30,	
(In millions, except per share amounts)	**2018**	**2017**
Net income	$ 293	$ 644
Shares used to compute earnings per share:		
Weighted-average common stock outstanding — basic	306	309
Dilutive potential common shares related to stock award plans and from assumed exercise of stock options	4	4
Weighted-average common stock outstanding — diluted	310	313
Earnings per share:		
Basic	$ 0.96	$ 2.08
Diluted	$ 0.95	$ 2.06

For the three months ended June 30, 2018 and 2017 , an immaterial amount of restricted stock units and market-based restricted stock units were excluded from the treasury stock method computation of diluted shares as their inclusion would have had an antidilutive effect. Our performance-based restricted stock units, which are considered contingently issuable shares, are also excluded from the treasury stock method computation because the related performance-based milestones were not achieved as of the end of the reporting period.

(16) SEGMENT INFORMATION

Our reporting segment is based upon: our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, our Chief Operating Decision Maker ("CODM"), to evaluate segment performance; the availability of separate financial information; and overall materiality considerations. Our CODM currently reviews total company operating results to assess overall performance and allocate resources. As of June 30, 2018 , we have only one reportable segment, which represents our only operating segment.

Information about our total net revenue by composition and by platform for the three months ended June 30, 2018 and 2017 is presented below (in millions):

	Three Months Ended June 30,	
	2018	2017
Net revenue by composition		
Full game downloads	$ 116	$ 209
Live services	610	501
Mobile	231	169
Total Digital	957	879
Packaged goods and other	180	570
Net revenue	$ 1,137	$ 1,449

Digital net revenue includes full-game downloads, live services, and mobile revenue. Full game downloads includes revenue from digital sales of full games on console and PC. Live services includes revenue from sales of extra content for console, PC, browser games, game software licensed to our third-party publishing partners who distribute our games digitally, subscriptions, and advertising. Mobile includes revenue from the sale of full games and extra content on mobile phones and tablets.

Packaged goods net revenue includes revenue from software that is sold physically. This includes (1) net revenue from game software sold physically through traditional channels such as brick and mortar retailers, and (2) our software licensing revenue from third parties (for example, makers of console platforms, personal computers or computer accessories) who include certain of our products for sale with their products ("OEM bundles"). Other revenue includes our non-software licensing revenue.

	Three Months Ended June 30,	
	2018	2017
Platform net revenue		
Console	$ 705	$ 1,034
PC / Browser	197	240
Mobile	233	171
Other	2	4
Net revenue	$ 1,137	$ 1,449

Net revenue from unaffiliated customers in North America and internationally for the three months ended June 30, 2018 and 2017 is presented below (in millions):

	Three Months Ended June 30,	
	2018	2017
Net revenue from unaffiliated customers		
North America	$ 442	$ 611
International	695	838
Net revenue	$ 1,137	$ 1,449

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors

Electronic Arts, Inc.:

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheet of Electronic Arts, Inc. and subsidiaries (the Company) as of June 30, 2018, the related condensed consolidated statements of operations, comprehensive income, and cash flows for the three-month periods ended June 30, 2018 and July 1, 2017, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of March 31, 2018, and the related consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated May 23, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

(Signed) KPMG LLP

Santa Clara, California

August 7, 2018

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, made in this Quarterly Report are forward looking. Examples of forward-looking statements include statements related to industry prospects, our future economic performance including anticipated revenues and expenditures, results of operations or financial position, and other financial items, our business plans and objectives, including our intended product releases, and may include certain assumptions that underlie the forward-looking statements. We use words such as "anticipate," "believe," "expect," "intend," "estimate" (and the negative of any of these terms), "future" and similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk and reflect management's current expectations, and involve subjects that are inherently uncertain and difficult to predict. Our actual results could differ materially from those in the forward-looking statements. We will not necessarily update information if any forward-looking statement later turns out to be inaccurate. Risks and uncertainties that may affect our future results include, but are not limited to, those discussed in this report under the heading "Risk Factors" in Part II, Item 1A, as well as in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 as filed with the Securities and Exchange Commission ("SEC") on May 23, 2018 and in other documents we have filed with the SEC.

OVERVIEW

The following overview is a high-level discussion of our operating results, as well as some of the trends and drivers that affect our business. Management believes that an understanding of these trends and drivers provides important context for our results for the three months ended June 30, 2018 , as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Form 10-Q, including in the remainder of "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")," "Risk Factors," and the Consolidated Financial Statements and related Notes. Additional information can be found in the "Business" section of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 as filed with the SEC on May 23, 2018 and in other documents we have filed with the SEC.

About Electronic Arts

We are a global leader in digital interactive entertainment, with a mission to inspire the world to play. We develop, market, publish and deliver games and services that can be played on a variety of platforms, including game consoles, PCs, mobile phones and tablets. In our games and services, we use brands that we either wholly own (such as Battlefield, Mass Effect, The Sims and Plants v. Zombies), or license from others (such as FIFA, Madden NFL and Star Wars). We develop and publish games and services across diverse genres such as sports, first-person shooter, action, role-playing and simulation. We believe that the breadth and depth of our portfolio gives us the opportunity to engage an increasing number of players across more platforms and geographies and through more business models.

Financial Results

We adopted the New Revenue Standard on April 1, 2018, the beginning of fiscal year 2019, using the modified retrospective method. The comparative information for periods prior to April 1, 2018 has not been restated. For comparability, Note 1 — *Description of Business and Basis of Presentation* of part I, Item 1 of this Form 10-Q includes our pro-forma financial results under the Old Revenue Standard for the fiscal quarter ended June 30, 2018 .

Our key financial results for our fiscal quarter ended June 30, 2018 were as follows:

- Total net revenue was $1,137 million , down 22 percent year-over-year. Under the Old Revenue Standard, total net revenue would have been $1,416 million , down 2 percent year-over-year.
- Digital net revenue was $957 million , up 9 percent year-over-year. Under the Old Revenue Standard, digital net revenue would have been $931 million, up 6 percent year-over-year.
- Gross margin was 81.1 percent , down 8.3 percentage points year-over-year. Under the Old Revenue Standard, gross margin would have been 88.3 percent, down 1.1 percentage points year-over-year.
- Operating expenses were $622 million , up 13 percent year-over-year.
- Net income was $293 million with diluted earnings per share of $0.95 . Under the Old Revenue Standard, net income would have been $583 million with diluted earnings per share of $1.88 .
- Total cash, cash equivalents and short-term investments were $4,971 million .

From time to time, we make comparisons of current periods to prior periods with reference to constant currency. For the fiscal quarter ended June 30, 2018 , foreign currency exchange rates did not have a material impact on our net revenue and operating expenses.

Trends in Our Business

Digital Business. Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs, and engage with the live services we provide on an ongoing basis. Our live services provide additional depth and engagement opportunities for our players and include microtransactions, extra content, subscriptions, and esports. Our net revenue attributable to live services comprised 40 percent of our total net revenue during fiscal year 2018 and we expect that live services net revenue will continue to be material to our business. Our most popular live service is the Ultimate Team mode associated with our sports franchises. Ultimate Team allows players to collect and trade current and former professional players in order to build and compete as a personalized team. Net revenue from Ultimate Team represented approximately 21 percent of our total net revenue during fiscal year 2018, a substantial portion of which was derived from FIFA Ultimate Team. Our digital transformation is also creating opportunities in platforms, business models and the way in which players engage with our games and services. For example, we have leveraged brands and assets from franchises typically associated with consoles and traditional PC gaming, such as FIFA, Madden NFL, The Sims, SimCity and Star Wars, to create mobile and PC games that are monetized through live services associated with the game. We also provide our EA Access, Origin Access and Origin Access Premier subscription services, which offer access to a selection of full games, in-game content, online services and other benefits, typically for a monthly or annual fee.

We significantly increased our digital net revenue from $2,409 million in fiscal year 2016 to $2,874 million in fiscal year 2017 and $3,450 million during fiscal year 2018. We expect this portion of our business to continue to grow through fiscal year 2019 and beyond as we continue to focus on developing and monetizing products and services that can be delivered digitally.

Technological Infrastructure . As our digital business has grown, our games and services increasingly depend on the reliability, availability and security of our technological infrastructure. We are investing and expect to continue to invest in technology, hardware and software to support our games and services, including with respect to security protections. Our industry is prone to, and our systems and networks are subject to, cyber-attacks, computer viruses, worms, phishing attacks, malicious software programs, and other information security incidents that seek to exploit, disable, damage, disrupt or gain access to our networks, our products and services, supporting technological infrastructure, intellectual property and other assets. We expect these threats to our systems and networks to continue.

Player Network . We have made, and expect to continue to make, investments that strengthen our player network, which connects our players to each other and to the games they love. We are adopting consistent, cross-company methodologies to better understand our players' needs and will continue to invest in technology that enables us to build personalized player relationships that can last for years instead of days or weeks by connecting our players to us and to each other. This connection allows us to market and deliver content and services for popular franchises like FIFA, Battlefield and Star Wars to our players more efficiently. That same foundation also enables new player-centric ways to discover and try new games and experiences, such as our subscription-based EA Access, Origin Access and Origin Access Premier services.

Concentration of Sales Among the Most Popular Games. In all major segments of our industry, we see a large portion of games sales concentrated on the most popular titles. Similarly, a significant portion of our revenue historically has been derived from games based on a few popular franchises, several of which we have released on an annual or bi-annual basis. In particular, we have historically derived a significant portion of our net revenue from our largest and most popular game, FIFA, the annualized version of which is consistently one of the best-selling games in the marketplace.

Mobile and PC Free-to-Download Games. The global adoption of mobile devices and a business model for those devices that allows consumers to try new games with no up-front cost, and that are monetized through the live service associated with the game, has led to significant growth in the mobile gaming industry. We expect this growth to continue during our 2019 fiscal year. Likewise, the wide consumer acceptance of free-to-download, live service-based PC games played over the Internet has broadened our consumer base. We expect revenue generated from mobile and PC free-to-download games to remain an important part of our business.

Recurring Revenue Sources. Our business model includes revenue that we deem recurring in nature, such as revenue from our annualized titles (such as FIFA and Madden NFL) and associated live services, subscriptions and our ongoing mobile business. We have been able to forecast revenue from these areas of our business with greater relative confidence than for new games, services and business models. As we continue to leverage the digital transformation in our industry and incorporate new

content models and modalities of play into our games, our goal is to continue to look for opportunities to expand the recurring portion of our business.

Net Bookings . In order to improve transparency into our business, we disclose an operating performance metric, net bookings. Net bookings is defined as the net amount of products and services sold digitally or sold-in physically in the period. Net bookings is calculated by adding total net revenue to the change in deferred net revenue for online-enabled games, and, for periods after the fourth quarter of fiscal 2018, mobile platform fees.

The following is a calculation of our total net bookings for the periods presented:

(In millions)	Three Months Ended June 30,	
	2018	2017
Total net revenue	$ 1,137	$ 1,449
Change in deferred net revenue (online-enabled games)	(339)	(674)
Mobile platform fees	(49)	—
Net bookings	$ 749	$ 775

Net bookings were $749 million for the three months ended June 30, 2018 driven by sales related to *FIFA Ultimate Team* and *The Sims 4.* Net bookings decreased $26 million or 3 percent as compared to the three months ended June 30, 2017 due primarily to sales of *Mass Effect: Andromeda* captured during three months ended June 30, 2017, partially offset by net bookings associated with *FIFA Online 4* , *The Sims 4,* and *A Way Out* during the three months ended June 30, 2018. Digital net bookings were $693 million for the three months ended June 30, 2018, an increase of $12 million or 2 percent as compared to three months ended June 30, 2017, driven by sales of *FIFA Online 4* , *The Sims 4* , and *A Way Out* . The increase in digital net bookings was driven by live services which grew $30 million or 7 percent year-over-year, primarily due to *FIFA Online 4* and *The Sims 4.* This increase was partially offset by a decrease of $15 million or 14 percent in our full game PC and console downloads due to net bookings associated with *Mass Effect: Andromeda* captured during three months ended June 30, 2017, and a decrease of $3 million or 2 percent in our mobile business due to slight declines in older titles, partially offset by *FIFA Mobile* in Asia.

Recent Developments

Stock Repurchase Program. In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. During the three months ended June 30, 2018 , we repurchased approximately 1.7 million shares for approximately $224 million under this program. We are actively repurchasing shares under this program.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities, and revenue and expenses during the reporting periods. The policies discussed below are considered by management to be critical because they are not only important to the portrayal of our financial condition and results of operations, but also because application and interpretation of these policies requires both management judgment and estimates of matters that are inherently uncertain and unknown. As a result, actual results may differ materially from our estimates.

For a complete discussion of our critical accounting policies and estimates with respect to revenue recognition for revenue transactions occurring prior to April 1, 2018, which were accounted for under ASC 605, *Revenue Recognition* , refer to Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the subheading *Critical Accounting Policies and Estimates* included in our Annual Report on Form 10-K for our fiscal year ended March 31, 2018, filed with the SEC on May 23, 2018. With respect to revenue transactions occurring on April 1, 2018 and onward, our revenue recognition accounting policy is set forth below and follows ASC 606, *Revenue from Contracts with Customers.*

Revenue Recognition

We derive revenue principally from sales of our games, and related extra-content and services that can be played by customers on a variety of platforms which include game consoles, PCs, mobile phones and tablets. Our product and service offerings include, but are not limited to, the following:

- full games with both online and offline functionality ("Games with Services"), which generally includes (1) the initial game delivered digitally or via physical disc at the time of sale and typically provide access to offline core game content ("software license"); (2) updates on a when-and-if-available basis, such as software patches or updates, and/or additional free content to be delivered in the future ("future update rights"); and (3) a hosted connection for online playability ("online hosting");
- full games with online-only functionality which require an Internet connection to access all gameplay and functionality ("Online-Hosted Service Games");
- extra content related to Games with Services and Online-Hosted Service Games which provides access to additional in-game content;
- subscriptions, such as Origin Access and EA Access, that generally offers access to a selection of full games, in-game content, online services and other benefits typically for a recurring monthly or annual fee; and
- licensing our games to third parties to distribute and host our games.

Effective April 1, 2018, we evaluate revenue recognition based on the criteria set forth in ASC 606, *Revenue from Contracts with Customers* .

We evaluate and recognize revenue by:

- identifying the contract(s) with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue as each performance obligation is satisfied through the transfer of a promised good or service to a customer (i.e., "transfer of control").

Online-Enabled Games

Games with Services. Our sales of Games with Services are evaluated to determine whether the software license, future update rights and the online hosting are distinct and separable. Sales of Games with Services are generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting.

Since we do not sell the performance obligations on a stand-alone basis, we consider market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. We recognize revenue from these arrangements upon transfer of control for each performance obligation. For the portion of the transaction price allocated to the software license, revenue is recognized when control of the license has been transferred to the customer. For the portion of the transaction price allocated to the future update rights and the online hosting, revenue is recognized as the services are provided.

Online-Hosted Service Games. Sales of our Online-Hosted Service Games are determined to have one distinct performance obligation: the online hosting. We recognize revenue from these arrangements as the service is provided.

Extra Content. Revenue received from sales of downloadable content are derived primarily from the sale of virtual currencies and digital in-game content to our customers to enhance their gameplay experience. Sales of extra content are accounted for in a manner consistent with the treatment for our Games with Services and Online-Hosted Service Games as discussed above, depending upon whether or not the extra content has offline functionality.

Subscriptions

Revenue from subscriptions is recognized over the subscription term as the service is provided.

Licensing Revenues

In certain countries, we utilize third-party licensees to distribute and host our games in accordance with license agreements, for which the licensees typically pay us a fixed minimum guarantee and/or sales-based royalties. These arrangements typically include multiple performance obligations, such as a time-based license of software and future update rights. We recognize as revenue a portion of the minimum guarantee when we transfer control of the license of software (generally upon commercial launch) and the remaining portion ratably over the contractual term in which we provide the licensee with future update rights. Any sales-based royalties are generally recognized as the related sales occur by the licensee.

Revenue Classification

We classify our revenue as either product revenue or service and other revenue. Generally, performance obligations that are recognized upfront upon transfer of control are classified as product revenue, while performance obligations that are recognized over the Estimated Offering Period or subscription period as the services are provided are classified as service revenue.

Product revenue . Our product revenue includes revenue allocated to the software license performance obligation. Product revenue also includes revenue from the licensing of software to third-parties.

Service and other revenue . Our service revenue includes revenue allocated to the future update rights and the online hosting performance obligations. This also includes revenue allocated to the future update rights from the licensing of software to third-parties, software that offers an online-only service such as our Ultimate Team game mode, and subscription services.

Significant Judgments around Revenue Arrangements

Identifying performance obligations. Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, (i.e., the customer can benefit from the goods or services either on its own or together with other resources that are readily available), and are distinct in the context of the contract (i.e., it is separately identifiable from other goods or services in the contract). To the extent a contract includes multiple promises, we must apply judgment to determine whether those promises are separate and distinct performance obligations. If these criteria are not met, the promises are accounted for as a combined performance obligation.

Determining the transaction price. The transaction price is determined based on the consideration that we will be entitled to receive in exchange for transferring our goods and services to the customer. Determining the transaction price often requires significant judgment, based on an assessment of contractual terms and business practices. It further includes review of variable consideration such as discounts, sales returns, price protection, and rebates, which is estimated at the time of the transaction. See below for additional information regarding our sales returns and price protection reserves. In addition, the transaction price does not include an estimate of the variable consideration related to sales-based royalties. Sales-based royalties are recognized as the sales occur.

Allocating the transaction price. Allocating the transaction price requires that we determine an estimate of the relative stand-alone selling price for each distinct performance obligation. Determining the relative stand-alone selling price is inherently subjective, especially in situations where we do not sell the performance obligation on a stand-alone basis (which occurs in the majority of our transactions). In those situations, we determine the relative stand-alone selling price based on various observable inputs using all information that is reasonably available. Examples of observable inputs and information include: historical internal pricing data, cost plus margin analyses, third-party external pricing of similar or same products and services such as software licenses and maintenance support within the enterprise software industry. The results of our analysis resulted in a specific percentage of the transaction price being allocated to each performance obligation.

Determining the Estimated Offering Period. The offering period is the period in which we offer to provide the future update rights and/or online hosting for the game and related extra content sold. Because the offering period is not an explicitly defined period, we must make an estimate of the offering period for the service related performance obligations (i.e., future update rights and online hosting). Determining the Estimated Offering Period is inherently subjective and is subject to regular revision. Generally, we consider the average period of time customers are online when estimating the offering period. We also consider the estimated period of time between the date a game unit is sold to a reseller and the date the reseller sells the game unit to the

customer (i.e., time in channel). Based on these two factors, we then consider the method of distribution. For example, games sold at retail would have a composite offering period equal to the online gameplay period plus time in channel as opposed to digitally-distributed software licenses which are delivered immediately via digital download and therefore, the offering period is estimated to be only the online gameplay period.

Additionally, we consider results from prior analyses, known and expected online gameplay trends, as well as disclosed service periods for competitors' games in determining the Estimated Offering Period for future sales. We believe this provides a reasonable depiction of the transfer of future update rights and online hosting to our customers, as it is the best representation of the time period during which our games are played. We recognize revenue for future update rights and online hosting performance obligations ratably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations. These performance obligations are generally recognized over an estimated nine-month period beginning in the month after shipment for software licenses sold through retail and an estimated six-month period for digitally-distributed software licenses.

Deferred Net Revenue

Because the majority of our sales transactions include future update rights and online hosting performance obligations, which are subject to a recognition period of generally six to nine months, our deferred net revenue balance is material. This balance increases from period to period by the revenue being deferred for current sales with these service obligations and is reduced by the recognition of revenue from prior sales that were deferred. Generally, revenue is recognized as the services are provided.

Principal Agent Considerations

We evaluate sales to end customers of our full games and related content via third-party storefronts, including digital storefronts such as Microsoft's Xbox Store, Sony's PlayStation Store, Apple App Store, and Google Play Store, in order to determine whether or not we are acting as the principal in the sale to the end customer, which we consider in determining if revenue should be reported gross or net of fees retained by the third-party storefront. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that we evaluate in determining gross versus net treatment include but are not limited to the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, except as discussed below, we have determined that generally the third party is considered the principal to end customers for the sale of our full games and related content. We therefore report revenue related to these arrangements net of the fees retained by the storefront. However, for sales arrangements via Apple App Store and Google Play Store, EA is considered the principal to the end customer and thus, we report revenue on a gross basis and mobile platform fees are reported within cost of revenue.

Payment Terms

Substantially all of our transactions have payment terms, whether customary or on an extended basis, of less than one year; therefore, we generally do not adjust the transaction price for the effects of any potential financing components that may exist.

Sales and Value-Added Taxes

Revenue is recorded net of taxes assessed by governmental authorities that are imposed at the time of the specific revenue-producing transaction between us and our customer, such as sales and value-added taxes.

Sales Returns and Price Protection Reserves

Sales returns and price protection are considered variable consideration under ASC 606. We reduce revenue for estimated future returns and price protection which may occur with our distributors and retailers ("channel partners"). Price protection represents our practice to provide our channel partners with a credit allowance to lower their wholesale price on a particular game unit that they have not resold to customers. The amount of the price protection for permanent markdowns is the difference between the old wholesale price and the new reduced wholesale price. Credits are also given for short-term promotions, temporarily reducing the wholesale price. In certain countries we also have a practice for allowing channel partners to return older products in the channel in exchange for a credit allowance.

When evaluating the adequacy of sales returns and price protection reserves, we analyze the following: historical credit allowances, current sell-through of our channel partners' inventory of our products, current trends in retail and the video game industry, changes in customer demand, acceptance of our products, and other related factors. In addition, we monitor the volume of sales to our channel partners and their inventories, as substantial overstocking in the distribution channel could result in high returns or higher price protection in subsequent periods.

In the future, actual returns and price protections may materially exceed our estimates as unsold products in the distribution channels are exposed to rapid changes in customer preferences, market conditions or technological obsolescence due to new platforms, product updates or competing products. While we believe we can make reliable estimates regarding these matters, these estimates are inherently subjective. Accordingly, if our estimates change, our returns and price protection reserves would change and would impact the transaction price and thus, the total net revenue and related balance sheet accounts that we report.

Fair Value Estimates

Business Combinations . We must estimate the fair value of assets acquired, liabilities and contingencies assumed, acquired in-process technology, and contingent consideration issued in a business combination. Our assessment of the estimated fair value of each of these can have a material effect on our reported results as intangible assets are amortized over various estimated useful lives. Furthermore, the estimated fair value assigned to an acquired asset or liability has a direct impact on the amount we recognize as goodwill, which is an asset that is not amortized. Determining the fair value of assets acquired requires an assessment of the highest and best use or the expected price to sell the asset and the related expected future cash flows. Determining the fair value of acquired in-process technology also requires an assessment of our expectations related to the use of that technology. Determining the fair value of an assumed liability requires an assessment of the expected cost to transfer the liability. Determining the fair value of contingent consideration requires an assessment of the probability-weighted expected future cash flows over the period in which the obligation is expected to be settled, and applying a discount rate that appropriately captures the risk associated with the obligation. The significant unobservable inputs used in the fair value measurement of the contingent consideration payable are forecasted earnings. Significant changes in forecasted earnings would result in significantly higher or lower fair value measurement. This fair value assessment is also required in periods subsequent to a business combination. Such estimates are inherently difficult and subjective and can have a material impact on our Condensed Consolidated Financial Statements.

Royalties and Licenses

Our royalty expenses consist of payments to (1) content licensors, (2) independent software developers, and (3) co-publishing and distribution affiliates. License royalties consist of payments made to celebrities, professional sports organizations, movie studios and other organizations for our use of their trademarks, copyrights, personal publicity rights, content and/or other intellectual property. Royalty payments to independent software developers are payments for the development of intellectual property related to our games. Co-publishing and distribution royalties are payments made to third parties for the delivery of products.

Royalty-based obligations with content licensors and distribution affiliates are either paid in advance and capitalized as prepaid royalties or are accrued as incurred and subsequently paid. These royalty-based obligations are generally expensed to cost of revenue generally at the greater of the contractual rate or an effective royalty rate based on the total projected net revenue for contracts with guaranteed minimums. Significant judgment is required to estimate the effective royalty rate for a particular contract. Because the computation of effective royalty rates requires us to project future revenue, it is inherently subjective as our future revenue projections must anticipate a number of factors, including (1) the total number of titles subject to the contract, (2) the timing of the release of these titles, (3) the number of software units and amount of extra content that we expect to sell, which can be impacted by a number of variables, including product quality, number of platforms we release on, the timing of the title's release and competition, and (4) future pricing. Determining the effective royalty rate for our titles is particularly challenging due to the inherent difficulty in predicting the popularity of entertainment products. Furthermore, if we

conclude that we are unable to make a reasonably reliable forecast of projected net revenue, we recognize royalty expense at the greater of contract rate or on a straight-line basis over the term of the contract. Accordingly, if our future revenue projections change, our effective royalty rates would change, which could impact the amount and timing of royalty expense we recognize.

Prepayments made to thinly capitalized independent software developers and co-publishing affiliates are generally made in connection with the development of a particular product, and therefore, we are generally subject to development risk prior to the release of the product. Accordingly, payments that are due prior to completion of a product are generally expensed to research and development over the development period as the services are incurred. Payments due after completion of the product (primarily royalty-based in nature) are generally expensed as cost of revenue.

Our contracts with some licensors include minimum guaranteed royalty payments, which are initially recorded as an asset and as a liability at the contractual amount when no performance remains with the licensor. When performance remains with the licensor, we record guarantee payments as an asset when actually paid and as a liability when incurred, rather than recording the asset and liability upon execution of the contract.

Each quarter, we also evaluate the expected future realization of our royalty-based assets, as well as any unrecognized minimum commitments not yet paid to determine amounts we deem unlikely to be realized through product and service sales. Any impairments or losses determined before the launch of a product are generally charged to research and development expense. Impairments or losses determined post-launch are charged to cost of revenue. We evaluate long-lived royalty-based assets for impairment using undiscounted cash flows when impairment indicators exist. If impairment exists, then the assets are written down to fair value. Unrecognized minimum royalty-based commitments are accounted for as executory contracts, and therefore, any losses on these commitments are recognized when the underlying intellectual property is abandoned (i.e., cease use) or the contractual rights to use the intellectual property are terminated.

Income Taxes

We recognize deferred tax assets and liabilities for both (1) the expected impact of differences between the financial statement amount and the tax basis of assets and liabilities and (2) the expected future tax benefit to be derived from tax losses and tax credit carryforwards. We record a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of our deferred tax assets will not be realized. In making this determination, we are required to give significant weight to evidence that can be objectively verified.

In addition to considering forecasts of future taxable income, we are also required to evaluate and quantify other possible sources of taxable income in order to assess the realization of our deferred tax assets, namely the reversal of existing deferred tax liabilities, the carryback of losses and credits as allowed under current tax law, and the implementation of tax planning strategies. Evaluating and quantifying these amounts involves significant judgments. Each source of income must be evaluated based on all positive and negative evidence; this evaluation involves assumptions about future activity.

We recorded a provisional tax expense of $235 million related to the U.S. Tax Act for the year ended March 31, 2018, $192 million of which relates to the Transition Tax. During the three months ended June 30, 2018, we made no adjustments to these provisional amounts. The final calculation of taxes attributable to the U.S. Tax Act may differ from our estimates, potentially materially, due to, among other things, changes in interpretations of the U.S. Tax Act, our further analysis of the U.S. Tax Act, or any updates or changes to estimates that we have utilized to calculate the transition impacts.

Reasonable estimates of the impacts of the U.S. Tax Act are provided in accordance with SEC guidance that allows for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We expect to complete the accounting under the U.S. Tax Act as soon as practicable, but in no event later than one year from the enactment date of the U.S. Tax Act.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. Our provision for income taxes for the quarter ended June 30, 2018 provisionally does not reflect any deferred tax impacts of the U.S. taxes on foreign earnings. Because of the complexity of the rules regarding the new tax on foreign earnings, we are continuing to evaluate this accounting policy election.

Prior to the U.S. Tax Act, a substantial majority of undistributed earnings of our foreign subsidiaries were considered to be indefinitely reinvested. The U.S. Tax Act included a mandatory one-time tax on accumulated earnings of foreign subsidiaries, and as a result, substantially all previously unremitted earnings for which no U.S. deferred tax liability had been accrued have now been subject to U.S. tax.

As part of the process of preparing our Condensed Consolidated Financial Statements, we are required to estimate our income taxes in each jurisdiction in which we operate prior to the completion and filing of tax returns for such periods. This process requires estimating both our geographic mix of income and our uncertain tax positions in each jurisdiction where we operate. These estimates involve complex issues and require us to make judgments about the likely application of the tax law to our situation, as well as with respect to other matters, such as anticipating the positions that we will take on tax returns prior to our preparing the returns and the outcomes of disputes with tax authorities. The ultimate resolution of these issues may take extended periods of time due to examinations by tax authorities and statutes of limitations. In addition, changes in our business, including acquisitions, changes in our international corporate structure, changes in the geographic location of business functions or assets, changes in the geographic mix and amount of income, as well as changes in our agreements with tax authorities, valuation allowances, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audit and other matters, and variations in the estimated and actual level of annual pre-tax income can affect the overall effective tax rate.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The information under the subheading “Other Recently Issued Accounting Standards” in Note 1 — *Description of Business and Basis of Presentation* to the Condensed Consolidated Financial Statements in this Form 10-Q is incorporated by reference into this Item 2.

RESULTS OF OPERATIONS

Our fiscal year is reported on a 52 - or 53 -week period that ends on the Saturday nearest March 31. Our results of operations for the fiscal year ending March 31, 2019 contains 52 weeks and ends on March 30, 2019. Our results of operations for the fiscal year ended March 31, 2018 contained 52 weeks and ended on March 31, 2018. Our results of operations for the three months ended June 30, 2018 and 2017 contained 13 weeks each and ended on June 30, 2018 and July 1, 2017, respectively. For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

Net Revenue

Net revenue consists of sales generated from (1) full games sold as digital downloads or as packaged goods and designed for play on game consoles and PCs, (2) full games for mobile phones and tablets, (3) live services associated with these games, such as extra-content (4) subscriptions that generally offer access to a selection of full games, in-game content, online services and other benefits, and (5) licensing our games to third parties to distribute and host our games.

We provide two different measures of our Net Revenue: (1) Net Revenue by Product revenue and Service and other revenue, and (2) Net Revenue by Composition, which is primarily based on method of distribution. Management places a greater emphasis and focus on assessing our business through a review of the Net Revenue by Composition (Digital, and Packaged goods and other) than by Net Revenue by Product revenue and Service and other revenue.

Net Revenue Quarterly Analysis

On April 1, 2018, we adopted the New Revenue Standard, which significantly changes the way in which we recognize revenue, including the way in which we present mobile platform fees. We elected to apply the New Revenue Standard using the modified retrospective method. Because of that election, revenue for the three months ended June 30, 2017 has not been restated and is reported under the accounting standards in effect for that period. In order to facilitate year-over-year comparisons, in the Net Revenue and Cost of Revenue tables below, we have quantified the amount of the year-over-year change attributable to (1) the adoption of the New Revenue Standard, (2) the change in the way in which we present mobile platform fees and (3) our operations. The amount attributable to our operations is equivalent to the difference between current and prior period net revenues under the Old Revenue Standard. For more information on the adoption of the New Revenue Standard, including information related to the change in how we report mobile revenue, please see Part I, Item 1 of this Form 10-Q in the Notes to Condensed Consolidated Financial Statements in Note 1 under the heading “Recently Adopted Accounting Standards”.

Net Revenue

Net revenue from our operations for the three months ended June 30, 2018 decreased $33 million , as compared to the three months ended June 30, 2017 . This decrease was driven by a $391 million decrease in revenue primarily from the Battlefield franchise and *Mass Effect: Andromeda* . This decrease was partially offset by a $358 million increase in revenue primarily from the FIFA, Star Wars and Need for Speed franchises.

Net Revenue by Product Revenue and Service and Other Revenue

Our Net Revenue by Product revenue and Service and other revenue for the three months ended June 30, 2018 and 2017 was as follows (in millions):

	Three Months Ended June 30,					
				Changes due to:		
	2018	2017	Total Change	ASC 606 Adoption	Mobile Platform Fees under ASC 606	Operational
Net revenue:						
Product	$ 202	$ 828	$ (626)	$ (514)	$ —	$ (112)
Service and other	935	621	314	186	49	79
Total net revenue	$ 1,137	$ 1,449	$ (312)	$ (328)	$ 49	$ (33)

Product Revenue

Product net revenue from our operations for the three months ended June 30, 2018 decreased $112 million , as compared to the three months ended June 30, 2017 . This decrease was driven by a $378 million decrease primarily from *Battlefield I* and *Mass Effect: Andromeda* . This decrease was partially offset by a $266 million increase primarily from *Star Wars Battlefront II* , and the Need for Speed and The Sims franchises.

Service and Other Revenue

Service and other net revenue from our operations for the three months ended June 30, 2018 increased $79 million , as compared to the three months ended June 30, 2017 . This increase was driven by a $132 million increase primarily from *FIFA Ultimate Team* and *Battlefield 1 Premium* . This increase was partially offset by a $53 million decrease primarily from *Mass Effect: Andromeda, SimCity Mobile,* and the Plants vs. Zombies franchise.

Supplemental Net Revenue by Composition

As we continue to evolve our business and more of our products are delivered to consumers digitally, we place a significant emphasis and focus on assessing our business performance through a review of net revenue by composition.

Our net revenue by composition for the three months ended June 30, 2018 and 2017 was as follows (in millions):

	Three Months Ended June 30,					
				Changes due to:		
	2018	2017	Total Change	ASC 606 Adoption	Mobile Platform Fees under ASC 606	Operational
Net revenue:						
Full game downloads	$ 116	$ 209	$ (93)	$ (60)	$ —	$ (33)
Live services	610	501	109	27	—	82
Mobile	231	169	62	10	49	3
Total Digital	$ 957	$ 879	$ 78	$ (23)	$ 49	$ 52
Packaged goods and other	$ 180	$ 570	$ (390)	$ (305)	$ —	$ (85)
Total net revenue	$ 1,137	$ 1,449	$ (312)	$ (328)	$ 49	$ (33)

Digital Net Revenue

Digital net revenue includes full-game downloads, live services, and mobile revenue. Full game downloads includes revenue from digital sales of full games on console and PC. Live services includes revenue from sales of extra content for console, PC, browser games, game software licensed to our third-party publishing partners who distribute our games digitally, subscriptions, and advertising. Mobile includes revenue from the sale of full games and extra content on mobile phones and tablets.

Digital net revenue from our operations for the three months ended June 30, 2018 increased $52 million , as compared to the three months ended June 30, 2017 . This increase is due to an $82 million increase in live services primarily driven by our *Ultimate Team* game mode and a $3 million increase in mobile revenue primarily driven by *FIFA Mobile.* These increases were offset by a $33 million decrease in full-game download revenue primarily driven by *Battlefield 1.*

Packaged Goods and Other Net Revenue

Packaged goods net revenue includes revenue from software that is distributed physically. This includes (1) net revenue from game software distributed physically through traditional channels such as brick and mortar retailers, and (2) our software licensing revenue from third parties (for example, makers of console platforms, personal computers or computer accessories) who include certain of our products for sale with their products ("OEM bundles"). Other revenue includes our non-software licensing revenue.

Packaged goods and other net revenue from our operations for the three months ended June 30, 2018 decreased $85 million , as compared to the three months ended June 30, 2017 . This decrease was driven by a $238 million decrease primarily from *Battlefield 1* and *Titanfall 2* . This decrease was partially offset by a $153 million increase primarily from *Star Wars Battlefront II* and the Need for Speed franchise.

Cost of Revenue Quarterly Analysis

Cost of revenue for the three months ended June 30, 2018 and 2017 was as follows (in millions):

	Three Months Ended June 30,					
				Changes due to:		
	2018	2017	Total Change	ASC 606 Adoption	Mobile Platform Fees under ASC 606	Operational
Cost of revenue:						
Product	$ 68	$ 64	4	$ (10)	$ —	$ 14
Service and other	147	90	57	10	49	(2)
Total cost of revenue	$ 215	$ 154	$ 61	$ —	$ 49	$ 12

Cost of Product Revenue

Cost of product revenue consists of (1) manufacturing royalties, net of volume discounts and other vendor reimbursements, (2) certain royalty expenses for celebrities, professional sports leagues, movie studios and other organizations, and independent software developers, (3) inventory costs, (4) expenses for defective products, (5) write-offs of post launch prepaid royalty costs and losses on previously unrecognized licensed intellectual property commitments, (6) amortization of certain intangible assets, (7) personnel-related costs, and (8) warehousing and distribution costs. We generally recognize volume discounts when they are earned from the manufacturer (typically in connection with the achievement of unit-based milestones); whereas other vendor reimbursements are generally recognized as the related revenue is recognized.

Cost of product revenue from operations increased by $14 million during the three months ended June 30, 2018 , as compared to the three months ended June 30, 2017 . This increase was primarily due to an increase in the royalty costs associated with *A Way Out.*

Cost of Service and Other Revenue

Cost of service and other revenue consists primarily of (1) royalty costs, (2) data center, bandwidth and server costs associated with hosting our online games and websites, (3) inventory costs, (4) platform processing fees from operating our website-based games on third party platforms, (5) credit card fees and (6) mobile platform fees associated with our mobile revenue (for transactions in which we are acting as the principal in the sale to the end customer).

Operationally, cost of service and other revenue remained relatively consistent in the three months ended June 30, 2018 , as compared to the three months ended June 30, 2017 .

Research and Development

Research and development expenses consist of expenses incurred by our production studios for personnel-related costs, related overhead costs, contracted services, depreciation and any impairment of prepaid royalties for pre-launch products. Research and development expenses for our online products include expenses incurred by our studios consisting of direct development and related overhead costs in connection with the development and production of our online games. Research and development expenses also include expenses associated with our digital platform, software licenses and maintenance, and management overhead.

Research and development expenses for the three months ended June 30, 2018 and 2017 were as follows (in millions):

	June 30, 2018	% of Net Revenue	June 30, 2017	% of Net Revenue	$ Change	% Change
Three months ended	$ 362	32%	$ 325	22%	$ 37	11%

Research and development expenses increased by $37 million , or 11 percent , during the three months ended June 30, 2018 , as compared to the three months ended June 30, 2017 . This $37 million increase was primarily due to a $31 million increase in personnel-related costs and a $19 million increase in stock-based compensation, both primarily driven by an increase in headcount in connection with the Respawn acquisition during the third quarter of fiscal year 2018. These increases were partially offset by a $20 million decrease in development advances primarily related to the Respawn acquisition since prior to the acquisition the parties were under a development agreement.

Marketing and Sales

Marketing and sales expenses consist of personnel-related costs, related overhead costs, advertising, marketing and promotional expenses, net of qualified advertising cost reimbursements from third parties.

Marketing and sales expenses for the three months ended June 30, 2018 and 2017 were as follows (in millions):

	June 30, 2018	% of Net Revenue	June 30, 2017	% of Net Revenue	$ Change	% Change
Three months ended	$ 140	12%	$ 121	8%	$ 19	16%

Marketing and sales expenses increased by $19 million , or 16 percent , during the three months ended June 30, 2018 , as compared to the three months ended June 30, 2017 . This $19 million increase was primarily due to a $17 million increase in advertising and promotional spending on *Star Wars: Galaxy of Heroes* and the FIFA franchise.

General and Administrative

General and administrative expenses consist of personnel and related expenses of executive and administrative staff, corporate functions such as finance, legal, human resources, and information technology, related overhead costs, fees for professional services such as legal and accounting, and allowances for doubtful accounts.

General and administrative expenses for the three months ended June 30, 2018 and 2017 were as follows (in millions):

	June 30, 2018	% of Net Revenue	June 30, 2017	% of Net Revenue	$ Change	% Change
Three months ended	$ 114	10%	$ 105	7%	$ 9	9%

General and administrative expenses increased by $9 million , or 9 percent , during the three months ended June 30, 2018 , as compared to the three months ended June 30, 2017 . This $9 million increase was primarily due to a $5 million increase in personnel-related costs primarily resulting from an increase in headcount and a $3 million increase in stock-based compensation.

Income Taxes

Provision for income taxes for the three months ended June 30, 2018 and 2017 were as follows (in millions):

	June 30, 2018	Effective Tax Rate	June 30, 2017	Effective Tax Rate
Three Months Ended	$ 26	8.2%	$ 105	14.0%

The provision for income taxes for the three months ended June 30, 2018 is based on our projected annual effective tax rate for fiscal year 2019, adjusted for specific items that are required to be recognized in the period in which they incur. Our effective tax rate and resulting provision for income taxes for the three months ended June 30, 2018 was significantly impacted by the U.S. Tax Act, enacted on December 22, 2017.

Our effective tax rate for the three months ended June 30, 2018 was 8.2 percent as compared to 14.0 percent for the same period in fiscal year 2018. The effective tax rate for the three months ended June 30, 2018 was impacted by the lower U.S. statutory tax rate as a result of the U.S. Tax Act and earnings realized in countries that have lower statutory tax rates, partially offset by less excess tax benefits from stock-based compensation recognized in the current period as compared to the same period in fiscal year 2018.

When compared to the statutory rate of 21.0 percent , the effective tax rate for the three months ended June 30, 2018 was lower due to earnings realized in countries that have lower statutory tax rates and the recognition of excess tax benefits from stock-based compensation. Excluding excess tax benefits, our effective tax rate would have been 11.3 percent for the three months ended June 30, 2018 .

The U.S. Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering the U.S. corporate income tax rates to 21 percent, generally implementing a territorial tax system and imposing a one-time transition tax on the deemed repatriation of undistributed earnings of foreign subsidiaries.

We recorded a provisional tax expense of $235 million related to the U.S. Tax Act for the year ended March 31, 2018, $192 million of which relates to the Transition Tax. During the three months ended June 30, 2018, we made no adjustments to these provisional amounts. The final calculation of taxes attributable to the U.S. Tax Act may differ from our estimates, potentially materially, due to, among other things, changes in interpretations of the U.S. Tax Act, our further analysis of the U.S. Tax Act, or any updates or changes to estimates that we have utilized to calculate the transition impacts.

Reasonable estimates of the impacts of the U.S. Tax Act are provided in accordance with SEC guidance that allows for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the recording of the related tax impacts. We expect to complete the accounting under the U.S. Tax Act as soon as practicable, but in no event later than one year from the enactment date of the U.S. Tax Act.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. Our provision for income taxes for the quarter ended June 30, 2018 provisionally does not reflect any deferred tax impacts of the U.S. taxes on foreign earnings. Because of the complexity of the rules regarding the new tax on foreign earnings, we are continuing to evaluate this accounting policy election.

On July 24, 2018, the Ninth Circuit Court of Appeals issued an opinion in *Altera Corp. v. Commissioner* (“the Altera opinion”) requiring related parties in an intercompany cost-sharing arrangement to share expenses related to stock-based compensation. This opinion reversed the prior decision of the United States Tax Court. On August 7, 2018, the Altera opinion was withdrawn for reconsideration. We will continue to monitor ongoing developments and potential impacts to our condensed consolidated financial statements. If the Altera opinion stands, it could result in material changes to our condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	As of June 30, 2018	As of March 31, 2018	Increase/(Decrease)
Cash and cash equivalents	$ 3,876	$ 4,258	$ (382)
Short-term investments	1,095	1,073	22
Total	$ 4,971	$ 5,331	$ (360)
Percentage of total assets	60%	62%	

	Three Months Ended June 30,		
(In millions)	2018	2017	Change
Net cash provided by operating activities	$ 120	$ 176	$ (56)
Net cash used in investing activities	(103)	(288)	185
Net cash used in financing activities	(388)	(215)	(173)
Effect of foreign exchange on cash and cash equivalents	(11)	10	(21)
Net decrease in cash and cash equivalents	$ (382)	$ (317)	$ (65)

Changes in Cash Flow

Operating Activities. Net cash provided by operating activities decreased by $56 million during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 . The decrease is primarily driven by (1) $37 million in additional research and development expenses, (2) a $38 million decrease due to the timing of advertising credit collections, and (3) a $21 million increase in tax payments during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 . This decrease is partially offset by the timing of marketing and advertising payments during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 .

Investing Activities. Net cash used in investing activities decreased by $185 million during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 primarily driven by a $465 million decrease in the purchase of short-term investments. This decrease was offset by a $231 million decrease in proceeds from the sales and maturities of short-term investments during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and the payment of $50 million in connection with the acquisition of GameFly Cloud Gaming during the three months ended June 30, 2018

Financing Activities. Net cash used in financing activities increased by $173 million during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 primarily due to a $150 million increase in the repurchase and retirement of our common stock and a $29 million decrease in proceeds from the exercise of stock options during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 .

Short-term Investments

Due to our mix of fixed and variable rate securities, our short-term investment portfolio is susceptible to changes in short-term interest rates. As of June 30, 2018 , our short-term investments had gross unrealized losses of $8 million , or less than 1 percent of the total in short-term investments, and gross unrealized gains of less than $1 million , or less than 1 percent of the total in short-term investments. From time to time, we may liquidate some or all of our short-term investments to fund operational needs or other activities, such as capital expenditures, business acquisitions or stock repurchase programs.

Senior Notes

In February 2016, we issued $600 million aggregate principal amount of the 2021 Notes and $400 million aggregate principal amount of the 2026 Notes. We used the net proceeds of $989 million for general corporate purposes, including the payment of our formerly outstanding convertible notes and repurchases of our common stock. The effective interest rate is 3.94% for the 2021 Notes and 4.97% for the 2026 Notes. Interest is payable semiannually in arrears, on March 1 and September 1 of each year. See Note 12 — *Financing Arrangements* to the Condensed Consolidated Financial Statements in this Form 10-Q as it relates to our Senior Notes, which is incorporated by reference into this Item 2.

Credit Facility

In March 2015 , we entered into a $500 million senior unsecured revolving credit facility with a syndicate of banks. As of June 30, 2018 , no amounts were outstanding under the credit facility. See Note 12 — *Financing Arrangements* to the Condensed Consolidated Financial Statements in this Form 10-Q as it relates to the above items, which is incorporated by reference into this Item 2.

Financial Condition

We believe that our cash, cash equivalents, short-term investments, cash generated from operations and available financing facilities will be sufficient to meet our operating requirements for at least the next 12 months, including working capital requirements, capital expenditures, debt repayment obligations, and potentially, future acquisitions, stock repurchases, or strategic investments. We may choose at any time to raise additional capital to repay debt, strengthen our financial position, facilitate expansion, repurchase our stock, pursue strategic acquisitions and investments, and/or to take advantage of business opportunities as they arise. There can be no assurance, however, that such additional capital will be available to us on favorable terms, if at all, or that it will not result in substantial dilution to our existing stockholders.

In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans.
The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. During the three months ended June 30, 2018 , we repurchased approximately 1.7 million shares for approximately $224 million under this program. We are actively repurchasing shares under this program.

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $1.2 billion of our common stock. During the three months ended June 30, 2018 and 2017 , we repurchased approximately 0.6 million and 1.1 million shares for approximately $76 million and $119 million , respectively, under this program. This program was superseded and replaced by the May 2018 program.

In May 2015, our Board of Directors authorized a program to repurchase up to $1 billion of our common stock. We repurchased approximately 0.3 million shares for approximately $31 million under this program during the three months ended June 30, 2018 . We completed repurchases under the May 2015 program in April 2017.

We have a “shelf” registration statement on Form S-3 on file with the SEC. This shelf registration statement, which includes a base prospectus, allows us at any time to offer any combination of securities described in the prospectus in one or more offerings. Unless otherwise specified in a prospectus supplement accompanying the base prospectus, we would use the net proceeds from the sale of any securities offered pursuant to the shelf registration statement for general corporate purposes, which may include funding for working capital, financing capital expenditures, research and development, marketing and distribution efforts, and if opportunities arise, for acquisitions or strategic alliances. Pending such uses, we may invest the net proceeds in interest-bearing securities. In addition, we may conduct concurrent or other financings at any time.

Our ability to maintain sufficient liquidity could be affected by various risks and uncertainties including, but not limited to, those related to customer demand and acceptance of our products, our ability to collect our accounts receivable as they become due, successfully achieving our product release schedules and attaining our forecasted sales objectives, the impact of acquisitions and other strategic transactions in which we may engage, the impact of competition, economic conditions in the United States and abroad, the seasonal and cyclical nature of our business and operating results, risks of product returns and the other risks described in the “Risk Factors” section, included in Part II, Item 1A of this report.

Contractual Obligations and Commercial Commitments

Note 13 — *Commitments and Contingencies* to the Condensed Consolidated Financial Statements in this Form 10-Q as it relates to our contractual obligations and commercial commitments, which is incorporated by reference into this Item 2.

OFF-BALANCE SHEET COMMITMENTS

As of June 30, 2018 , we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues and expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates, interest rates and market prices, which have experienced significant volatility. Market risk is the potential loss arising from changes in market rates and market prices. We employ established policies and practices to manage these risks. Foreign currency forward contracts are used to hedge anticipated exposures or mitigate some existing exposures subject to foreign exchange risk as discussed below. While we do not hedge our short-term investment portfolio, we protect our short-term investment portfolio against different market risks, including interest rate risk as discussed below. Our cash and cash equivalents portfolio consists of highly liquid investments with insignificant interest rate risk and original or remaining maturities of three months or less at the time of purchase. We do not enter into derivatives or other financial instruments for speculative trading purposes and do not hedge our market price risk relating to marketable equity securities, if any.

Foreign Currency Exchange Risk

Foreign Currency Exchange Rates. International sales are a fundamental part of our business, and the strengthening of the U.S. dollar (particularly relative to the Euro, British pound sterling, Australian dollar, Chinese yuan and South Korean won) has a negative impact on our reported international net revenue, but a positive impact on our reported international operating expenses (particularly the Swedish krona and Canadian dollar) because these amounts are translated at lower rates as compared to periods in which the U.S. dollar is weaker. While we use foreign currency hedging contracts to mitigate some foreign currency exchange risk, these activities are limited in the protection that they provide us and can themselves result in losses.

Cash Flow Hedging Activities. We hedge a portion of our foreign currency risk related to forecasted foreign-currency-denominated sales and expense transactions by purchasing foreign currency forward contracts that generally have maturities of 18 months or less. These transactions are designated and qualify as cash flow hedges. Our hedging programs are designed to reduce, but do not entirely eliminate, the impact of currency exchange rate movements in net revenue and research and development expenses.

Balance Sheet Hedging Activities . We use foreign currency forward contracts to mitigate foreign currency exchange risk associated with foreign-currency-denominated monetary assets and liabilities, primarily intercompany receivables and payables. The foreign currency forward contracts generally have a contractual term of three months or less and are transacted near month-end.

We believe the counterparties to our foreign currency forward contracts are creditworthy multinational commercial banks. While we believe the risk of counterparty nonperformance is not material, a sustained decline in the financial stability of financial institutions as a result of disruption in the financial markets could affect our ability to secure creditworthy counterparties for our foreign currency hedging programs.

Notwithstanding our efforts to mitigate some foreign currency exchange risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. As of June 30, 2018 , a hypothetical adverse foreign currency exchange rate movement of 10 percent or 20 percent would have resulted in potential declines in the fair value on our foreign currency forward contracts used in cash flow hedging of $149 million or $298 million , respectively. As of June 30, 2018 , a hypothetical adverse foreign currency exchange rate movement of 10 percent or 20 percent would have resulted in potential losses on our foreign currency forward contracts used in balance sheet hedging of $49 million or $97 million , respectively. This sensitivity analysis assumes an adverse shift of all foreign currency exchange rates; however, all foreign currency exchange rates do not always move in such manner and actual results may differ materially. See Note 5 — *Derivative Financial Instruments* to the Condensed Consolidated Financial Statements in this Form 10-Q as it relates to our derivative financial instruments, which is incorporated by reference into this Item 3.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our short-term investment portfolio. We manage our interest rate risk by maintaining an investment portfolio generally consisting of debt instruments of high credit quality and relatively short maturities. However, because short-term investments mature relatively quickly and, if reinvested, are invested at the then-current market rates, interest income on a portfolio consisting of short-term investments is subject to market fluctuations to a greater extent than a portfolio of longer term investments. Additionally, the contractual terms of the investments do not permit the issuer to call, prepay or otherwise settle the investments at prices less than the stated par value. Our investments are held for purposes other than trading. We do not use derivative financial instruments in our short-term investment portfolio.

As of June 30, 2018 , our short-term investments were classified as available-for-sale securities and, consequently, were recorded at fair value with unrealized gains or losses resulting from changes in fair value reported as a separate component of accumulated other comprehensive income (loss), net of tax, in stockholders' equity.

Notwithstanding our efforts to manage interest rate risks, there can be no assurance that we will be adequately protected against risks associated with interest rate fluctuations. Fluctuations in interest rates could have a significant impact on the fair value of our investment portfolio. The following table presents the hypothetical changes in the fair value of our short-term investment portfolio as of June 30, 2018 , arising from potential changes in interest rates. The modeling technique estimates the change in fair value from immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS.

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
(In millions)	**(150 BPS)**	**(100 BPS)**	**(50 BPS)**	**June 30, 2018**	**50 BPS**	**100 BPS**	**150 BPS**
Corporate bonds	$ 623	$ 620	$ 616	$ 613	$ 610	$ 607	$ 603
U.S. Treasury securities	216	215	214	213	212	211	210
U.S. agency securities	76	75	75	74	74	74	73
Commercial paper	90	90	90	89	89	89	89
Foreign government securities	54	54	53	54	53	52	52
Asset-backed securities	51	51	51	50	50	50	50
Certificates of deposit	2	2	2	2	2	2	2
Total short-term investments	$ 1,112	$ 1,107	$ 1,101	$ 1,095	$ 1,090	$ 1,085	$ 1,079

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures, believe that as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing the requisite reasonable assurance that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding the required disclosure.

Changes in internal control over financial reporting

During the fiscal quarter ended June 30, 2018 , we implemented new processes and control activities in connection with the adoption of the New Revenue Standard. These changes include the evaluation of our contracts outstanding as of April 1, 2018 to assess the cumulative effect impact of the New Revenue Standard, as well as the implementation of new internal controls related to complying with the New Revenue Standard after April 1, 2018, (for example, controls to determine our best estimates of the stand-alone selling price of each performance obligation in a contract). Several of these new processes and internal controls have been automated through the implementation of a new revenue accounting information technology system. There have not been any other significant changes in our internal controls over financial reporting identified in connection with our evaluation that occurred during the fiscal quarter ended June 30, 2018 that have materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Limitations on effectiveness of disclosure controls

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The information under the subheading "Legal Proceedings" in Note 13 — *Commitments and Contingencies* to the Condensed Consolidated Financial Statements in this Form 10-Q is incorporated by reference into this Part II.

Item 1A. Risk Factors

Our business is subject to many risks and uncertainties, which may affect our future financial performance. If any of the events or circumstances described below occurs, our business or financial performance could be harmed, our actual results could differ materially from our expectations and the market value of our stock could decline. The risks and uncertainties discussed below are not the only ones we face. There may be additional risks and uncertainties not currently known to us or that we currently do not believe could be material that may harm our business or financial performance.

Our business is intensely competitive and "hit" driven. We may not deliver "hit" products and services, or consumers may prefer our competitors' products or services over our own.

Competition in our industry is intense. Many new products and services are regularly introduced in each major industry segment (console, mobile and PC), but only a relatively small number of "hit" titles account for a significant portion of total revenue in each segment. Our competitors range from established interactive entertainment companies and diversified media companies to emerging start-ups, and we expect new competitors to continue to emerge throughout the world. If our competitors develop and market more successful and engaging products or services, offer competitive products or services at lower price points, or if we do not continue to develop consistently high-quality, well-received and engaging products and services, our revenue, margins, and profitability will decline.

We maintain a relatively limited product portfolio in an effort to focus on developing high-quality and engaging products with the potential to become hits. High-quality titles, even if highly-reviewed, may not turn into hit products. Many hit products within our industry are iterations of prior hit products with large established consumer bases and significant brand recognition, which makes competing in certain product categories challenging. In addition, hit products or services of our competitors may take a larger portion of consumer spending or time than we anticipate, which could cause our products and services to underperform relative to our expectations. Publishing a relatively small number of major titles each year also concentrates risk in those titles and means each major title has greater associated risk. A significant portion of our revenue historically has been derived from games and services based on a few popular franchises, and the underperformance of a single major title could have a material adverse impact on our financial results. For example, we have historically derived a significant portion of our net revenue from sales related to our largest and most popular game, FIFA, the annualized version of which is consistently one of the best-selling games in the marketplace. Any events or circumstances that negatively impact our FIFA franchise, such as game or service quality, the delay or cancellation of a product or service launch, or real or perceived security risks could negatively impact our financial results to a disproportionate extent.

The increased importance of live services revenue to our business heightens the risks associated with our limited product portfolio. Live services that are either poorly-received or provided in connection with underperforming games may generate lower than expected sales. Any lapse, delay or failure in our ability to provide high-quality live services content to consumers over an extended period of time could materially and adversely affect our financial results, consumer engagement with our live services, and cause harm to our reputation and brand. Our most popular live service is the *Ultimate Team* mode associated with our sports franchises. Any events or circumstances that negatively impact our ability to reliably provide content or sustain engagement for *Ultimate Team* , particularly *FIFA Ultimate Team* , would negatively impact our financial results to a disproportionate extent.

Technology changes rapidly in our business and we may fail to anticipate or successfully implement new technologies or adopt new business strategies, technologies or methods.

Rapid technology changes in our industry require us to anticipate, sometimes years in advance, which technologies we must develop, implement and take advantage of in order to make our products and services competitive in the market. We have invested, and in the future may invest, in new business strategies, technologies, products, and services. For example, we are investing in the infrastructure for our EA Player Network which we expect will allow us to market and deliver content and services for our franchises more efficiently as well as enable new player-centric ways to discover and try new experiences. Such endeavors may involve significant risks and uncertainties, and no assurance can be given that the technology we choose to adopt and the products and services that we pursue will be successful. If we do not successfully implement these new technologies, our reputation and brand may be materially adversely affected and our financial condition and operating results may be impacted. We also may miss opportunities to adopt technology or develop products, services or new ways to engage with our games that become popular with

consumers, which could adversely affect our financial results. It may take significant time and resources to shift our focus to such technologies, putting us at a competitive disadvantage.

Our development process usually starts with particular platforms and distribution methods in mind, and a range of technical development and feature goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly and effectively than we can. In either case, our products and services may be technologically inferior to those of our competitors, less appealing to consumers, or both. If we cannot achieve our technology goals within the original development schedule for our products and services, then we may delay their release until these goals can be achieved, which may delay or reduce revenue and increase our development expenses. Alternatively, we may increase the resources employed in research and development in an attempt to accelerate our development of new technologies, either to preserve our product or service launch schedule or to keep up with our competition, which would increase our development expenses.

We may experience security breaches and cyber threats.

Our industry is prone to, and our systems and networks are subject to, cyber-attacks, computer viruses, worms, phishing attacks, malicious software programs and other information security incidents that seek to exploit, disable, damage, disrupt or gain access to our networks, our products and services, supporting technological infrastructure, intellectual property and other assets. We expect these threats to our systems and networks to continue. In addition, we rely on technological infrastructure provided by third-party business partners to support the online functionality of our products and services. These business partners, as well as our channel partners, also are subject to cyber risks and threats. Both our partners and we have expended, and expect to continue to expend, financial and operational resources to implement certain systems, processes and technologies to guard against cyber risks and to help protect our data and systems. However, the techniques used to exploit, disable, damage, disrupt or gain access to our networks, our products and services, supporting technological infrastructure, intellectual property and other assets change frequently, continue to evolve in sophistication and volume, and often are not detected for long periods of time. Our systems, processes and technologies, and the systems, processes and technologies of our business partners, may not be adequate against all eventualities. In addition, the costs to respond to, mitigate, and/or notify affected parties of cyber-attacks and other security vulnerabilities are significant. Any failure to prevent or mitigate security breaches or cyber risks, or detect or respond adequately to a security breach or cyber risk, could result in a loss of anticipated revenue, interruptions to our products and services, cause us to incur significant remediation and notification costs, degrade the user experience, cause consumers to lose confidence in our products and services and significant legal and financial costs. This could harm our business, reputation and brand, disrupt our relationships with partners and customers and diminish our competitive position.

The virtual economies that we have established in many of our games are subject to abuse, exploitation and other forms of fraudulent activity that can negatively impact our business. Virtual economies involve the use of virtual currency and/or virtual assets that can be used or redeemed by a player within a particular game or service. The abuse or exploitation of our virtual economies include the illegitimate generation and sale of virtual items, including in black markets. Our online services have been impacted by in-game exploits and the use of automated or other fraudulent processes to generate virtual item or currency illegitimately, and such activity may continue. These abuses and exploits, and the steps that we take to address these abuses and exploits may result in a loss of anticipated revenue, increased costs to protect against or remediate these issues, interfere with players' enjoyment of a balanced game environment and cause harm to our reputation and brand.

Our business could be adversely affected if our consumer protection, data privacy and security practices are not adequate, or perceived as being inadequate, to prevent data breaches, or by the application of consumer protection and data privacy and security laws generally.

In the course of our business, we collect, process, store and use consumer, employee and other information, including personal information, passwords, credit card information gameplay details and banking information. Although we expend, and expect to continue to expend, financial and operational resources to create and enforce security measures, policies and controls that are designed to protect this information from improper or unauthorized access, acquisition and misuse and/or the uninformed disclosure, our security measures, policies and controls may not be able successful against all eventualities. The improper or unauthorized access, acquisition or misuse and/or uninformed disclosure of consumer and other information, or a perception that we do not adequately secure this information or provide consumers with adequate notice about the information that they authorize us to disclose, could result in legal liability, costly remedial measures, governmental and regulatory investigations, harm our profitability, reputation and brand, and cause our financial results to be materially affected. In addition, third party vendors and business partners receive access to information that we collect. These vendors and business partners may not prevent data security breaches with respect to the information we provide them or fully enforce our policies, contractual obligations and disclosures regarding the collection, use, storage, transfer and retention of personal data. A data security breach of one of our vendors or business partners

could cause reputational and financial harm to them and us, negatively impact our ability to offer our products and services, and could result in legal liability, costly remedial measures, governmental and regulatory investigations, harm our profitability, reputation and brand, and cause our financial results to be materially affected.

We are subject to payment card association rules and obligations pursuant to contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for the cost of associated expenses and penalties. In addition, if we fail to follow payment card industry security standards, even if no consumer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

Data privacy, data protection, localization, security and consumer-protection laws are evolving, and the interpretation and application of these laws in the United States, Europe and elsewhere often are uncertain, contradictory and changing. For example, recent developments in Europe have created compliance uncertainty and increased the complexity of certain transfers of information from Europe to the United States. In addition, the European General Data Protection Regulation (GDPR), effective as of May 2018 applies to us because we receive and process the personal data of European Union residents. The GDPR contains significant penalties for non-compliance. It is possible that these laws may be interpreted or applied in a manner that is adverse to us, unforeseen, or otherwise inconsistent with our practices or that we may not adequately adapt our internal policies and/or procedures to evolving regulations, any of which could result in litigation, regulatory investigations and potential legal liability, require us to change our practices in a manner adverse to our business or limit access to our products and services in certain countries. As a result, our reputation and brand may be harmed, we could incur substantial costs, and we could lose both consumers and revenue.

We may experience outages, disruptions or degradations in our services, products and/or technological infrastructure.

The reliable performance of our products and services increasingly depends on the continuing operation and availability of our information technology systems and those of our external service providers, including third-party “cloud” computing services. Our games and services are complex software products, and maintaining the sophisticated technological infrastructure required to reliably deliver these games and services is expensive and complex. The reliable delivery and stability of our products and services could be adversely impacted by outages, disruptions, failures or degradations in our network and related infrastructure, as well as in the online platforms or services of key business partners who offer or support our products and services. Possible causes of these outages, disruptions, failures or degradations include natural disasters, power loss, terrorism, cyber-attacks, computer viruses, bugs or other malware or ransomware that may harm our systems. In addition, we occasionally migrate data among data centers and to third-party hosted environments and perform upgrades and maintenance on our systems.

If we were to experience an event that caused a significant system outage, disruption or degradation or if a transition among data centers or service providers or an upgrade or maintenance session encountered unexpected interruptions, unforeseen complexity or unplanned disruptions, our products and services may not be available to consumers or may not be delivered reliably and stably. As a result, our reputation and brand may be harmed, consumer engagement with our products and services may be reduced, and our revenue and profitability could be negatively impacted. We do not have redundancy for all our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities.

As our digital business grows, we will require an increasing amount of technical infrastructure, including network capacity and computing power to continue to satisfy the needs of consumers. We are investing, and expect to continue to invest, in technology, hardware and software to support our business, but it is possible that we may fail to scale effectively and grow our technical infrastructure to accommodate these increased demands, which may adversely affect the reliable and stable performance of our games and services, therefore negatively impacting engagement, reputation, brand and revenue growth.

Negative perceptions about and responses to our brands, products, services and/or business practices may damage our business, and we may incur costs to address concerns.

Expectations regarding the quality, performance and integrity of our products and services are high. Players may be critical of our brands, products, services, business models and/or business practices for a wide variety of reasons, including perceptions about gameplay fun, fairness, game content, features or services, or objections to certain of our business practices. These negative responses may not be foreseeable. We also may not effectively manage these responses because of reasons within or outside of our control. For example, we have included in certain games the ability for players to purchase digital items, including in some instances virtual “packs”, “boxes” or “crates” that contain variable digital items. The inclusion of variable digital items in certain of our games has attracted the attention of our community and if the future implementation of these features creates a negative perception of gameplay fairness or other negative perceptions, our reputation and brand could be harmed and our revenue could be negatively impacted. In addition, we have taken actions, including delaying the release of our games and delaying or discontinuing features and services for our games, after taking into consideration, among other things, feedback from our community even if

those decisions negatively impacted our operating results in the short term. We expect to continue to take actions to address concerns as appropriate, including actions that may result in additional expenditures and the loss of revenue. Negative sentiment about gameplay fairness, our business practices, business models or game content also can lead to investigations or increased scrutiny from governmental bodies and consumer groups, as well as litigation, which, regardless of their outcome, may be costly, damaging to our reputation and harm our business.

Our business depends on the success and availability of platforms developed by third parties and our ability to develop commercially successful products and services for those platforms.

The success of our business is driven in part by the commercial success and adequate supply of third party platforms for which we develop our products and services or through which our products and services are distributed. Our success also depends on our ability to accurately predict which platforms will be successful in the marketplace, our ability to develop commercially successful products and services for these platforms, our ability to simultaneously manage products and services on multiple platforms and our ability to effectively transition our products and services to new platforms. We must make product development decisions and commit significant resources well in advance of the commercial availability of new platforms, and we may incur significant expense to adjust our product portfolio and development efforts in response to changing consumer platform preferences. Additionally, we may enter into certain exclusive licensing arrangements that affect our ability to deliver or market products or services on certain platforms. A platform for which we are developing products and services may not succeed as expected or new platforms may take market share and interactive entertainment consumers away from platforms for which we have devoted significant resources. If consumer demand for the platforms for which we are developing products and services is lower than our expectations, we may be unable to fully recover the investments we have made in developing our products and services, and our financial performance will be harmed. Alternatively, a platform for which we have not devoted significant resources could be more successful than we initially anticipated, causing us to not be able to take advantage of meaningful revenue opportunities.

Government regulations applicable to us may negatively impact our business.

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. In addition, laws and regulations relating to user privacy, data collection, retention, consumer protection, content, advertising, localization, and information security, among others, have been adopted or are being considered for adoption by many jurisdictions and countries throughout the world. These laws could harm our business by limiting the products and services we can offer consumers or the manner in which we offer them. The costs of compliance with these laws may increase in the future as a result of changes in interpretation. Any failure on our part to comply with these laws or the application of these laws in an unanticipated manner may harm our business and result in penalties or significant legal liability.

Certain of our business models could be subject to new laws or regulations or evolving interpretations of existing laws and regulations. For example, the growth and development of electronic commerce, virtual items and virtual currency has prompted calls for laws and regulations that could limit or restrict the sale of our products and services or otherwise impact our products and services. In addition, we include modes in our games that allow players to compete against each other and manage player competitions that are based on our products and services. Although we structure and operate our skill-based competitions with applicable laws in mind, our skill-based competitions in the future could become subject to evolving laws and regulations. New laws related to these business models, or changes in the interpretation of current laws that impact these business models, could subject us to additional regulation and oversight, lessen the engagement with, and growth of, profitable business models, and expose us to increased compliance costs, significant liability, penalties and harm to our reputation and brand.

We are subject to laws in certain foreign countries, and adhere to industry standards in the United States, that mandate rating requirements or set other restrictions on the advertisement or distribution of interactive entertainment software based on content. In addition, certain foreign countries allow government censorship of interactive entertainment software products. Adoption of ratings systems, censorship or restrictions on distribution of interactive entertainment software based on content could harm our business by limiting the products we are able to offer to our customers. In addition, compliance with new and possibly inconsistent regulations for different territories could be costly, delay or prevent the release of our products in those territories.

We may not meet our product development schedules or key events, sports seasons and/or movies that are tied to our product release schedule to may be delayed, cancelled or poorly received.

Our ability to meet product development schedules is affected by a number of factors both within and outside our control, including feedback from our players, the creative processes involved, the coordination of large and sometimes geographically dispersed development teams, the complexity of our products and the platforms for which they are developed, the need to fine-tune our products prior to their release and, in certain cases, approvals from third parties. We have experienced development delays for our

products in the past, which caused us to delay or cancel release dates. We also seek to release certain products in conjunction with key events, such as the beginning of a sports season, major sporting event, or the release of a related movie. If such a key event were delayed, cancelled or poorly received, our sales likely would suffer materially. Any failure to meet anticipated production or release schedules likely would result in a delay of revenue and/or possibly a significant shortfall in our revenue, increase our development and/or marketing expenses, harm our profitability, and cause our operating results to be materially different than anticipated.

Historically our business has been highly seasonal with the highest percentage of our sales occurring in the quarter ending in December. While we expect this trend to continue in fiscal year 2019, there is no assurance that it will be so. If we miss key selling periods for products or services for any reason, including product delays or product cancellations our sales likely will suffer significantly. Additionally, macroeconomic conditions or the occurrence of unforeseen events that negatively impact consumer or retailer buying patterns, particularly during the quarter ending in December, likely will harm our financial performance disproportionately.

Our marketing and advertising efforts may fail to resonate with consumers.

Our products and services are marketed worldwide through a diverse spectrum of advertising and promotional programs, such as online and mobile advertising, television advertising, retail merchandising, marketing through websites, event sponsorship and direct communications with consumers including via email. Furthermore, an increasing portion of our marketing activity is taking place on social media platforms that are outside of our direct control. Our ability to sell our products and services is dependent in part upon the success of these programs, and changes to consumer preferences, marketing regulations, technology changes or service disruptions may negatively impact our ability to reach our customers. Moreover, if the marketing for our products and services fails to resonate with our customers, particularly during the critical holiday season or during other key selling periods, or if advertising rates or other media placement costs increase, our business and operating results could be harmed.

We may not attract and retain key personnel.

The market for technical, creative, marketing and other personnel essential to the development, marketing and support of our products and services and management of our businesses is extremely competitive. Our leading position within the interactive entertainment industry makes us a prime target for recruiting our executives, as well as key creative and technical talent. We may experience significant compensation costs to hire and retain senior executives and other personnel that we deem critical to our success. If we cannot successfully recruit and retain qualified employees, or replace key employees following their departure, our ability to develop and manage our business will be impaired.

We may experience declines or fluctuations in the recurring portion of our business.

Our business model includes revenue that we deem recurring in nature, such as revenue from our annualized titles (e.g., FIFA and Madden NFL) and associated services, subscriptions and our ongoing mobile businesses. While we have been able to forecast the revenue from these areas of our business with greater relative confidence than for new games, services and business models, we cannot provide assurances that consumer demand will remain consistent. Furthermore, we may cease to offer games and services that we previously had deemed to be recurring in nature. Consumer demand may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our games and services, our ability to improve and innovate our annualized titles, our ability to adapt our games and services to new platforms and business models, outages and disruptions of online services, the games and services offered by our competitors, our marketing and advertising efforts or declines in consumer activity generally as a result of economic downturns, among others. The reception to our licensed sports games may be adversely impacted by circumstances outside our control impacting the sports leagues and organizations. Any decline or fluctuation in the recurring portion of our business may have a negative impact on our financial and operating results.

We could fail to successfully adopt new business models.

From time to time we seek to establish and implement new business models. Forecasting the success of any new business model is inherently uncertain and depends on a number of factors both within and outside of our control. Our actual revenue and profit for these businesses may be significantly greater or less than our forecasts. In addition, these new business models could fail, resulting in the loss of our investment in the development and infrastructure needed to support these new business models, as well as the opportunity cost of diverting management and financial resources away from more successful and established businesses. For example, we have devoted financial and operational resources to our subscription offerings without any assurance that these businesses will be financially successful. While we anticipate growth in this area of our business, consumer demand is difficult to predict as a result of a number of factors, including satisfaction with our products and services, our ability to provide engaging products and services, products and services offered by our competitors, reliability of our infrastructure, pricing, the actual or perceived security of our information technology systems and reductions in consumer spending levels. In addition, if our subscription offerings are successful, sales could be diverted from established business models. If we do not select a target price that is optimal for our subscription services, maintain our target pricing structure or correctly project renewal rates, our financial results may be harmed.

Acquisitions, investments, divestitures and other strategic transactions could result in operating difficulties and other negative consequences.

We have made and may continue to make acquisitions or enter into other strategic transactions including (1) acquisitions of companies, businesses, intellectual properties, and other assets, (2) minority investments in strategic partners, and (3) investments in new interactive entertainment businesses as part of our long-term business strategy. These transactions involve significant challenges and risks including that the transaction does not advance our business strategy, that we do not realize a satisfactory return on our investment, that we acquire liabilities, that our due diligence process does not identify significant issues, liabilities or other challenges, diversion of management's attention from our other businesses, the incurrence of debt, contingent liabilities or amortization expenses, write-offs of goodwill, intangibles, or acquired in-process technology, or other increased cash and non-cash expenses. In addition, we may not integrate these businesses successfully, for example with difficulties with the integration of business systems and technologies, the integration and retention of new employees, the implementation or remediation of the internal control environment of the acquired entity, or the maintenance of key business and customer relationships. These events could harm our operating results or financial condition. We also may divest or sell assets or a business and we may have difficulty selling such assets or business on acceptable terms in a timely manner. This could result in a delay in the achievement of our strategic objectives, cause us to incur additional expense, or the sale of such assets or business at a price or on terms that are less favorable than we anticipated.

We may be unable to maintain or acquire licenses to include intellectual property owned by others in our games, or to maintain or acquire the rights to publish or distribute games developed by others.

Many of our products and services are based on or incorporate intellectual property owned by others. For example, our EA Sports products include rights licensed from major sports leagues and players' associations and our Star Wars products include rights licensed from Disney. Competition for these licenses and rights is intense. If we are unable to maintain these licenses and rights or obtain additional licenses or rights with significant commercial value, our ability to develop and successful and engaging games and services may be adversely affected and our revenue, profitability and cash flows may decline significantly. Competition for these licenses also may increase the amounts that we must pay to licensors and developers, through higher minimum guarantees or royalty rates, which could significantly increase our costs and reduce our profitability.

We rely on the systems of our platform partners who have significant influence over the products and services that we offer on their systems.

A significant percentage of our digital net revenue is attributable to sales of products and services through our significant platform partners, including Sony, Microsoft, Nintendo, Apple and Google. The concentration of a material portion of our digital sales in these platform partners exposes us to risks associated with these businesses. Any deterioration in the businesses of our platform partners could disrupt and harm our business, including by limiting the methods through which our digital products and services are offered and exposing us to collection risks.

In addition, our license agreements with our platform partners typically give them significant control over the approval, manufacturing and distribution of the products and services that we develop for their platform. In particular, our arrangements with Sony and Microsoft could, in certain circumstances, leave us unable to get our products and services approved, manufactured

or distributed to customers. For our digital products and services delivered via digital channels maintained by, among others, Sony, Microsoft, Nintendo, Apple and Google, each respective platform partner has policies and guidelines that control the promotion and distribution of these titles and the features and functionalities that we are permitted to offer through the channel. In addition, we are dependent on our platform partners to invest in, and upgrade, digital commerce capabilities in a manner than corresponds to the way in which consumers purchase our products and services. Failure by our platform partners to keep pace with consumer preferences could have an adverse impact on our ability to merchandise and commercialize our products and services which could harm our business and/or financial results.

Moreover, certain of our platform partners can determine and change unilaterally certain key terms and conditions, including the ability to change their user and developer policies and guidelines. In many cases our platform partners also set the rates that we must pay to provide our games and services through their online channels, and retain flexibility to change their fee structures or adopt different fee structures for their online channels, which could adversely impact our costs, profitability and margins. In addition, our platform partners control the information technology systems through which online sales of our products and service channels are captured. If our platform partners establish terms that restrict our offerings through their platforms, significantly impact the financial terms on which these products or services are offered to our customers, or their information technology systems fail or cause an unanticipated delay in reporting, our business and/or financial results could be materially affected.

Our business is subject to risks generally associated with the entertainment industry.

Our business is subject to risks that are generally associated with the entertainment industry, many of which are beyond our control. These risks could negatively impact our operating results and include: the popularity, price and timing of our games, economic conditions that adversely affect discretionary consumer spending, changes in consumer demographics, the availability and popularity of other forms of entertainment, and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

Our business partners may be unable to honor their obligations to us or their actions may put us at risk.

We rely on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees in many areas of our business. Their actions may put our business and our reputation and brand at risk. For example, we may have disputes with our business partners that may impact our business and/or financial results. In many cases, our business partners may be given access to sensitive and proprietary information in order to provide services and support to our teams, and they may misappropriate our information and engage in unauthorized use of it. In addition, the failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to our business operations. Further, disruptions in the financial markets, economic downturns, poor business decisions, or reputational harm may adversely affect our business partners and they may not be able to continue honoring their obligations to us or we may cease our arrangements with them. Alternative arrangements and services may not be available to us on commercially reasonable terms or we may experience business interruptions upon a transition to an alternative partner or vendor. If we lose one or more significant business partners, our business could be harmed and our financial results could be materially affected.

The products or services we release may contain defects, bugs or errors.

Our products and services are extremely complex software programs, and are difficult to develop and distribute. We have quality controls in place to detect defects, bugs or other errors in our products and services before they are released. Nonetheless, these quality controls are subject to human error, overriding, and reasonable resource or technical constraints. Therefore, these quality controls and preventative measures may not be effective in detecting all defects, bugs or errors in our products and services before they have been released into the marketplace. In such an event, the technological reliability and stability of our products and services could be below our standards and the standards of consumers and our reputation, brand and sales could be adversely affected. In addition, we could be required to, or may find it necessary to, offer a refund for the product or service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results.

We may be subject to claims of infringement of third-party intellectual property rights.

From time to time, third parties may claim that we have infringed their intellectual property rights. For example, patent holding companies may assert patent claims against us in which they seek to monetize patents they have purchased or otherwise obtained. Although we take steps to avoid knowingly violating the intellectual property rights of others, it is possible that third parties still may claim infringement.

Existing or future infringement claims against us, whether valid or not, may be expensive to defend and divert the attention of our employees from business operations. Such claims or litigation could require us to pay damages and other costs. We also could be required to stop selling, distributing or supporting products, features or services which incorporate the affected intellectual property rights, redesign products, features or services to avoid infringement, or obtain a license, all of which could be costly and harm our business.

In addition, many patents have been issued that may apply to potential new modes of delivering, playing or monetizing interactive entertainment software products and services, such as those that we produce or would like to offer in the future. We may discover that future opportunities to provide new and innovative modes of game play and game delivery to consumers may be precluded by existing patents that we are unable to license on reasonable terms.

From time to time we may become involved in other legal proceedings.

We are currently, and from time to time in the future may become, subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, disruptive to normal business operations and occupy a significant amount of our employees' time and attention. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on our business, operating results, or financial condition.

Our products and brands are subject to the threat of piracy, unauthorized copying and other forms of intellectual property infringement.

We regard our products and brands as proprietary and take measures to protect our products, brands and other confidential information from infringement. We are aware that some unauthorized copying of our products and brands occurs, and if a significantly greater amount were to occur, it could negatively impact our business.

Piracy and other forms of unauthorized copying and use of our content and brands are persistent problems for us, and policing is difficult. Further, the laws of some countries in which our products are or may be distributed either do not protect our products and intellectual property rights to the same extent as the laws of the United States, or are poorly enforced. Legal protection of our rights may be ineffective in such countries. In addition, although we take steps to enforce and police our rights, factors such as the proliferation of technology designed to circumvent the protection measures used by our business partners or by us, the availability of broadband access to the Internet, the refusal of Internet service providers or platform holders to remove infringing content in certain instances, and the proliferation of online channels through which infringing product is distributed all have contributed to an expansion in unauthorized copying of our products and brands.

We may experience outages, disruptions and/or degradations of our infrastructure.

We may experience outrages, disruptions and/or degradations of our infrastructure, including information technology system failures and network disruptions. These may be caused by natural disasters, cyber-incidents, weather events, power disruptions, telecommunications failures, failed upgrades of existing systems or migrations to new systems, acts of terrorism or other events, including cyber-attacks or malicious software programs that exploit vulnerabilities. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to our products, services or online stores selling our products and services or interruption in our ability to conduct critical business functions. Our corporate headquarters in Redwood City, CA and our studios in Los Angeles, California, Seattle, Washington and in Burnaby, British Columbia are located in seismically active regions, and certain of our game development activities and other essential business operations are conducted at these locations. An event that results in the disruption or degradation of any of our critical business or information technology systems could harm our ability to conduct normal business operations and materially impact our reputation and brand, financial condition and operating results.

A significant portion of our packaged goods sales are made to a relatively small number of retail and distribution partners, and these sales may be disrupted.

We derive a significant percentage of our net revenue attributable to sales of our packaged goods products to our top retail and distribution partners. The concentration of a significant percentage of these sales through a few large partners could lead to a short-term disruption to our business if certain of these partners significantly reduced their purchases or ceased to offer our products. We also could be more vulnerable to collection risk if one or more of these partners experienced a deterioration of their business or declared bankruptcy. Additionally, receivables from these partners generally increase in our December fiscal quarter as sales

of our products generally increase in anticipation of the holiday season. Having a significant portion of our packaged goods sales concentrated in a few partners could reduce our negotiating leverage with them. If one or more of these partners experience deterioration in their business, or become unable to obtain sufficient financing to maintain their operations, our business could be harmed.

External game developers may not meet product development schedules or otherwise honor their obligations.

We may contract with external game developers to develop our games or to publish or distribute their games. While we maintain contractual protections, we have less control over the product development schedules of games developed by external developers, and we depend on their ability to meet product development schedules. In addition, we may have disputes with external developers over game content, launch timing, achievement of certain milestones, the game development timeline, marketing campaigns or other matters. If we have disputes with external developers or they cannot meet product development schedules, acquire certain approvals or are otherwise unable or unwilling to honor their obligations to us, we may delay or cancel previously announced games, alter our launch schedule or experience increased costs and expenses, which could result in a delay or significant shortfall in anticipated revenue, harm our profitability and reputation, and cause our financial results to be materially affected.

Our financial results are subject to currency fluctuations.

International sales are a fundamental part of our business. For our fiscal year ended March 31, 2018, international net revenue comprised 59 percent of our total net revenue, and we expect our international business to continue to account for a significant portion of our total net revenue. As a result of our international sales, and also the denomination of our foreign investments and our cash and cash equivalents in foreign currencies, we are exposed to the effects of fluctuations in foreign currency exchange rates. Strengthening of the U.S. dollar, particularly relative to the Euro, British pound sterling, Australian dollar, Chinese yuan and South Korean won, has a negative impact on our reported international net revenue but a positive impact on our reported international operating expenses (particularly when the U.S. dollar strengthens against the Swedish krona and the Canadian dollar) because these amounts are translated at lower rates. We use foreign currency hedging contracts to mitigate some foreign currency risk. However, these activities are limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses.

We utilize debt financing and such indebtedness could adversely impact our business and financial condition.

We have $1 billion in senior unsecured notes outstanding as well as an unsecured committed $500 million revolving credit facility. While the facility is currently undrawn, we may use the proceeds of any future borrowings for general corporate purposes. We may also enter into other financial instruments in the future.

Our indebtedness could affect our financial condition and future financial results by, among other things:

- Requiring the dedication of a substantial portion of any cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our growth strategy, working capital, capital expenditures and other general corporate purposes;

- Limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and

- Increasing our vulnerability to adverse changes in general economic and industry conditions.

The agreements governing our indebtedness impose restrictions on us and require us to maintain compliance with specified covenants. In particular, the revolving credit facility includes a maximum capitalization ratio and minimum liquidity requirements. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of these covenants and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, our outstanding indebtedness may be declared immediately due and payable. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with any potential refinancing our indebtedness. Downgrades in our credit rating could also restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

Changes in our tax rates or exposure to additional tax liabilities could adversely affect our earnings and financial condition.

We are subject to taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax provision, tax assets, and accruals for other taxes, and there are many transactions and calculations

where the ultimate tax determination is uncertain. Our effective income tax rate is based in part on our corporate operating structure and the manner in which we operate our business and develop, value and use our intellectual property. Taxing authorities in jurisdictions in which we operate may challenge our methodologies for calculating our income tax provision or its underlying assumptions, which could increase our effective income tax rate and have an adverse impact on our results of operations and cash flows. In addition, our provision for income taxes could be adversely affected by our profit levels, changes in our business, changes in the mix of earnings in countries with differing statutory tax rates, changes in the elections we make, changes in applicable tax laws or interpretations of existing tax laws, or changes in the valuation allowance for deferred tax assets, as well as other factors. For example, the Altera opinion discussed above in Part I, Item 1 of this Form 10-Q in the Notes to the Condensed Consolidated Financial Statements in Note 11 — *Income Taxes* , could result in material changes to our consolidated financial statements.

The U.S. Tax Act, enacted on December 22, 2017, represents a significant overhaul to the U.S. federal tax code. This tax legislation lowers the U.S. statutory tax rate, but also includes a number of provisions that could significantly and adversely impact our U.S. federal income tax position in a reporting period, including the limitation or elimination of certain deductions or credits, and U.S. taxes on foreign earnings. The final calculation of tax expense resulting from the U.S. Tax Act may differ from our estimates, potentially materially. In addition, any further changes to tax laws applicable to corporate multinationals in the countries in which we do business could adversely affect our effective tax rates, cause us to change the way in which we structure our business or result in other costs.

We are also required to pay taxes other than income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the United States and foreign jurisdictions. Furthermore, we are regularly subject to audit by tax authorities with respect to both income and such other non-income taxes. Unfavorable audit results or tax rulings, or other changes resulting in significant additional tax liabilities, could have material adverse effects upon our earnings, cash flows, and financial condition.

Our reported financial results could be adversely affected by changes in financial accounting standards.

Our reported financial results are impacted by the accounting standards promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. These methods, estimates, and judgments are subject to risks, uncertainties, assumptions and changes that could adversely affect our reported financial position and financial results. In addition, changes to applicable financial accounting standards could impact our reported financial position and financial results. For example, ASC 606, which we adopted at the beginning of fiscal 2019, had a material impact on the way in which we recognize revenue and consequently, our diluted earnings per share. ASC 606 also required us to change how we present mobile platform fees. For more information on ASC 606 and other accounting standards, see Part I, Item 1 of this Form 10-Q in the Notes to the Condensed Consolidated Financial Statements in Note 1 — *Description of Business and Basis of Presentation* under the subheading “Recently Adopted Accounting Standards”.

As we enhance, expand and diversify our business and product offerings, the application of existing or future financial accounting standards, particularly those relating to the way we account for revenue, costs and taxes, could have an adverse effect on our reported results although not necessarily on our cash flows.

Our stock price has been volatile and may continue to fluctuate significantly.

The market price of our common stock historically has been, and we expect will continue to be, subject to significant fluctuations. These fluctuations may be due to factors specific to us (including those discussed in the risk factors above, as well as others not currently known to us or that we currently do not believe are material), to changes in securities analysts’ earnings estimates or ratings, to our results or future financial guidance falling below our expectations and analysts’ and investors’ expectations, to factors affecting the entertainment, computer, software, Internet, media or electronics industries, to our ability to successfully integrate any acquisitions we may make, or to national or international economic conditions. In particular, economic downturns may contribute to the public stock markets experiencing extreme price and trading volume volatility. These broad market fluctuations could adversely affect the market price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Stock Purchase Programs

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $1.2 billion of our common stock. During the three months ended June 30, 2018 , we repurchased approximately 0.6 million shares for approximately $76 million under this program. This program was superseded and replaced by a new stock repurchase program approved in May 2018.

In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to $2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. During the three months ended June 30, 2018 , we repurchased approximately 1.7 million shares for approximately $224 million under this program. We are actively repurchasing shares under this program.

The following table summarizes the number of shares repurchased during the three months ended June 30, 2018 :

Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value that May Still Be Purchased Under the Programs (in millions)
April 1, 2018 - April 28, 2018	408,080	$ 120.55	408,080	$ 580
April 29, 2018 - May 26, 2018	576,666	$ 127.97	576,666	$ 2,353
May 27, 2018 - June 30, 2018	1,278,800	$ 138.36	1,278,800	$ 2,176
	2,263,546	$ 132.50	2,263,546	

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The exhibits listed in the accompanying index to exhibits on Page 66 are filed or incorporated by reference as part of this report.

ELECTRONIC ARTS INC.
FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2018

EXHIBIT INDEX

		Incorporated by Reference			
Number	**Exhibit Title**	**Form**	**File No.**	**Filing Date**	**Filed Herewith**
10.1**	Playstation Global Developer & Publisher Agreement, dated April 1, 2018, by and among Electronic Arts Inc., EA International (Studio & Publishing) Ltd., Sony Interactive Entertainment Inc., Sony Interactive Entertainment LLC, and Sony Interactive Entertainment Europe Ltd				X
15.1	Awareness Letter of KPMG LLP, Independent Registered Public Accounting Firm				X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
Additional exhibits furnished with this report:					
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer 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

* Management contract or compensatory plan or arrangement

** Portions of this exhibit have been redacted pursuant to a confidential treatment request filed with the SEC.

† Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 are the following formatted in eXtensible Business Reporting Language ("XBRL"): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Operations, (3) Condensed Consolidated Statements of Comprehensive Income, (4) Condensed Consolidated Statements of Cash Flows, and (5) Notes to Condensed Consolidated Financial Statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELECTRONIC ARTS INC.
(Registrant)

/s/ Blake Jorgensen
Blake Jorgensen
Chief Operating Officer and
Chief Financial Officer

DATED:
August 7, 2018

[***] DENOTES CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT.

EXHIBIT 10.1

PLAYSTATION®

GLOBAL DEVELOPER & PUBLISHER AGREEMENT

TABLE OF CONTENTS

SECTION : **PAGE :**

PLAYSTATION GLOBAL
DEVELOPER & PUBLISHER AGREEMENT

This PlayStation Global Developer and Publisher Agreement (" **GDPA** "), effective April 1, 2018 (the " **Effective Date** "), is entered into by Sony Interactive Entertainment, Inc. f/k/a Sony Computer Entertainment, Inc. (" **SIEJA** "), a Japanese company with offices at 1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan, Sony Interactive Entertainment LLC f/k/a Sony Computer Entertainment America LLC (" **SIEA** ") a California limited liability company with offices at 2207 Bridgepointe Parkway, San Mateo, CA 94404, and Sony Interactive Entertainment Europe Ltd f/k/a Sony Computer Entertainment Europe Ltd. (" **SIEE** "), an English company with offices at 10 Great Marlborough Street, London W1F 7LP, UK, on the one hand (SIEJA, SIEA and SIEE each an " **SIE Company,** " and collectively, " **SIE** "), and Electronic Arts Inc., a Delaware Corporation with offices at 209 Redwood Shores Parkway, Redwood City, CA 94065 (" **EA Inc.** "), and EA International (Studio & Publishing) Ltd., a Bermuda company with offices at LOM Building, 27 Reid Street, Hamilton, HM 11, Bermuda (" **EA International** ") (EA Inc., and EA International collectively " **Publisher** "), on the other hand.

SIE and its Affiliates design and develop certain core technology relating to its Systems, and operate proprietary network services through PSN, including PlayStation Now.

Publisher desires to be granted a non-exclusive license to develop, publish, have manufactured, market, advertise, distribute or sell PlayStation Compatible Products in accordance with the provisions of this GDPA, and SIE is willing, in accordance with the terms and subject to the conditions of this GDPA, to grant Publisher such a license.

SIE and Publisher agree as follows:

1. **Definition of Terms .** Capitalized terms used in this GDPA are defined in Schedule 1.

2. **SIE and Company Authority and Responsibility.**

2.1 Each SIE Company individually binds itself to and benefits from the terms of this GDPA only to the extent that such terms relate to the exercise of the rights and obligations under this GDPA taking place in that SIE Company's Territory, or otherwise directly relate to that SIE Company or its Territory. Each SIE Company shall have no liability outside of its Territory, shall neither be jointly nor severally liable with the other SIE Companies in their Territories, and nothing contained in this GDPA shall be deemed to make an SIE Company liable with respect to any activities, demands, obligations, covenants, claims or causes of action outside of that SIE Company's Territory. References in this GDPA to "SIE" shall mean "each SIE Company for its respective Territory only," except where the context clearly requires otherwise. Each SIE Company is authorized by each other SIE Company to present and execute this GDPA on behalf of each other SIE Company, and to bind each other SIE Company, as set forth in this Section 2.1. SIE shall be entitled to modify or expand the Territory of an SIE Company upon reasonable written notice to Publisher, including by updating the Guidelines.

2.2 Publisher and each Publisher Affiliate individually binds itself to and benefits from the terms of this GDPA. References in this GDPA to "Publisher" shall include "each Publisher Affiliate" except where the context clearly requires otherwise. Publisher Affiliates may be added to or updated by Publisher from time to time by prior written agreement between the parties. Publisher represents and warrants that each Publisher Affiliate is directly or indirectly owned by Publisher or under common control with Publisher and that Publisher is authorized by each Publisher Affiliate to present and execute this GDPA on behalf of each Publisher Affiliate, and to bind each Publisher Affiliate to the terms herein. Publisher and each Publisher Affiliate shall be jointly and severally liable for the acts, omissions, representations and warranties of Publisher and every Publisher Affiliate. Without prejudice to this Section 2.2, SIE and Publisher acknowledge and agree that, [***].

3. **Conditional License Grant .** Subject to the terms of this GDPA, SIE grants to Publisher, for the Term (subject to the additional periods contemplated in Section 22) and throughout the Territory, a non-exclusive, non-transferable (except in accordance with Section 25.5) license, without the right to sublicense (except as specifically provided in this GDPA), as follows:

3.1 to use the SIE Materials solely to develop and test PlayStation Compatible Products ;

3.2 to publish, distribute, supply, sell, rent, market, advertise and promote Digitally Delivered Products to end-users, through each applicable SIE Company (or its nominated Affiliate) through PSN, and to provide PlayStation Compatible Products to other Licensed Publishers for exploitation under a Licensed Publisher Agreement;

3.3 where Publisher has exercised its right to distribute Digitally Delivered Products through PSN under Section 3.2 (or where the requirement of such exercise is expressly waived by the applicable SIE Company), to have the equivalent Physical Media Products manufactured by Designated Manufacturing Facilities according to those facilities' terms;

3.4 to publish, distribute, supply, sell, market, advertise and promote Physical Media Products directly to end-users or to third parties for distribution to end-users;

3.5 to use the Licensed Trademarks in connection with the manufacturing, packaging, marketing, advertising, promotion, sale and distribution of Licensed Products; and

3.6 to sublicense end-users the right to use Licensed Products for personal, noncommercial purposes in conjunction with the applicable Systems only.

4. **Compliance with Guidelines .** Publisher will comply, throughout the Term, with this GDPA's terms, with all Guidelines applicable in the relevant Territories, and with all technical specifications that any Designated Manufacturing Facility issues to all relevant Licensed Publishers. Subject to the remainder of this Section 4, SIE may remove any Digitally Delivered Product from PSN (in whole or in part) that does not materially conform to the Guidelines, notwithstanding any approval given to such product pursuant to Section 6.3, provided, however, that SIE will provide Publisher with notice no later than concurrently with removal of any Digitally Delivered Product and, in any event, consistent with the amount of notice provided to other Licensed Publishers. Publisher shall be given reasonable notice of modification or additions to the Guidelines. To the extent that Guidelines change (i) after any applicable PlayStation Compatible Product or related materials are approved by SIE pursuant to Section 6.3, to the extent implementation of such revised Guidelines applies to all Licensed Publishers, Publisher is required to implement any such revised Guidelines only in subsequent orders, patches or re-releases of the relevant Physical Media Products, or subsequent publications of relevant Digitally Delivered Products or other PlayStation Compatible Products (as applicable), unless otherwise expressly required by SIE to safeguard System security or to comply with a material change to applicable law or an applicable government order, or (ii) during development of any PlayStation Compatible Product, to the extent implementation of such revised Guidelines applies to all relevant Licensed Publishers, Publisher shall implement any such revised Guidelines in such PlayStation Compatible Product, [***]. Publisher shall use commercially reasonable efforts to recall or destroy previously manufactured Physical Media Products if: (a) such Physical Media Products did not materially comply with the standards, requirements and conditions set forth in the Guidelines at the time they were submitted to SIE pursuant to Section 6.3, or (b) if explicitly required to do so in writing by SIE in accordance with the terms of Section 6.9. The Guidelines (including any modifications thereof) will be comparable to the guidelines and specifications applied by the SIE Companies to their own products designed and developed for the applicable Systems, and will be applied to Publisher in a non-discriminatory manner similar to the manner in which they are applied to all other Licensed Publishers for the applicable Systems.

5. Other Limitations on Licensed Rights

5.1 Limitations on use of Development Tools. The development license granted in this GDPA is limited to development and testing of PlayStation Compatible Products, in formats SIE designates, and any other use of the SIE Materials (direct or indirect) not authorized by the terms of this GDPA is strictly prohibited. Publisher shall not use, modify, sublicense, distribute, create derivative works from, or provide to third parties, the SIE Materials other than as expressly permitted in this GDPA or the Guidelines. Publisher shall not make available to any third party any tools developed or derived from the study of the Development Tools without SIE's express prior written consent. Without limiting the generality of the foregoing, Publisher will not permit the use of the SIE Materials in connection with (i) the emulation of Licensed Products on hardware systems other than the Systems, (ii) to develop or test products for any third party emulator of any System, or (iii) for any third party hardware that infringes the SIE Intellectual Property Rights (e.g., knock-off PlayStation systems). Publisher will not use or permit the use of any of the SIE Materials in connection with the development of any software, content or service for any computer hardware or software system, except as expressly permitted under this GDPA. Publisher is authorized to copy the libraries contained within the Development Tools solely to the extent necessary to integrate the libraries into PlayStation Compatible Products; to copy the Software Tools to an internal secure repository accessible by authorized personnel; and to make [***] of the Software Tools per Development Site solely for archival, legal or back up purposes. Publisher must comply with all programming procedures, requirements, and guidelines, set forth in the Guidelines or communicated by SIE in writing. Specifically with respect to the System emulator software, Publisher shall not bypass the System kernel and shall not transmit programming instructions directly to the registers or addresses located in: (i) areas of RAM that are used by the System kernel; or (ii) other System hardware devices (collectively, " **System Bypass Areas** ") except with SIE's express prior written consent or to the extent necessary to comply with written instructions in the Documentation. As a prerequisite to requesting SIE's consent, Publisher must submit a written application accompanied by a detailed specification of Publisher's proposal and comply with any of SIE's written procedures. Publisher shall not develop any software or tool to circumvent the System Bypass Areas, except with SIE's express prior written consent. Publisher shall not make any addition, alteration or improvement to the Development Tools that contravenes or is inconsistent with the Guidelines (including any programming guidelines set forth in the Documentation), or that may compromise the security or integrity of any System, Development Tools, or PSN. Publisher bears all risks arising from incompatibility of its PlayStation Compatible Products and any System resulting from use of Publisher-created tools.

5.2 Reverse Engineering Prohibited. Except where such restriction is prohibited by applicable law, Publisher will not directly or indirectly disassemble, decrypt, electronically scan, peel semiconductor components from, decompile, or reverse engineer in any manner, or attempt to reverse engineer or derive any source code from, the Development Tools, or permit, assist or encourage any third party to do so or knowingly acquire or use any materials from any third party who does so. Publisher may study the performance, design and operation of the Development Tools solely for the limited purposes of developing and testing PlayStation Compatible Products, or to develop tools to assist Publisher with the development and testing of PlayStation Compatible Products. SIE reserves the right to require Publisher to furnish evidence reasonably satisfactory to SIE that Publisher has complied with this Section 5.2.

5.3 Intentionally Deleted.

5.4 Limitations Regarding Ownership and Protection of SIE Materials and SIE Intellectual Property Rights. All rights with respect to the SIE Materials and the Systems, including the SIE

Intellectual Property Rights, are the exclusive property of SIE. Nothing herein gives Publisher any right, title or interest in or to the SIE Materials or the Systems, other than the non-exclusive licenses provided in this GDPA. Publisher shall not contest, impair, or dilute (or knowingly assist any third party in doing so) any of SIE's rights, title or interests in or to the SIE Materials, the Systems or the SIE Intellectual Property Rights. Publisher shall not (i) apply for, seek to obtain or register any trademark in its own name or in any other person's name, or use or obtain rights to use Internet domain names or addresses, that are identical, similar to or likely to be confused with any of the Licensed Trademarks or any other SIE trademarks or (ii) challenge or attack any SIE Intellectual Property Rights in any part of the SIE Materials or the Systems. Publisher shall not patent anything created or derived from the SIE Materials. Publisher shall take all steps as SIE may reasonably require for the protection and maintenance of the SIE Intellectual Property Rights, including executing licenses or assisting SIE in obtaining registrations, at SIE's expense. All goodwill associated with the Licensed Trademarks, including any goodwill generated or arising by or through Publisher's or its subcontractors' or sublicensees' activities under this GDPA, accrues to the benefit of and belongs exclusively to the SIE Company that owns or controls the Licensed Trademark in its Territory. The Licensed Trademarks may be modified, supplemented or amended by SIE at any time. Nothing contained in this GDPA grants Publisher the right to use the trademark "SONY" in any manner or for any purpose without SIE's prior written consent. Where it is not possible under applicable law to prevent Publisher from challenging the validity of the SIE Intellectual Property Rights, nothing in this Section 5.4 shall prevent Publisher from doing so.

5.5 Reservation of Rights. This GDPA does not grant Publisher any right or license except as expressly authorized by and in strict compliance with this GDPA's terms and conditions. No right or license is to be implied by or inferred from any provision of this GDPA or from the parties' conduct. Subject only to the express rights of Publisher under this GDPA, all rights to the SIE Materials and the SIE Intellectual Property Rights are reserved to SIE.

5.6 Acknowledgment of Publisher's Ownership Rights. Separate and apart from the SIE Materials and other rights licensed to Publisher by SIE and to SIE by Publisher under this GDPA, as between Publisher and SIE, Publisher retains all rights, title and interest in and to the Publisher Property, Product Submissions, Product Proposals, and Product Information, including Publisher Intellectual Property Rights therein, as well as Publisher's rights in any source code and other underlying material, including artwork and music (but specifically excluding the Licensed Trademarks and the Software Tools or any derivatives of the Software Tools), and any names used as titles for PlayStation Compatible Products and other trademarks used by Publisher. Nothing in this GDPA shall restrict the right of Publisher to: (i) develop, distribute or transmit products incorporating the Publisher Property and underlying material for any hardware platform or service other than the Systems or related services, provided that the Publisher Property and underlying material do not contain or were not developed through use of the SIE Materials or the SIE Intellectual Property Rights, or (ii) use Printed Materials or Advertising Materials for any hardware platform or service other than the Systems or related services, provided that the Printed Materials or Advertising Materials do not contain any Licensed Trademarks, or (iii) use Licensed Trademarks within Advertising Materials which promote Publisher's products on multiple platforms inclusive of the Systems subject the Guidelines relating to the display and use of Licensed Trademarks. SIE shall not contest, impair, or dilute (or knowingly assist any third party in doing so) any of Publisher's rights, title or interests in or to the Publisher Property, Product Submissions, Product Proposals, and Product Information, including all Publisher Intellectual Property Rights therein. SIE shall not (i) apply for, seek to obtain or register any trademark in its own name or in any other person's name, or use or obtain rights to use Internet domain names or addresses, that are identical, similar to or likely to be confused with any of Publisher's trademarks or (ii) challenge or attack any Publisher Intellectual Property Rights in any part of the Publisher Property, Product Proposals, and Product Information. SIE shall not patent anything created or

derived from the Publisher Property. SIE shall take all steps as Publisher may reasonably require for the protection and maintenance of the Publisher Intellectual Property Rights, including executing licenses or assisting Publisher in obtaining registrations (at Publisher's expense). All goodwill associated with Publisher's trademarks, including any goodwill generated or arising by or through SIE's or its subcontractors' or sublicensees' activities under this GDPA, accrues to the benefit of and belongs exclusively to Publisher. As between Publisher and SIE, Publisher will own and retain all rights, title and interest in any User Content (as defined below). Where it is not possible under applicable law to prevent SIE from challenging the validity of the Publisher Intellectual Property Rights, nothing in this Section 5.6 shall prevent SIE from doing so.

6. Development of PlayStation Compatible Products, Product Assessment and Quality Assurance

6.1 **Right to Develop.** Pursuant to Section 3 and subject to payment of any applicable fees [***], SIE grants to Publisher the right to place orders for Hardware Tools pursuant to Section 7, and a non-exclusive, non-transferrable license to use Software Tools, for the sole purpose of developing and testing PlayStation Compatible Products or as otherwise expressly permitted by the terms of this GDPA. Each PlayStation Compatible Product developed using, incorporating or with reference to the Development Tools must be expressly authorized by SIE, and SIE's authorization may require, at SIE's reasonable discretion, consent by Publisher to additional terms, or a requirement that such PlayStation Compatible Product be subject to compatibility, assessment and quality assurance testing by SIE; provided, however, that any additional terms and/or any compatibility, assessment and quality assurance testing applicable to such PlayStation Compatible Product will be generally the same as applied to other Licensed Publishers in relation to similar PlayStation Compatible Products.

6.2 **Developer Support Website.** Subject to the terms of this GDPA, SIE will grant Publisher access to relevant portions of the Developer Website to facilitate the dissemination of the Development Tools and other materials and information. SIE will design and maintain the Developer Website in accordance with industry standard security practices intended to detect and prevent any vulnerability that may lead to dissemination of computer viruses or other malicious code.

6.3 **Assessment and Quality Assurance of PlayStation Compatible Products.** Publisher will comply with the requirements and related process for assessment and format quality assurance of PlayStation Compatible Products and Advertising Materials, on a product-by-product basis, as specified in the Guidelines. All Licensed Products must successfully pass SIE's assessment and format quality assurance testing set forth in the Guidelines before distribution. SIE may also require other PlayStation Compatible Products that are not Licensed Products to undergo assessment and format quality assurance testing, in its reasonable discretion, provided that any assessment and quality assurance requirements applicable to such PlayStation Compatible Products will be the same as applied to other Licensed Publishers in relation to similar PlayStation Compatible Products. SIE may withhold approval of a Licensed Product or other PlayStation Compatible Product that does not conform to the Guidelines, as reasonably determined by SIE. Only upon and not prior to SIE approval, Physical Media Products may be ordered from a Designated Manufacturing Facility, and Digitally Delivered Products may be placed on PSN, unless otherwise authorized by SIE in writing. In the event any Licensed Product or other PlayStation Compatible Product is not approved by SIE pursuant to this Section 6.3, SIE will provide Publisher with a report detailing the reasons for disapproval and the issues needed to be fixed in order to obtain SIE's approval in the form stipulated in the Guidelines, and SIE will provide reasonable assistance to Publisher in connection with Publisher's modifications to such PlayStation Compatible Product.

6.4 **Authentication.** Publisher will use commercially reasonable efforts to protect Licensed Products and any other PlayStation Compatible Products that include Software Tools from and against illegal

reproduction or copying by third parties. SIE may use on Licensed Products, or require Publisher to use on Licensed Products an authentication or authorization system to be provided, licensed or designated by SIE to authenticate and verify all Licensed Products and units of the Systems. SIE may insert serial numbers, or other reasonable security measures, on Licensed Products for security or authentication purposes so long as such security measures do not have any adverse effect on the Licensed Product's features and functionalities.

6.5 **Advice and Support.** Any advice or support provided by any SIE Company or Affiliate to Publisher to assist with the development of PlayStation Compatible Products is provided at the complete discretion of the relevant SIE Company or Affiliate, which may change, suspend, remove or disable access to any such advice or support, at any time without incurring liability. Any such advice or support is provided to Publisher on an "AS IS" and "AS AVAILABLE" basis and SIE shall have no liability to Publisher in respect of such support or advice. Any Publisher Property, or other software, materials or information provided by Publisher to any SIE Company or Affiliate in connection with obtaining advice and support is provided at Publisher's own risk (but without prejudice to SIE's obligations under Section 20.6).

6.6 **Third Party Tools.** If Publisher uses any third-party tools to develop PlayStation Compatible Products or any portion thereof, Publisher shall be responsible at Publisher's sole risk and expense for ensuring that it has obtained all necessary licenses for its use.

6.7 **Publisher Compliance, Responsibility, Warnings.** Publisher bears sole responsibility and liability for PlayStation Compatible Product operation, features, capabilities, user generated content and Online Activity, but solely to the extent any of the foregoing features, capabilities, user-generated content and/or Online Activity are hosted, controlled, or implemented by Publisher, including: (i) Online Activity between territories using different television standards, whether PAL, NTSC, or another standard; (ii) any cross-functionality between PlayStation Compatible Products on different Systems or software applications operating on any device other than the Systems that may interact with PlayStation Compatible Products on a System; (iii) the granting of the right to end-users, or preventing end-users from exercising the ability, to copy, modify, distribute, perform, display and share content (including between the Territories) contained in or created from PlayStation Compatible Products pursuant to System features which have been implemented by Publisher (such user generated content, " **User Content** "), and (iv) the suitability or adequacy of health and safety or other warnings or notices provided by Publisher for PlayStation Compatible Products. SIE makes no representation regarding the suitability or adequacy of any System-generated warning or any warning provided, suggested, or required in the Guidelines, Packaging, manual or other templates, or elsewhere by any SIE Company or Affiliate. Publisher may include additional legal notices, disclosures, disclaimers and/or warnings on the Printed Materials, Packaging, PSN metadata, Product Submissions, or within the legal notices section in the Licensed Product itself, subject to compliance with the Guidelines.

6.8 **Peripherals and Compatibility of Licensed Products.** Publisher will not, and will not authorize any third party to, develop or distribute any Peripheral without the prior express written consent of SIE. Consent is [***], and may be subject to [***], provided that any such requirements [***] with respect to similar Peripherals. Where [***] a Peripheral (a " **Publisher Peripheral** "), Publisher is solely responsible for the functionality and operational compatibility of its Licensed Products with any such Publisher Peripherals that are not distributed by SIE. SIE has no responsibility to test or evaluate the compatibility of Publisher's Licensed Products with any Peripherals that are not distributed by SIE. SIE is not responsible for any actual, incidental or consequential damages that may result from any use or inability to use any Publisher Peripheral with any PlayStation Compatible Product or System. If SIE elects, in its sole discretion, to test or evaluate the compatibility of Publisher's Licensed Products with any Publisher Peripheral then, (i) such testing or evaluation will

not obligate SIE to test or evaluate any other Peripheral; (ii) such testing or evaluation will not shift to SIE any responsibility to ensure or assess the functionality or compatibility of any Publisher Peripheral or require SIE to report any Publisher Peripheral incompatibilities; (iii) SIE will not be deemed to have endorsed any Publisher Peripheral solely by reason of such testing or evaluation; and (iv) Publisher will provide SIE, at no additional cost or expense to SIE, with a reasonable number of samples of any applicable Publisher Peripherals for testing and review in a timely manner. If any PlayStation Compatible Product fails to perform to SIE's satisfaction with any Publisher Peripheral that the PlayStation Compatible Product is intended to support, SIE may require, upon notice to Publisher, that Publisher modify such portions of the Publisher Property as are intended to support the affected Publisher Peripheral in order to remediate any performance issues identified by SIE, and if Publisher is unable or elects not to make such modifications, SIE may require that Publisher remove such applicable portions of the Publisher Property from the relevant Licensed Product.

6.9 **Publisher's Additional Quality Assurance Obligations.** If, at any time subsequent to the approval thereof by SIE, SIE becomes aware of any material defect (such materiality to be determined by SIE in its reasonable discretion) with respect to a PlayStation Compatible Product, or if SIE becomes aware of any improper use of the Licensed Trademarks or SIE Materials, in each case exclusive of any defect or improper use that is solely attributable to the SIE Materials, then Publisher shall, at no cost to SIE, promptly correct that material defect or improper use, to SIE's commercially reasonable satisfaction, which may include, in SIE's reasonable discretion, the recall and re-release of units of an affected Physical Media Product, or publication of an update, upgrade or technical fix to an affected PlayStation Compatible Product. If any PlayStation Compatible Product creates any risk of loss or damage to any property or injury to any person and Publisher is unable to promptly publish an update, upgrade or technical fix to such PlayStation Compatible Product, then, unless otherwise mutually agreed by the parties, Publisher shall immediately take commercially reasonable steps, at Publisher's sole liability and expense, to recall and remove that PlayStation Compatible Product from any affected channels of distribution; provided, however, that if Publisher is not acting as the distributor or seller for the PlayStation Compatible Product its obligation shall be to use commercially reasonable efforts to arrange removal of all affected units of the PlayStation Compatible Product from the relevant distribution channels. Publisher shall provide all end-user support for Publisher's PlayStation Compatible Products and will use commercially reasonable efforts to provide such end-user support in a reasonably efficient manner. SIE expressly disclaims any obligations or liability to provide end-user support with respect to Publisher's PlayStation Compatible Products.

6.10 **Rating Requirements.** No Licensed Product may be published, sold, distributed, marketed, advertised or promoted unless it bears a consumer advisory age rating and product descriptors, either as required by local law or as issued by, and following the rating display requirements of, a consumer advisory ratings system designated by SIE and applicable to all Publishers, unless otherwise agreed to by the parties; provided , however , that for any PlayStation Compatible Products other than Licensed Products distributed on platforms other than the Systems (e.g. mobile apps), Publisher will comply with the applicable the consumer advisory age rating required by the platform on which such PlayStation Compatible Product is distributed (e.g. Apple App Store). Publisher alone bears all costs incurred in connection with obtaining any rating. No PlayStation Compatible Product and related Printed Materials or Advertising Materials may bear more than one consumer advisory rating in any Territory save where such is expressly permitted under the rules of the rating system which applies pursuant to this Section 6.10. Any Digitally Delivered Product that can be used with another Licensed Product must not bear (or must not contain any content which, if rated, would attract) a higher age rating than the rating issued to that other Licensed Product and, save in the case of an add-on to a previously-published Licensed Product, shall not bear a rating that is lower than the rating issue to that other Licensed Product, unless SIE waives these requirements in writing. Any PlayStation Compatible Product other than Licensed Product distributed on platforms other than the Systems

(e.g. mobile companion app) that can be used with another Licensed Product must have an age rating that is comparable to the age rating for that applicable Licensed Product. Publisher shall use commercially reasonable efforts to comply with any other policies of SIE on the age rating, age gating and labeling of PlayStation Compatible Products intended to protect children as may be published within the Guidelines or otherwise communicated by SIE to Publisher, provided that such policies communicated by SIE to Publisher outside of the Guidelines will be generally the same as required of all other Licensed Publishers.

7. Development Tools

7.1 Acquisition of Development Tools. For the purposes of this Section 7, "the applicable SIE Company" shall mean the SIE Company in the Territory in which the Development Tools are to be used or, at that SIE Company's direction, another SIE Company. The applicable SIE Company may sell or loan Development Tools to Publisher in its sole discretion, in accordance with this Section 7. For the avoidance of doubt, any Software Tools included with or provided in relation to Hardware Tools are licensed, not sold or loaned, to Publisher pursuant to the terms set forth in Sections 3, 5 and 6. Title to Software Tools does not pass to Publisher upon purchase or loan of the Hardware Tools. The nontransferable license of the Software Tools within the Hardware Tools may act as a restriction or prohibition against the resale of the Hardware Tools. The purchase price or loan fee for Development Tools, and the payment currency, is set forth on the Developer Website, or shall be otherwise notified by the applicable SIE Company to Publisher. Unless otherwise agreed, Publisher shall pay for the Development Tools in full prior to delivery or download, and title to Development Tools shall remain with the applicable SIE Company until it has received full payment (save in the case of the Software Tools where title does not pass to Publisher at any time). If Publisher collects the Development Tools and transfers them outside the country of collection, Publisher agrees to provide the applicable SIE Company with the relevant transport proofs required by the relevant taxation authorities to allow the supply by SIE to be exempt from VAT. The applicable SIE Company reserves the right to either: (i) charge VAT until such documents are provided at which time the VAT will be refunded; or (ii) subsequently charge VAT if those documents are not provided within [***] months of collection. The purchase price or loan fee charged to Publisher for any Development Tools will be [***].

7.2 Credit. If the applicable SIE Company extends credit terms to Publisher or facilitates third-party financing for Publisher, until Publisher makes payment in full for all items so financed, Publisher (i) grants to that SIE Company, or its designee, a first position purchase money security interest in each Hardware Tool and in the proceeds of disposition of any Hardware Tool and (ii) shall not sell, hypothecate or encumber any such Hardware Tool. Publisher shall execute and deliver to the applicable SIE Company or its designee any documents the SIE Company needs to perfect the security interest, and agrees that applicable SIE Company or its designee may file those documents in its discretion.

7.3 Orders. Orders for Development Tools shall be submitted via the Developer Website or as otherwise notified by the applicable SIE Company. The applicable SIE Company may accept or reject, in its discretion, any Development Tools order, and does not warrant that Development Tools shall be available when ordered.

7.4 Publisher Terms. Any purchase order or other documentation issued by Publisher, purporting in any way to relate to the purchase, loan or license of Development Tools, does not amend or modify this GDPA or any terms presented by the applicable SIE Company in connection with the order of Development Tools, except as expressly agreed in writing by the applicable SIE Company.

7.5 **Delivery.** Upon acceptance of Publisher's order for Development Tools, and on payment of any applicable purchase or loan fee for the Development Tools, the applicable SIE Company will ship the loaned or purchased Development Tools, when available, to the Development Site(s). Publisher bears all expenses associated with delivery of the Development Tools, including insurance costs. Risk of loss or damage in transit to the Development Tools vests in Publisher immediately upon the applicable SIE Company's delivery to the carrier of its choice and remains with Publisher until that SIE Company receives return of the Development Tools. Upon request from the SIE Company, Publisher shall provide a signed acknowledgement of receipt in such form as shall be reasonably specified by the applicable SIE Company. The applicable SIE Company will make Software Tools, excluding Firmware (which will be included with the Hardware Tools) but including Firmware updates, available at the Developer Website as set forth in Section 6.2, or such other method as reasonably chosen by that SIE Company.

7.6 **Deletion of Publisher Code.** Prior to Publisher shipping any Hardware Tool to the applicable SIE Company either pursuant to an announced upgrade "swap" program, or pursuant to the warranty provisions set forth below, or for any other reason, Publisher shall (i) securely delete Publisher's applications software from the hard drive and all other storage media contained in the Hardware Tool and (ii) upon written request from SIE, execute any documentation required by the applicable SIE Company certifying such deletion.

7.7 **No Refunds.** All Development Tool purchases and loans made under this GDPA are final. In no event shall the applicable SIE Company be obligated to refund all or any portion of the purchase price or loan fee for the Development Tools.

7.8 **Care and Maintenance of Development Tools.** Publisher shall be solely responsible for the installation and administration of Hardware Tools. Publisher shall, at all times until the Development Tools are returned to the applicable SIE Company: (i) keep and use the Development Tools securely and only at the Development Site(s) notified to the applicable SIE Company or specified on the Developer Website, or other location approved in advance in writing by the applicable SIE Company; (ii) allow access to and use of the Development Tools only to persons whose duties justify the need for access and use in the exercise of the license granted under this GDPA, and who are authorized under Section 20.2.2 to have access to the SIE Materials; (iii) designate and authorize an individual to act as the applicable SIE Company's contact with respect to Development Tools and, if Publisher wishes to designate a new designee, provide the applicable SIE Company with written notice according to the procedures set forth on the Developer Website or designated by the applicable SIE Company; (iv) preserve any proprietary rights or other notices placed on the Development Tools by SIE or its Affiliates and place all such notices on any copies made as permitted by this GDPA; (v) keep Development Tools in good and serviceable condition; (vi) ensure full compliance with all instructions relating to the maintenance, security or operation of Development Tools; (vii) maintain and service with all due care the Development Tools at Publisher's expense according to SIE's reasonable, written instructions; (viii) take all necessary further steps to ensure that Publisher does not render Development Tools unsafe or a risk to the health or safety of any person or property; (ix) inform the applicable SIE Company promptly following Publisher's awareness of any bugs, errors, failure or breakdown in Development Tools, however caused; (x) inform the applicable SIE Company promptly following Publisher's awareness of any unauthorized access to or use of the Developer Website and cooperate with that SIE Company to take all actions chosen by that SIE Company to address any unauthorized access or use, including taking any actions to prevent the recurrence of unauthorized use of or access to the Developer Website; and (xi) inform the applicable SIE Company promptly following Publisher's awareness of any suspected or actual loss, theft, breach of security or other similar exposure involving the Development Tools, report any suspected or actual loss or theft to the police and obtain a police incident number, and use commercially reasonable efforts to

recover such Development Tools and comply with any corrective action specified by the applicable SIE Company to recover the Development Tools and to prevent any re-occurrence of any loss, theft, breach of security or other unauthorized disclosure involving the Development Tools, and Publisher gives that SIE Company its authority to conduct or assist in the recovery of lost, stolen or missing Development Tools. A breach of Sections 7.8(i) or (ii) constitutes a material breach of this GDPA.

7.9 Inspection. Upon providing Publisher with reasonable, prior written notice, the applicable SIE Company may reasonably inspect the Development Site at any time during Publisher's normal business hours solely to verify Publisher's compliance with the terms of Section 7 of this GDPA. That SIE Company shall not conduct an inspection in a manner that disrupts Publisher's business activities. Publisher shall also provide that SIE Company with an inventory report of Development Tools in its possession within [***] days of SIE's request, including the serial number for each Development Tool and its current physical location. Notwithstanding the foregoing, (i) in no event shall SIE be entitled to access any parts of the Development Site that are not relevant to the inspection, and (ii) SIE may not inspect the Development Site more than [***] unless due to extraordinary circumstances (including, without limitation, if SIE reasonably suspects there to be a security issue at such Development Site).

7.10 Failure or breakdown. In the event any failure or breakdown of any of the Development Tools is notified to the applicable SIE Company pursuant to Section 7.8, that SIE Company shall, at its sole election, either repair or replace the Development Tools at no cost to Publisher provided: (i) such notice shall have been given within [***] months following the date of the delivery of the Development Tools in question or any component part(s) of such Development Tools; (ii) the failure or breakdown is due to defects in materials and/or workmanship which diminish or impair the functionality of the Development Tools; and (iii) the failure or breakdown is not attributable in whole or in part to Publisher's negligence or misuse. Any other repairs or replacements are provided at the applicable SIE Company's discretion. Nothing in this GDPA shall impose an obligation on SIE to repair or replace any Development Tools that it reasonably considers obsolete or beyond economical repair.

7.11 Upgrades. The applicable SIE Company may advise Publisher (either in writing or via the Developer Website) if and when during the Term that the applicable SIE Company makes generally available to Licensed Developers or Licensed Publishers, any revised, updated, modified or enhanced version of any component of the Development Tools. Publisher shall be entitled or, at that SIE Company's option, shall be required, to use such new version, provided, however, that in the event the SIE Company requires Publisher to upgrade to any new version, the SIE Company will provide Publisher with a reasonable period of time to effect any such upgrade. The applicable SIE Company may, upon delivery to Publisher of these Development Tools, require Publisher to return to that SIE Company the Development Tools previously in Publisher's possession.

7.12 Loan of Hardware Tools. The applicable SIE Company may, in its discretion, loan Hardware Tools to Publisher.

7.12.1 Term, Termination and Return . The term of each applicable loan commences and ends on the dates specified by the applicable SIE Company for each Hardware Tool unit or component. The SIE Company may terminate the loan immediately if Publisher breaches any obligation in this GDPA. Upon termination of any loan of Hardware Tools: (i) all rights granted to Publisher in connection with the loan revert to the applicable SIE Company; (ii) Publisher shall cease and desist from further use of such loaned Development Tools; and (iii) Publisher shall immediately return such loaned Development Tools, including any other SIE Materials relating to such loaned Development Tools, to the applicable SIE Company

at Publisher's cost. Publisher shall be responsible for any customs formalities or duties arising in connection with any such returns. If the loaning SIE Company reasonably determines Publisher failed to comply with a material provision of this Section 7 in relation to any loaned Development Tools, or where SIE reasonably determines there is an actual or suspected security risk involving such Development Tools or the Developer Website, it may demand immediate return of the loaned Hardware Tools and all related Software Tools, and Publisher shall use commercially reasonable efforts to comply within [***] business days. If Publisher fails to return any such loaned Development Tools, and the applicable SIE Company resorts to legal means to recover the same, then Publisher shall pay all of that SIE Company's expenses, including the replacement value of the loaned Development Tools and SIE's reasonable outside attorney's fees directly relating to such recovery efforts.

7.12.2 Risk of Loss . If any loaned Hardware Tools are lost, stolen, damaged, destroyed or copied (other than in compliance with the terms of this GDPA or as otherwise authorized by the applicable SIE Company in writing), Publisher shall pay the applicable SIE Company [***], as set forth in the Developer Website or as specified by the applicable SIE Company, in addition to fines, penalties, or any remedy that the applicable SIE Company may have at law or in equity. Publisher shall, at SIE's sole cost and expense (save in the circumstances set out above in this Section 7.12.2 where it shall be at Publisher's sole cost and expense), execute any documents and take all actions that SIE reasonably requests to protect SIE's right, title and interest to the Hardware Tools.

7.12.3 SIE Ownership . SIE retains all right, title and interest to any loaned Hardware Tools, including all Intellectual Property Rights. Publisher shall not sell, lease, license, transfer or dispose of the loaned Hardware Tools, or permit any lien or encumbrance. Publisher shall not do or cause to be done any act or thing in any way impairing or tending to impair SIE's right, title or interest in or to loaned Hardware Tools.

8. Manufacture and Supply of Physical Media Products

8.1 **Designated Manufacturing Facilities.** To ensure compatibility of Physical Media Products with the applicable System(s), consistent quality of the Physical Media Products, and incorporation of anti-piracy security measures, each SIE Company shall designate and license at least [***] Designated Manufacturing Facility to reproduce Physical Media Products. Publisher shall purchase [***] for Physical Media Products, including demonstration discs and cards, Printed Materials, Packaging and assembly from a Designated Manufacturing Facility in the Territory in which they are to be distributed by Publisher under this GDPA, except as expressly set forth in this Section 8. Any Designated Manufacturing Facility may enforce the terms of this GDPA that relate to the manufacture and delivery of Physical Media Products. If law in a Territory prohibits SIE from requiring Publisher to use only a Designated Manufacturing Facility to manufacture Physical Media Products, Publisher may have Physical Media Products, including demonstration discs and cards, Printed Materials and Packaging, manufactured by a third party other than a Designated Manufacturing Facility, but Publisher may do so only to the extent the law in the Territory requires that Publisher have the right to do so, and only for Physical Media Products distributed in the Territory with such a prohibition (unless otherwise contemplated by this Section 8). Publisher's use of a third-party manufacturer other than a Designated Manufacturing Facility must otherwise comply with this GDPA, [***]. Unless otherwise agreed to by the parties in writing, in no circumstances shall any SIE Company or the Designated Manufacturing Facility treat any of Publisher's Physical Media Products in any way more or less favorably, in terms of production turnaround times or otherwise, than the Physical Media Products of any other similarly situated third party licensee of such SIE Company or than the Physical Media Products published by such SIE Company.

8.2 **Creation of Master Media.** Using a fully-approved, reproducible file containing final Licensed Product provided by Publisher, the applicable SIE Company or the applicable Designated Manufacturing Facility shall create an encrypted, reproducible master of the Physical Media Product from which all units of the applicable Physical Media Product are to be replicated. Publisher shall be responsible for the costs, as determined by the applicable SIE Company or the applicable Designated Manufacturing Facility, of producing the reproducible masters of Physical Media Products.

8.3 **Orders.** Publisher shall issue Purchase Orders to the applicable Designated Manufacturing Facility, with a copy to the SIE Company in the Territory where the order is placed. No Purchase Orders will be processed for any Physical Media Product unless that product is approved in accordance with Section 6, and complies with the Guidelines. All Purchase Orders shall be subject to approval by the applicable SIE Company, not to be unreasonably withheld, and to acceptance by the applicable Designated Manufacturing Facility pursuant to the Guidelines. Purchase Orders issued by Publisher to a Designated Manufacturing Facility for each Licensed Product approved by the applicable SIE Company shall be non-cancelable and are subject to the terms and conditions of the Designated Manufacturing Facility that are generally applicable to all Licensed Publishers at the time of the relevant Purchase Order. Publisher shall not, directly or indirectly, solicit orders for or sell any units of Physical Media Products in any situation where Publisher knows or reasonably should know that any of such Physical Media Products will be exported or resold outside of the Territory in which they are ordered.

8.4 **Manufacture and supply of units.** Upon approval of a Licensed Product and associated Printed Materials pursuant to Section 6, and subject to Sections 8.5 through 8.7, the applicable Designated Manufacturing Facility will, in accordance with the terms and conditions set forth in this Section 8, and at Publisher's request and sole expense (a) manufacture and supply Physical Media Products for and to Publisher; (b) manufacture and supply Publisher's Packaging and Printed Materials; and (c) assemble the Physical Media Products with the related Printed Materials and Packaging. Publisher shall comply with all Guidelines relating to the production of units of Physical Media Products. The applicable SIE Company reserves the right to insert or require Publisher to make arrangements for the insertion of certain Printed Materials relating to the System into each unit.

8.5 **Manufacture and supply of Printed Materials by Designated Manufacturing Facility.** If Publisher elects to order Printed Materials from a Designated Manufacturing Facility, Publisher shall deliver the applicable SIE-approved Printed Materials to the applicable Designated Manufacturing Facility, at Publisher's sole risk and expense, and the Designated Manufacturing Facility will manufacture Printed Materials in accordance with this Section 8. Neither SIE nor any Designated Manufacturing Facility is liable for loss of or damage to Printed Materials.

8.6 **Manufacture of Packaging and Printed Materials by Alternate Source.** Subject to the prior, express, written approval (in its sole discretion) of the SIE Company in the Territory in which the Physical Media Products are to be distributed by Publisher under this GDPA and the Guidelines, Publisher may elect to be responsible for manufacturing its own Packaging and Printed Materials (other than artwork which is to be reproduced or displayed on any Physical Media Product, which Publisher will supply to the applicable Designated Manufacturing Facility for incorporation within the Physical Media Product), at Publisher's sole risk and expense. The applicable SIE Company shall have the right to disapprove any Packaging or Printed Materials that do not comply with the applicable Guidelines. If Publisher elects to supply its own Packaging or Printed Materials, neither SIE nor any Designated Manufacturing Facility shall be responsible for any shortage or delays arising from use of Publisher's own Packaging or Printed Materials.

8.7 **Assembly Services by Alternate Source.** Subject to the prior, express, written approval (in its sole discretion) of the SIE Company in the Territory in which the Physical Media Products are to be distributed by Publisher under this GDPA and the Guidelines, Publisher may elect to procure assembly services from an alternate source other than a Designated Manufacturing Facility. If Publisher elects to be responsible for assembling the Physical Media Products, then the applicable Designated Manufacturing Facility shall ship the component parts of the Physical Media Product to a destination designated by Publisher, at Publisher's sole risk and expense. The applicable SIE Company shall have the right to inspect any assembly facilities that Publisher proposes to use in order to determine if the component parts of the Physical Media Products are being assembled in accordance with SIE's quality standards. The applicable SIE Company may require Publisher to recall any units of any Physical Media Products that fail to materially comply with the Guidelines unless any non-compliance is solely attributable to any acts or omissions of any SIE Company or any Designated Manufacturing Facility. If Publisher elects to use alternate assembly facilities, neither SIE nor any Designated Manufacturing Facility shall be responsible for any shortage or delays or other production issues, including breakage or missing component parts, arising from use of alternate assembly facilities. Publisher shall comply with all applicable labor and employment laws and shall not employ child labor, slave labor or forced labor in connection with the assembly of the Licensed Products, or knowingly use any third party that does so.

8.8 **Delivery of Physical Media Products.** The applicable Designated Manufacturing Facility will deliver Physical Media Products to Publisher at Publisher's sole expense, except where otherwise stated in the Guidelines, this GDPA, or as otherwise agreed in writing by the applicable SIE Company. Subject to the terms of Section 8.1 of this GDPA, SIE does not guarantee delivery of Physical Media Products by any delivery date stipulated by Publisher, but Publisher and the Designated Manufacturing Facility may agree a fixed delivery date separately. Publisher shall have no right to have completed units of Physical Media Products stored at the applicable Designated Manufacturing Facility after manufacture.

8.9 **Ownership of Original Master Discs.** Neither SIE nor any Designated Manufacturing Facility has any obligation to release to Publisher any original reproducible masters created under Section 8, or any other in-process materials. These masters and materials are and will remain the sole property of SIE or the Designated Manufacturing Facility (as applicable). Notwithstanding the foregoing, the Publisher Intellectual Property Rights that are contained in these masters or materials are, as between SIE and Publisher, the sole and exclusive property of Publisher or its licensors.

8.10 **Other Products.** This Section 8 shall apply to the manufacture, order, supply and delivery of other non-standard products or Packaging relating to Licensed Products, if any, ordered by Publisher from a Designated Manufacturing Facility, unless otherwise stated in this GDPA or the Guidelines.

9. Distribution

(a) Distribution of any Licensed Product is subject to SIE's assessment, testing and approval in accordance with the terms of Section 6.3. Unless otherwise mutually agreed by the parties, Licensed Products will be distributed in accordance with Sections 9.1 or 9.2, as applicable. Unless expressly approved in writing by an SIE Company, Publisher may not publish a Licensed Product previously published by another Licensed Publisher in the same Territory for the same System.

(b) Distribution of any PlayStation Compatible Product other than Licensed Products (including Peripherals) may require written approval by SIE and such approval may require Publisher to submit any such PlayStation Compatible Product to SIE for evaluation, assessment, testing, and approval pursuant to Section 6.3 and the Guidelines. Publisher's distribution of such PlayStation Compatible Product may be subject to commercial or other conditions (following such evaluation or otherwise) mutually agreed to by the parties in

writing, including, solely to the extent mutually agreed for such PlayStation Compatible Product, a requirement that such PlayStation Compatible Product must be distributed through PSN. All requirements imposed by SIE in relation to any such PlayStation Compatible Product will be the same as are generally applicable to all Licensed Publishers of similar PlayStation Compatible Products.

9.1 Distribution of Physical Media Products

9.1.1 Form of Distribution . Unless expressly approved in writing by the SIE Company in the applicable Territory, Licensed Products distributed physically to end-users shall be in the form of Physical Media Products only. Publisher shall not, directly or indirectly, hard bundle a Licensed Product with any other Licensed Product, Peripheral, PlayStation Compatible Product or any other content, good or service, without SIE's prior written consent. Where such approval is granted, the terms of this GDPA shall apply to those units.

9.1.2 Distribution Channels . Publisher may use distribution channels for Physical Media Products as Publisher deems appropriate, including the use of third-party distributors, resellers, dealers and sales representatives.

9.1.3 Simultaneous Publishing . If both Physical Media Product and an equivalent Digitally Delivered Product will be published, the Physical Media Product must be commercially released by Publisher [***] the date that the equivalent Digitally Delivered Product is commercially released, in accordance with the terms of Section 9.2 or as otherwise agreed between the parties.

9.2 Distribution of Digitally Delivered Products

9.2.1 Distribution Channel for Digitally Delivered Products . Unless expressly approved in writing by all SIE Companies in the relevant Territories, Digitally Delivered Products, and any subscriptions or services associated with Licensed Products (where Publisher elects in its sole discretion to make such subscriptions or services available), shall be distributed through PSN only, in accordance with this Section 9. Publisher may, however, electronically transmit PlayStation Compatible Products from Development Site to Development Site, or from machine to machine over a computer network, for the sole purpose of facilitating development or testing of PlayStation Compatible Products to be carried out under Section 6, provided that Publisher uses reasonable security measures customary within the high technology industry to reduce the risk of unauthorized interception or retransmission of those transmissions.

9.2.2 PSN . Publisher may offer each SIE Company the right to sell Digitally Delivered Products, and, if any, subscriptions or other services related to Licensed Products, to Users via PSN in each relevant Territory, or, if SIE chooses to make such option available to Publisher and Publisher elects such option in its discretion, have that SIE Company sell or rent those products on behalf of Publisher as Publisher's agent via PSN, on the terms set forth in this Section 9, Section 15, the Guidelines, or other standard terms SIE may communicate to Licensed Publishers. Subject to the terms of this GDPA, Publisher grants to SIE the right, which may be exercised by SIE directly or through an Affiliate (provided that SIE will ensure any such Affiliate's compliance with the terms of this GDPA in accordance with Section 14), on or through PSN, during the Term (subject to Section 22) throughout each Territory, to: (i) install, load, host and reproduce Digitally Delivered Products and Product Information on servers for the sole purpose of marketing and selling the Digitally Delivered Products to Users on the applicable System(s) on which Publisher elects to publish such Digitally

Delivered Products (as contemplated in the Product Submission associated with such Digitally Delivered Products); (ii) resell (including by means of a retail voucher code), deliver and provide access to and use of Digitally Delivered Products to Users electronically via PSN for the System(s) on which Publisher elects to publish such Digitally Delivered Products, (either alone or as part of a Publisher approved bundle) by means of digital download, including to the extent necessary to effect such rights via reproduction, transmission, public performance, public display, public communication, and digitally wrapping and repackaging (such rights extending solely to any product (including its offline manual) published exclusively as a Physical Media Product under a Licensed Publisher Agreement which the parties agree in writing shall be digitally wrapped or repackaged by SIE for distribution as a Digitally Delivered Product through PSN subject to the terms of this GDPA); (iii) digitally stream Licensed Products to Users via PlayStation Now, subject to written agreement between the parties on a product-by-product basis, and copy and adapt the Licensed Products solely as necessary for that purpose; (iv) sublicense to Users, for their personal, non-commercial purposes, the right to browse Digitally Delivered Products available for the applicable System(s) for which Publisher makes such Digitally Delivered Products available, and a worldwide, non-transferable, non-exclusive right to access, download, store, use and play Digitally Delivered Products on the applicable System for which it was purchased or otherwise provided, subject to the terms established by SIE under which Digitally Delivered Products are supplied to Users, including, subject to written agreement between the parties on a product-by-product basis, in exchange for rental, subscription, bundle or time-based usage fees, and subject to any rental, subscriptions or other usage terms established by SIE; (v) allow Users to re-download and use any Digitally Delivered Product previously legitimately purchased on the same PSN account, without further charge or obligation; (vi) market, advertise and promote Digitally Delivered Products in any media, subject in all cases to the terms set forth in Section 9.2.3; (vii) use Advertising Material and Product Information to facilitate Digitally Delivered Product resale on or through PSN, subject in all cases to the terms set forth in Section 9.2.3; and (viii) make, store and use copies of Digitally Delivered Products and associated Product Information internally solely for testing, evaluation, quality control, User support, support in the operation of PSN (and any services offered thereunder) and for archiving, administrative, legal and rating board and other compliance purposes. With respect to any retail vouchers for Digitally Delivered Products, SIE will display or reference any disclosures, disclaimers and other notices on such retail vouchers as reasonably requested by Publisher, and SIE's sale and distribution of retail vouchers may also be subject to any additional terms and conditions which may be agreed to by the parties in relation to any applicable retailer or Territory. For purposes of clarity, SIE will not distribute any Digitally Delivered Products via any subscription, bundle or compilation product, emulation, or streaming service unless mutually agreed to by Publisher and SIE in writing on a Licensed Product-by-Licensed Product basis, and will not distribute via PSN any Digitally Delivered Product until the release date designated by Publisher. Any digital repackaging or adaptation of a Licensed Product created by SIE pursuant to subsection (ii) or subsection (iii) above will be subject to Publisher's prior written approval and will be considered Publisher Property (exclusive any SIE Materials or Licensed Trademarks therein), and if any rights, title or interest in such materials vest in SIE by operation of law or for any other reason, SIE assigns all rights, title and interest therein to Publisher.

9.2.3 License to Product Information . Publisher shall provide SIE with Product Information for each Licensed Product for use by SIE in accordance with this Section 9.2.3 and the Guidelines. Subject to the terms of this Section 9.2.3, Publisher grants to SIE, for the Term

and within each Territory, a non-exclusive license to use Product Information to further SIE's resale or other electronic distribution of Digitally Delivered Products pursuant to this GDPA. Subject to the terms of this Section 9.2.3, this license includes the following grant of rights to SIE to: (i) use, publish, reproduce, distribute, display, exhibit, transmit and communicate to the public, make available, and publicly perform on or through any media Publisher's and its licensors' trademarks, service marks or logos, and Product Information in connection with the marketing or promotion of Digitally Delivered Products on PSN, or in connection with any campaign which is primarily aimed at advertising, marketing or promoting PSN, the PlayStation Store, the Systems or the PlayStation brand generally, and; (ii) edit, crop or vignette all such materials as appropriate to comply with technical limitations; provided , however , that any proposed use of Publisher's and/or its licensors' trademarks, service marks or logos and Product Information and Advertising Materials, including any editing, cropping or vignettes thereof by SIE pursuant to the foregoing will be subject to Publisher's prior written approval (which may be provided on a campaign-by-campaign basis or via the provision of pre-approved assets). For purposes of clarity, where Publisher provides SIE with pre-approved Product Information or Advertising Materials, SIE will not need to seek Publisher's further approval for use of such Product Information or Advertising Materials in any SIE controlled media-channels . Publisher may request that SIE take down and cease use of any specific Product Information or Advertising Materials that do not comply with this Section 9.2.3 or that become subject to any third party claim, and SIE will use commercially reasonable efforts to take down and cease use of such Product Information or Advertising Materials reasonably promptly following receipt of Publisher's request. Except for any SIE Materials or Licensed Trademarks, any modifications, enhancements or derivative works of any of the Product Information or Advertising Materials created by or for SIE will remain the exclusive property of Publisher or its applicable third party licensors, and if any rights, title or interest in such materials vest in SIE by operation of law or for any other reason, SIE hereby assigns all such rights, title and interest in such materials to Publisher. The licenses granted in this Section 9.2.3 include a license to use Publisher Intellectual Property Rights as reasonably necessary to exercise the foregoing rights and licenses, subject to the terms set forth in this Section 9.2.3.

9.2.4PSN Vouchers . At Publisher's request, SIE may (without obligation) issue PSN voucher codes and printed vouchers displaying such codes for Digitally Delivered Products to Publisher, subject to agreement with Publisher on Wholesale Price or revenue share (as applicable), and, where applicable, on payment of SIE's fee for voucher production and supply as stipulated in the Guidelines, for: (i) non-commercial use (including internal use) by Publisher; (ii) promotional use by Publisher and/or Publisher's third party contractors, service providers and promotional partners; or (iii) supply (but not resale) to consumers by Publisher and/or Publisher's third party contractors, service providers and promotional partners. The fee charged to Publisher by SIE for such voucher codes will be the same as generally applicable to all Licensed Publishers. PSN vouchers issued to consumers may be redeemed in any country of the applicable Territory in which PSN is available. Where permitted by an SIE Company and subject to the Guidelines, Publisher may purchase from the applicable SIE Company physical cards with printed PSN voucher codes that entitle users to redeem Digitally Delivered Products from PSN and distribute or sell physical cards to third party retailers for resale to users. Publisher shall obtain voucher codes solely from the applicable SIE Company in the applicable Territory.

9.2.5 No Obligation . Subject to the terms of this GDPA, SIE reserves the right, in its sole discretion (unless otherwise stated), to do any of the following, at any time, without notice to Publisher: (i) operate and manage PSN; (ii) control the timing, manner, extent and duration of any

offer, display, supply, distribution, delivery, marketing, advertising and promotion of Digitally Delivered Products acting reasonably and in good faith; (iii) distribute, rent, sell, resell or market any SIE or third party product and service on PSN, including those that compete with Digitally Delivered Products; (iv) use age gates, filters or other restrictions to limit access of products and services offered through PSN; (v) acting reasonably and in good faith, commence or discontinue the marketing, resale, or electronic distribution of any Digitally Delivered Product; and (vi) suspend or cease PSN's operation, in whole or in part, or suspend or cancel the offering or supply of any Digitally Delivered Product to a User in accordance with the ToSUA.

9.2.6DRM . SIE has no obligation to use any digital rights management technology in conjunction with its resale or other electronic distribution of Digitally Delivered Products. If SIE, in its sole discretion, elects to use means to limit the improper use of Digitally Delivered Products, SIE will do so without any liability to Publisher, and Publisher shall use commercially reasonable efforts to support such technology provided by SIE. SIE will not remove, alter, deactivate or otherwise impair any digital rights management technology that Publisher may, in its sole discretion, include with any Digitally Delivered Products or any metadata or information associated therewith, provided such technology, metadata or information does not conflict with the requirements of the Guidelines.

9.2.7 Product Submission . Publisher shall provide Digitally Delivered Products to SIE for supply on or through PSN by submitting to an SIE Company a Digitally Delivered Product pursuant to the process described in the Guidelines or otherwise communicated to Publisher (and all other Licensed Publishers) by SIE (each such submission a " **Product Submission** "). Each Product Submission must include a true and accurate description of the Digitally Delivered Product, along with complete metadata for the Digitally Delivered Product as specified in the Guidelines or otherwise reasonably communicated to Publisher by SIE, provided that any additional requirements communicated to Publisher will be generally the same as required of all Licensed Publishers. Publisher is liable to SIE and Users for inaccurate or misleading (including by omission) product descriptions. There will be no obligation on SIE to supply any Digitally Delivered Product until SIE has accepted the relevant Product Submission. Each accepted Product Submission is hereby incorporated into and becomes a part of this GDPA. SIE may amend or change the Product Submission process and requirements at any time and will provide reasonable notice to Publisher of those changes. If a change to the Product Submission process or requirements requires additional information from Publisher, Publisher shall promptly provide that information to SIE. Publisher shall follow the Product Submission process that is current at the time Publisher submits Digitally Delivered Products. Any changes to the information contained in a submitted Product Submission must be provided by Publisher in a revised Product Submission.

9.2.8 Removal from PSN Storefront . Publisher may cease the sale or other provision of a Digitally Delivered Product to SIE by providing SIE with written notice no less than [***] business days prior to cessation, or as required by the Guidelines, in which case SIE will remove and cease selling or otherwise making available such Digitally Delivered Product, provided, however, that SIE will use commercially reasonable efforts to promptly remove any Digital Delivered Product where requested by Publisher if such Digitally Delivered Product is subject to elevated levels of fraud or to comply with Publisher's contractual, legal or regulatory requirements (including without limitation in the event any applicable third party rights granted to Publisher in relation to such Digitally Delivered Product expire, are terminated or otherwise revoked). SIE may purchase, resell and otherwise electronically

distribute via PSN in accordance with the terms of this Section 9.2 an unlimited quantity of Digitally Delivered Products until the date of cessation, subject to SIE's compliance with the terms of this GDPA and any additional terms mutually agreed to in writing by the parties. Publisher may terminate the re-download rights granted for any Digitally Delivered Product pursuant to Section 9.2.2(v) on a product-by-product basis upon written notice to SIE where necessary to comply with Publisher's contractual, legal or regulatory requirements (including without limitation in the event any applicable third party rights granted to Publisher in relation to such Digitally Delivered Product expire, are terminated or otherwise revoked). SIE will remove any retail vouchers from any retailer in any territory no less than [***] days following receipt of Publisher's written request, provided that Publisher may request immediate removal to the extent required to comply with any contractual, legal or regulatory requirements (including without limitation in the event any applicable third party rights granted to Publisher in relation to such product expire, are terminated or otherwise revoked). SIE will use commercially reasonable endeavors to remove any retail vouchers relating to any Digitally Delivered Product which is removed from the PSN in accordance with this Section 9.2.8. This Section 9.2.8 is without prejudice to Section 16.2.

9.2.9 Territory Restrictions . SIE shall only be taken to have exercised its rights under this Section 9 in respect of any Digitally Delivered Product in a particular country where SIE's activities in respect of that Digitally Delivered Product are directed at that country. Access to, use of or download of such product through PSN by a User outside the Territory is not a breach of this GDPA or a breach of any Publisher Intellectual Property Rights or (as between SIE and Publisher) the Intellectual Property Rights of any other person, provided that SIE will use commercially reasonable efforts to limit display and availability of any Digitally Delivered Product on PSN to Users within the applicable country unless prohibited by applicable law.

9.3 [***].

10. EULAs and Additional Terms

10.1 **Additional Terms.** Publisher may establish its own terms describing or limiting use of its Digitally Delivered Products and request presentation of such terms on PSN, in accordance with the Guidelines (" **Additional Terms** "). Additional Terms shall be provided to SIE with the relevant Product Submission. SIE reserves the right to review and suggest revisions to the Additional Terms, but without liability for them, and Publisher will consider SIE's suggestions in good faith. Publisher may update the Additional Terms from time to time. SIE is not liable for Publisher's failure to comply with Additional Terms. The Additional Terms must not be inconsistent with the Software Product License Agreement or the ToSUA as they relate to a Licensed Product's or a User's interaction with the System or to SIE's liability.

10.2 **Licensed Product Terms.** Publisher acknowledges that the Software Product License Agreement shall be a license governing the use of Licensed Products. Publisher shall be entitled to present its own license for Licensed Products (a " **Publisher EULA** "), which may be updated by Publisher from time to time, provided the terms of the Publisher EULA are not inconsistent with the terms of the Software Product License Agreement or the ToSUA as they relate to a Licensed Product's or a User's interaction with the System or SIE's liability, and makes clear that the Publisher EULA is between Publisher and the user, and not state or suggest the Publisher EULA is between any SIE Company and the user:

10.2.1 Publisher is solely responsible for the Licensed Product;

10.2.2 a limited license to use the Licensed Product for their own personal, non-commercial use; and

10.2.3 each SIE Company (or the SIE Company for the Territory where the Licensed Product is being sold if the Publisher EULA is regional) is a third party beneficiary of the Publisher EULA, provided that Publisher will not need to specifically refer to each SIE Company in the Publisher EULA to comply with this requirement.

11. Advertising

11.1 Generally. Subject to Section 11.2, Publisher may advertise PlayStation Compatible Products or related Online Activity, but all advertising (i) for Licensed Products, or (ii) for PlayStation Compatible Products other than Licensed Products that include or display any Licensed Trademarks, must be carried out in accordance with the Guidelines.

11.2 In-Game Advertising. Subject to the terms of the GDPA, Publisher may sell and serve (or have sold and/or served on Publisher's behalf), provide and/or include advertisements within Publisher's Licensed Products, [***], provided that all such advertisements are carried out in accordance with the Guidelines. Any advertisements [***] within Publisher's Licensed Products by or for Publisher will be provided in compliance with the applicable advertising content [***]. SIE has sole discretion to reject, block placement of, remove or require removal of any advertisement that (i) does not comply with the Guidelines, applicable law, regulations, court decision, other judicial or administrative order, age ratings system, or principles of any applicable age ratings board; or (ii) may reasonably cause (in light of the PlayStation Compatible Product's age rating and the SIE objectionable content criteria for the applicable Territory) SIE or any Affiliate to suffer public disrepute, contempt, scandal or ridicule, or which insults or offends the relevant community or any substantial organized group thereof or which would adversely affect SIE or any Affiliate's name, reputation or goodwill. SIE will notify Publisher in writing if it rejects, blocks or removes any advertisement pursuant to this Section 11.2. SIE reserves the right to require Publisher to use commercially reasonable efforts to develop and implement a tracking mechanism to verify the number of users viewing advertisements. For the purposes of this Section 11.2, "advertisement" shall be deemed to include promotions, product placements, and references and trademarks relating to sponsorships.

12. Online Activity & Data Collection

12.1 Publisher Obligations. If a Licensed Product allows Users to engage in Online Activity, then, as between Publisher and SIE, Publisher must, at its sole expense for the term during which Publisher provides the User with rights to access the Online Activity in connection with use of the Licensed Product, do the following in compliance with the Guidelines and this GDPA:

12.1.1 host and provide Users with access to Online Activity;

12.1.2 provide Users with customer support in a commercially reasonable manner and in accordance with its Publisher EULA;

12.1.3 If a User makes Publisher aware of any breach or suspected breach by another User of the ToSUA, Publisher will promptly notify the User reporting such breach to instead contact SIE's applicable customer support to make SIE aware of the breach or suspected breach;

12.1.4 appoint a dedicated contact person for Online Activity who will act as a liaison between SIE and Publisher for all matters relating to the same. Publisher shall give SIE [***] days written notice prior to any change of a designated contact person;

12.1.5 present (including via a link) Additional Terms relating to Online Activity prior to (i) launch by a User of the Licensed Product for the first time, or (ii) allowing any User to engage in Online Activity for the first time;

12.1.6 operate all Online Activity with particular regard to the protection of children and privacy, and in compliance with legal requirements or as stipulated under any voluntary system relating to the labeling and conduct of gameplay websites designated by SIE in writing and applicable to all Licensed Publishers in writing, and comply with any SIE policy set forth in the Guidelines relating to the protection of children during Online Activity and, where Publisher employs PSN authentication on websites in accordance with the Guidelines, implement appropriate age filters; and

12.1.7 provide notice to consumers in a clear and conspicuous manner of any permanent shutdown to all servers hosting or supporting Online Activity on PSN for a specific Licensed Product, in accordance with Publisher's EULA applicable to Online Activity and such Licensed Product. If Publisher provides less than [***] days prior notice of any permanent shut down of servers hosting or supporting Online Activity for any Licensed Product, then the [***] will not apply to any [***] within [***] days prior to the announcement that the servers hosting Online Activity will be permanently shut down.

12.2 **Use of PSN ID.** Publisher must require all end-users to sign in with their unique PSN ID, or such other SIE identifier specified by SIE, when accessing Online Activity.

12.3 **Personal Information Collection by Publisher.** If Publisher collects any Personal Information from a System or a Licensed Product, Publisher shall do so in strict accordance with all applicable laws and regulations and the terms of this Section 12.3. Publisher shall, at a minimum:

12.3.1 Implement reasonable and appropriate measures to protect the confidentiality, security, and integrity of any Personal Information collected; and

12.3.2 Without limiting the obligation to comply with all applicable laws and regulations under this Section 12.3, provide notice to users of its privacy practices, including at least material terms relating to the following:

12.3.2.1 the Personal Information collected;

12.3.2.2 the purposes for which Personal Information will be used;

12.3.2.3 to whom Personal Information will be disclosed;

12.3.2.4 where Personal Information will be transferred; and

12.3.2.5 how an individual can access, correct and delete Personal Information about them.

Publisher shall comply with the practices described in Publisher's privacy notice. Any Personal Information collected by Publisher pursuant to this Section 12.3 will not be considered SIE

Materials and may be used by Publisher in accordance with publisher's privacy policy subject to this Section 12.3.2.

12.4 **Personal Information Disclosed to Publisher by SIE.** SIE has no obligation to disclose data collected by or on behalf of SIE or its Affiliates to Publisher. Publisher may offer Users the ability to link their PSN ID to Publisher's account/ID database in connection with Publisher's Licensed Products in accordance with the Guidelines. If Personal Information is disclosed to Publisher by SIE in SIE's absolute discretion, Publisher agrees to comply with the following in relation to any such Personal Information:

12.4.1 to limit its processing of Personal Information strictly to those purposes defined in the Guidelines or in writing by SIE and for no other purpose, subject to Section 12.4.2 below;

12.4.2 that prior to processing Personal Information for any purposes beyond those defined under Section 12.4.1, it will:

12.4.2.1 obtain SIE's express, written consent to the use of such data for such purposes such consent to be in SIE's sole discretion;

12.4.2.2 inform the individual of Publisher's identity;

12.4.2.3 inform the individual of the purposes for which the data will be used;

12.4.2.4 obtain the individual's explicit consent to such transfer and use; and

12.4.2.5 provide notice to the individual that the use and any disclosure of the applicable Personal Information shall be subject to Publisher's privacy policy and that SIE is not responsible or liable for Publisher's use of such Personal Information;

12.4.3 to handle such Personal Information in accordance with applicable law and (ii) with respect to such Personal Information processed by Publisher pursuant to Section 12.4.2, the Guidelines, any terms for handling and use mutually agreed to by SIE and Publisher, and Publisher's privacy policy or (ii) with respect to such Personal Information processed by Publisher pursuant to Section 12.4.1, the Guidelines and any terms for handling and use presented by SIE

12.4.4 to implement measures to protect the confidentiality, security, and integrity of any Personal Information that SIE Company shares with Publisher that are reasonable, adequate or otherwise required by Section 12.4.3; and

12.4.5 where such Personal Information relates to an end user who is located in a country with, or is a customer of SIE that is subject to, a law, regulation or direction of any competent authority that restricts the export or transfer of such Personal Information outside of that country (or its region, such as the European Economic Area), if requested by SIE, Publisher shall implement such agreements and take such steps as are required by that law, regulation or direction to ensure SIE is in compliance with the restriction.

12.5 SIEA will provide a notice to Users in its privacy policy stating the following, "When a parent allows their child's Account to participate in games, chat or user-generated content features, they also consent to SIE sharing information with the publishers of the games, applications, or services that incorporate those features and the collection of information entered into such features by the child's Account (e.g. typing text into the chat feature)." [***].

13. Marketing of Licensed Products

13.1 Marketing Generally. At no expense to SIE, Publisher will, and will direct its distributors to, diligently market, sell and distribute the Physical Media Products, market Digitally Delivered Products, use commercially reasonable efforts to stimulate demand for all Licensed Products throughout the applicable Territories, and use commercially reasonably efforts to supply units of Physical Media Products to satisfy any resulting demand.

13.2 Samples. Publisher will provide sample units of each Physical Media Product to the SIE Company in each relevant Territory in the quantities and per the terms specified in the Guidelines, subject to any limitations on sample or promotional units imposed by any of Publisher's applicable third party licensors. In the event that Publisher assembles any Physical Media Product using an alternate source in accordance with Section 8.7, Publisher will be responsible for shipping such sample units to the applicable SIE Company, at Publisher's cost and expense, promptly following the commercial release of such Physical Media Product. SIE shall not directly or indirectly resell any such sample units of the Physical Media Products without Publisher's prior written consent. SIE may distribute sample units to its employees or those of its Affiliates, provided that it uses its reasonable efforts to ensure that such units are not sold into the retail market.

13.3 Marketing Programs. SIE may invite Publisher to participate in promotional or advertising opportunities that may feature one or more Licensed Products from one or more Licensed Publishers. Participation shall be voluntary and subject to terms to be determined by SIE at the time of the opportunity. In the event Publisher elects to participate, all materials submitted by an authorized representative of Publisher to SIE shall be submitted subject to the Guidelines and delivery of such materials by an authorized representative of Publisher to SIE shall constitute acceptance by Publisher of the terms of the offer. Unless otherwise requested in writing by Publisher or mutually agreed to by the parties in writing in advance, each SIE Company shall be entitled to display and otherwise use an attribution line substantially similar to the following on its multi-product marketing materials: "Copyrights and trademarks are property of their respective owners."

13.4 PlayStation Website. Publisher shall provide SIE with Product Information in HTML or such other format as reasonably specified by SIE for each of its Licensed Products for display on one or more PlayStation promotional websites. Specifications for Product Information for those websites shall be as provided in the Guidelines. Publisher shall provide each applicable SIE Company with such Product Information for each Licensed Product upon submission of Printed Materials to the applicable SIE Company for approval pursuant to the Guidelines. Publisher shall also provide updates for any such web page in a timely manner as may be required in the Guidelines.

14. Subcontracting . Publisher may retain subcontractors who provide services which do not require access to SIE Materials without prior approval. Publisher may provide a subcontractor with access to the SIE Materials to assist with the development, testing, publication, and/or marketing of PlayStation Compatible Products only where Publisher has: (i) made the subcontractor aware of the confidentiality, data protection, and other relevant provisions of this GDPA; and (ii) ensured that the subcontractor has agreed in writing to abide by terms that are no less protective of the SIE Materials than the applicable terms of this GDPA. Publisher shall remain fully liable for Publisher's compliance with all of the provisions of this GDPA, and for the compliance of any subcontractor provided with access to the SIE Materials with the confidentiality, data protection, and other provisions of this GDPA. Publisher shall disclose to a subcontractor the SIE Materials only to the extent necessary to allow the subcontractor to assist with the development, testing, publication, and/or marketing of PlayStation Compatible Products. SIE has no obligation to grant any subcontractor access to the Developer Website (and Publisher shall not share its access with a subcontractor unless otherwise authorized by SIE). A subcontractor has no right to publish Licensed Products, including any right to order or pay for Publisher's

Physical Media Product. SIE may prohibit disclosure of the SIE Materials to any subcontractor found to have acted or failed to act in a way that would constitute a material breach of the terms of this GDPA, or where SIE reasonably believes such subcontractor is likely to act or fail to act in a way that would constitute a material breach of the terms of this GDPA. SIE may subcontract or sublicense any of its rights or obligations under this GDPA, provided that SIE will cause its subcontractors to comply in all respects with the terms and conditions of the GDPA, and shall remain fully liable for the compliance of any of its subcontractor with the applicable terms of this this GDPA.

15. Revenue and Payments

15.1 Physical Media Products. Publisher or a Publisher Affiliate shall pay each Designated Manufacturing Facility located in the Territory in which Publisher distributes Physical Media Products, either directly or through its designee, for Physical Media Products, including Physical Media Products in any "Greatest Hits," "Platinum" or any other program, and demonstration discs, at the rates and in the manner specified in the Guidelines, the terms of this Section 15, or otherwise communicated to Publisher (and all other Licensed Publishers) by other means used by SIE to communicate standard terms to all Licensed Publishers from time to time, subject to any separate written agreements between SIE or an SIE Company and Publisher or Publisher Affiliate regarding the rates or payment for manufacture of Physical Media Products. Publisher shall inform SIE of its Wholesale Price for each Physical Media Product title which shall form the basis of the platform charge payable to the applicable Designated Manufacturing Facility, such amount to be calculated by SIE and notified to the Publisher in accordance with the Guidelines, subject to any separate written agreements between SIE or an SIE Company and Publisher or Publisher Affiliate regarding the calculation of the applicable platform charge. Payment shall be made prior to manufacture unless the applicable SIE Company has agreed in writing to extend credit terms to Publisher under Section 15.1.1. The burden of proof under this Section 15 shall be on Publisher. SIE reserves the right to require Publisher to furnish evidence satisfactory to SIE that Publisher has complied with any or all of its obligations pursuant to this Section 15.

15.1.1 Credit Terms . SIE may extend credit terms to Publisher in SIE's sole discretion. Credit terms and limits shall be subject to revocation or extension at SIE's sole discretion. If credit terms are extended to Publisher, Purchase Orders will be invoiced by the Designated Manufacturing Facility upon shipment of Physical Media Products and each invoice will be payable within [***] days of the date of the invoice or other longer period stated in the Guidelines. Publisher shall be additionally liable for all costs and expenses of collection of any unpaid amounts, including reasonable fees for lawyers and court costs.

15.1.2 General Terms . Each shipment by the Designated Manufacturing Facility to Publisher shall constitute a separate sale, whether said shipment constitutes the whole or partial fulfillment of any Purchase Order. Title to units of Physical Media Products pass to Publisher only upon payment in full of the amounts due under this GDPA for those units. The receipt and deposit of any moneys payable by Publisher under this GDPA shall be without prejudice to any rights or remedies that SIE has and shall not restrict or prevent SIE from challenging the basis for calculation or payment accuracy.

15.1.3 SIE Audit . Publisher shall keep full, complete, and accurate records covering all transactions relating to Physical Media Products ordered and manufactured pursuant to this GDPA including, the Wholesale Price for Physical Media Products, and all records relating to indirect revenue under Section 15.3 (as applicable). Publisher shall preserve such records, documents, and materials for a period of [***] after the expiration or termination of this GDPA unless any such records, documents and materials become conclusively binding

pursuant to the terms of this Section 15.1.3. SIE's acceptance of any accounting statement, purchase order, or payment will not preclude SIE from challenging or questioning the accuracy thereof at a later time during the SIE Audit Period (as defined below). SIE will give Publisher specific notice of any objection to any payment (and any related documentation or reporting) provided by Publisher within [***] following the date on which Publisher provided such payment, documentation or reporting to SIE, or such payment, documentation or reporting will become conclusively binding and SIE waives any further right to object. If SIE reasonably believes that the pricing or revenue information provided by Publisher is not accurate, SIE is entitled to request additional documentation from Publisher to support the information provided. In addition, during the Term and for a period of [***] thereafter (the " **SIE Audit Period** ") and upon the giving of reasonable prior written notice to Publisher (in any event not less than [***] prior notice) SIE may, at SIE's expense, hire a nationally recognized third party accounting firm, reasonably acceptable to Publisher, on a non-contingency-fee basis, which will be given access to, and the right to inspect, audit, and make copies and summaries of, and take extracts from, such portions of all records of Publisher, including those records from Publisher's affiliates and branch offices, as they pertain to the Licensed Products and any payments due or credits received in relation to such Licensed Products, provided, however, that (i) Publisher may require any third party auditor to enter into a written confidentiality agreement with Publisher prior to conducting any such audit or being provided access to any of Publisher's records, and all materials made available by Publisher pursuant to this paragraph will be considered Confidential Information of Publisher, and (ii) such third party auditor will not disclose any of Publisher's Confidential Information to SIE except as necessary to provide the results of the audit to SIE. Any such audit shall take place during normal business hours and be performed in a manner intended to minimize disruption to Publisher's business operations. An audit may not be performed more than [***] and may not be conducted within [***] prior to or following the end of Publisher's fiscal year, and no statement may be audited [***]. If such inspection reveals any under-reporting of any payment due to SIE, Publisher shall promptly pay SIE such amount following receipt of SIE's invoice. If any audit conducted by SIE reveals that Publisher has under-reported any payment due to SIE by [***] for the relevant audit period and that is not less than $[***], then in addition to the payment of the appropriate amount due to SIE, Publisher shall reimburse SIE for all reasonable third party audit costs for that audit and all collection costs to recover any unpaid amounts. SIE shall have the right to challenge or audit any payments (or related statement or records) pertaining to periods prior to the Effective Date, subject to the [***] limitation set forth above.

15.2 Digitally Delivered Products

15.2.1 Publisher Revenue . In consideration of the rights granted by Publisher under Section 9.2.2, each applicable SIE Company shall pay to the applicable Publisher Affiliate or its designee (in accordance with Schedule 2) the applicable Wholesale Price and/or mutually-agreed revenue share for the Digitally Delivered Products (including any associated retail vouchers) covered by a Product Submission accepted by SIE. Subject to the terms of [***] SIE has no obligation to pay for any Digitally Delivered Product (and will be entitled to a refund for amounts previously paid to Publisher): (i) unless and until SIE receives payment from the relevant User; (ii) that is not fully compliant with this GDPA; (iii) that is defective, non-functional or inaccessible through no fault of SIE and for which SIE has provided the User a refund; or (iv) that is provided by SIE free of charge as a replacement copy pursuant to the re-download rights contemplated in Section 9.2.2, or pursuant to a promotion approved of by Publisher. Other than the Wholesale Price and/or mutually-agreed revenue share, Publisher is not entitled to any other fee in connection with any Digitally Delivered Products

unless otherwise expressly stated in this GDPA or mutually agreed to in writing by Publisher and SIE. No further Wholesale Price or mutually-agreed revenue share shall be payable to Publisher where a User exercises an entitlement included with a Licensed Product (whether at purchase or at a later time) to download additional copies to other Systems or other compatible devices, whether by means of emulation or otherwise, as provided in accordance with the terms of this GDPA. Publisher may change a Digitally Delivered Product's Wholesale Price by providing SIE with a revised Product Submission specifying the changes and the desired effective date, and SIE will use commercially reasonable efforts to meet the effective date of any such changes chosen by Publisher. A revised Product Submission shall be subject to the provisions of Section 9.2.7. With respect to any retail vouchers for Digitally Delivered Products distributed by SIE pursuant to Section 9.2.2, SIE will report and pay Publisher the applicable Wholesale Price and/or mutually agreed revenue share for such Digitally Delivered Product [***] for such retail voucher from any retailer or reseller of such Digitally Delivered Product. As used in this Section 15.2, "reporting period" means each period (e.g. monthly or quarterly) for which SIE provides reporting and payment to Publisher in accordance with Section 15.2.4.

15.2.2 Retail Price . Each SIE Company has the sole and exclusive right to set the retail price to Users for Digitally Delivered Products sold or otherwise made available for purchase on or through PSN in its Territory, unless SIE adopts and presents to Publisher an alternative structure for distributing Digitally Delivered Products. The applicable SIE Company may modify any Digitally Delivered Product's retail price at any time without notice to Publisher. Publisher shall not interfere with the applicable SIE Company's price setting, but may provide SIE with suggested retail prices for Digitally Delivered Products. SIE reserves the right to adopt an alternative distribution model upon reasonable notice to Publisher, provided that SIE will provide Publisher as much prior notice of any such alternative distribution model as possible and will coordinate with Publisher in good faith regarding any such change.

15.2.3 Refunds . Other than where such refund [***], SIE has no obligation to make any payment to Publisher under Section 15.2.1 in respect of any sale of a Digitally Delivered Product where SIE has refunded the price paid by the User for that sale of the applicable Digitally Delivered Product. For any [***]. In order to allow Publisher to rapidly identify increases in Chargebacks, SIE will provide Publisher with reporting detailing Chargebacks received by SIE for each Digitally Delivered Product [***]. " **Chargeback** " means any sale of a Digitally Delivered Product for which [***].

15.2.4 Report and Payment Terms . SIE will provide each Publisher Affiliate or its designee set forth in Schedule 2 with statements identifying the quantity of Digitally Delivered Product sold or licensed by SIE to, or otherwise purchased by, Users (based upon the date SIE receives payment) in the applicable Territory as well as any refunds for Digitally Delivered Products, at the times set forth in Schedule 2. Subject to the receipt of Publisher's valid tax invoice which meets the requirements of the relevant taxation authorities (where requested by an SIE Company), SIE will pay to each Publisher Affiliate the Wholesale Price and/or mutually agreed revenue share for the net quantity of Digitally Delivered Products sold or licensed on PSN in the currency, at the times, and in the manner stated in the Guidelines, or as otherwise mutually agreed by the parties in writing in Schedule 2. Where any amounts that SIE must pay under this GDPA are based on SIE or Affiliate revenue, those amounts are calculated after deduction for consumption taxes (including VAT), duties, charges or assessments which SIE or an Affiliate are legally required to collect or pay with respect to the sale or licensing of Licensed Products. Applicable currency exchanges will be based on the Sony Corporation official rate, or such other independent third party currency

conversion provider as SIE may adopt in its sole discretion, for the period in which the relevant Digitally Delivered Products are sold or licensed on PSN. With respect to any [***] that an SIE Company is entitled to take in any reporting period in accordance with the terms of [***], the SIE Company shall [***], provided, however, that if the total [***] exceeds the amount owed by that SIE Company to Publisher in the relevant reporting period, then Publisher [***]. Any [***] applied by an SIE Company to amounts owed to Publisher in any reporting period pursuant to Section 15.2.1 will be clearly noted on the reporting provided to Publisher pursuant to this Section 15.2.4. If requested by SIE, Publisher shall issue credit notes to SIE for all refunds shown in SIE's statement in the month following that in which it receives a statement from SIE itemizing the refund in question. SIE will discuss in good faith with Publisher to harmonize reporting periods and pay amounts due to Publisher under this Section 15.2.4 on a [***] basis within [***] days of the end of each calendar [***] throughout the Territory, provided that SIE's decision to delay or forgo such harmonization of reporting periods and timing of payments will not be deemed a breach of this GDPA.

15.2.5 SIE Subscriptions . From time to time, SIE may offer Publisher the opportunity to make certain Digitally Delivered Products available as part of PlayStation Plus or other premium package of products and services offered through PSN to Users paying the relevant subscription fee, subject to Publisher's election in its sole discretion. The relevant Digitally Delivered Products and the agreed price, if any, to be paid by SIE for the inclusion of such products shall be recorded in a mutually executed schedule to this GDPA or otherwise mutually agreed to in writing. Unless otherwise agreed to by the parties in writing, Publisher shall not share under this GDPA in any revenue received by SIE or any Affiliate as a result of the operation of or related to PSN generally, including subscription revenue generated by PlayStation Plus, regardless of whether or not a PlayStation Plus subscription is required to access a Licensed Product or elements of a Licensed Product.

15.2.6 Publisher Audit . SIE shall keep complete and accurate books of accounts and records covering all transactions related to Publisher's Digitally Delivered Products to verify its calculation of proper payment pursuant to this Section 15.2, and shall preserve these records during the Term and for a period of [***] after this GDPA's termination or expiration (the " **Publisher Audit Period** ") unless any such records become conclusively binding pursuant to the terms of this Section 15.2.6. Publisher's acceptance of any accounting statements, records or payment under this GDPA will not preclude Publisher from challenging or questioning the accuracy of any statement or report during the Publisher Audit Period. Publisher will give SIE specific notice of any objection to, or notice of Publisher's intent to otherwise audit, a statement provided under Section 15.2 within [***] following the date on which SIE first sent the statement to Publisher, or the statement will become conclusively binding and Publisher waives any further right to object. During the Publisher Audit Period, Publisher may, at its expense, hire a nationally recognized, third-party accounting firm, on a non-contingency fee basis, [***], to inspect, audit and make copies and summaries of and take extracts from, those portions of SIE's records pertaining to payments due or credits received under this Section 15.2. Publisher shall require an accounting firm performing an audit to execute a non-disclosure agreement with SIE in a form reasonably acceptable to SIE. Information provided to or obtained by Publisher or the accounting firm performing an audit is deemed SIE Materials. The right to conduct such an audit shall not confer on Publisher the right to access any systems or equipment which comprise or support PSN or any information contained therein. Publisher shall provide SIE with reasonable prior written notice (in no event less than [***]) of Publisher's intent to perform an audit, but no audit may take place within [***] after the end of SIE's fiscal year. Any audit must take place

during SIE's normal business hours. An audit may not be performed more than [***] and no statement may be audited [***]. If an audit reveals any under-reporting of any payment due to Publisher, SIE shall promptly pay Publisher the under-reported amount. If an audit conducted by Publisher reveals that SIE has under-reported any payment due to Publisher by [***] or more for the relevant audit period and that is no less than $[***], then in addition to the payment of the appropriate amount due to Publisher, SIE shall reimburse Publisher for reasonable third-party audit costs. Publisher shall have the right to challenge or audit any statement or records pertaining to any periods prior to the Effective Date, subject to the [***] limitation set forth above [***].

15.3[***].

15.4Third Party License Fees . [***], if SIE's exercise of any of the rights granted by Publisher in Section 9.2.2 or 9.2.3 under this GDPA causes SIE or any Affiliate to become legally responsible for the payment of any fees, costs or expenses to any content rights holder or third party collecting payment for the use of voice, music, video, or other content, including unions, guilds, or performing rights organizations, then, subject to mutual agreement of the parties, SIE may offset such third party fees, costs or expenses from amounts due Publisher under this Section 15, or obtain reimbursement by Publisher to SIE or the applicable Affiliate.

15.5Service Fees and Charges. Unless otherwise agreed to by the parties in writing, (i) Publisher shall pay all fees for services provided by SIE (including format quality assurance) in accordance with terms set forth in the Guidelines; (ii) where a User downloads a Digitally Delivered Product (including Digitally Delivered Products made available to end users for free), SIE reserves the right to charge Publisher for the cost attributable to bandwidth for such downloads at the current, standard rate set by the applicable SIE Company and specified in the Guidelines; and (iii) Publisher must pay SIE's current, standard patching fee applicable to all Licensed Publishers in respect of any patch published under this GDPA, where the patch is submitted to SIE within [***] days of the approval of the relevant Licensed Product pursuant to Section 6.3, or as otherwise stated in the Guidelines. SIE reserves the right to change, on reasonable notice, the rate or the basis on which any such service fees or costs referred to in this Section 15.5 are calculated, provided, however, that any such change will be affected through an update to the Guidelines made in accordance with the terms of this GDPA and in a manner applicable to all Licensed Publishers. SIE will invoice Publisher for any service fees and charges due and payable pursuant to this paragraph, and Publisher will pay such invoiced amounts within [***] days of receipt of SIE's invoice unless subject to good faith dispute.

15.6Publisher Deductions & Offsets. No costs incurred in the development, manufacture, marketing, sale or distribution of PlayStation Compatible Products shall be deducted from any amounts payable by Publisher under this GDPA. There shall be no deduction from any amounts owed by Publisher under this GDPA as a result of any uncollectible accounts owed to Publisher, or for any credits, discounts, allowances or returns which Publisher may credit or grant to any third-party customer of any PlayStation Compatible Products. Publisher may not assert any credit, set-off or counterclaim to justify withholding payment under this GDPA.

15.7Taxes & Withholding

15.7.1 Taxes . The amounts that the parties must pay under this GDPA are exclusive of taxes (including VAT), duties, charges or assessments which the recipient is required to collect, for which the paying party is solely responsible (except that any such amounts that SIE must pay are deemed to be inclusive of all VAT where any such VAT cannot be reclaimed by SIE). Where required by law, each party shall provide the other with a valid VAT registration

number and each shall fulfil its obligations relating to VAT under the applicable reverse charge procedure which, in the EU, is stipulated in Article 196 of the EU VAT Directive 2006/112/EC. If the paying party does not provide the appropriate and valid VAT registration number, or applicable documentation in support of an exemption from VAT, then the supplying party will be entitled to charge VAT at the appropriate rate until such a time as an appropriate and valid VAT registration number, or the applicable documentation, is provided, at which time the VAT charged will be refunded or otherwise credited as permissible by law, provided the VAT registration number or other exemption was valid and appropriate at the time the VAT was charged.

15.7.2 SIE Withholding and Offset . If laws or regulations require that SIE or an Affiliate make deductions from sums payable to Publisher under this GDPA, SIE or its Affiliate may withhold those required deductions from the amounts it pays Publisher, remit the deducted amounts to the proper authorities and furnish Publisher, as soon as reasonably practicable, with an official receipt evidencing those payments, together with documentation as Publisher may reasonably require in making submissions to the proper authority. If requested by SIE, prior to any payment being made by SIE Publisher will provide SIE a certificate of tax residency and other documentation required to verify the tax residency of Publisher and, when applicable, to allow a reduction of tax withholding. SIE reserves the right to offset against any payments owed to Publisher under this GDPA any outstanding amounts owed to any SIE Company or Affiliate under this GDPA or otherwise (including any outstanding fees owed to any SIE Company under Section 15.5). SIE shall be entitled to assert any credit, set-off or counterclaim to justify withholding payment under this GDPA.

15.7.3 Publisher Withholding . Publisher shall be solely responsible for, and shall not withhold from any payment to SIE or an Affiliate, any withholding taxes or other such assessments which may be imposed by any governmental authority with respect to payments to SIE or an Affiliate. Where Publisher has paid any such tax or assessments, Publisher may provide each applicable SIE Company with official tax receipts or other such documentary evidence issued by the applicable tax authorities sufficient to substantiate any such taxes or assessments that have in fact been timely paid. Where such substantiation is provided, and SIE or a Designated Manufacturing Facility has issued an approved credit memo or has approved Publisher's invoice describing the credit, Publisher may apply such credit to subsequent payments to the SIE Company or Designated Manufacturing Facility that approved the credit. If requested by Publisher, SIE will provide Publisher with a certificate of tax residency and other documentation required to allow, where applicable, a reduction of tax withholding.

15.7.4 Minimizing Withholding . Each party shall cooperate in good faith and use reasonable efforts to minimize any withholding tax.

15.8 **Server Location.** Upon request from SIE, Publisher shall notify SIE in writing of the country location of all servers from which any Online Activity is delivered or made available to Users. Publisher shall notify SIE of any changes to the location of any such servers or the use of additional servers.

15.9 **Payments and Reporting.** Unless otherwise specified by Publisher pursuant to advance written notice to SIE, each SIE Company will provide all reporting required pursuant to this Section 15, and make all payments due and payable to Publisher pursuant to this Section 15, in accordance with Schedule 2.

16. Representations and Warranties

16.1 Representations and Warranties of SIE

16.1.1 Each SIE Company represents and warrants, solely for the benefit of Publisher and each applicable Publisher Affiliate, that it has the right, power and authority to enter into this GDPA for its respective Territory, and to fully perform its obligations hereunder.

16.1.2 Each SIE Company represents and warrants that all Physical Media Products manufactured by a Designated Manufacturing Facility for Publisher pursuant to this GDPA shall be free from defects in materials and workmanship under normal use and service at time of delivery in accordance with this GDPA. For SIEA and SIEE, the sole obligation of SIE under this warranty shall be, for a period of [***] days from the date of delivery of such Physical Media Products, at SIE's election, either (i) to replace defective Physical Media Products; or (ii) to issue credit for, or to refund to Publisher, the charge for defective Physical Media Products and to reimburse Publisher its reasonable return shipping costs. This warranty is the only warranty applicable to Physical Media Products manufactured by the Designated Manufacturing Facility for Publisher pursuant to this GDPA. This warranty shall not apply to damage resulting from accident, fair wear and tear, willful damage, alteration, negligence, abnormal conditions of use, failure to follow directions for use (whether given in instruction manuals or otherwise howsoever) or misuse of Physical Media Products, or to Physical Media Products comprising less than [***] in the aggregate of the total number of Physical Media Products manufactured by the Designated Manufacturing Facility for Publisher per Purchase Order of any Physical Media product. If, during such [***] day period, defects appear as aforesaid, Publisher shall notify SIE and, upon request by SIE (but not otherwise), return such defective Physical Media Products, with a written description of the defect claimed, to such location as SIE shall designate. SIE shall not accept for replacement, credit or refund as aforesaid any Physical Media Products except factory defective Physical Media Products (i.e. Physical Media Products that are not free from defects in materials and workmanship under normal use and service). All returns of Physical Media Products shall be subject to prior written authorization by SIE, not unreasonably to be withheld. For SIEI, any obligation regarding manufacturing Physical Media Products is stated in the Guidelines.

16.2 Representations and Warranties of Publisher. Publisher represents and warrants throughout the Term (except as otherwise expressly stated in Section 16.2.1) that:

16.2.1 as of the Effective Date there is no material threatened or pending action, suit, claim or proceeding that has not been publicly disclosed or that SIE is not already aware of that alleges that the use or possession by Publisher or its Publisher Affiliates of all or any part of the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any PlayStation Compatible Product, in each case solely where such use or possession of all such products and materials is necessary to enable SIE to exercise the rights granted pursuant to the terms of this GDPA, infringes or violates any Intellectual Property Rights or other right or interest of any kind whatsoever anywhere in the world of any third party, or contesting any right, title or interest of Publisher in or to the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any PlayStation Compatible Product, solely where such Intellectual Property Rights, or other right or interest of any kind in the

world of any third party is necessary to enable SIE to exercise the rights granted pursuant to the terms of this GDPA;

16.2.2 the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, and Packaging not provided by the Designated Manufacturing Facility, and their contemplated or actual disclosure or use in accordance with the terms of this GDPA, do not and shall not infringe the Intellectual Property Rights, right of publicity, right to privacy, or moral rights anywhere in the world of any third party. [***] as applicable, Publisher has obtained the consent of all holders of Intellectual Property Rights necessary for SIE's or its Affiliates' use in accordance with the terms set forth in this GDPA of any Licensed Products (apart from the SIE Materials), Product Proposals, Product Information, Printed Materials, Advertising Materials, and Packaging not provided by the Designated Manufacturing Facility provided by Publisher, which may be reproduced, published, publicly displayed, publicly performed, marketed, sold and distributed by SIE and any Affiliates in accordance with this GDPA, and Publisher has made, or will make, all payments required to any person having any legal rights arising from such disclosure or use so that SIE will not incur any obligation to pay any royalty, residual, union, guild, collecting society or other fees or expenses. Notwithstanding anything to the contrary in the foregoing, as between the parties, Publisher does not make any representations or warranties under this GDPA regarding [***] that are provided to SIE or any SIE Company in connection with this GDPA;

16.2.3 Publisher Property does not contain and is not derived in any manner (in whole or in part), from any software, including without limitation open source software, that would require that any SIE or third party proprietary software or information be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of permitting modifications or derivative works; (iii) reproduced and/or redistributed (with or without charge); (iv) permitted to be reverse engineered; or (v) used only for non-commercial purposes;

16.2.4 Publisher has the right, power and authority to enter into this GDPA, to grant SIE the rights granted hereunder and to fully perform its obligations hereunder;

16.2.5 the making of this GDPA by Publisher does not violate any separate agreement, rights or obligations existing between Publisher and any other person, and Publisher shall not make any separate agreement with any third party that is inconsistent with any of the provisions of this GDPA;

16.2.6 Publisher has not previously taken any action that could be interpreted as having sold, assigned, leased, licensed or in any other way disposed of or encumbered any of the rights granted to Publisher hereunder. Publisher will not sell, assign, lease, license or in any other way dispose of or encumber any of such rights except as permitted by this GDPA or as otherwise authorized by SIE in writing;

16.2.7 neither Publisher nor its affiliates shall make any representation or give any warranty to any person or entity expressly or on SIE's behalf, or to the effect that the PlayStation Compatible Products are connected in any way with SIE other than that the Licensed Products have been developed, marketed, sold and distributed under license from SIE;

16.2.8 if any PlayStation Compatible Product that includes SIE Materials is delivered by Publisher to any other Licensed Publishers or Licensed Developers in source code form, Publisher will take all precautions consistent with the protection of valuable trade secrets by companies

in high technology industries to ensure that such third parties protect and maintain the confidentiality of such source code;

16.2.9 PlayStation Compatible Products (apart from the SIE Materials), and any Product Information will (i) be in a commercially acceptable form; (ii) correspond in all material respects with any written description provided by Publisher to SIE (iii) be free of unauthorized content that is prohibited by the Guidelines (including content that is inconsistent with the age rating applicable to the corresponding PlayStation Compatible Product) unless otherwise approved in writing in advance by SIE; (iv) be free of significant bugs, defects, time bombs or viruses which could materially disrupt or delay the operation of, or destroy, the PlayStation Compatible Product, PSN, or a System, or render any of such items less than fully useful; (v) be free of any content that could reasonably cause SIE to suffer public disrepute, contempt, scandal or ridicule, which insults or offends the community or any substantial organized group thereof, which could reasonably tend to adversely affect SIE's name, reputation or goodwill associated with the System or which otherwise breaches any objectionable content criteria set out in the Guidelines; and (vi) shall be fully compatible with the relevant Systems and all Peripherals listed on the Printed Materials as compatible with the PlayStation Compatible Product;

16.2.10 PlayStation Compatible Products will be developed, marketed, sold and distributed by or at the direction of Publisher in an ethical and responsible manner with respect to the protection of children in the online environment, and in full compliance with all applicable laws, including federal, state, provincial, local laws, and any rules, regulations and standards promulgated thereunder, including, to the extent applicable, lottery, labor, anti-bribery and corruption laws and will not contain content that violates applicable laws, including those relating to privacy or any obscene or defamatory matter;

16.2.11 PlayStation Compatible Products will include adequate and appropriate health and safety warnings as required by applicable law and consistent with applicable industry standards for interactive entertainment software products;

16.2.12 Publisher's policies and practices with respect to the development, publishing, marketing, sale, and distribution of PlayStation Compatible Products will in no manner reflect adversely upon the name, reputation or goodwill of SIE or any Affiliate;

16.2.13 Publisher will make no false, misleading or inconsistent representations or claims with respect to SIE, PSN, or any System, PlayStation Compatible Product, or Affiliate; and

16.2.14 As of and from the Effective Date, neither Publisher nor any director or officer of Publisher, or to Publisher's knowledge any controlling shareholder of Publisher, is under sanction by the United States Office of Foreign Assets Control.

16.3 For purposes of Section 16.2 and Section 17.2, all references to the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, will refer to such materials solely in the form provided or authorized by Publisher and exclusive of any SIE Materials and Licensed Trademarks.

17. Indemnities

17.1 Indemnification by SIE. Each SIE Company shall indemnify and hold Publisher, and its respective officers, directors, employees, agents, representatives, successors and assigns harmless from and against third-party claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, arising in connection with or that result from (a) a breach or alleged breach of any of that SIE Company's representations or warranties set forth in Section 16.1 or any express representations or warranties offered by SIE in any collateral contract subject to this GDPA, or (b) [***] (collectively, " **SIE-Indemnified Claim(s)** "); provided that: (i) Publisher shall give prompt written notice to the applicable SIE Company of the assertion of any SIE-Indemnified Claim; (ii) the applicable SIE Company may select counsel and control the defense and settlement of any SIE-Indemnified Claim and Publisher shall not agree to the settlement of any SIE-Indemnified Claim that would require SIE to admit liability or otherwise prejudice SIE without the applicable SIE Company's prior written consent; and (iii) Publisher shall provide the applicable SIE Company reasonable assistance and cooperation concerning any SIE-Indemnified Claim, except that Publisher need not incur any out-of-pocket costs in rendering such assistance and cooperation. The applicable SIE Company has the exclusive right, at its discretion, to commence and prosecute at its own expense any lawsuit or to take such other action with respect to SIE-Indemnified Claims as it deems appropriate.

17.2 Indemnification by Publisher. Each Publisher Affiliate shall indemnify and hold SIE and its Affiliates and each of their respective officers, directors, employees, agents, representatives, successors and assigns harmless from and against third-party claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, that relate to (i) a breach or alleged breach of any of Publisher's representations or warranties set forth in Section 16.2, or any express representations or warranties offered by Publisher in any collateral contract subject to this GDPA; (ii) asserted or actual infringement of a third party's Intellectual Property Rights or any individual consumer or class action claim, with respect to Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, and their disclosure or use under this GDPA, in each case solely to the extent used or disclosed in accordance with the terms of this GDPA ; (iii) asserted or actual infringement of a third party's Intellectual Property Rights [***], in each case exclusive of any SIE Materials or Licensed Trademarks therein (as applicable), any third party property or materials incorporated [***] that were not included in the underlying PlayStation Compatible Product in the form published by Publisher, and solely to the extent [***] within an applicable PlayStation Compatible Product; (iv) Publisher's support of unauthorized or unlicensed Peripherals or software that do not comply with an applicable System format specification as set forth in the Guidelines; (v) Publisher's Advertising Materials and Product Information (in each case as used in accordance with the terms of this GDPA), or Publisher's failure to comply with Additional Terms or the applicable Publisher EULA; (vi) any PlayStation Compatible Product features or capability related to cross-regional Online Activity that are implemented by Publisher; (vii) asserted or actual personal or bodily injury (including death or disability) or property damage arising out of, in whole or in part, the development, marketing, advertising, sale, distribution or use of any PlayStation Compatible Products unless due directly and solely to the breach of any SIE Company or Affiliate in performing any of the specific duties or providing any of the specific services required of it under this GDPA; (viii) any civil or criminal investigations or actions relating to the development, marketing, advertising, sale or distribution of PlayStation Compatible Products; or (ix) any claim alleging that Publisher's handling of data collected from or through a System or software on a System by or on behalf of Publisher, or any data provided to Publisher by SIE pursuant to Section 12.4, violated applicable data security and privacy laws, rules and regulations, (all subsections collectively, " **Publisher-**

Indemnified Claim(s) "), provided that (a) SIE shall give prompt written notice to Publisher of the assertion of any Publisher-Indemnified Claim; (b) Publisher shall have the right to select counsel and control the defense and settlement of any Publisher-Indemnified Claim, except that with respect to any Publisher-Indemnified Claims made by a third party against SIE, SIE shall have the right to select counsel for itself and control the defense and settlement of the Publisher-Indemnified Claim against SIE, provided however that any applicable SIE Company shall not agree to the settlement of any Publisher-Indemnified Claim that would require Publisher to admit liability or otherwise prejudice Publisher without the applicable Publisher Affiliate's prior written consent; and (c) SIE shall provide Publisher with reasonable assistance and cooperation concerning any Publisher-Indemnified Claim, except that SIE need not incur any out-of-pocket costs in rendering such assistance and cooperation. Subject to the foregoing, Publisher shall have the exclusive right, at its discretion, to commence and prosecute at its own expense any lawsuit or to take such other action with respect to Publisher-Indemnified Claims as shall be deemed appropriate by Publisher. In the event of any Publisher-Indemnified Claim (or other third party claim, demand or threat made directly against Publisher) relating to any User Content, upon request from Publisher, SIE will promptly take down (or have taken down) and cease all use and distribution of any such User Content from PSN or any other channel or outlet under any SIE Company's control.

18. Limitation of Liability

18.1 **SIE Limitation of Liability for Financial Losses.** In no event shall SIE or any Affiliate, or the officers, directors, employees, agents, licensors or suppliers of any of such entities, be liable for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation, goodwill or market share, loss of, damage to or corruption of data or for any interest or ex gratia payments (whether such loss, damages or payments are direct, indirect, special, incidental or consequential) arising out of, relating to, or in connection with this GDPA or any collateral contract (including the breach of this GDPA by any SIE Company), whether known, foreseen or foreseeable and whether in contract, tort (including negligence), product liability, under indemnity, or otherwise.

18.2 **SIE Limitation of Liability for Other Consequential Losses.** In no event shall SIE or any Affiliate or the officers, directors, employees, agents, licensors or suppliers of any of such entities, be liable for any indirect, special, incidental or consequential loss or damage of any kind arising out of or in connection with this GDPA or any collateral contract (including the breach of this GDPA by any SIE Company), whether known, foreseen or foreseeable and whether in contract, tort (including negligence), product liability, under an indemnity or otherwise.

18.3 **SIE Limitation of Liability for Representations.** Publisher shall have no remedy with respect to any representation made to it upon which it relied in entering into this GDPA and SIE or any Affiliate and the officers, directors, employees, agents, licensors or suppliers of any of such entities shall have no liability to Publisher other than under the express terms of this GDPA. In this Section 18.3, "representation" means any undertaking, promise, assurance, statement, representation, warranty or understanding, whether in writing or otherwise, of any person (whether a party to this GDPA or not), relating to the subject matter of this GDPA.

18.4 **SIE Limitation of Liability for SIE Materials and Publisher's Materials.** Except as expressly set forth herein, neither SIE or any Affiliate company, nor the officers, directors, employees, agents, licensors or suppliers of any of such entities, shall bear any risk, or have any responsibility or liability of any kind to Publisher or to any third parties with respect to the quality, functionality, operation or performance of, or the use or inability to use, all or any part of the SIE Materials, the System,

PlayStation Compatible Products, or for any software errors or "bugs" in Product Information included on SIE demonstration discs.

18.5 **SIE Limitation of Financial Liability.** Other than with respect to each SIE Company's obligations set forth in Section 17.1, in no event shall the liability of each SIE Company or any Affiliate arising under, relating to, or in connection with this GDPA or any collateral contract , exceed a sum equal to the total amount paid by Publisher under Section 15.1 to that SIE Company or its Designated Manufacturing Facility, and the net amount actually received by that SIE Company from purchases of Digitally Delivered Products by Users pursuant to Section 15.2, within the [***] month period immediately prior to the date of the first occurrence of the event or circumstances giving rise to the claimed liability.

18.6 **Publisher Limitation of Liability.** In no event shall Publisher, the Publisher Companies, and its and their officers, directors, employees, agents, licensors or suppliers be liable to SIE or any applicable SIE Company for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation goodwill or market share, loss of, damage to or corruption of data or for any interest or ex gratia payments (whether such loss, damages or payments are direct, indirect, special, incidental or consequential), arising out of or in connection with this GDPA or any collateral contract (including the breach of this GDPA by Publisher or any Publisher Affiliate), provided that such limitations shall not apply to damages resulting from Publisher's breach of Sections 3 (Conditional License Grant), 5 (Other Limitations on Licensed Rights), 17.2 (Indemnification by Publisher) or 20 (Data Security and Confidentiality) of this GDPA, or to any amounts which Publisher may be required to pay pursuant to Sections 7.12.2 (Risk of Loss), or 17.2 (Indemnification by Publisher).

18.7 **Disclaimer of Warranty.** Except as expressly provided in Section 16.1, neither SIE or any Affiliate, nor any of its officers, directors, employees, agents or suppliers, make, nor does Publisher receive, any warranties (express, implied or statutory) regarding all or part of the SIE Materials, the SIE Intellectual Property Rights, the Systems, units manufactured hereunder, PSN, Product Information included on demonstration discs or any services provided by SIE pursuant to this GDPA. SIE disclaims any warranties, conditions or other terms implied by any law (including as to merchantability, satisfactory quality or fitness for a particular purpose and warranties against infringement, and the equivalents thereof under the laws of any jurisdiction) to the fullest extent permitted by applicable law. SIE disclaims any duty to determine or ascertain Publisher's authorization, permission or license to sell, supply or distribute any product or service. Except as expressly provided in Section 16.2, neither Publisher nor any Publisher Affiliate, nor any of its officers, directors, employees, agents or suppliers, make, nor does SIE receive, any warranties (express, implied or statutory) regarding all or part of the Publisher Property, Product Submissions, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or User Content, and Publisher hereby disclaims any warranties, conditions or other terms implied by any law (including as to merchantability, satisfactory quality or fitness for a particular purpose and warranties against infringement, and the equivalents thereof under the laws of any jurisdiction) to the fullest extent permitted by applicable law.

18.8 **Law Applicable to Liabilities.** Nothing in this GDPA shall exclude or limit any liability of either party which may not be excluded or limited under applicable law.

18.9[***].

19. **Infringement of SIE Intellectual Property Rights By Third Parties .** In the event that Publisher becomes aware that any of the SIE Intellectual Property Rights have been or are being infringed by any third party,

Publisher shall promptly notify the SIE Company located in the relevant Territory or Territories. SIE shall have the sole right, in its discretion, to institute and prosecute lawsuits against third parties regarding infringement of SIE Intellectual Property Rights. Any lawsuit shall be prosecuted solely at the cost and expense of SIE and all sums recovered in any such lawsuits, whether by judgment, settlement or otherwise, shall belong solely to SIE. Upon SIE's request, Publisher shall execute all papers, testify on all matters and reasonably cooperate with SIE for the prosecution of any such lawsuit. SIE shall reimburse Publisher for the reasonable expenses incurred as a result of such cooperation, but unless authorized by other provisions of this GDPA, not costs and expenses attributable to any cross-claim, counterclaim or third party action by or against Publisher.

20. Data Security and Confidentiality

20.1 Term of Protection of SIE Materials. The term for the protection of the SIE Materials shall commence on the Effective Date and shall continue in full force and effect for as long as any of the SIE Materials continues to be maintained as confidential and proprietary by SIE or any Affiliate.

20.2 Preservation of SIE Materials. Publisher shall:

20.2.1 use the SIE Materials only for the purpose of performing its obligations or exercising its rights under this GDPA and not permit the use of the SIE Materials for any other purpose;

20.2.2 keep the SIE Materials in strict confidence, and not disclose the SIE Materials to any person, other than those employees, directors or officers of the Publisher, permitted subcontractors under Section 14, auditors or legal counsel, whose duties justify a "need-to-know" (and only to the extent necessary) and who have executed a confidentiality agreement in which such employees, directors, officers, subcontractors, auditors or legal counsel have agreed not to disclose and to protect and maintain the confidentiality of all confidential information and materials inclusive of that of third parties which may be disclosed to them or to which they may have access during the course of their duties, or in circumstances where such employees, directors, officers, subcontractors, auditors or legal counsel have a legal obligation not to disclose confidential information and materials inclusive of that of third parties which may be disclosed to them by Publisher. At SIE's request, Publisher shall provide SIE with a copy of its standard form confidentiality agreement entered into between Publisher and its employees, directors, officers, subcontractors, auditors or legal counsel. Publisher shall not disclose any of the SIE Materials to third parties, other than permitted subcontractors under Section 14 or its auditors and legal counsel, including to consultants or agents, without SIE's prior written consent. Any employees, directors, officers, subcontractors, auditors, legal counsel, authorized consultants and agents who obtain access to or copies of the SIE Materials shall be advised by Publisher of the confidential or proprietary nature of the SIE Materials, and Publisher shall be responsible for any breach of this GDPA by all such persons. Publisher shall maintain a list of recipients of the SIE Materials and provide such list to SIE on request;

20.2.3 take all reasonable measures necessary to preserve the confidentiality of the SIE Materials in order to avoid disclosure, publication, or dissemination, using as high a degree of care and scrutiny as it uses to protect its own confidential information, but at least reasonable care and in a manner consistent with the protection of valuable trade secrets by companies in high technology industries;

20.2.4 ensure that all written materials relating to or containing the SIE Materials be maintained in a restricted access area and plainly marked to indicate the proprietary and confidential nature thereof; and

20.2.5 implement and maintain reasonably adequate security controls or measures to safeguard the SIE Materials while being electronically transmitted and while at rest (i.e., encryption, password management, secure processing and transfer protocols). In addition, Publisher shall at all times:

20.2.5.1 implement secure user authentication, including unique (non-shared) user accounts and passwords, for persons having access to the SIE Materials;

20.2.5.2 document processes for issuing and revoking user access, including immediate revocation of access for terminated employees and secure communication of user accounts and passwords;

20.2.5.3 implement encryption or hashing, where such hashing shall include use of a random salt of user account passwords used to access the SIE Materials.

20.2.5.4 at any SIE Company's request following an uncured material breach of this GDPA by Publisher, destroy or return promptly to that SIE Company any and all portions of the SIE Materials provided to Publisher, together with all copies thereof (except that Publisher may retain SIE Materials in a secure location solely for archival or backup purposes, or as is needed for legal or compliance purposes or in accordance with its standard record retention policy, provided those copies are subject to this GDPA's terms and will eventually be erased or destroyed in the ordinary course of Publisher's record retention procedures), subject in all cases to the terms of Section 7.12 in relation to any Hardware Tools; and

20.2.5.5 not use, copy, reproduce, modify, create derivative works from, sublicense, distribute, or disseminate the SIE Materials or any such derivative works, or any portion thereof, or permit any third party to do so, except as expressly authorized by this GDPA or in writing in advance by any SIE Company, nor shall Publisher remove any proprietary legend set forth on or contained within any of the SIE Materials.

20.3 **Exceptions.** The restrictions in Section 20.2 shall not apply to any portion of the SIE Materials which:

20.3.1 was previously known by Publisher without restriction on disclosure or use, as proven by written documentation of Publisher;

20.3.2 is or legitimately becomes part of the public domain through no fault of Publisher or any of its employees, directors, officers, consultants, legal counsel, or agents;

20.3.3 is independently developed by Publisher's employees or consultants who have not had access to or used the SIE Materials (or any portion thereof), as proven by written documentation of Publisher;

20.3.4 is required to be disclosed by court, administrative or governmental order; provided that Publisher must use all reasonable efforts prior to issuance of any such order to maintain the confidentiality of the SIE Materials, including asserting in any action or investigation the restrictions set forth in this GDPA, and, immediately after receiving notice of any such action, investigation, or threatened action or investigation, Publisher must notify SIE of such

action, investigation, or threatened action or investigation, unless Publisher is ordered by a court not to so notify;

20.3.5 is required to be disclosed by applicable regulatory regime, in which case Publisher shall disclose only such SIE Materials as are required; or

20.3.6 is approved for release by written authorization of SIE.

20.3.7 Notwithstanding anything to the contrary in the foregoing, Publisher may disclose the terms and conditions of this GDPA (i) to legal counsel, (ii) in confidence, to accountants, banks and financing sources and their advisors, (iii) in confidence, solely in connection with the enforcement of the terms of this GDPA or Publisher's rights in Licensed Products, and (iv) if required, in the opinion of counsel, to file publicly or otherwise disclose the terms of this GDPA under applicable securities or other laws, Publisher shall promptly notify SIE of such obligation so that SIE has a reasonable opportunity to contest or limit the scope of such required disclosure, and Publisher will request, and use best efforts to obtain, confidential treatment for such sections of this GDPA as SIE may request. In addition, Publisher shall have the right to disclose the existence of this GDPA.

20.4 **No Obligation to License.** SIE may disclose the SIE Materials to Publisher at such times as it deems necessary or desirable in its sole discretion. Other than as expressly set forth in this GDPA, such disclosure shall not (i) constitute any option, grant or license from SIE to Publisher under any SIE Intellectual Property Rights now or after owned or controlled by SIE; (ii) result in any obligation on the part of SIE to approve any materials of Publisher; (iii) give Publisher any right to, directly or indirectly, develop, manufacture, sell, market, promote, or distribute any product derived from or which uses or was developed with the use of the SIE Materials (or any portion thereof).

20.5 **Publisher's Obligations Upon Unauthorized Disclosure.** If at any time Publisher becomes aware of or suspects any unauthorized duplication, access, use, possession or knowledge of any of the SIE Materials or any breach of security or exposure involving the SIE Materials, Publisher shall immediately notify SIE via email or telephone through Publisher's account representatives and/or contacts at the applicable SIE Company, or through SIE's Information Security team. SIE's Information Security group can be reached by telephone at +1-855-723-2732 or via email (infosec@playstation.sony.com). In the event of such a security breach, Publisher shall:

20.5.1 provide any and all reasonable assistance to SIE to protect SIE 's proprietary rights in any of the SIE Materials that Publisher or its employees, directors, officers, or subcontractors, consultants, auditors, legal counsel, or agents may have directly or indirectly disclosed in breach of the terms of this GDPA, and collaborate with SIE to implement mitigation and remediation actions and controls to reduce the impact of and prevent further incidents;

20.5.2 upon request by SIE, provide a written report by electronic means detailing the incident and corrective and preventive actions; and

20.5.3 take all reasonable steps requested by SIE to prevent the recurrence of any unauthorized disclosure, duplication, access, use, possession or knowledge of the SIE Materials.

Where Publisher or its employees, directors, officers, or subcontractors, consultants, auditors, legal counsel, or agents may have directly or indirectly disclosed or made available SIE Materials not expressly authorized by this GDPA, Publisher shall cooperate fully with SIE in mitigating the effects of such disclosure, including enforcement of confidentiality agreements, commencement and

prosecution in good faith (alone or with SIE) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by SIE to protect its proprietary rights in the SIE Materials.

20.6 Publisher Confidential Information

20.6.1 Definition of Publisher Confidential Information . " **Publisher Confidential Information** " shall mean (i) any Publisher Property provided to SIE pursuant to this GDPA and all documentation and information relating thereto, including Product Submissions, Product Proposals, Product Information, Printed Materials and Advertising Materials (other than documentation and information released to and used by end-users, the general public or the trade), (ii) other documents and materials provided to SIE that are developed, owned, licensed or under the control of Publisher or any Publisher Affiliate, including all processes, data, hardware, software, inventions, trade secrets, ideas, creations, improvements, designs, discoveries, developments, research and know-how, and (iii) information and documents provided to SIE regarding Publisher's finances, business, marketing and technical plans, business methods and production plans. Publisher Confidential Information may consist of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to SIE before or during the Term, including information subsequently reduced to tangible or written form.

20.6.2 Term of Protection of Publisher Confidential Information . The term for the protection of Publisher Confidential Information shall commence on the Effective Date and shall continue in full force and effect for as long as any of Publisher Confidential Information continues to be maintained as confidential and proprietary by Publisher.

20.6.3 Preservation of Publisher Confidential Information . SIE shall, with respect to Publisher Confidential Information:

20.6.3.1 hold all Publisher Confidential Information in strict confidence and implement reasonable steps to preserve the confidentiality of Publisher Confidential Information, and to avoid disclosure, publication, or dissemination, and to prevent it from falling into the public domain or into the possession of persons other than those persons to whom disclosure is authorized hereunder, but no less than reasonable care and in a manner consistent with the protection of valuable trade secrets by companies in high technology industries;

20.6.3.2 not disclose Publisher Confidential Information to any person other than SIE's or a Designated Manufacturing Facility's employees, directors, officers, agents, consultants, subcontractors, and legal counsel who need to know or have access to Publisher Confidential Information for the purposes of this GDPA, and only to the extent necessary for such purposes, and who have executed a confidentiality agreement with an SIE Company or Affiliate requiring such person or party not to disclose and to protect and maintain the confidentiality of all confidential information and materials inclusive of that of third parties which may be disclosed to them or to which they may have access during the course of their duties, or in circumstances where such employees, directors, officers, agents, consultants, subcontractors, and legal counsel who have a legal obligation to not disclose confidential information and materials inclusive of that of third parties which may be disclosed to them by SIE. Any such employees, directors, officers, agents, consultants, subcontractors, and legal counsel who obtain access to or copies of the Publisher Confidential Information shall be advised by SIE of the confidential

or proprietary nature of the Publisher Confidential Information, and SIE shall be responsible for any breach of this GDPA by all such persons;

20.6.3.3 ensure that all written materials relating to or containing Publisher's Confidential Information be maintained in a secure area and plainly marked to indicate the proprietary and confidential nature thereof;

20.6.3.4 at Publisher's request, return promptly to Publisher any and all portions of Publisher Confidential Information, together with all copies thereof (except that SIE may retain Publisher Confidential Information in a secure location solely for archival or backup purposes, or as is needed for legal or internal compliance purposes, provided those copies are subject to this GDPA's terms and will eventually be erased or destroyed in the ordinary course of SIE's data processing procedures); and

20.6.3.5 not use Publisher Confidential Information, or any portion thereof, except as provided herein, nor shall SIE remove any proprietary legend set forth on or contained within any of Publisher Confidential Information, and ensure that all written materials containing highly sensitive Publisher Confidential Information be maintained in a reasonably secure manner and marked to indicate the proprietary and confidential nature thereof.

20.6.4 Additional Information . Publisher may request additional information regarding SIE security controls or measures reasonably required by Publisher to safeguard Publisher Confidential Information (i.e., encryption, password management, secure processing and transfer protocols), which may, upon SIE acceptance (not to be unreasonable withheld), include the following:

20.6.4.1 description of any secure user authentication, including unique (non-shared) user accounts and passwords, for persons having access to Publisher Confidential Information;

20.6.4.2 description of any current document processes for issuing and revoking user access, including immediate revocation of access for terminated employees and secure communication of user accounts and passwords; or

20.6.4.3 description of any encryption or hashing, where such hashing shall include use of a random salt of user account passwords used to access Publisher Confidential Information.

20.6.5 Exceptions . The foregoing restrictions shall not apply to any portion of Publisher Confidential Information which:

20.6.5.1 was previously known by SIE without restriction on disclosure or use, as proven by written documentation of SIE;

20.6.5.2 comes into the possession of SIE from a third party which is not under any obligation to maintain the confidentiality of such information;

20.6.5.3 is or legitimately becomes part of information in the public domain through no fault of SIE, any Designated Manufacturing Facility, or any of its or their employees, directors, officers, agents, consultants, or subcontractors;

20.6.5.4 is independently developed by SIE's or an Affiliate's employees, consultants or subcontractors who have not had access to or otherwise used Publisher Confidential Information (or any portion thereof), as proven by written documentation of SIE;

20.6.5.5 is required to be disclosed by court, administrative or governmental order; provided that the applicable SIE Company attempts, prior to the issuance of any such order, to maintain the confidentiality of Publisher Confidential Information, including asserting in any action or investigation the restrictions set forth in this GDPA, and immediately after receiving notice of any such action, investigation, or threatened action or investigation, notifies Publisher of such action, investigation, or threatened action or investigation, unless an SIE Company is ordered by a court not to so notify; or

20.6.5.6 is approved for release by written authorization of Publisher.

In addition, SIE shall have the right to disclose the existence of this GDPA, and to make public announcements regarding the GDPA, provided that any public announcement regarding this GDPA, including without limitation any press release, will be subject to the mutual agreement of the parties prior to distribution or release. SIE will not disclose the [***] of this GDPA to any third party other than those third parties to whom SIE is authorized to disclose Publisher Confidential Information in accordance with the terms of Section 20.6.3.2 or 20.6.5.5.

20.7 SIE's Obligations Upon Unauthorized Disclosure . If at any time SIE becomes aware of any unauthorized duplication, access, use, possession or knowledge of Publisher Confidential Information, it shall notify Publisher as soon as is reasonably practicable. The applicable SIE Company shall provide any and all reasonable assistance to Publisher to protect Publisher's proprietary rights in any of Publisher Confidential Information that it or its employees or permitted subcontractors may have directly or indirectly disclosed or made available and that may be duplicated, accessed, used, possessed or known in a manner or for a purpose not expressly authorized by this GDPA, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with Publisher) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by Publisher to protect Publisher's proprietary rights in Publisher Confidential Information. SIE shall take all reasonable steps requested by Publisher to prevent the recurrence of any unauthorized duplication, access, use, possession or knowledge of Publisher Confidential Information.

21. Term and Termination

21.1 **Initial Term.** This GDPA shall be effective from the Effective Date until March 31, 2019 (the " **Initial Term** ").

21.2 **Term Renewal.** The Initial Term shall be automatically extended for additional 12-month terms, unless either party provides the other with (i) written notice of its election not to renew at least [***] prior to expiration of the then-current Term, or (ii) written notice of termination in accordance with this Section 21. The period commencing on the Effective Date and ending upon expiration or termination of the Initial Term and any additional terms is the " **Term** ." Notwithstanding any termination or expiration, the term for the protection of the SIE Materials and Publisher Confidential Information shall be as set forth in Section 20.

21.3 **Termination by Publisher.** Publisher shall have the right to terminate this GDPA for all Territories immediately, at any time, upon written notice to SIE, if SIE is in material breach of any of its obligations

under this GDPA, which breach shall not have been cured in full within [***] days following notice from Publisher specifying and requiring the cure of such breach.

21.4 Intentionally Omitted.

21.5 Termination for Cause by SIE. SIE shall have the right to terminate this GDPA for all Territories or on a Territory-by-Territory basis immediately, at any time, upon written notice to Publisher, upon the occurrence of any of the following:

21.5.1 if Publisher is in material breach of any of its obligations under this GDPA which material breach shall not have been cured in full within [***] days following proven receipt of notice from SIE (or the applicable Affiliate as the case may be) specifying and requiring the cure of such material breach;

21.5.2 a statement of intent by Publisher to no longer exercise any of the rights granted by SIE to Publisher hereunder, or Publisher failing to submit any Purchase Orders or Product Submissions for Licensed Products under Sections 8.3 or 9.2.7, respectively, during any period [***];

21.5.3 if Publisher:

21.5.3.1 is unable to pay its debts when due;

21.5.3.2 makes an assignment for the benefit of any of its creditors;

21.5.3.3 files or has filed against it a petition, or an order of bankruptcy or insolvency is made, under the bankruptcy or insolvency laws of any jurisdiction (and such petition is not discharged within 60 days) or becomes or is adjudicated bankrupt or insolvent;

21.5.3.4 is the subject of an order for, or applies for or notices its intent to apply for, the appointment of an administrator, receiver, administrative receiver, manager, liquidator, trustee or similar officer to be appointed over any of its business or property;

21.5.3.5 ceases to do business or enters into liquidation; or

21.5.3.6 takes or suffers any similar or analogous action in any jurisdiction as a consequence of debt;

21.5.4 if a controlling interest in Publisher, or in an entity which has a controlling interest in Publisher, is transferred to a party that:

21.5.4.1 is in breach of any agreement with an SIE Company or any Affiliate;

21.5.4.2 [***] holds or acquires a controlling interest in a third party which [***] which competes with any System, or itself develops any [***]; or

21.5.4.3 is in litigation or in an adversarial administrative proceeding with an SIE Company or any Affiliate concerning the SIE Materials or any SIE Intellectual Property Rights, including challenging the validity of any SIE Intellectual Property Rights;

21.5.5 if Publisher or any entity that has a controlling interest in Publisher:

21.5.5.1 enters into a business relationship with a third party related to the [***]; or

21.5.5.2 acquires a controlling interest in or forms a joint venture with any third party which [***];

21.5.6 if Publisher or any of its affiliates initiates any legal or administrative action against any SIE Company or any Affiliate challenging the validity of any SIE Intellectual Property Rights;

21.5.7 if Publisher fails to pay any sums owed to any SIE Company on the date due and such default is not fully corrected or cured within [***] business days of the date on which SIE notifies Publisher of its failure to pay such amount, unless such sums are [***] pursuant to [***] of this GDPA; or

21.5.8 if Publisher or any of its officers or employees engage in "hacking" of any software for any PlayStation format or in activities which facilitate the same by any third party.

As used in this section, "controlling interest" means, with respect to any form of entity, sufficient power to control the decisions of such entity. Publisher shall immediately notify SIE in writing in the event that any of the events or circumstances specified in Section 21.5 occur. In the event of termination under Section 21.5.8, each SIE Company shall have the right to terminate any other agreements entered into between that SIE Company and Publisher

21.6 Product-by-Product Termination. In addition to the events of termination described in Section 21.5, an SIE Company, at its option, shall be entitled to terminate, with respect to a particular PlayStation Compatible Product developed or published in that SIE Company's Territory, the licenses and related rights herein granted to Publisher immediately on written notice to Publisher, in the event that:

21.6.1 Publisher fails to notify the applicable SIE Company promptly in writing of any material change to any materials previously approved by that SIE Company in accordance with Section 6.3 and the relevant Guidelines, and such breach is not corrected or cured within [***] days after receipt of written notice of such breach;

21.6.2 Publisher fails to comply with the requirements of Section 14 in connection with the development of any PlayStation Compatible Product;

21.6.3 any third party with whom Publisher has contracted for the development of PlayStation Compatible Products breaches any of its material obligations to the applicable SIE Company pursuant to such third party's agreement with that SIE Company with respect to any such PlayStation Compatible Product;

21.6.4 Publisher cancels a Licensed Product, or fails to provide to each applicable SIE Company, in accordance with the provisions of Section 6.3 and the relevant Guidelines, the final version of a proposed Licensed Product or related Packaging and Printed Materials for any Licensed Product within [***] months of the scheduled release date (as referenced in the Product Proposal or as mutually agreed by the parties in writing), or fails to provide work in progress or a fully tested Licensed Product to each applicable SIE Company in strict compliance with the review process set forth in the Guidelines;

21.6.5 Publisher fails materially to conform to the Guidelines with respect to any particular PlayStation Compatible Product; or

21.6.6 any PlayStation Compatible Product gives rise to a material breach of Section 16.2, and such material breach is not cured by Publisher within [***] days from Publisher's receipt of written notice of such material breach from SIE.

21.7 **Options in Lieu of Termination.** As alternatives to terminating the GDPA or all licensed rights with respect to a particular Licensed Product as set forth in Sections 21.5 or 21.6, or where SIE reasonably suspects a breach of the UK Bribery Act 2010 or the US Foreign Corrupt Practices Act, SIE may, at its option and upon written notice to Publisher, suspend this GDPA for all Territories or on a Territory-by-Territory basis, entirely or with respect to a particular Licensed Product, Online Activity, service or program, for a set period of time which shall be specified in writing to Publisher. Election of suspension shall not constitute a waiver of or compromise with respect to any of SIE's rights under this GDPA and SIE may elect to terminate this GDPA with respect to any material breach in accordance with the terms of Sections 21.5.

21.8 **Extension of this GDPA; Termination Without Prejudice.** Neither party shall be under any obligation to extend this GDPA notwithstanding any actions taken by either of the parties prior to the expiration of this GDPA.

21.9 **No Refunds.** In the event that this GDPA expires or is terminated by either party under any of Sections 21.3, 21.5 21.6 or 21.7, no portion of any payments of any kind whatsoever previously provided to either party or any of such party's Affiliate under this GDPA shall be owed or be repayable or refunded to the other party.

22. Effect of Expiration or Termination

22.1 **No Liability.** Upon the expiration or termination of this GDPA pursuant to Section 21, neither party shall be liable to the other for any damages (whether direct, indirect, consequential or incidental, and including any expenditures, loss of profits or prospective profits) sustained or arising out of or alleged to have been sustained or to have arisen out of such expiration or termination. The expiration or termination of this GDPA shall be without prejudice to any rights or remedies which one party may otherwise have against the other party, and shall not excuse either party from liability with respect to any events occurring prior to expiration or the effective date of termination.

22.2 **Inventory Statement.** Within [***] of the date of expiration or the effective date of termination with respect to any or all Licensed Products or this GDPA, Publisher shall provide each SIE Company with an itemized statement, certified to be accurate by an officer of Publisher, specifying the number of unsold units of the Physical Media Products as to which such termination applies, on a title-by-title basis, which remain in its inventory or under its control in the relevant Territory at the time of expiration or the effective date of termination. SIE shall, at any time up to [***] after the date of expiration or termination of this GDPA (or the duration of Publisher's sell-off rights if shorter) and not more than [***] during such period, be entitled to conduct at its expense a physical inspection of Publisher's inventory and work in progress upon reasonable prior written notice during normal business hours in order to ascertain or verify such inventory and inventory statement.

22.3 **Reversion of Rights.** Upon expiration or termination and subject to Sections 22.4 and 22.5, the licenses and related rights herein granted to Publisher shall immediately revert to SIE, and Publisher shall cease from any further use of the SIE Materials, Licensed Trademarks, and any SIE Intellectual Property Rights therein, and, subject to the provisions of Sections 22.4 and 22.5, Publisher shall have

no further right to continue the development, publication, manufacture, marketing, advertising, sale or other distribution of any PlayStation Compatible Products, or to continue to use any Licensed Trademarks; provided, however, that for a period of [***] after the effective date of termination, and subject to all the terms of Section 20, and provided this GDPA is not terminated pursuant to Section 21.5 (exclusive of Section 21.5.2), Publisher may retain such portions of the SIE Materials as SIE in its sole discretion agrees are required to support end-users who possess Licensed Products, other PlayStation Compatible Products and/or who have access to Online Activity, and Publisher may continue to provide Online Activity to Users, but must return all these materials at the end of such [***] period. Upon expiration or termination, the licenses and related rights herein granted to SIE by Publisher shall immediately revert to Publisher, and SIE shall cease from any further use of the Publisher Property, Product Information and any Publisher Intellectual Property Rights therein; provided that, unless this GDPA was terminated pursuant to Section 21.3, SIE may continue the manufacture, marketing, advertising, sale and other such distribution by SIE or its designee's demonstration physical media containing Publisher's Product Information which Publisher had previously approved for [***] days following expiration or termination of this GDPA, provided that Publisher may terminate such rights upon written notice to SIE to the extent necessary to comply with Publisher's contractual, legal or regulatory requirements (including without limitation in the event any applicable third party rights granted to Publisher in relation to such materials expire, are terminated or otherwise revoked), in which case SIE will promptly cease use of any applicable Product Information following such termination.

22.4 **Disposal of Unsold units upon Termination.** In the event of termination of this GDPA under Sections 21.3, 21.5.2, 21.5.4 or 21.5.5, Publisher may sell off existing inventories of units of the Physical Media Products, on a non-exclusive basis, and strictly in accordance with this GDPA, for a period of [***] days from the date of expiration or effective date of termination of this GDPA, provided such inventories have not been manufactured in quantities that exceed that which Publisher could reasonably have anticipated to have sold during such period. Subsequent to the expiration of such [***] day period, or in the event this GDPA is terminated otherwise under Section 21.5, any and all units of the Physical Media Products remaining in Publisher's inventory or under its control shall be destroyed by Publisher within [***] business days of such expiration or termination date. Within [***] business days after such destruction, Publisher shall provide each SIE Company with an itemized statement, certified to be accurate by an officer of Publisher, indicating the number of units of the Licensed Products which have been destroyed (on a title-by-title basis) in that SIE Company's Territory, the location and date of such destruction, and the disposition of the remains of such destroyed materials.

22.5 **Disposal of Unsold units upon Non-Renewal.** In the event that the Term expires and this GDPA is not renewed, Publisher may continue to publish those Licensed Products whose development was completed before or during the Term, and to use the Licensed Trademarks strictly, only and directly in connection with such publication, until the Term expires or, if later, until the second anniversary of the 31 January next following such completion. Upon expiration of the Term or, the extended period for publishing Licensed Products, Publisher may sell off existing inventories of such Licensed Products on a non-exclusive basis for a period of [***] days from the applicable expiration date; provided that such inventory is not manufactured in quantities that exceed that which Publisher could reasonably have anticipated to have sold during such period.

22.6 **Rights in Digitally Delivered Products on Termination or Expiry.** On expiration or termination of this GDPA pursuant to Section 21.5, SIE shall have the right to continue to exercise its rights under Section 9.2.2 in respect of Digitally Delivered Products already available on PSN, in accordance with the terms of this GDPA, for a period of [***] from the date of termination or expiry, subject to the applicable terms of this GDPA (including without limitation Section 9.2.8 of this GDPA). In

addition, upon expiration or earlier termination of the Term: (a) all rights, licenses or other entitlements to Digitally Delivered Products granted in accordance with the terms of this GDPA to users that purchased such Digitally Delivered Products during the Term shall survive termination and continue for so long as such rights, licenses or entitlements were granted, subject to the applicable terms of this GDPA, the ToSUA, and the terms of any Publisher EULA and Publisher's Additional Terms; and (b) SIE shall have the corresponding post-termination rights to store, provide access to, and otherwise enable the permitted delivery of, such Digitally Delivered Products to such users for the remaining duration of their respective rights, licenses and entitlements, subject to the applicable terms of this GDPA. The SIE Company's obligations set forth in Section 15 of this GDPA will survive any expiration or termination of this GDPA and continue for such period that any SIE Company continues to distribute Digitally Delivered Products and collect any amounts in relation to such distribution.

22.7 **Return of the SIE Materials.** Upon the expiration or earlier termination of this GDPA or following either the [***] referenced in Sections 22.4 and 22.5, and subject to Section 22.3, Publisher shall immediately deliver to SIE, or if and to the extent requested by SIE, destroy, all SIE Materials and any and all copies thereof (excluding this GDPA), including any SIE Materials disclosed by Publisher to any third party pursuant to this GDPA, and delete any SIE Materials stored in electronic form, subject to the terms of Section 20.2.5.4. Publisher and SIE shall, upon the request of the other party, immediately deliver to the other party, or to the extent requested by such party destroy, all SIE Materials or Publisher Confidential Information (as applicable), including any and all copies thereof, which the other party previously furnished to it in furtherance of this GDPA. Within [***] business days after any such destruction, Publisher or SIE, as appropriate, shall provide the other party with a certificate of destruction and an itemized statement, each certified to be accurate by an officer of Publisher or SIE, indicating the location and date of such destruction and the disposition of the remains of such destroyed materials. In the event that Publisher fails to return or certify the destruction of the SIE Materials and SIE must resort to legal means (including any use of lawyers) to recover the SIE Materials or the value thereof, all costs, including SIE's reasonable outside lawyers' fees, shall be borne by Publisher, and SIE may, in addition to SIE's other remedies, withhold such amounts from any payment otherwise due from SIE to Publisher under this GDPA or any agreement between SIE and Publisher.

23. **Choice of Law and Forum.** THIS GDPA AND ANY DISPUTE OR CLAIM ARISING OUT OF ITS SUBJECT MATTER WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTIONS SET FORTH IN THIS SECTION 23. PUBLISHER AND SIE HEREBY SUBMIT THEMSELVES TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE COURTS DESCRIBED IN THIS SECTION FOR PURPOSES OF ANY ACTION OR PROCEEDING, AND EACH PUBLISHER AFFILIATE AND SIE COMPANY AGREES THAT ANY SERVICE OF PROCESS MAY BE EFFECTED BY DELIVERY OF THE SUMMONS IN THE MANNER PROVIDED IN THE DELIVERY OF NOTICES SET FORTH IN SECTION 25.1. IN ADDITION, WHERE PERMITTED BY LAW, PUBLISHER AND EACH SIE COMPANY HEREBY WAIVES THE RIGHT TO A JURY TRIAL IN ANY ACTION OR PROCEEDING RELATED TO THIS GDPA, OTHER THAN ACTIONS ARISING OUT OF VIOLATION OF INTELLECTUAL PROPERTY RIGHTS OR CONFIDENTIALITY OBLIGATIONS.

23.1 FOR ALL CLAIMS BROUGHT BY OR AGAINST SIEI OR RELATING TO SIEJA ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SIEI TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF JAPAN, EXCLUDING THAT BODY OF LAW RELATED TO CHOICE OF LAWS. ANY ACTION OR PROCEEDING TO ENFORCE THE TERMS OF THIS GDPA OR TO ADJUDICATE ANY DISPUTE ARISING UNDER THIS GDPA WILL BE HEARD IN THE COURT OF TOKYO DISTRICT COURT, TOKYO, JAPAN.

23.2 FOR ALL CLAIMS BROUGHT BY OR AGAINST SIEA OR RELATING TO SIEA ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SIEA TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, EXCLUDING THAT BODY OF LAW RELATED TO CHOICE OF LAWS. SUBJECT TO SECTIONS 24.1 AND 24.2, FOR ANY ACTION OR PROCEEDING TO ENFORCE THE TERMS OF THIS GDPA OR TO ADJUDICATE ANY DISPUTE ARISING UNDER THIS GDPA, THE PARTIES CONSENT TO JURISDICTION AND VENUE IN THE SUPERIOR COURT FOR THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF SAN MATEO, AND THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA. PUBLISHER AND SIE WAIVE ALL DEFENSES OF LACK OF PERSONAL JURISDICTION AND FORUM NON CONVENIENS.

23.3 FOR ALL CLAIMS BROUGHT BY OR AGAINST SIEE OR RELATING TO SIEE ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SIEE TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH ENGLISH LAW. THE PARTIES IRREVOCABLY AGREE FOR THE EXCLUSIVE BENEFIT OF SIEE THAT THE ENGLISH COURTS SHALL HAVE JURISDICTION TO ADJUDICATE ANY PROCEEDING, SUIT OR ACTION ARISING OUT OF OR IN CONNECTION WITH SUCH TERMS. HOWEVER, NOTHING CONTAINED IN THIS SECTION 23 SHALL LIMIT THE RIGHT OF SIEE TO TAKE ANY SUCH PROCEEDING, SUIT OR ACTION AGAINST PUBLISHER OR, FOR THE AVOIDANCE OF DOUBT, THE PUBLISHER AFFILIATE IN THE SIEE TERRITORY, IN ANY OTHER COURT OF COMPETENT JURISDICTION, NOR SHALL THE TAKING OF ANY SUCH PROCEEDING, SUIT OR ACTION IN ONE OR MORE JURISDICTIONS PRECLUDE THE TAKING OF ANY OTHER SUCH PROCEEDING, SUIT OR ACTION IN ANY OTHER JURISDICTION, WHETHER CONCURRENTLY OR NOT, TO THE EXTENT PERMITTED BY THE LAW OF SUCH OTHER JURISDICTION. PUBLISHER SHALL HAVE THE RIGHT TO TAKE ANY SUCH PROCEEDING, SUIT OR ACTION AGAINST SIEE ONLY IN THE ENGLISH COURTS.

24. **Dispute Resolution .** SIE and Publisher shall attempt in good faith to resolve through informal discussions or negotiations any dispute, controversy or claim of any kind or nature arising under or in connection with this GDPA, including breach, termination or validity thereof (a " **Dispute** "). Neither SIE nor Publisher may commence any court or arbitration proceedings in relation to this GDPA until at least [***] days after commencing such negotiations or discussions, unless interim, equitable, or conservatory relief is sought pursuant to Section 24.2.

24.1 Any claim brought against SIEA, or any Dispute relating to SIEA or Development Tools located in the SIEA Territory, that SIEA and Publisher are unable to resolve through informal discussions or negotiations after [***] days will be submitted to binding arbitration conducted in accordance with and subject to the Commercial Arbitration Rules of the American Arbitration Association, except to the extent otherwise required under this dispute resolution clause. One arbitrator will be selected by the mutual agreement of SIEA and Publisher or, failing that, by the American Arbitration Association. The arbitrator must have substantial experience in disputes involving technology licensing agreements. The arbitrator will allow such discovery as is appropriate, and impose such restrictions as are appropriate, consistent with the purposes of arbitration in accomplishing fair, speedy and cost-effective resolution of disputes, except that (i) no requests for admissions will be permitted; (ii) interrogatories will be limited to (a) identifying persons with knowledge of relevant facts and (b) identifying expert witnesses and obtaining their opinions and the bases therefor; and (iii) SIEA and Publisher will each be limited to [***] depositions. Judgment upon the award rendered in any such arbitration may be entered in any court having jurisdiction thereof. Any arbitration conducted pursuant to this section will take place within the Northern District of California. SIEA and Publisher will

bear their own costs and will share equally in paying the expenses and fees of the arbitrator. The arbitrator may not alter the foregoing allocation of their costs, nor of the arbitrator's fees and expenses. Other than as set forth below in Section 24.2 or any action necessary to enforce the award of the arbitrator, SIEA and Publisher agree that the provisions of this section are a complete defense to any suit, action or other proceeding instituted in any court or before any administrative tribunal with respect to any Dispute.

24.2 Notwithstanding the foregoing, any SIE Company may apply to any court of competent jurisdiction seeking a temporary restraining order, preliminary injunction, or other interim, equitable, or conservatory relief, with respect to the protection of any SIE Intellectual Property Rights or SIE Materials, including Licensed Trademarks. Notwithstanding the foregoing, Publisher may apply to a court of competent jurisdiction seeking a temporary restraining order, preliminary injunction, or other interim, equitable, or conservatory relief, with respect to the protection of any Publisher Intellectual Property Rights, or Publisher Property, including without limitation Publisher's trademarks, names and logos.

25. Miscellaneous Provisions

25.1 Notices. All notices or other communications required or desired to be sent to either of the parties shall be in writing and shall be sent by registered or certified mail, postage prepaid, or sent by recognized international courier service, with charges prepaid. The address for all notices under this GDPA shall be addressed as set forth in this Section 25.1, or such other address as may be provided by written notice from one party to the other on at least ten days' prior written notice. Any such notice shall be effective upon the date of actual receipt.

25.1.1 If to Publisher:

ATTN: Senior Vice President Business Affairs
Electronic Art Inc.
209 Redwood Shores Parkway
Redwood City, CA
94065
[***]

with a copy to

ATTN: General Counsel
Electronic Art Inc.
209 Redwood Shores Parkway
Redwood City, CA
94065
[***]

25.1.2 If to SIEJA:

ATTN: Vice President, Legal Dept.
Sony Interactive Entertainment Inc.
1-6-27 Konan
Minato-ku, Tokyo 108-8270
Japan

25.1.3 If to SIEA:

ATTN: General Counsel
Sony Interactive Entertainment LLC
2207 Bridgepointe Parkway
San Mateo, CA 94404
USA

25.1.4 If to SIEE:

ATTN: Vice President, Legal & Business Affairs
Sony Interactive Entertainment Europe Limited
10 Great Marlborough Street
London W1F 7LP
United Kingdom

In addition, any notice sent by any SIE Company regarding any modification to the Guidelines may be sent by email to the email address set forth above in this Section 25.1.1.

25.2 **Force Majeure.** Neither SIE nor Publisher shall be liable for any loss or damage or be deemed to be in breach of this GDPA if its failure to perform or failure to cure any of its obligations under this GDPA results from any event or circumstance beyond its reasonable control, including any natural disaster, fire, flood, earthquake or other Act of God; shortage of equipment, materials, supplies or transportation facilities; strike or other industrial dispute; war or rebellion; shutdown or delay in power, telephone or other essential service due to the failure of computer or communications equipment or otherwise (each of the foregoing a " **Force Majeure Condition** "); provided, however, that the party interfered with gives the other party written notice thereof promptly, and, in any event, within fifteen (15) business days of discovery of any Force Majeure Condition. If notice of the existence of any Force Majeure Condition is provided within such period, the time for performance or cure shall be extended for a period equal to the duration of the Force Majeure Condition described in such notice, except that any such cause shall not excuse the payment of any sums owed to any Publisher Affiliate or SIE Company prior to, during or after the occurrence of any Force Majeure Condition. In the event that the Force Majeure Condition continues for more than 60 days, SIE or Publisher may terminate this GDPA for cause by providing written notice to the other party to such effect.

25.3 **Intentionally Omitted.**

25.4 **No Agency, Partnership or Joint Venture.** The relationship between each SIE Company and Publisher is that of licensor and licensee. Both parties are independent contractors and neither party is the legal representative, agent, joint venturer, partner or employee of the other party for any purpose whatsoever. Neither party has any right or authority to assume or create any obligations of any kind or to make any representation or warranty on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

25.5 **Assignment.** SIE has entered into this GDPA based upon the particular reputation, capabilities and experience of Publisher and its officers, directors and employees. Except as provided in this GDPA, Publisher may not assign, sublicense, subcontract, encumber or transfer this GDPA or any of its rights hereunder, nor delegate or transfer any of its obligations hereunder, to any third party unless the prior written consent of SIE shall first be obtained, provided, however, that Publisher may without SIE's prior consent assign this GDPA to a Publisher Affiliate upon written notice to SIE, provided that such Publisher Affiliate will agree to be bound by the terms of this GDPA in writing. Other than as set

forth above in this Section 25.5, any attempted or purported assignment, delegation or other such transfer, directly or indirectly, without the required consent of SIE shall be void and a material breach of this GDPA. SIE shall have the right to assign, sub-license, encumber or transfer this GDPA or any and all of its rights and obligations hereunder solely to any Affiliate or to any other party with Publisher's prior written consent (not to be unreasonably withheld or delayed), and provided that any assignee will agree with SIE to be bound by the terms and conditions of this GDPA in writing. SIE may subcontract to any third party, subject to terms reciprocal to those set forth in Section 14. Subject to the foregoing, this GDPA shall inure to the benefit of the parties and their respective successors and permitted assigns (other than in connection with any of the events referenced in Section 21.5.4).

25.6 **Third Party Rights.** Except as expressly provided in this GDPA, and save that SIEI may enforce in any Territory, the terms of Sections 3 (Conditional License Grant), 5 (Other Limitations on Licensed Rights, 6.1 (Right to Develop), 6.4 (Authentication), 7.8 (Care and Maintenance of Development Tools), 18 (Limitation of Liability), 19 (Infringement of SIE Intellectual Property Rights By Third Parties), 20 (Data Security and Confidentiality), 22 (Effect of Expiration or Termination), 23 (Choice of Law and Forum) and 25 (Miscellaneous Provisions), a person who is not a party to this GDPA shall have no right under any applicable law to enforce any of its terms.

25.7 **Compliance with Applicable Laws.** The parties shall at all times comply with all applicable laws and regulations and all conventions and treaties to which their countries are a party or relating to or in any way affecting this GDPA and the performance by the parties of this GDPA, including, to the extent applicable, the UK Bribery Act 2010, the US Foreign Corrupt Practices Act, the US Children's Online Privacy Protection Act, Canada's Personal Information Protection and Electronic Documents Act, Mexico's Federal Data Protection Act, and all other laws and regulations relating to the gathering, handling and dissemination of all data from or concerning end-users of PlayStation Compatible Products. Each party, at its own expense, shall negotiate and obtain any approval, license or permit required in the performance of its obligations, and shall declare, record or take such steps to render this GDPA binding, including the recording of this GDPA with any appropriate governmental authorities (if required).

25.8 **Legal Costs and Expenses.** In the event it is necessary for either party to retain the services of an outside lawyer to enforce the provisions of this GDPA or to file or defend any action arising out of this GDPA, then the prevailing party in any such action shall be entitled, in addition to any other rights and remedies available to it at law or in equity, to recover from the other party its reasonable fees for outside lawyers and expert witnesses, plus such court costs and expenses as may be fixed by any court of competent jurisdiction. The term "prevailing party" for the purposes of this section shall include a defendant who has by motion, judgment, verdict or dismissal by the court, successfully defended against any claim that has been asserted against it.

25.9 **Remedies.** Unless expressly set forth to the contrary, either party's election of any remedies provided for in this GDPA shall not be exclusive of any other remedies at law or equity, and all such remedies shall be deemed to be cumulative. Any material breach of Sections 3, , 5, 20, or 22.2 - 22.7 of this GDPA by Publisher would cause significant and irreparable harm to SIE, the extent of which would be difficult to ascertain and for which damages might not be an adequate remedy, and any material breach of Section 20.6 by SIE would cause significant and irreparable harm to Publisher the extent of which would be difficult to ascertain and for which damages might not be an adequate remedy. Accordingly, in addition to any other remedies, including damages to which each party may be entitled, in the event of a breach or threatened breach by either party or any of its directors, officers, employees, agents or permitted consultants or subcontractors of any such section or sections of this GDPA referenced above, each party shall be entitled to the immediate issuance without bond or other security, of ex parte equitable relief, including injunctive relief, or, if a bond is required under

applicable law, on the posting of a bond in an amount not to exceed USD $[***] (or the equivalent amount in foreign currency where outside of the SIEA Territory), enjoining any breach or threatened breach of any or all of such provisions taking place in the applicable Territory or otherwise affecting that party or its Territory.

25.10 **Severability.** In the event that any provision of this GDPA or portion thereof is determined by a court of competent jurisdiction to be invalid or unenforceable, such provision or portion shall be enforced to the extent possible consistent with the stated intention of the parties, or, if incapable of such enforcement, shall be deemed to be deleted from this GDPA, while the remainder of this GDPA shall continue in full force and remain in effect according to its stated terms and conditions.

25.11 **Sections Surviving Expiration or Termination.** The following Sections survive expiration or termination of this GDPA for any reason: 5 (Other Limitations on Licensed Rights), 7.12.3 (SIE Ownership), 8.9 (Ownership of Original Master Discs), 15.1.3 (SIE Audit), 15.2.1 (Publisher Revenue), 15.2.4 (Report and Payment Terms), 15.2.6 (Publisher Audit), 16 (Representations and Warranties), 17 (Indemnities), 18 (Limitation of Liability), 20 (Data Security and Confidentiality), 21.9 (No Refunds), 22 (Effect of Expiration or Termination), 23 (Choice of Law and Forum), 24 (Dispute Resolution), and 25 (Miscellaneous Provisions).

25.12 **Waiver.** No failure or delay by either party in exercising any right, power or remedy under this GDPA shall operate as a waiver of any such right, power or remedy. No waiver of any provision of this GDPA shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. Any waiver by either party of any provision of this GDPA shall not be construed as a waiver of any other provision of this GDPA, nor shall such waiver operate or be construed as a waiver of such provision respecting any future event or circumstance.

25.13 **Modification and Amendment.** SIE reserves the right, upon prior written notice and with immediate effect, to amend the provisions of this GDPA or the Guidelines to the extent required to comply with any decision, order, or objection of any court or governmental or other competition authority of competent jurisdiction, or any statutory or similar measures that give effect to any such decision (from which this GDPA or the Guidelines are not exempt) or to reflect any undertaking by SIE to any such authority. Any such amendment will only modify this GDPA to the extent required in connection with any of the foregoing in a non-discriminatory manner to Publisher, shall be of prospective application only and shall not be applied to any PlayStation Compatible Products submitted to the applicable SIE Company pursuant to Section 6.3 prior to the date of SIE's notice of amendment. In the event that Publisher is unwilling to accept any such amendment, then Publisher shall have the right to terminate this GDPA by providing written notice to SIE no more than [***] days following the date of SIE's notice of amendment. The terms of Section 22.4 will come into effect upon any such termination by Publisher. Except as otherwise provided in this GDPA, no modification or amendment of any provision of this GDPA shall be effective unless in writing and signed by both of the parties.

25.14 **Interpretation.** The section headings used in this GDPA are intended primarily for reference and shall not by themselves determine the construction or interpretation of this GDPA or any portion hereof. Any reference to a section number is to a section of this GDPA. Any reference to persons includes natural persons as well as organizations, including firms, partnerships, companies and corporations. Any phrase introduced by the terms "including," "include," "in particular," or any similar expression shall be construed as illustrative and shall not limit the category preceding those terms.

25.15 Integration. This GDPA, together with the Guidelines, constitutes the entire agreement between each SIE Company and Publisher and supersedes all prior or contemporaneous agreements, proposals, representations, understandings and communications between each SIE Company and Publisher, whether oral or written, with respect to the subject matter hereof including any confidentiality, licensed developer or publisher, store or development tools agreements. Publisher is not relying upon any statement, representation, warranty or understanding, whether negligently or innocently made, of any person other than as expressly set forth in this GDPA.

25.16 Counterparts. This GDPA may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one and the same instrument. The parties hereby consent to the use of electronic signatures, if applicable, and further agree that an electronic signature or a signature transmitted via facsimile or scanned email shall be considered binding and deemed the same as an original written signature for all purposes hereunder.

25.17 Construction. This GDPA shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against either of the parties.

SONY INTERACTIVE ENTERTAINMENT LLC **ELECTRONIC ARTS INC.**

By: /s/ Philip L. Rosenberg By: /s/ Paul Cairns

Print Name: Philip L. Rosenberg Print Name: Paul Cairns

Title: SVP Title: SVP Business Affairs & Development

Date: 5/11/2018 Date: 5/10/2018

EA INTERNATIONAL (STUDIO & PUBLISHING) LTD.

By: /s/Andy D'Souza

Print Name: Andy D'Souza

Title: International Publishing Manager, EA Int'l

Date: 5/10/2018

NOT AN AGREEMENT UNTIL EXECUTED BY AN SIE COMPANY AND PUBLISHER

SCHEDULE 1

DEFINITIONS

"Additional Terms" has the meaning set forth in Section 10.1.

"Advertising Materials" means any advertising, marketing, merchandising, promotional, contest or competition-related, press release, display, point of sale or website materials regarding or relating to PlayStation Compatible Products or depicting Licensed Trademarks. Advertising Materials include any advertisements or promotions in which any System is displayed, referred to, or used, including giving away any System as a prize in contests or sweepstakes and the public display of any System in product placement opportunities.

"Affiliate" means Sony Computer Entertainment Korea Inc., Sony Computer Entertainment Hong Kong Limited, Sony Network Entertainment International, LLC, Sony Network Entertainment Europe Ltd., Gaikai, Inc., Sony Digital Audio Disc Corporation, Sony DADC Austria AG, any Designated Manufacturing Facility, any direct or indirect subsidiary or parent of any of the foregoing, and any other entity created that becomes a direct or indirect subsidiary or parent of, or shares a common direct or indirect parent with, an SIE Company.

"Designated Manufacturing Facility" means a manufacturing facility that is designated by the SIE Company, in its sole discretion, to manufacture and assemble Physical Media Products or any of their component parts in that SIE Company's Territory.

" Development Site" means the location(s) where Development Tools are used to develop PlayStation Compatible Products.

"Development Tools" means the Hardware Tools and Software Tools.

"Developer Website" means DevNet, TPRNet and any other password-protected website that an SIE Company may maintain to facilitate the dissemination of Development Tools or other SIE Materials to Licensed Publishers, or to provide Licensed Publisher with written materials associated with and that describe the function of the Development Tools, including any data, object code, source code, libraries, firmware, documentation, and other tools and information.

"Digitally Delivered Product" means a Licensed Product distributed to end-users by electronic or other non-physical means now known or hereafter devised (including wireless, cable, fiber optic, telephone, cellular, microwave or radio waves, the Internet, or private network).

"Dispute" has the meaning set forth in Section 24.

"Documentation" means all information or materials that SIE may provide to Licensed Publishers or Licensed Developers that are associated with and describe the function of the Development Tools or other SIE Materials.

"Effective Date" has the meaning set forth in the first paragraph of this GDPA.

"Firmware" means all code embedded on any chip contained within any Hardware Tool, as may be upgraded or changed from time to time.

"Force Majeure Condition" has the meaning set forth in Section 25.2.

"GDPA" has the meaning set forth in the first paragraph of this agreement.

"Guidelines" means any guidelines, specifications or policies of an SIE Company with respect to the development, manufacture, marketing and publishing of PlayStation Compatible Products, including any requirements regarding the

display of Licensed Trademarks, use of Advertising Materials, or the protection of SIE Intellectual Property Rights, in each case in the form made available, and as applicable, to all of SIE's Licensed Developers and Licensed Publishers. The Guidelines, and any modifications or additions made from time to time in accordance with Section 4, shall be set forth on the Developer Website or at such URL as is provided by SIE to Publisher. The Guidelines shall be comparable to the guidelines applied by SIE to its own software products for the Systems. The Guidelines are incorporated into and form a part of this GDPA.

"Hardware Tools" means the hardware components of the development systems used for development of PlayStation Compatible Products, or portions of such components, as updated or changed, that SIE may provide to Licensed Publishers or Licensed Developers. "Hardware Tools" does not include Software Tools.

"Initial Term" has the meaning set forth in Section 21.1.

"Intellectual Property Rights" means all worldwide intellectual property rights, current or future, including rights in or related to patents, inventions, designs, copyrights and related rights, databases, trademarks, service marks, trade names, trade dress, mask work rights, utility model rights, trade secret rights, technical information, know-how, and the equivalents of the foregoing under the laws of any jurisdiction, and any other intellectual property rights recognized in the Territory (including all registrations, applications to register and rights to apply for registration of the same), for their full term including all renewals and extensions.

"Licensed Developer" means an entity that has in effect a Licensed Developer Agreement with an SIE Company, or that has signed a separate PlayStation Global Developer and Publisher Agreement.

"Licensed Developer Agreement" means a valid and current license agreement authorizing the development of software for any System, fully executed between a Licensed Developer and a SIE Company.

"Licensed Product" means a PlayStation Compatible Product that installs or operates (or is designed to install or operate) on a System, and associated Packaging, Printed Materials, metadata, and content. For the avoidance of doubt, Licensed Product does not include middleware (except as incorporated into a Licensed Product) or Peripherals.

"Licensed Publisher" means an entity that has signed a GDPA or other Licensed Publisher Agreement in full force and effect and has been approved in writing by an SIE Company to develop or publish Licensed Products.

"Licensed Publisher Agreement" means a valid and current license agreement authorizing the publishing of software for any System, fully executed between a Licensed Publisher and an SIE Company, including any Global Developer and Publisher Agreement.

"Licensed Trademarks" means the trademarks, service marks, trade dress, logos, icons and other indicia designated in the Guidelines or for use on, in or in connection with Licensed Products.

"Online Activity" means the online interaction by end-users with other end-users (which, for the avoidance of doubt, includes the sharing of User Content within the gameplay or online environment of Licensed Products), with online elements (such as PlayStation Home, the virtual, interactive community of PSN), or with Publisher or its designee, via the use of a PlayStation Compatible Product.

"Packaging" means the carton, containers, cases, edge labels, wrapping materials, security seals and other proprietary labels and trade dress elements of or concerning the Physical Media Product (and all parts of any of the foregoing) but specifically excluding Printed Materials and discs or game cards.

"Peripheral" means a device that connects to, interfaces with or interacts with a System, including controllers, cameras, wheels, mice and keyboards and other input devices.

“Personal Information” means information relating to an identified or identifiable natural person, or substantially similar terms as defined by applicable law.

“Physical Media Product” means a Licensed Product distributed in a physical form specified by SIE, such as a Blu-ray disc or game card.

“PlayStation Compatible Product” means any software, content, service, hardware, Peripheral, good, or other item that [***] . Subject to the requirements in the foregoing sentence, PlayStation Compatible Product may include applications (including companion aps), communication features, virtual currency, audio and visual material (including demos, videos, themes, wallpapers, levels, maps, consumable items, skins, virtual items, and avatars), modifications, improvements, additions, upgrades, updates, patches, scripts, player statistics and data, notices, links or other content intended for or capable of use on or connection to a System.

“PlayStation Now” means the SIE proprietary cloud gaming service that allows Users to access content streamed from remote servers to Systems and other SIE-approved devices.

“PlayStation Plus” means the SIE premium subscription service available through PSN.

“PlayStation Store” means the primary destination within PSN for the discovery and purchase of content.

“Printed Materials” means all artwork and mechanicals for the disc label for each Physical Media Product and for the Packaging relating to any of the Physical Media Products, and all instructional manuals, liners, inserts, and any other materials and user information within or attached to the Packaging and distributed as part of the Physical Media Products.

“Product Information” means Publisher’s name, any extracts or references to Licensed Products, any trademarks, services marks, trade dress, logos, icons or other indicia used on, in or in connection with Licensed Products, any information owned or licensed by Publisher relating to any of the Licensed Products, including demos, videos, hints and tips, artwork, depictions of Physical Media Products, cover art and videotaped interviews; all of the foregoing as may be further specified in the Guidelines, and as provided by Publisher pursuant to Section 9.2.3.

“Product Proposal” means a written proposal prepared by Publisher and submitted to SIE under the Guidelines regarding the concept and design for a Licensed Product or other PlayStation Compatible Product (as applicable).

“Product Submission” has the meaning given to it in Section 9.2.7.

“PSN” means the proprietary online network operated by SIE or Affiliates accessible via the Systems and other devices, including services provided as part of or through that network, such as PlayStation Now and the PlayStation Store. PSN includes new services and features developed and offered after the date of this GDPA, and other online networks launched after the date of this GDPA, as specified by SIE.

“PSN ID” means SIE’s unique User identifier on PSN.

“Publisher” has the meaning set forth in the first paragraph of this GDPA. For the avoidance of doubt, a “Publisher” may be an entity which chooses only to exercise the rights to develop, and not the rights to publish, Licensed Products under this GDPA.

“Publisher Affiliate” means the entities listed in Schedule 2, as updated by written agreement between the parties from time to time.

“Publisher Confidential Information” has the meaning set forth in Section 20.6.1.

“Publisher EULA” has the meaning set forth in Section 10.2.

"Publisher-Indemnified Claims" has the meaning set forth in Section 17.2.

"Publisher Intellectual Property Rights" means those Intellectual Property Rights that are owned and controlled by Publisher and that relate to the Publisher Property, Packaging, Product Information, Product Proposals, Printed Materials, Advertising Materials or other materials.

"Publisher Property" means any software or other materials (including without limitation any audio-visual materials) developed by or on behalf of Publisher, or controlled by Publisher, or provided by or on behalf of Publisher in connection with any PlayStation Compatible Product, not including any Software Tools or SIE Intellectual Property Rights.

"Purchase Order" means a written purchase order issued by Publisher pursuant to Section 8.3, regarding the purchase of Physical Media Products (or other products or materials that may be ordered under this GDPA), that conforms to the Guidelines and other terms and conditions imposed by the applicable SIE Company or applicable Designated Manufacturing Facility.

"SIE" has the meaning set forth in the first paragraph of this GDPA.

"SIE Company" has the meaning set forth in the first paragraph of this GDPA.

"SIE-Indemnified Claims" has the meaning set forth in Section 17.1.

"SIE Intellectual Property Rights" means those Intellectual Property Rights that relate to a System, the design and development of PlayStation Compatible Products (exclusive of any Publisher Intellectual Property Rights therein), PSN and any SIE Materials.

"SIE Materials" means the Development Tools, the terms of this GDPA, the Guidelines, all information obtained from a Developer Website; other information, documents and materials developed, owned, licensed or under the control of SIE or any Affiliate, including all those relating to processes, data, hardware, software, network communications and related activities, inventions, trade secrets, ideas, creations, improvements, designs, discoveries, developments, research and know-how, including SIE Intellectual Property Rights relating to the Development Tools; information, documents and other materials regarding SIE's or any Affiliate's finances, business and business methods (including commercial relationships, licensing terms, pricing and customers lists), marketing and technical plans, and development and production plans; and third-party information and documents licensed to or under the control of SIE or any Affiliate. SIE Materials consists of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to Publisher before or during the Term, including information subsequently reduced to tangible or written form.

"SIEA" has the meaning set forth in the first paragraph of this GDPA.

"SIEE" has the meaning set forth in the first paragraph of this GDPA.

"SIEI" has the meaning set forth in the first paragraph of this GDPA.

"SIEA Territory" means the following countries: Canada, Mexico, Brazil, Chile, Argentina, Peru, Ecuador, Colombia, Nicaragua, Honduras, Costa Rica, Guatemala, El Salvador, Panama, Bolivia, Paraguay, United States of America (and its territories and possessions), and Uruguay, or as otherwise provided in the Guidelines.

"SIEE Territory" means the following countries: Albania, Algeria, Andorra, Angola, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belgium, Belorussia, Bosnia Herzegovina, Botswana, Bulgaria, Cameroon, Croatia, Cyprus, Czech Republic, Denmark , Djibouti, Egypt, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Gibraltar, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Jordan, Kazakhstan, Kenya, Kosovo, Kuwait,

Kyrgyzstan, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malta & Gozo, Mauritius, Moldova, Monaco, Montenegro, Morocco, Mozambique, Namibia, Netherlands , New Zealand, Nigeria, Norway, Oman, Pakistan, Papua New Guinea, Poland, Portugal, Qatar, Romania, Russian Federation, San Marino, Saudi Arabia, Senegal, Slovakia, Slovenia, Somalia, South Africa, Spain, Swaziland, Sweden, Switzerland, Tajikistan, Tanzania, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, united Arab Emirates, United Kingdom, Uzbekistan, Vatican, Yemen, Zaire, Zambia and Zimbabwe, or as otherwise provided in the Guidelines.

"SIEJA Territory" means the following countries: Thailand, Philippines, Malaysia, Vietnam, Singapore, Indonesia, Taiwan, Korea, Hong Kong, People's Republic of China and Japan, or as otherwise provided in the Guidelines.

"Software Product License Agreement" means the end-user license agreement between SIEA and a user found at us.playstation.com/softwarelicense or, for SIEE, the Software Usage Terms (or equivalent) between SIEE and a user found on the packaging or eu.playstation.com/legal.

"Software Tools" means software (including object code, source code and libraries and Firmware) and Documentation relating to any Systems that are supplied by SIE to Publisher for the development of PlayStation Compatible Products.

"System" means each of the proprietary PlayStation systems known as the PlayStation, PlayStation 2, PlayStation 3, PlayStation 4, PlayStation Portable (PSP), PlayStation Vita (PS Vita), and PlayStation Vita TV (PS Vita TV), including all backward compatible iterations and server emulation of each. Collectively, all of the foregoing are referred to as the "Systems."

"System Bypass Areas" has the meaning set forth in Section 5.1.

"Term" has the meaning set forth in Section 21.2.

"Territory" means any one of the SIEA Territory, the SIEE Territory, or the SIEI Territory.

"ToSUA" means the terms of service, user agreement and privacy policy for PSN, as amended from time to time.

"User" means an individual with a PSN account.

"User Content" has the meaning given to it in Section 6.7.

"VAT" means Value Added Tax as set out in the UK Value Added Tax Act 1994 or, in relation to any member state of the European Union, the equivalent system of Value Added Tax as defined in the EU VAT Directive (2006/112/EC) or, in relation to any non-EU country, the equivalent tax, such as, but not limited to, VAT, sales tax and GST.

"Wholesale Price" means, for Digitally Delivered Products sold by Publisher to SIE for resale, the price that Publisher offers and SIE accepts for each unit of a specified Digitally Delivered Product, as may be stated in a form provided by SIE. For Physical Media Products, "Wholesale Price" means the initial wholesale price or price to trade Publisher offers to retailers, distributors, wholesalers or other intermediaries of Physical Media Products, as evidenced by sell sheets or other trade materials.

SCHEDULE 2

Publisher Affiliates

Publishers

SIEA Territory

Electronic Arts Inc. to publish Licensed Products in [***] .

EA Swiss Sarl to publish Licensed Products in [***] .

SIEE Territory

EA Swiss Sarl to publish Licensed Products in [***] .

SIEJA Territory

Electronic Arts Inc. to publish Digitally Delivered Products [***] , Electronic Arts K.K. to publish Physical Media Products [***] .

EA Swiss Sarl to publish Licensed Products in [***] .

Developers

Electronic Arts Inc.
BioWare ULC
EA Digital Illusions CE AB
Electronic Arts Ireland Limited
Electronic Arts Limited
Electronic Arts Asia Pacific Pte Ltd
Electronic Arts Proprietary Limited
EA Mobile (Canada) ULC
Electronic Arts (Canada), Inc.
Criterion Software Limited
Electronic Arts Games (India) Private Limited
Electronic Arts K.K.
Electronic Arts Korea LLC
Electronic Arts Romania SRL
Electronic Arts Computer Software (Shanghai) Co., Ltd.
Shanghai PopCap Software Co. Ltd.
Electronic Arts – Tiburon, A Florida Corporation
PopCap Games, LLC

EA Swiss Sarl
Electronic Arts Software S.L.
Electronic Arts Finland OY

Respawn LLC

[***]

SIE Company Reporting Periods and Currency

SIEA Territory – SIEA will report sales of Digitally Delivered Products [***] and pay applicable amount of Wholesale Price and/or mutually-agreed revenue share due Publisher [***].

SIEE Territory – SIEE will report sales of Digitally Delivered Products [***] and pay applicable amount of Wholesale Price and/or mutually-agreed revenue share due Publisher [***].

SIEJA Territory - SIEJA will report sales of Digitally Delivered Products [***] and pay applicable amount of Wholesale Price and/or mutually-agreed revenue share due Publisher [***].

Exhibit 15.1

Awareness Letter of KPMG LLP, Independent Registered Public Accounting Firm

August 7, 2018
Electronic Arts Inc.
Redwood City, California:

Re: Registration Statement on Form S-8 Nos. 333-213044, 333-190355, 333-183077, 333-176181, 333-168680, 333-161229, 333-152757, 333-145182, 333-138532, 333-127156, 333-117990, 333-107710, 333-99525, 333-67430, 333-44222, and 333-39432 and Form S-3 No. 333-221481

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated August 7, 2018 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Santa Clara, California

Exhibit 31.1

ELECTRONIC ARTS INC.

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Exchange Act
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew Wilson, certify that:

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

Dated: August 7, 2018

By: /s/ Andrew Wilson

Andrew Wilson

Chief Executive Officer

Exhibit 31.2

ELECTRONIC ARTS INC.

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Exchange Act
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Blake Jorgensen, certify that:

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

Dated: August 7, 2018

By: /s/ Blake Jorgensen

Blake Jorgensen
Chief Operating Officer and
Chief Financial Officer

Exhibit 32.1

ELECTRONIC ARTS INC.

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

In connection with the Quarterly Report of Electronic Arts Inc. on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Wilson, Chief Executive Officer of Electronic Arts Inc., certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Electronic Arts Inc. for the periods presented therein.

/s/ Andrew Wilson

Andrew Wilson
Chief Executive Officer
Electronic Arts Inc.

August 7, 2018

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Electronic Arts and will be retained by Electronic Arts and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

ELECTRONIC ARTS INC.

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

In connection with the Quarterly Report of Electronic Arts Inc. on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Blake Jorgensen, Chief Operating Officer and Chief Financial Officer of Electronic Arts Inc., certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Electronic Arts Inc. for the periods presented therein.

/s/ Blake Jorgensen

Blake Jorgensen
Chief Operating Officer and
Chief Financial Officer
Electronic Arts Inc.

August 7, 2018

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Electronic Arts and will be retained by Electronic Arts and furnished to the Securities and Exchange Commission or its staff upon request.