

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 September 30, 2020  
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

*(State or other jurisdiction of  
incorporation or organization)*

209 Redwood Shores Parkway  
Redwood City California

*(Address of principal executive offices)*

94-2838567

*(I.R.S. Employer  
Identification No.)*

94065

*(Zip Code)*

(650) 628-1500

*(Registrant's telephone number, including area code)*

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.01 par value	EA	NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		<input type="checkbox"/>

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 November 6, 2020, there were 290,077,481 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

**ELECTRONIC ARTS INC.  
FORM 10-Q  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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## 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)	September 30, 2020	March 31, 2020 <sup>(a)</sup>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,059	\$ 3,768
Short-term investments	1,972	1,967
Receivables, net	423	461
Other current assets	376	321
Total current assets	6,830	6,517
Property and equipment, net	458	449
Goodwill	1,891	1,885
Acquisition-related intangibles, net	42	53
Deferred income taxes, net	1,937	1,903
Other assets	312	305
<b>TOTAL ASSETS</b>	<b>\$ 11,470</b>	<b>\$ 11,112</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 164	\$ 68
Accrued and other current liabilities	1,083	1,052
Deferred net revenue (online-enabled games)	639	945
Senior notes, current, net	599	599
Total current liabilities	2,485	2,664
Senior notes, net	397	397
Income tax obligations	301	373
Deferred income taxes, net	1	1
Other liabilities	211	216
Total liabilities	3,395	3,651
Commitments and contingencies (See <a href="#">Note 11</a> )		
Stockholders' equity:		
Common stock, \$0.01 par value. 1,000 shares authorized; 290 and 288 shares issued and outstanding, respectively	3	3
Additional paid-in capital	145	—
Retained earnings	8,016	7,508
Accumulated other comprehensive loss	(89)	(50)
Total stockholders' equity	8,075	7,461
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 11,470</b>	<b>\$ 11,112</b>

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 September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Net revenue	\$ 1,151	\$ 1,348	\$ 2,610	\$ 2,557
Cost of revenue	286	405	574	592
Gross profit	865	943	2,036	1,965
Operating expenses:				
Research and development	421	387	859	768
Marketing and sales	156	152	277	262
General and administrative	133	128	269	238
Acquisition-related contingent consideration	—	2	—	3
Amortization of intangibles	6	6	11	11
Total operating expenses	716	675	1,416	1,282
Operating income	149	268	620	683
Interest and other income (expense), net	(10)	16	(13)	37
Income before provision for (benefit from) income taxes	139	284	607	720
Provision for (benefit from) income taxes	(46)	(570)	57	(1,555)
Net income	\$ 185	\$ 854	\$ 550	\$ 2,275
Earnings per share:				
Basic	\$ 0.64	\$ 2.89	\$ 1.90	\$ 7.69
Diluted	\$ 0.63	\$ 2.89	\$ 1.88	\$ 7.66
Number of shares used in computation:				
Basic	289	295	289	296
Diluted	293	296	292	297

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

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

(Unaudited) (In millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 185	\$ 854	\$ 550	\$ 2,275
Other comprehensive income (loss), net of tax:				
Net gains (losses) on available-for-sale securities	(3)	—	8	3
Net gains (losses) on derivative instruments	(43)	16	(80)	25
Foreign currency translation adjustments	9	(9)	33	(8)
Total other comprehensive income (loss), net of tax	(37)	7	(39)	20
Total comprehensive income	\$ 148	\$ 861	\$ 511	\$ 2,295

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

**ELECTRONIC ARTS INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(Unaudited) (In millions, except per share data)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
	Shares	Amount				
<b>Balances as of March 31, 2020</b>	288,413	\$ 3	\$ —	\$ 7,508	\$ (50)	\$ 7,461
Total comprehensive income	—	—	—	365	(2)	363
Stock-based compensation	—	—	102	—	—	102
Issuance of common stock	1,088	—	(66)	—	—	(66)
Repurchase and retirement of common stock	(747)	—	(36)	(42)	—	(78)
<b>Balances as of June 30, 2020</b>	288,754	\$ 3	\$ —	\$ 7,831	\$ (52)	\$ 7,782
Total comprehensive income	—	—	—	185	(37)	148
Stock-based compensation	—	—	113	—	—	113
Issuance of common stock	868	—	32	—	—	32
Repurchase and retirement of common stock	—	—	—	—	—	—
<b>Balances as of September 30, 2020</b>	289,622	\$ 3	\$ 145	\$ 8,016	\$ (89)	\$ 8,075

(Unaudited) (In millions, except per share data)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
	Shares	Amount				
<b>Balances as of March 31, 2019</b>	298,107	\$ 3	\$ —	\$ 5,358	\$ (30)	\$ 5,331
Total comprehensive income	—	—	—	1,421	13	1,434
Stock-based compensation	—	—	73	—	—	73
Issuance of common stock	985	—	(48)	—	—	(48)
Repurchase and retirement of common stock	(3,205)	—	(25)	(280)	—	(305)
<b>Balances as of June 30, 2019</b>	295,887	\$ 3	\$ —	\$ 6,499	\$ (17)	\$ 6,485
Total comprehensive income	—	—	—	854	7	861
Stock-based compensation	—	—	92	—	—	92
Issuance of common stock	584	—	26	—	—	26
Repurchase and retirement of common stock	(3,253)	—	(118)	(188)	—	(306)
<b>Balances as of September 30, 2019</b>	293,218	\$ 3	\$ —	\$ 7,165	\$ (10)	\$ 7,158

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

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

(Unaudited) (In millions)	Six Months Ended September 30,	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 550	\$ 2,275
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	77	72
Stock-based compensation	215	165
Change in assets and liabilities:		
Receivables, net	39	(235)
Other assets	(113)	33
Accounts payable	106	51
Accrued and other liabilities	(96)	88
Deferred income taxes, net	(32)	(1,800)
Deferred net revenue (online-enabled games)	(307)	(454)
Net cash provided by operating activities	439	195
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(63)	(72)
Proceeds from maturities and sales of short-term investments	1,418	793
Purchase of short-term investments	(1,416)	(1,984)
Net cash used in investing activities	(61)	(1,263)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	43	33
Cash paid to taxing authorities for shares withheld from employees	(77)	(55)
Repurchase and retirement of common stock	(78)	(611)
Acquisition-related contingent consideration payment	—	(64)
Net cash used in financing activities	(112)	(697)
Effect of foreign exchange on cash and cash equivalents	25	(3)
Increase (decrease) in cash and cash equivalents	291	(1,768)
Beginning cash and cash equivalents	3,768	4,708
Ending cash and cash equivalents	\$ 4,059	\$ 2,940
<b>Supplemental cash flow information:</b>		
Cash paid during the period for income taxes, net	\$ 173	\$ 77
Cash paid during the period for interest	21	21
<b>Non-cash investing activities:</b>		
Change in accrued capital expenditures	\$ (4)	\$ (16)

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**

Electronic Arts is a global leader in digital interactive entertainment. We develop, market, publish and deliver games, content and services that can be played and watched on game consoles, PCs, mobile phones and tablets. We believe that the breadth and depth of our portfolio, live services offerings, and our use of multiple business models and distribution channels provide us with strategic advantages. Our foundation is a collection of intellectual property from which we create innovative games and content that enables us to build on-going and meaningful relationships with a community of players, creators and viewers. Our portfolio includes brands that we either wholly own (such as Battlefield, The Sims, Apex Legends, Need for Speed and Plants vs. Zombies) or license from others (such as FIFA, Madden NFL, UFC, NHL and Star Wars). We also offer our players high-quality experiences designed to provide value to players and to extend and enhance gameplay. These live services include extra content, subscription offerings and other revenue generated outside of the sale of our base games. And we are focused on reaching more players whenever and wherever they want to play. We believe that we can add value to our network by making it easier for players to connect to a world of play by offering choice of business model, distribution channel and device.

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, 2021 contains 53 weeks and ends on April 3, 2021. Our results of operations for the fiscal year ended March 31, 2020 contained 52 weeks and ended on March 28, 2020. Our results of operations for the three and six months ended September 30, 2020 contained 13 weeks and 27 weeks, respectively, and ended on October 3, 2020. Our results of operations for the three and six months ended September 30, 2019 contained 13 weeks and 26 weeks, respectively, and ended on September 28, 2019. 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, 2020, as filed with the United States Securities and Exchange Commission (“SEC”) on May 20, 2020.

***Change in 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 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). For sales prior to July 1, 2020, revenues for service related performance obligations were generally recognized over an estimated nine-month period beginning in the month after shipment for games and extra content sold through retail, and an estimated six-month period for digitally-distributed games and extra content beginning in the month of sale. During the three months ended September 30, 2020, we completed our annual evaluation of the Estimated Offering Period, and noted that generally, consumers were playing our games for longer periods of time as players engage with services we provide that are designed to enhance and extend gameplay. Based on this, we concluded that the Estimated Offering Period applied to sales made after June 30, 2020 should be lengthened. Revenues for service related performance obligations for games and extra content sold through retail are now recognized over an estimated ten-month period beginning in the month of sale, and revenues for service related performance obligations for digitally-distributed games and extra content are now recognized over an estimated eight-month period beginning in the month of sale, which results in revenue being recognized over a longer period of time. During the three months ended September 30, 2020, this change to our Estimated Offering Period resulted in an estimated decrease in net revenue of \$26 million and net income of \$20 million, and a decrease of \$0.07 diluted earnings per share.

### ***Reclassifications***

As our business has evolved and management focuses less on the differentiation between our packaged goods business and our digital business and more on our full game sales and live services that extend and enhance gameplay, we have updated our presentation of net revenue by composition to align with this management view. Certain prior year amounts were reclassified to conform to current year presentation.

### ***Recently Adopted Accounting Standards***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326). The update changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. This update replaces the existing incurred loss impairment model with an expected loss model. It also requires credit losses related to available-for-sale debt securities to be recognized as an allowance for credit losses rather than as a reduction to the carrying value of the securities. We adopted ASU 2016-13 in the first quarter of fiscal year 2021. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This update eliminates, adds, and modifies certain fair value measurement disclosure requirements. We adopted ASU 2018-13 in the first quarter of fiscal year 2021. The adoption did not have an impact on our Condensed Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software* (Subtopic 350-40). This update requires a customer in a cloud computing service arrangement to follow the internal-use software guidance in order to determine which implementation costs to defer and recognize as an asset. We adopted ASU 2018-15 in the first quarter of fiscal year 2021. The adoption did not have a material impact on our Condensed Consolidated Financial Statements.

### ***Other Recently Issued Accounting Standards***

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (Topic 740). The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This update is effective for us beginning in the first quarter of fiscal year 2022. Early adoption is permitted. We are currently evaluating the impact of this new standard on our Condensed Consolidated Financial Statements and related disclosures.

## **(2) 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 September 30, 2020 and March 31, 2020, 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				Balance Sheet Classification
	As of September 30, 2020	Quoted Prices in Active Markets for Identical Financial Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs	
		(Level 1)	(Level 2)	(Level 3)	
<b>Assets</b>					
Bank and time deposits	\$ 107	\$ 107	\$ —	\$ —	Cash equivalents
Money market funds	2,004	2,004	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	526	—	526	—	Short-term investments and cash equivalents
U.S. Treasury securities	726	726	—	—	Short-term investments
U.S. agency securities	5	—	5	—	Short-term investments
Commercial paper	390	—	390	—	Short-term investments and cash equivalents
Foreign government securities	82	—	82	—	Short-term investments and cash equivalents
Asset-backed securities	240	—	240	—	Short-term investments and cash equivalents
Certificates of deposit	55	—	55	—	Short-term investments
Foreign currency derivatives	19	—	19	—	Other current assets and other assets
Deferred compensation plan assets <sup>(a)</sup>	16	16	—	—	Other assets
Total assets at fair value	<u>\$ 4,170</u>	<u>\$ 2,853</u>	<u>\$ 1,317</u>	<u>\$ —</u>	
<b>Liabilities</b>					
Foreign currency derivatives	\$ 44	\$ —	\$ 44	\$ —	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities <sup>(a)</sup>	17	17	—	—	Other liabilities
Total liabilities at fair value	<u>\$ 61</u>	<u>\$ 17</u>	<u>\$ 44</u>	<u>\$ —</u>	

	Fair Value Measurements at Reporting Date Using						Balance Sheet Classification
	As of March 31, 2020	Quoted Prices in Active Markets for Identical Financial Instruments	Significant Other Observable Inputs	Significant Unobservable Inputs			
		(Level 1)	(Level 2)	(Level 3)			
<b>Assets</b>							
Bank and time deposits	\$ 78	\$ 78	\$ —	\$ —	Cash equivalents		
Money market funds	1,599	1,599	—	—	Cash equivalents		
Available-for-sale securities:							
Corporate bonds	687	—	687	—	Short-term investments and cash equivalents		
U.S. Treasury securities	603	603	—	—	Short-term investments and cash equivalents		
U.S. agency securities	8	—	8	—	Short-term investments		
Commercial paper	414	—	414	—	Short-term investments and cash equivalents		
Foreign government securities	42	—	42	—	Short-term investments		
Asset-backed securities	269	—	269	—	Short-term investments		
Certificates of deposit	56	—	56	—	Short-term investments		
Foreign currency derivatives	76	—	76	—	Other current assets and other assets		
Deferred compensation plan assets <sup>(a)</sup>	13	13	—	—	Other assets		
Total assets at fair value	<u>\$ 3,845</u>	<u>\$ 2,293</u>	<u>\$ 1,552</u>	<u>\$ —</u>			
<b>Liabilities</b>							
Foreign currency derivatives	\$ 36	\$ —	\$ 36	\$ —	Accrued and other current liabilities and other liabilities		
Deferred compensation plan liabilities <sup>(a)</sup>	14	14	—	—	Other liabilities		
Total liabilities at fair value	<u>\$ 50</u>	<u>\$ 14</u>	<u>\$ 36</u>	<u>\$ —</u>			

(a) The Deferred Compensation Plan assets consist of various mutual funds. See [Note 15](#) in our Annual Report on Form 10-K for the fiscal year ended March 31, 2020, for additional information regarding our Deferred Compensation Plan.

### (3) FINANCIAL INSTRUMENTS

#### *Cash and Cash Equivalents*

As of September 30, 2020 and March 31, 2020, our cash and cash equivalents were \$4,059 million and \$3,768 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 September 30, 2020 and March 31, 2020 (in millions):

	As of September 30, 2020				As of March 31, 2020			
	Cost or Amortized Cost	Gross Unrealized		Fair Value	Cost or Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses			Gains	Losses	
Corporate bonds	\$ 513	\$ 1	\$ —	\$ 514	\$ 684	\$ 1	\$ (4)	\$ 681
U.S. Treasury securities	724	2	—	726	530	4	—	534
U.S. agency securities	5	—	—	5	8	—	—	8
Commercial paper	358	—	—	358	377	—	—	377
Foreign government securities	75	—	—	75	42	—	—	42
Asset-backed securities	237	2	—	239	273	—	(4)	269
Certificates of deposit	55	—	—	55	56	—	—	56
Short-term investments	<u>\$ 1,967</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 1,972</u>	<u>\$ 1,970</u>	<u>\$ 5</u>	<u>\$ (8)</u>	<u>\$ 1,967</u>

The following table summarizes the amortized cost and fair value of our short-term investments, classified by stated maturity as of September 30, 2020 and March 31, 2020 (in millions):

	As of September 30, 2020		As of March 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments				
Due within 1 year	\$ 1,600	\$ 1,603	\$ 1,568	\$ 1,567
Due 1 year through 5 years	360	362	395	393
Due after 5 years	7	7	7	7
Short-term investments	<u>\$ 1,967</u>	<u>\$ 1,972</u>	<u>\$ 1,970</u>	<u>\$ 1,967</u>

#### (4) DERIVATIVE FINANCIAL INSTRUMENTS

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, South Korean won and Polish zloty. 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. 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 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 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 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 net revenue or research and development expenses, 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 September 30, 2020				As of March 31, 2020			
	Notional Amount	Fair Value		Notional Amount	Fair Value			
		Asset	Liability		Asset	Liability		
Forward contracts to purchase	\$ 207	\$ 8	\$ 1	\$ 316	\$ 1	\$ 19		
Forward contracts to sell	\$ 1,177	\$ 4	\$ 34	\$ 1,371	\$ 61	\$ 1		

The effects of cash flow hedge accounting in our Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2020 and 2019 are as follows (in millions):

	Three Months Ended September 30,				Six Months Ended September 30,			
	2020		2019		2020		2019	
	Net revenue	Research and development	Net revenue	Research and development	Net revenue	Research and development	Net revenue	Research and development
Total amounts presented in our Condensed Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	\$ 1,151	\$ 421	\$ 1,348	\$ 387	\$ 2,610	\$ 859	\$ 2,557	\$ 768
Gains (losses) on foreign currency forward contracts designated as cash flow hedges	\$ 1	\$ —	\$ 25	\$ (1)	\$ 12	\$ (6)	\$ 41	\$ (7)

### 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 September 30, 2020				As of March 31, 2020			
	Notional Amount	Fair Value		Notional Amount	Fair Value			
		Asset	Liability		Asset	Liability		
Forward contracts to purchase	\$ 608	\$ —	\$ 8	\$ 388	\$ 1	\$ 16		
Forward contracts to sell	\$ 1,012	\$ 7	\$ 1	\$ 292	\$ 13	\$ —		

The effect of foreign currency forward contracts not designated as hedging instruments in our Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2020 and 2019 was as follows (in millions):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
	Interest and other income (expense), net			
Total amounts presented in our Condensed Consolidated Statements of Operations in which the effects of balance sheet hedges are recorded	\$ (10)	\$ 16	\$ (13)	\$ 37
Gain (losses) on foreign currency forward contracts not designated as hedging instruments	\$ (3)	\$ 1	\$ (7)	\$ (3)

**(5) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the three months ended September 30, 2020 and 2019 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 June 30, 2020	\$ 7	\$ 2	\$ (61)	\$ (52)
Other comprehensive income (loss) before reclassifications	(3)	(42)	9	(36)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(1)	—	(1)
Total other comprehensive income (loss), net of tax	(3)	(43)	9	(37)
Balances as of September 30, 2020	\$ 4	\$ (41)	\$ (52)	\$ (89)

	Unrealized Net Gains (Losses) on Available- for-Sale Securities	Unrealized Net Gains (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Balances as of June 30, 2019	\$ 2	\$ 31	\$ (50)	\$ (17)
Other comprehensive income (loss) before reclassifications	1	40	(9)	32
Amounts reclassified from accumulated other comprehensive income (loss)	(1)	(24)	—	(25)
Total other comprehensive income (loss), net of tax	—	16	(9)	7
Balances as of September 30, 2019	\$ 2	\$ 47	\$ (59)	\$ (10)

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the six months ended September 30, 2020 and 2019 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, 2020	\$ (4)	\$ 39	\$ (85)	\$ (50)
Other comprehensive income (loss) before reclassifications	8	(74)	33	(33)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(6)	—	(6)
Total other comprehensive income (loss), net of tax	8	(80)	33	(39)
Balances as of September 30, 2020	\$ 4	\$ (41)	\$ (52)	\$ (89)

	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, 2019	\$ (1)	\$ 22	\$ (51)	\$ (30)
Other comprehensive income (loss) before reclassifications	4	59	(8)	55
Amounts reclassified from accumulated other comprehensive income (loss)	(1)	(34)	—	(35)
Total other comprehensive income (loss), net of tax	3	25	(8)	20
Balances as of September 30, 2019	\$ 2	\$ 47	\$ (59)	\$ (10)

The effects on net income of amounts reclassified from accumulated other comprehensive income (loss) for the three and six months ended September 30, 2020 were as follows (in millions):

Statement of Operations Classification	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	
	Three Months Ended September 30, 2020	Six Months Ended September 30, 2020
(Gains) losses on foreign currency forward contracts designated as cash flow hedges		
Net revenue	\$ (1)	\$ (12)
Research and development	—	6
Total net (gain) loss reclassified, net of tax	\$ (1)	\$ (6)

The effects on net income of amounts reclassified from accumulated other comprehensive income (loss) for the three and six months ended September 30, 2019 were as follows (in millions):

Statement of Operations Classification	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)	
	Three Months Ended September 30, 2019	Six Months Ended September 30, 2019
(Gains) losses on foreign currency forward contracts designated as cash flow hedges		
Net revenue	\$ (25)	\$ (41)
Research and development	1	7
Total net (gain) loss reclassified, net of tax	\$ (24)	\$ (34)

#### (6) GOODWILL AND ACQUISITION-RELATED INTANGIBLES, NET

The changes in the carrying amount of goodwill for the six months ended September 30, 2020 are as follows (in millions):

	As of March 31, 2020	Activity	Effects of Foreign Currency Translation	As of September 30, 2020
Goodwill	\$ 2,253	\$ —	\$ 6	\$ 2,259
Accumulated impairment	(368)	—	—	(368)
Total	\$ 1,885	\$ —	\$ 6	\$ 1,891

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 September 30, 2020			As of March 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Acquisition-Related Intangibles, Net	Gross Carrying Amount	Accumulated Amortization	Acquisition-Related Intangibles, Net
Developed and core technology	\$ 474	\$ (456)	\$ 18	\$ 474	\$ (450)	\$ 24
Trade names and trademarks	161	(137)	24	161	(132)	29
Registered user base and other intangibles	5	(5)	—	5	(5)	—
Carrier contracts and related	85	(85)	—	85	(85)	—
Total	\$ 725	\$ (683)	\$ 42	\$ 725	\$ (672)	\$ 53

Amortization of intangibles for the three and six months ended September 30, 2020 and 2019 are classified in the Condensed Consolidated Statements of Operations as follows (in millions):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Cost of revenue	\$ —	\$ 2	\$ —	\$ 4
Operating expenses	6	6	11	11
Total	\$ 6	\$ 8	\$ 11	\$ 15

Acquisition-related intangible assets are amortized using the straight-line method over the lesser of their estimated useful lives or the agreement terms, currently from 1 to 5 years. As of September 30, 2020 and March 31, 2020, the weighted-average remaining useful life for acquisition-related intangible assets was approximately 1.9 and 2.4 years, respectively.

As of September 30, 2020, future amortization of finite-lived acquisition-related intangibles that will be recorded in the Condensed Consolidated Statements of Operations is estimated as follows (in millions):

<b>Fiscal Year Ending March 31,</b>	
2021 (remaining six months)	\$ 11
2022	22
2023	9
2024 and thereafter	—
Total	\$ 42

## (7) 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 and six months ended September 30, 2020 and 2019, we did not recognize any material losses or impairment charges on royalty-based commitments.

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 September 30, 2020	As of March 31, 2020
Other current assets	\$ 92	\$ 74
Other assets	22	25
Royalty-related assets	\$ 114	\$ 99

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 September 30, 2020	As of March 31, 2020
Accrued royalties	\$ 129	\$ 171
Other liabilities	13	26
Royalty-related liabilities	\$ 142	\$ 197

As of September 30, 2020, we were committed to pay approximately \$1,895 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 11](#) for further information on our developer and licensor commitments.

**(8) BALANCE SHEET DETAILS**

*Property and Equipment, Net*

Property and equipment, net, as of September 30, 2020 and March 31, 2020 consisted of (in millions):

	As of September 30, 2020	As of March 31, 2020
Computer, equipment and software	\$ 795	\$ 722
Buildings	351	340
Leasehold improvements	168	161
Equipment, furniture and fixtures, and other	87	83
Land	66	65
Construction in progress	6	20
	1,473	1,391
Less: accumulated depreciation	(1,015)	(942)
Property and equipment, net	\$ 458	\$ 449

During the three and six months ended September 30, 2020, depreciation expense associated with property and equipment was \$32 million and \$63 million, respectively.

During the three and six months ended September 30, 2019, depreciation expense associated with property and equipment was \$30 million and \$60 million, respectively.

*Accrued and Other Current Liabilities*

Accrued and other current liabilities as of September 30, 2020 and March 31, 2020 consisted of (in millions):

	As of September 30, 2020	As of March 31, 2020
Other accrued expenses	\$ 362	\$ 273
Accrued compensation and benefits	285	326
Accrued royalties	129	171
Sales returns and price protection reserves	72	109
Deferred net revenue (other)	149	104
Operating lease liabilities	86	69
Accrued and other current liabilities	\$ 1,083	\$ 1,052

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.

**Deferred net revenue**

Deferred net revenue as of September 30, 2020 and March 31, 2020 consisted of (in millions):

	As of September 30, 2020	As of March 31, 2020
Deferred net revenue (online-enabled games)	\$ 639	\$ 945
Deferred net revenue (other)	149	104
Deferred net revenue (noncurrent)	11	8
Total Deferred net revenue	<u>\$ 799</u>	<u>\$ 1,057</u>

During the six months ended September 30, 2020 and 2019, we recognized \$985 million and \$1,131 million of revenue, respectively, that were included in the deferred net revenue balance at the beginning of the period.

**Remaining Performance Obligations**

As of September 30, 2020, revenue allocated to remaining performance obligations consists of our deferred revenue balance of \$799 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.

**(9) INCOME TAXES**

The provision for income taxes for the six months ended September 30, 2020 is based on our projected annual effective tax rate for fiscal year 2021, adjusted for specific items that are required to be recognized in the period in which they are incurred.

Our effective tax rates for the three and six months ended September 30, 2020 were negative 33 percent and 9 percent, respectively, as compared to negative 201 percent and negative 216 percent, respectively, for the same periods in fiscal year 2020.

During the three months ended June 30, 2019, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered (the "Swiss intra-entity sale"), resulting in the recognition of a \$1.17 billion net Swiss deferred tax asset, which will reverse over a 20-year period. Separately, during the three months ended September 30, 2019, Switzerland enacted a new statutory tax rate. As a result of the enactment, we remeasured our Swiss deferred tax asset and recognized an additional net tax benefit of \$630 million through continuing operations ("Swiss rate change benefit"). In addition, the opinion of the Ninth Circuit Court of Appeals in *Altera Corp. v Commissioner* (the "Altera opinion") resulted in the recognition of \$90 million of unrecognized tax benefits related to U.S. uncertain tax positions during the three months ended June 30, 2019. Excluding the Swiss intra-entity sale, Swiss rate change benefit and Altera opinion, the effective tax rate for the three and six months ended September 30, 2019 would have been 13 percent and 14 percent, respectively.

When compared to the statutory rate of 21 percent, the effective tax rates for the three and six months ended September 30, 2020 were lower primarily due to the decreases in unrecognized tax benefits related to prior year tax positions, net of a partial valuation allowance.

We are subject to income tax examinations in various jurisdictions with respect to fiscal years after 2010. The timing and potential resolution of income tax examinations is highly uncertain. The total unrecognized tax benefits as of September 30, 2020 were \$584 million:

Balance as of March 31, 2020	\$	983
Increases in unrecognized tax benefits related to prior year tax positions		5
Decreases in unrecognized tax benefits related to prior year tax positions		(414)
Increases in unrecognized tax benefits related to current year tax positions		27
Decreases in unrecognized tax benefits related to settlements with taxing authorities		—
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations		(22)
Changes in unrecognized tax benefits due to foreign currency translation		5
Balance as of September 30, 2020	\$	<u>584</u>

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. In the period ended June 30, 2020, the Supreme Court of the United States denied Altera's appeal of the Altera opinion, resulting in a partial decrease of our unrecognized tax benefits, as well as a reclassification of approximately \$80 million of non-current payable to current payable. A complete resolution and settlement of the matters underlying the Altera opinion is reasonably possible within the next 12 months, which would result in an additional reduction of our gross unrecognized tax benefits. However, it is uncertain whether a complete resolution and settlement of such matters would also result in resolution of all related and unrelated U.S. positions for all applicable years. Therefore, it is not possible to provide a range of potential outcomes associated with a reversal of our gross unrecognized tax benefits.

Every quarter, we perform a realizability analysis to evaluate whether it is more likely than not that all or a portion of our deferred tax assets will not be realized. During the three and six months ended September 30, 2020, we recognized an additional \$41 million of valuation allowance against our deferred tax assets primarily due to the recognition of previously unrecognized tax benefits related to prior year tax positions and a change in current year estimated ordinary income.

## **(10) 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 September 30, 2020	As of March 31, 2020
<b>Senior Notes:</b>		
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)	(1)
Unamortized debt issuance costs	(3)	(3)
Net carrying value of Senior Notes	\$ 996	\$ 996
Fair value of Senior Notes (Level 2)	\$ 1,082	\$ 1,030

As of September 30, 2020, the remaining life of the 2021 Notes and 2026 Notes is approximately 0.4 years and 5.4 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***

On August 29, 2019, we entered into a \$500 million unsecured revolving credit facility (“Credit Facility”) with a syndicate of banks. The Credit Facility terminates on August 29, 2024 unless the maturity is extended in accordance with its terms. The Credit Facility contains an option to arrange with existing lenders and/or new lenders to provide up to an aggregate of \$500 million in additional commitments for revolving loans. Proceeds of loans made under the Credit Facility may be used for general corporate purposes.

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, and dispose of all or substantially all assets, 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 debt to EBITDA ratio. As of September 30, 2020, we were in compliance with the debt to EBITDA ratio.

As of September 30, 2020, 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 and six months ended September 30, 2020 and 2019 that is included in interest and other income (expense), net on our Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Amortization of debt issuance costs	\$ —	\$ —	\$ (1)	\$ (1)
Coupon interest expense	(11)	(11)	(21)	(21)
Total interest expense	\$ (11)	\$ (11)	\$ (22)	\$ (22)

## (11) COMMITMENTS AND CONTINGENCIES

### *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), DFL Deutsche Fußball Liga E.V. (German Soccer League), and Liga Nacional De Futbol Profesional (professional soccer); National Basketball Association and National Basketball Players 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 September 30, 2020 (in millions):

	<b>Fiscal Years Ending March 31,</b>							
	<b>Total</b>	<b>2021 (Remaining six mos.)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Thereafter</b>
<b>Unrecognized commitments</b>								
Developer/licensor commitments	\$ 1,895	\$ 86	\$ 340	\$ 358	\$ 349	\$ 359	\$ 271	\$ 132
Marketing commitments	668	65	145	120	118	109	78	33
Senior Notes interest	112	17	20	19	19	19	18	—
Operating lease imputed interest	19	3	5	4	3	2	1	1
Operating leases not yet commenced <sup>(a)</sup>	180	—	—	4	13	14	14	135
Other purchase obligations	130	31	65	21	5	4	4	—
<b>Total unrecognized commitments</b>	<b>3,004</b>	<b>202</b>	<b>575</b>	<b>526</b>	<b>507</b>	<b>507</b>	<b>386</b>	<b>301</b>
<b>Recognized commitments</b>								
Senior Notes principal and interest	1,003	603	—	—	—	—	400	—
Operating leases	243	44	70	38	32	25	18	16
Transition Tax and other taxes	66	22	24	3	4	6	7	—
Licensing commitments	39	12	27	—	—	—	—	—
<b>Total recognized commitments</b>	<b>1,351</b>	<b>681</b>	<b>121</b>	<b>41</b>	<b>36</b>	<b>31</b>	<b>425</b>	<b>16</b>
<b>Total Commitments</b>	<b>\$ 4,355</b>	<b>\$ 883</b>	<b>\$ 696</b>	<b>\$ 567</b>	<b>\$ 543</b>	<b>\$ 538</b>	<b>\$ 811</b>	<b>\$ 317</b>

- (a) As of September 30, 2020, we have entered into three office leases that have not yet commenced with aggregate future lease payments of approximately \$180 million. These office leases are expected to commence in fiscal year 2021 and 2023, and will have lease terms ranging from 7 to 15 years.

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 September 30, 2020; however, certain payment obligations may be accelerated depending on the performance of our operating results.

In addition to what is included in the table above, as of September 30, 2020, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling \$279 million, of which we are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

### ***Legal Proceedings***

The Netherlands Gambling Authority (“NGA”) has asserted that the randomized selection of virtual items in the FIFA Ultimate Team mode of our FIFA franchise contravenes the Dutch Betting and Gaming Act. On October 15, 2020, the District Court of the Hague affirmed the NGA’s decision. We intend to appeal the District Court’s order, and request a suspension of the NGA’s decision pending that appeal. We do not believe that the operational or financial consequences from these proceedings will have a material adverse effect on our consolidated financial statements. We do not believe that our products and services violate applicable gambling laws.

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.

## **(12) STOCK-BASED COMPENSATION**

### ***Valuation Assumptions***

We recognize compensation cost for stock-based awards to employees based on the awards’ estimated 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 estimation 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 estimate 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 estimated 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 estimated 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. An expected term is estimated based on historical exercise behavior, post-vesting termination patterns, options outstanding and future expected exercise behavior.

There were an insignificant number of stock options granted during the three and six months ended September 30, 2020 and 2019.

The estimated assumptions used in the Black-Scholes valuation model to value our ESPP purchase rights were as follows:

	<b>ESPP Purchase Rights</b>	
	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.1 %	1.7 - 1.9%
Expected volatility	34 - 39%	34 - 37%
Weighted-average volatility	37 %	36 %
Expected term	6 - 12 months	6 - 12 months
Expected dividends	None	None

***Stock Options***

The following table summarizes our stock option activity for the six months ended September 30, 2020:

	<b>Options (in thousands)</b>	<b>Weighted- Average Exercise Prices</b>	<b>Weighted- Average Remaining Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value (in millions)</b>
Outstanding as of March 31, 2020	1,074	\$ 30.85		
Granted	2	124.20		
Exercised	(351)	28.27		
Forfeited, cancelled or expired	—	—		
Outstanding as of September 30, 2020	<u>725</u>	\$ 32.31	3.49	\$ 70
Vested and expected to vest	<u>725</u>	\$ 32.31	3.49	\$ 70
Exercisable as of September 30, 2020	<u>725</u>	\$ 32.31	3.49	\$ 70

The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price as of September 30, 2020, 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 six months ended September 30, 2020:

	<b>Restricted Stock Rights (in thousands)</b>	<b>Weighted- Average Grant Date Fair Values</b>
Outstanding as of March 31, 2020	6,217	\$ 100.42
Granted	2,825	126.20
Vested	(1,645)	103.67
Forfeited or cancelled	(204)	106.79
Outstanding as of September 30, 2020	<u>7,193</u>	\$ 109.62

***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 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 six months ended September 30, 2020:

	<b>Performance-Based Restricted Stock Units (in thousands)</b>	<b>Weighted-Average Grant Date Fair Value</b>
Outstanding as of March 31, 2020	579	\$ 110.51
Granted	—	—
Forfeited or cancelled	—	—
Outstanding as of September 30, 2020	579	\$ 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 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, three-year cumulative period or 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 six months ended September 30, 2020:

	<b>Market-Based Restricted Stock Units (in thousands)</b>	<b>Weighted-Average Grant Date Fair Value</b>
Outstanding as of March 31, 2020	1,898	\$ 128.41
Granted	874	145.78
Vested	(157)	113.72
Forfeited or cancelled	(398)	137.98
Outstanding as of September 30, 2020	2,217	\$ 134.58

### ***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 September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Cost of revenue	\$ 2	\$ 1	\$ 3	\$ 2
Research and development	74	61	140	110
Marketing and sales	12	10	23	17
General and administrative	25	20	49	36
Stock-based compensation expense	\$ 113	\$ 92	\$ 215	\$ 165

During the three and six months ended September 30, 2020, we recognized \$15 million and \$38 million, respectively, of deferred income tax benefit related to our stock-based compensation expense. During the three and six months ended September 30, 2019, we recognized \$5 million and \$11 million, respectively, of deferred income tax benefit related to our stock-based compensation expense.

As of September 30, 2020, our total unrecognized compensation cost related to restricted stock units, market-based restricted stock units, and performance-based restricted stock units was \$734 million and is expected to be recognized over a weighted-average service period of 1.9 years. Of the \$734 million of unrecognized compensation cost, \$618 million relates to restricted stock units, \$112 million relates to market-based restricted stock units, and \$4 million relates to performance-based restricted stock units at an 83 percent average payout.

### ***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. Repurchases under the May 2018 program were completed in April 2020.

The following table summarizes total shares repurchased during the three and six months ended September 30, 2020 and 2019:

(In millions)	Shares	Amount
Three months ended September 30, 2020	—	\$ —
Six months ended September 30, 2020	0.7	\$ 78
Three months ended September 30, 2019	3.3	\$ 306
Six months ended September 30, 2019	6.5	\$ 611

### ***Subsequent Events***

In November 2020, our Board of Directors authorized a program to repurchase up to \$2.6 billion of our common stock. This stock repurchase program expires on November 4, 2022. 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. We are actively repurchasing shares under this program.

In November 2020, our Board of Directors initiated a quarterly cash dividend on the Company's common stock and declared a cash dividend of \$0.17 per share of common stock.

### (13) 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, and ESPP purchase rights using the treasury stock method.

(In millions, except per share amounts)	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 185	\$ 854	\$ 550	\$ 2,275
Shares used to compute earnings per share:				
Weighted-average common stock outstanding — basic	289	295	289	296
Dilutive potential common shares related to stock award plans and from assumed exercise of stock options	4	1	3	1
Weighted-average common stock outstanding — diluted	293	296	292	297
Earnings per share:				
Basic	\$ 0.64	\$ 2.89	\$ 1.90	\$ 7.69
Diluted	\$ 0.63	\$ 2.89	\$ 1.88	\$ 7.66

For the three and six months ended September 30, 2020, one million of restricted stock units and market-based restricted stock units were excluded from the treasury stock method computation of diluted shares, respectively, as their inclusion would have had an antidilutive effect.

For the three and six months ended September 30, 2019, two million of restricted stock units and market-based restricted stock units were excluded from the treasury stock method computation of diluted shares, respectively, 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 three months ended September 30, 2020.

### (14) SEGMENT AND REVENUE 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 September 30, 2020, we have only one reportable segment, which represents our only operating segment.

Information about our total net revenue by timing of recognition for the three and six months ended September 30, 2020 and 2019 is presented below (in millions):

Net revenue by timing of recognition	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Revenue recognized at a point in time	\$ 337	\$ 629	\$ 779	\$ 877
Revenue recognized over time	814	719	1,831	1,680
Net revenue	\$ 1,151	\$ 1,348	\$ 2,610	\$ 2,557

Generally, performance obligations that are recognized upfront upon transfer of control are classified as revenue recognized at a point in time, while performance obligations that are recognized over the estimated offering period or subscription period as the services are provided are classified as revenue recognized over time.

*Revenue recognized at a point in time* includes revenue allocated to the software license performance obligation. This also includes revenue from the licensing of software to third-parties.

*Revenue recognized over time* includes service revenue allocated to the future update rights and the online hosting performance obligations. This also includes service revenue allocated to the future update rights from the licensing of software to third-parties, online-only software services such as our *Ultimate Team* game mode, and subscription services.

Information about our total net revenue by composition for the three and six months ended September 30, 2020 and 2019 is presented below (in millions):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
<b>Net revenue by composition</b>				
Full game downloads	\$ 163	\$ 181	\$ 386	\$ 314
Packaged goods	119	399	255	528
Full game	282	580	641	842
Live services and other	869	768	1,969	1,715
Net revenue	\$ 1,151	\$ 1,348	\$ 2,610	\$ 2,557

Full game net revenue includes full game downloads and packaged goods. Full game downloads includes revenue from digital sales of full games on console, PC, and mobile. Packaged goods 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) software licensing revenue from third parties (for example, makers of console platforms, personal computers or computer accessories) who include certain of our full games for sale with their products (for example, OEM bundles).

Live services and other net revenue includes revenue from sales of extra content for console, PC and mobile games, licensing revenue from third-party publishing partners who distribute our games digitally, subscriptions, advertising, and non-software licensing.

Information about our total net revenue by platform for the three and six months ended September 30, 2020 and 2019 is presented below (in millions):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
<b>Platform net revenue</b>				
Console	\$ 714	\$ 923	\$ 1,646	\$ 1,683
PC and other	249	248	574	501
Mobile	188	177	390	373
Net revenue	\$ 1,151	\$ 1,348	\$ 2,610	\$ 2,557

Information about our operations in North America and internationally for the three and six months ended September 30, 2020 and 2019 is presented below (in millions):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
<b>Net revenue from unaffiliated customers</b>				
North America	\$ 578	\$ 531	\$ 1,205	\$ 1,021
International	573	817	1,405	1,536
Net revenue	\$ 1,151	\$ 1,348	\$ 2,610	\$ 2,557

**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 October 3, 2020, the related condensed consolidated statements of operations, comprehensive income, and stockholders' equity for the three-month and six-month periods ended October 3, 2020 and September 28, 2019, the related condensed consolidated statements of cash flows for the six-month periods ended October 3, 2020 and September 28, 2019, 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 28, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated May 20, 2020, 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 28, 2020, 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*

*November 10, 2020*

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

**CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements. We use words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “plan,” “predict,” “seek,” “goal,” “will,” “may,” “likely,” “should,” “could” (and the negative of any of these terms), “future” and similar expressions to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, trends in our business, projections of markets relevant to our business, uncertain events and assumptions and other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements consist of, among other things, statements related to the impact of the COVID-19 pandemic on our business, industry prospects, our future financial performance, and our business plans and objectives, and may include certain assumptions that underlie the forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management’s current expectations. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that might cause or contribute to such differences include those discussed in Part II, Item 1A of this Quarterly Report under the heading “Risk Factors” in, as well as in other documents we have filed with the Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K for the fiscal year ended March 31, 2020. We assume no obligation to revise or update any forward-looking statement for any reason, except as required by law.

**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 September 30, 2020, 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 Condensed 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, 2020 as filed with the SEC on May 20, 2020 and in other documents we have filed with the SEC.

*About Electronic Arts*

Electronic Arts is a global leader in digital interactive entertainment. We develop, market, publish and deliver games, content and services that can be played and watched on game consoles, PCs, mobile phones and tablets. We believe that the breadth and depth of our portfolio, live services offerings, and our use of multiple business models and distribution channels provide us with strategic advantages. Our foundation is a collection of intellectual property from which we create innovative games and content that enables us to build on-going and meaningful relationships with a community of players, creators and viewers. Our portfolio includes brands that we either wholly own (such as Battlefield, The Sims, Apex Legends, Need for Speed and Plants v. Zombies) or license from others (such as FIFA, Madden NFL, UFC, NHL and Star Wars). We also offer our players high-quality experiences designed to provide value to players and extend and enhance gameplay. Our live services experiences include extra content, subscription offerings and other revenue generated outside of the sale of our base games. In addition, we are focused on reaching more players whenever and wherever they want to play. We believe that we can add value to our network by making it easier for players to connect to a world of play by offering choice of business model, distribution channel and device.

## ***Financial Results***

Our key financial results for our fiscal quarter ended September 30, 2020 were as follows:

- Total net revenue was \$1,151 million, down 15 percent year-over-year. On a constant currency basis, we estimate total net revenue would have been \$1,193 million, down 11 percent year-over-year.
- Live services and other net revenue was \$869 million, up 13 percent year-over-year.
- Gross margin was 75.2 percent, up 5.2 percentage points year-over-year.
- Operating expenses were \$716 million, up 6 percent year-over-year.
- Operating income was \$149 million, down 44 percent year-over-year.
- Net income was \$185 million, down 78 percent year-over-year. Net income for the three months ended September 30, 2019 was \$854 million and included a one-time net tax benefit of \$630 million.
- Diluted earnings per share was \$0.63, down 78 percent year-over-year driven by the one-time net tax benefit included in net income for the three months ended September 30, 2019.
- Operating cash flow was \$61 million, up 65 percent year-over-year.
- Total cash, cash equivalents and short-term investments were \$6,031 million.

From time to time, we make comparisons of current periods to prior periods with reference to constant currency. Constant currency comparisons are based on translating local currency amounts in the current period at actual foreign exchange rates from the prior comparable period. We evaluate our financial performance on a constant currency basis in order to facilitate period-to-period comparisons without regard to the impact of changing foreign currency exchange rates.

## ***Trends in Our Business***

**COVID-19 Impact.** We are closely monitoring the impact of the COVID-19 pandemic to our people and our business. Since the outbreak of COVID-19, we have focused on actions to support our people, our players, and communities around the world that have been affected by the COVID-19 pandemic.

**Our People:** The wellbeing of our people is our top priority, and to keep everyone as safe as possible, the vast majority of our workforce will be working from home at least until March 2021. We are offering support and resources to our people, including quarterly payments to assist with work from home costs and care needs, a pandemic care leave program, and additional services for mental and physical health. We have developed a detailed protocol for how we will evaluate the readiness to return to work for each of our offices around the world, accounting for guidance from health authorities and government, the comfort level of our employees, and preparation of our facilities for continued physical distancing.

**Our Business:** With more people staying home, we have seen growth in our business and across the industry. We have continued to execute against our plans, delivering eight new games so far in fiscal 2021, and tens of millions of new players have joined our network. In addition, live services net bookings for the six months ended September 30, 2020 increased more than 28 percent year-over-year. We have also experienced a significant increase in the percentage of our games purchased digitally, and we believe this step-up is likely a permanent structural change driven by shelter-in-place orders resulting from the COVID-19 pandemic.

**Future Outlook:** The full extent of the impact of the COVID-19 pandemic to our business, operations and financial results will depend on numerous evolving factors that we may not be able to predict. For example, we do not know how our products and services will be impacted as the response to the COVID-19 pandemic evolves. Engagement and net bookings could subside as a result of macroeconomic deterioration or other challenges. Additional factors that could impact our business include: our ability to continue to deliver new games and services in a distributed work environment, impacts to our key business partners, foreign exchange rate fluctuations, and other factors included in Part II, Item 1A of this Quarterly Report under the heading “Risk Factors”.

*Live Services Business.* We offer our players high-quality experiences designed to provide value to players and to extend and enhance gameplay. These live services include extra content, subscription offerings and other revenue generated outside of the sale of our base games. Our net revenue attributable to live services and other was \$3,904 million, \$3,358 million and \$3,104 million for the trailing twelve months ended September 30, 2020, 2019, and 2018, respectively, and we expect that live services net revenue will continue to be material to our business. Within live services and other, net revenue attributable to extra content was \$3,090 million, \$2,599 million and \$2,190 million for the trailing twelve months ended September 30, 2020, 2019, and 2018, respectively. Extra content net revenue has increased as players engage with our games and services over longer periods of time, and purchase additional content designed to provide value to players and extend and enhance gameplay. Our most popular live service is the extra content purchased for the Ultimate Team mode associated with our sports franchises. Ultimate Team allows players to collect current and former professional players in order to build and compete as a personalized team. Net revenue from extra content sales for Ultimate Team was \$1,491 million, \$1,369 million and \$1,180 million during fiscal years 2020, 2019 and 2018, respectively, a substantial portion of which was derived from FIFA Ultimate Team.

*Digital Delivery of Games.* In our industry, players increasingly purchase games digitally as opposed to purchasing physical discs. While this trend, as applied to our business, may not be linear because of product mix during a fiscal year, consumer buying patterns and other factors, over time we expect players to purchase an increasingly higher proportion of our games digitally; therefore we expect net revenue attributable to digital full game downloads to increase over time and net revenue attributable to sales of packaged goods to decrease.

Our net revenue attributable to digital full game downloads was \$811 million, \$681 million and \$714 million during fiscal years 2020, 2019 and 2018, respectively; while our net revenue attributable to packaged goods sales decreased from \$1,542 million in fiscal year 2018 to \$1,112 million in fiscal year 2019 and \$1,076 million in fiscal year 2020. In addition, as measured based on total units sold on Microsoft's Xbox One and Sony's PlayStation 4 rather than by net revenue, we estimate that 49 percent, 49 percent, and 39 percent of our total units sold during fiscal years 2020, 2019 and 2018 were sold digitally. Digital full game units are based on sales information provided by Microsoft and Sony; packaged goods units sold through are estimated by obtaining data from significant retail partners in North America, Europe and Asia, and applying internal sales estimates with respect to retail partners from which we do not obtain data. We believe that these percentages are reasonable estimates of the proportion of our games that are digitally downloaded in relation to our total number of units sold for the applicable period of measurement.

We expect the long-term trends in revenue and in the percentage of games digitally downloaded to continue. During fiscal year 2021, the percentage of our games purchased digitally has increased significantly and we believe this step-up is likely a permanent structural change driven by shelter-in-place orders resulting from the COVID-19 pandemic. Increases in consumer adoption of digital purchase of games combined with increases in our live services revenue generally results in expansion of our gross margin, as costs associated with selling a game digitally is generally less than selling the same game through traditional retail and distribution channels.

*Free-to-Play 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 a live service associated with the game, particularly extra content sales, has led to significant sales growth in the mobile gaming industry. Similarly, sales of extra content are the primary driver of our mobile business. We expect the mobile gaming industry to continue to grow during our 2021 fiscal year. Likewise, the consumer acceptance of free-to-play, live service-based, online PC games has broadened our consumer base and has begun to expand into the console market. For example, within our business, we offer Apex Legends as a free-to-play, live service-based PC and console game. We expect extra content revenue generated from mobile, PC and console free-to-play games to remain an important part of our business.

*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.

*Recurring Revenue Sources.* Our business model includes revenue that we deem recurring in nature, such as revenue from our annualized sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), and our live services. 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 incorporate new business 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.

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

(In millions)	Three Months Ended September 30,		Six Months Ended September 30,	
	2020	2019	2020	2019
Total net revenue	\$ 1,151	\$ 1,348	\$ 2,610	\$ 2,557
Change in deferred net revenue (online-enabled games)	(241)	(35)	(310)	(462)
Net bookings <sup>(a)</sup>	\$ 910	\$ 1,313	\$ 2,300	\$ 2,095

(a) At the beginning of fiscal year 2021, we changed the way in which we present net bookings to align with GAAP net revenue measures. Net bookings from mobile platform partners are now presented gross of platform provider fees. Historically, we presented net bookings from these partners net of platform fees. Net bookings for the three and six months ended September 30, 2019 has been recast for comparability.

Net bookings were \$910 million for the three months ended September 30, 2020 driven by sales related to *Madden NFL 21*, *Apex Legends*, *The Sims 4* and *FIFA Ultimate Team*. Net bookings decreased \$403 million or 31 percent as compared to the three months ended September 30, 2019 due primarily to year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021, partially offset by the Star Wars franchise and *UFC 4*. Full game net bookings were \$266 million for the three months ended September 30, 2020, and decreased \$371 million or 58 percent as compared to the three months ended September 30, 2019 due primarily to year-over-year change in the launch date of our FIFA console title, partially offset by *UFC 4* and the Star Wars franchise. Live services and other net bookings were \$644 million for the three months ended September 30, 2020, and decreased \$32 million or 5 percent as compared to the three months ended September 30, 2019. The decrease in live services and other net bookings was due primarily to a decrease in sales of extra content for *FIFA Ultimate Team*, partially offset by *Apex Legends* and *Star Wars: Galaxy of Heroes*.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The preparation of these 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, including uncertainty in the current economic environment due to the COVID-19 pandemic. As a result, actual results may differ materially from our estimates.

### ***Revenue Recognition***

We derive revenue principally from sales of our games, and related extra content and services that can be played on 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 EA Play and EA Play Pro, 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 to third parties to distribute and host our games and content.

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”).

Certain of our full game and/or extra content are sold to resellers with a contingency that the full game and/or extra content cannot be resold prior to a specific date (“Street Date Contingency”). We recognize revenue for transactions that have a Street Date Contingency when the Street Date Contingency is removed and the full game and/or extra content can be resold by the reseller. For digital full game and/or extra content downloads sold to customers, we recognize revenue when the full game and/or extra content is made available for download to the customer.

#### *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. For Games with Services, generally 75 percent of the sales price is allocated to the software license performance obligation and recognized at a point in time when control of the license has been transferred to the customer (which is usually at or near the same time as the booking of the transaction). The remaining 25 percent is allocated to the future update rights and the online hosting performance obligations and recognized ratably as the service is provided (over the Estimated Offering Period).

*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 that enhance players’ game 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. That is, if the extra content has offline functionality, then the extra content is accounted for similarly to Games with Services (generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting). If the extra content does not have offline functionality, then the extra content is determined to have one distinct performance obligation: the online-hosted service offering.

#### *Subscriptions*

Sales of our subscriptions are deemed to be one performance obligation and we recognize revenue from these arrangements ratably over the subscription term as the performance obligation is satisfied.

#### *Licensing Revenue*

In certain countries, we utilize third-party licensees to distribute and host our games and content 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.

#### *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 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. 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 and extra content sold at retail would have a composite offering period equal to the online gameplay period plus time in channel as opposed to digitally-distributed games and extra content 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 and extra content 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. Prior to July 1, 2020, these performance obligations were generally recognized over an estimated nine-month period beginning in the month after shipment for games and extra content sold through retail and an estimated six-month period for digitally-distributed games and extra content beginning in the month of sale.

During the three months ended September 30, 2020, we completed our annual evaluation of the Estimated Offering Period, and noted that generally, consumers were playing our games for longer periods of time as players engage with services we provide that are designed to enhance and extend gameplay. Based on this, we concluded that the Estimated Offering Period applied to sales made after June 30, 2020 should be lengthened. Revenues for service related performance obligations for games and extra content sold through retail are now recognized over an estimated ten-month period beginning in the month of sale, and revenues for service related performance obligations for digitally-distributed games and extra content are now recognized over an estimated eight-month period beginning in the month of sale, which results in revenue being recognized over a longer period of time. This change in Estimated Offering Period did not impact the amount of net bookings or the operating cash flows that we report. We expect that this change will move the recognition of approximately \$300 million in net revenue from fiscal year 2021 into fiscal year 2022. During the three months ended September 30, 2020, this change to our Estimated Offering Period resulted in an estimated decrease in net revenue of \$26 million and net income of \$20 million, and a decrease of \$0.07 diluted earnings per share.

#### *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.

### ***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. It is generally difficult to conclude that a valuation allowance is not needed when there is significant negative evidence, such as cumulative losses in recent years. Forecasts of future taxable income are considered to be less objective than past results. Therefore, cumulative losses weigh heavily in the overall assessment.

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 and; this evaluation may involve assumptions about future activity. Certain taxable temporary differences that are not expected to reverse during the carry forward periods permitted by tax law cannot be considered as a source of future taxable income that may be available to realize the benefit of deferred tax assets.

Every quarter, we perform a realizability analysis to evaluate whether it is more likely than not that all or a portion of our deferred tax assets will not be realized. Our Swiss deferred tax assets realizability analysis relies upon future Swiss taxable income as the primary source of taxable income but considers all available sources of Swiss income based on the positive and negative evidence. We give more weight to evidence that can be objectively verified. However, there is significant judgment involved in estimating future Swiss taxable income over the 20-year period over which the Swiss deferred tax assets will reverse, specifically related to assumptions about expected growth rates of future Swiss taxable income, which are based primarily on third party market and industry growth data. Actual results that differ materially from those estimates could have a material impact on our valuation allowance assessment. Although objectively verifiable, Swiss interest rates have an impact on the valuation allowance and are based on published Swiss guidance. Any significant changes to such interest rates could result in a material impact to the valuation allowance. Switzerland has a seven-year carryforward period and does not permit the carry back of losses. We do not recognize any deferred taxes related to the U.S. taxes on foreign earnings as we recognize these taxes as a period cost.

As part of the process of preparing our 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, 2021 contains 53 weeks and ends on April 3, 2021. Our results of operations for the fiscal year ended March 31, 2020 contained 52 weeks and ended on March 28, 2020. Our results of operations for the three and six months ended September 30, 2020 contained 13 weeks and 27 weeks, respectively, and ended on October 3, 2020. Our results of operations for the three and six months ended September 30, 2019 contained 13 weeks and 26 weeks, respectively, and ended on September 28, 2019. 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, PCs and mobile phones and tablets (2) live services associated with these games, such as extra-content, (3) subscriptions that generally offer access to a selection of full games, in-game content, online services and other benefits, and (4) licensing our games to third parties to distribute and host our games.

#### **Net Revenue Quarterly Analysis**

##### *Net Revenue*

Net revenue for the three months ended September 30, 2020 was \$1,151 million, primarily driven by *FIFA 20*, *Apex Legends*, *The Sims 4*, and *Madden NFL 21*. Net revenue for the three months ended September 30, 2020 decreased \$197 million, as compared to the three months ended September 30, 2019. This decrease was driven by a \$370 million decrease in net revenue primarily due to year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021 and *Anthem*, partially offset by a \$173 million increase in net revenue primarily from the Star Wars franchise, *UFC 4*, and *Need for Speed Heat*.

##### **Net Revenue by Composition**

As our business has evolved and management focuses less on the differentiation between our packaged goods business and our digital business and more on our full game sales and live services that extend and enhance gameplay, we have updated our presentation of net revenue by composition to align with this management view.

Our net revenue by composition for the three months ended September 30, 2020 and 2019 was as follows (in millions):

	Three Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net revenue:				
Full game downloads	\$ 163	\$ 181	\$ (18)	(10)%
Packaged goods	119	399	(280)	(70)%
Full game	\$ 282	\$ 580	\$ (298)	(51)%
Live services and other	\$ 869	\$ 768	\$ 101	13%
Total net revenue	\$ 1,151	\$ 1,348	\$ (197)	(15)%

#### *Full Game Net Revenue*

Full game net revenue includes full game downloads and packaged goods. Full game downloads includes revenue from digital sales of full games on console, PC, and mobile. Packaged goods 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) software licensing revenue from third parties (for example, makers of console platforms, personal computers or computer accessories) who include certain of our full games for sale with their products (for example, OEM bundles).

For the three months ended September 30, 2020, full game net revenue was \$282 million, primarily driven by *Madden NFL 21*, *UFC 4*, *FIFA 20*, *Star Wars Jedi: Fallen Order*, and *Star Wars: Squadrons*. Full game net revenue for the three months ended September 30, 2020 decreased \$298 million, or 51 percent, as compared to the three months ended September 30, 2019. This decrease was driven by a \$280 million decrease in packaged goods net revenue and an \$18 million decrease in full game downloads net revenue, each primarily driven by year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021.

#### *Live Services and Other Net Revenue*

Live services and other net revenue includes revenue from sales of extra content for console, PC and mobile games, licensing revenue from third-party publishing partners who distribute our games digitally, subscriptions, advertising, and non-software licensing.

For the three months ended September 30, 2020, live services and other net revenue was \$869 million primarily driven by sales of extra content for *FIFA Ultimate Team*, *Apex Legends*, *The Sims 4*, and *Madden Ultimate Team*. Live services and other net revenue for the three months ended September 30, 2020 increased \$101 million, or 13 percent, as compared to the three months ended September 30, 2019. This increase was driven by sales of extra content for *FIFA Ultimate Team*, *Madden Ultimate Team*, and *The Sims 4*.

### **Net Revenue Year-to-Date Analysis**

#### *Net Revenue*

Net revenue for the six months ended September 30, 2020 was \$2,610 million, primarily driven by *FIFA 20*, *The Sims 4*, *Apex Legends*, and *Madden NFL 20*. Net revenue for the six months ended September 30, 2020 increased \$53 million, as compared to the six months ended September 30, 2019. This increase was driven by a \$461 million increase in net revenue primarily from the Star Wars, The Sims, and Madden franchises. This increase was partially offset by a \$408 million decrease in net revenue primarily due to year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021 and *Anthem*.

## Net Revenue by Composition

Our net revenue by composition for the six months ended September 30, 2020 and 2019 was as follows (in millions):

	Six Months Ended September 30,			
	2020	2019	\$ Change	% Change
Net revenue:				
Full game downloads	\$ 386	\$ 314	\$ 72	23 %
Packaged goods	255	528	(273)	(52) %
Full game	\$ 641	\$ 842	\$ (201)	(24) %
Live services and other	\$ 1,969	\$ 1,715	\$ 254	15 %
Total net revenue	\$ 2,610	\$ 2,557	\$ 53	2 %

### Full Game Net Revenue

For the six months ended September 30, 2020, full game net revenue was \$641 million, primarily driven by *FIFA 20*, *Star Wars Jedi: Fallen Order*, *Madden NFL 21*, *Need for Speed Heat*, and *The Sims 4*. Full game net revenue for the six months ended September 30, 2020 decreased \$201 million, or 24 percent, as compared to the six months ended September 30, 2019. This decrease was driven by a \$273 million decrease in packaged goods net revenue primarily driven by year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021 and *Anthem*, partially offset by the Star Wars franchise. This decrease was partially offset by a \$72 million increase in full game downloads net revenue primarily driven by the Star Wars franchise, *Need for Speed Heat*, and *UFC 4*, partially offset by *Anthem*.

### Live Services and Other Net Revenue

For the six months ended September 30, 2020, live services and other net revenue was \$1,969 million primarily driven by sales of extra content for *FIFA Ultimate Team*, *The Sims 4*, *Apex Legends*, and *Madden Ultimate Team*. Live services and other net revenue for the six months ended September 30, 2020 increased \$254 million, or 15 percent, as compared to the six months ended September 30, 2019. This increase was driven by sales of extra content for *FIFA Ultimate Team*, *The Sims 4*, and *Madden Ultimate Team*.

## Cost of Revenue Quarterly Analysis

Cost of 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) data center, bandwidth and server costs associated with hosting our online games and websites, (4) inventory costs, (5) payment processing fees, (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), (7) expenses for defective products, (8) write-offs of post launch prepaid royalty costs and losses on previously unrecognized licensed intellectual property commitments, (9) amortization of certain intangible assets, (10) personnel-related costs, and (11) 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 revenue for the three months ended September 30, 2020 and 2019 was as follows (in millions):

September 30, 2020	% of Net Revenue	September 30, 2019	% of Net Revenue	% Change	Change as a % of Net Revenue
\$ 286	25 %	\$ 405	30 %	(29) %	(5) %

**Cost of Revenue**

Cost of revenue decreased by \$119 million, or 29 percent during the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. This decrease was primarily due to a decrease in inventory and royalty costs driven by year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021, partially offset by an increase in royalty and inventory costs driven by *UFC 4* and *Star Wars: Squadrons*.

Cost of revenue as a percentage of total net revenue decreased by 5 percent during the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. This decrease was primarily due to an increase in the recognition of deferred net revenue, partially offset by an increase in royalty costs due to product mix.

**Cost of Revenue Year-to-Date Analysis**

Cost of revenue for the six months ended September 30, 2020 and 2019 was as follows (in millions):

September 30, 2020	% of Net Revenue	September 30, 2019	% of Net Revenue	% Change	Change as a % of Net Revenue
\$ 574	22 %	\$ 592	23 %	(3) %	(1) %

**Cost of Revenue**

Cost of revenue decreased by \$18 million, or 3 percent during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019. This decrease was primarily due to a decrease in inventory and royalty costs driven by year-over-year change in the launch date of our FIFA console title from the second quarter in fiscal year 2020 to the third quarter in fiscal year 2021, partially offset by an increase in royalty costs driven by higher sales associated with Madden and Star War franchises and an increase in platform fees driven by higher sales of *Star Wars: Galaxy of Heroes*, *FIFA Mobile*, and *The Sims Free Play*.

Cost of revenue as a percentage of total net revenue remained relatively consistent during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019.

**Research and Development**

Research and development expenses consist of expenses incurred by our production studios for personnel-related costs, related overhead costs, external third-party development 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 and six months ended September 30, 2020 and 2019 were as follows (in millions):

	September 30, 2020	% of Net Revenue	September 30, 2019	% of Net Revenue	\$ Change	% Change
Three months ended	\$ 421	37 %	\$ 387	29 %	\$ 34	9 %
Six months ended	\$ 859	33 %	\$ 768	30 %	\$ 91	12 %

Research and development expenses increased by \$34 million, or 9 percent, during the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. This increase was primarily due to a \$24 million increase in personnel-related costs primarily resulting from an increase in variable compensation and related expenses, and a \$13 million increase in stock-based compensation.

Research and development expenses increased by \$91 million, or 12 percent, during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019. This increase was primarily due to a \$60 million increase in personnel-related costs primarily resulting from an increase in variable compensation and related expenses, and a \$30 million increase in stock-based compensation.

### **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 and six months ended September 30, 2020 and 2019 were as follows (in millions):

	September 30, 2020	% of Net Revenue		September 30, 2019	% of Net Revenue		\$ Change		% Change
Three months ended	\$ 156	14 %	\$	152	11 %	\$	4		3 %
Six months ended	\$ 277	11 %	\$	262	10 %	\$	15		6 %

Marketing and sales expenses remained relatively consistent during the three months ended September 30, 2020, as compared to the three months ended September 30, 2019.

Marketing and sales expenses increased by \$15 million, or 6 percent, during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019. This increase was primarily due to a \$9 million increase in personnel-related costs primarily resulting from an increase in variable compensation and related expenses, and a \$6 million increase in stock-based compensation.

### **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 and six months ended September 30, 2020 and 2019 were as follows (in millions):

	September 30, 2020	% of Net Revenue		September 30, 2019	% of Net Revenue		\$ Change		% Change
Three months ended	\$ 133	12 %	\$	128	9 %	\$	5		4 %
Six months ended	\$ 269	10 %	\$	238	9 %	\$	31		13 %

General and administrative expenses increased by \$5 million, or 4 percent, during the three months ended September 30, 2020, as compared to the three months ended September 30, 2019. This increase was primarily due to a \$7 million increase in personnel-related costs driven by an increase in variable compensation and related expenses, and a \$5 million increase in stock-based compensation. These increases were partially offset by a \$7 million decrease in bad debt expense.

General and administrative expenses increased by \$31 million, or 13 percent, during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019. This increase was primarily due to a \$17 million increase in personnel-related costs driven by an increase in variable compensation and related expenses, and a \$13 million increase in stock-based compensation.

## Income Taxes

Provision for (benefit from) income taxes for the three months ended September 30, 2020 and 2019 were as follows (in millions):

	September 30, 2020	Effective Tax Rate	September 30, 2019	Effective Tax Rate
Three months ended	\$ (46)	(33) %	\$ (570)	(201) %
Six months ended	\$ 57	9 %	\$ (1,555)	(216) %

The provision for income taxes for the three months ended September 30, 2020 is based on our projected annual effective tax rate for fiscal year 2021, adjusted for specific items that are required to be recognized in the period in which they are incurred.

Our effective tax rates for the three and six months ended September 30, 2020 were negative 33 percent and positive 9 percent, respectively, as compared to negative 201 percent and negative 216 percent, respectively, for the same periods in fiscal year 2020. During the three months ended June 30, 2019, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered (the “Swiss intra-entity sale”), resulting in the recognition of a \$1.17 billion net Swiss deferred tax asset, which will reverse over a 20-year period. Separately, during the three months ended September 30, 2019, Switzerland enacted a new statutory tax rate. As a result of the enactment, we remeasured our Swiss deferred tax asset and recognized an additional net tax benefit of \$630 million through continuing operations (“Swiss rate change benefit”). In addition, the opinion of the Ninth Circuit Court of Appeals in *Altera Corp. v Commissioner* (the “Altera opinion”) resulted in the recognition of \$90 million of unrecognized tax benefits related to U.S. uncertain tax positions during the three months ended June 30, 2019. Excluding the Swiss intra-entity sale, Swiss rate change benefit and Altera opinion, the effective tax rate for the three and six months ended September 30, 2020 and 2019 would have been 13 percent and 14 percent, respectively.

When compared to the statutory rate of 21 percent, the effective tax rates for the three and six months ended September 30, 2020 were lower primarily due to the decreases in unrecognized tax benefits related to prior year tax positions, net of a partial valuation allowance.

Every quarter, we perform a realizability analysis to evaluate whether it is more likely than not that all or a portion of our deferred tax assets will not be realized. During the three and six months ended September 30, 2020, we recognized an additional \$41 million of valuation allowance against our deferred tax assets primarily due to the recognition of previously unrecognized tax benefits related to prior year tax positions and a change in current year estimated ordinary income.

## LIQUIDITY AND CAPITAL RESOURCES

(In millions)	As of September 30, 2020	As of March 31, 2020	Increase/(Decrease)
Cash and cash equivalents	\$ 4,059	\$ 3,768	\$ 291
Short-term investments	1,972	1,967	5
Total	\$ 6,031	\$ 5,735	\$ 296
Percentage of total assets	53 %	52 %	

(In millions)	Six Months Ended September 30,		Change
	2020	2019	
Net cash provided by operating activities	\$ 439	\$ 195	\$ 244
Net cash used in investing activities	(61)	(1,263)	1,202
Net cash used in financing activities	(112)	(697)	585
Effect of foreign exchange on cash and cash equivalents	25	(3)	28
Net increase (decrease) in cash and cash equivalents	\$ 291	\$ (1,768)	\$ 2,059

### ***Changes in Cash Flow***

*Operating Activities.* Net cash provided by operating activities increased by \$244 million during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019, primarily driven by higher collections due to improved performance as we saw extraordinary levels of engagement during the three months ended June 30, 2020 as players spent more time at home as a result of the COVID-19 pandemic. This increase is partially offset by higher cash payments for income taxes, higher variable compensation payments related to fiscal year 2020 performance and higher cash payments for royalties.

*Investing Activities.* Net cash used in investing activities decreased by \$1,202 million during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019, primarily driven by a \$625 million increase in proceeds from maturities and sales of short-term investments and a \$568 million decrease in the purchase of short-term investments.

*Financing Activities.* Net cash used in financing activities decreased by \$585 million during the six months ended September 30, 2020, as compared to the six months ended September 30, 2019, primarily driven by a \$533 million decrease in the repurchase and retirement of our common stock and a \$64 million of contingent consideration payment in connection with our acquisition of Respawn Entertainment, LLC during the six months ended September 30, 2019. These decreases were partially offset by a \$22 million increase in cash paid to taxing authorities in connection with withholding taxes for stock-based compensation.

### ***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 September 30, 2020, our short-term investments had gross unrealized gains of \$5 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. 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 2021 Notes are due on March 1, 2021, and we will either re-pay the aggregate principal of the 2021 Notes upon such maturity date or refinance the 2021 Notes prior to maturity. See [Note 10 — 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***

On August 29, 2019, we entered into a \$500 million unsecured revolving credit facility (“Credit Facility”) with a syndicate of banks. The Credit Facility terminates on August 29, 2024 unless the maturity is extended in accordance with its terms. As of September 30, 2020, no amounts were outstanding under the Credit Facility. See [Note 10 — Financing Arrangements](#) to the Condensed Consolidated Financial Statements in this Form 10-Q as it relates to our Credit Facility, which is incorporated by reference into this Item 2.

### ***Return of Capital Program***

In November 2020, our Board of Directors authorized a program to repurchase up to \$2.6 billion of our common stock. This stock repurchase program expires on November 4, 2022. 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. We are actively repurchasing shares under this program.

In November 2020, our Board of Directors initiated a quarterly cash dividend on the Company’s common stock and declared a cash dividend of \$0.17 per share of common stock.

### ***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, dividends, 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.

Our foreign subsidiaries will generally be subject to U.S. tax, and to the extent earnings from these subsidiaries can be repatriated without a material tax cost, such earnings will not be indefinitely reinvested. As of September 30, 2020, approximately \$2.6 billion of our cash, cash equivalents, and short-term investments were domiciled in foreign tax jurisdictions. All of our foreign cash is available for repatriation without a material tax cost.

Our ability to maintain sufficient liquidity could be affected by various risks and uncertainties including, but not limited 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, economic conditions in the United States and abroad, the impact of acquisitions and other strategic transactions in which we may engage, the impact of competition, the seasonal and cyclical nature of our business and operating results, 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 11 — 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 September 30, 2020, 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, including increased volatility in connection with the COVID-19 pandemic. 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, South Korean won and Polish zloty) 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. These 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 September 30, 2020, 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 \$142 million or \$284 million, respectively. As of September 30, 2020, a hypothetical adverse foreign currency exchange rate movement of 10 percent or 20 percent would have resulted in potential losses in the Condensed Consolidated Statements of Operations on our foreign currency forward contracts used in balance sheet hedging of \$160 million or \$320 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 the same manner and actual results may differ materially. See [Note 4—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 September 30, 2020, 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. Changes in interest rates affect the fair value of our short-term investment portfolio. To provide a meaningful assessment of the interest rate risk associated with our short-term investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the portfolio assuming a 150 basis point parallel shift in the yield curve. As of September 30, 2020, a hypothetical 150 basis point increase in interest rates would have resulted in a \$17 million, or 1% decrease in the fair market value of our short-term investments.

**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*

There has been no change in our internal controls over financial reporting identified in connection with our evaluation that occurred during the fiscal quarter ended September 30, 2020 that has 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 Netherlands Gambling Authority (“NGA”) has asserted that the randomized selection of virtual items in the FIFA Ultimate Team mode of our FIFA franchise contravenes the Dutch Betting and Gaming Act. On October 15, 2020, the District Court of the Hague affirmed the NGA’s decision. We intend to appeal the District Court’s order, and request a suspension of the NGA’s decision pending that appeal. We do not believe that the operational or financial consequences from these proceedings will have a material adverse effect on our consolidated financial statements. We do not believe that our products and services violate applicable gambling laws.

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.

### Item 1A. Risk Factors

Our business is subject to many risks and uncertainties, which may affect our future financial performance. In the past, we have experienced certain of the events and circumstances described below, which adversely impacted our business and 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.

#### STRATEGIC RISKS

**Our business is intensely competitive. We may not deliver successful and engaging products and services, or consumers may prefer our competitors’ products or services over our own.**

Competition in our business is intense. Many new products and services are regularly introduced, but only a relatively small number of products and associated services drive significant engagement and account for a significant portion of total revenue. 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 strive to create innovative and high-quality products and services that allow us to build on-going and meaningful relationships with our community. However, innovative and high-quality titles, even if highly-reviewed, may not meet our expectations. Many financially successful products and services within our industry are iterations of prior titles with large established consumer bases and significant brand recognition, which makes competing in certain categories challenging. In addition, products or services of our direct competitors or other entertainment companies 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. A significant portion of our revenue historically has been derived from products and services based on a few popular franchises, and the underperformance of a single major title has had, and could in the future 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, annualized versions of which are consistently one of the best-selling games in the marketplace. Any events or circumstances that negatively impact our FIFA franchise, such as product or service quality, competing products that take a portion of consumer spending and time, 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, including extra content, to our business heightens the risks associated with the products for which such live services are offered. 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 extra content available for 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.

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

Our ability to meet product and live service 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. During the worldwide COVID-19 pandemic, our ability to meet product and live service development schedules will be challenged as key studios across North America, Europe and Asia remain fully or partially closed and certain of our development teams work in a distributed environment. We have experienced development delays for our products in the past, which caused us to delay or cancel release dates. 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. If we miss key selling periods for products or services, particularly the fiscal quarter ending in December, for any reason, including product delays or product cancellations our sales likely will suffer significantly.

We also seek to release certain products and extra content for our live services - such as our sports franchises and the associated Ultimate Team live service - in conjunction with key events, such as the beginning of a sports season, events associated with the sports calendar, or the release of a related movie. If such seasons or events were delayed, cancelled or poorly received, our sales could suffer materially. For example, the worldwide COVID-19 pandemic has resulted in the disruption, postponement and cancellation of sports seasons and sporting events. Further disruption, postponement and cancellation of sports seasons and sporting events around which we seek to launch our games and provide live services could have a material adverse impact on our business and operating results.

**Our industry changes rapidly and we may fail to anticipate or successfully implement new or evolving technologies, or adopt successful business strategies, distribution methods or services.**

Rapid changes in our industry require us to anticipate, sometimes years in advance, the ways in which our products and services will be competitive in the market. We have invested, and in the future may invest, in new business strategies, technologies, distribution methods, products, and services. There can be no assurance that these strategic investments will achieve expected returns. For example, we are investing in the technological infrastructure that we expect will enable us to deliver content that will resonate with players and provide more choice in the way that players connect with their games, with each other, and with new types of content. Such endeavors involve significant risks and uncertainties. No assurance can be given that the technology we choose to implement, the business strategies we choose to adopt and the products and services that we pursue will achieve financial results that meet or exceed our expectations. Our reputation and brand could also be adversely affected. We also may miss opportunities or fail to respond quickly enough to adopt technology or distribution methods or develop products, services or new ways to engage with our games that become popular with consumers, which could adversely affect our financial results.

Our development process usually starts with particular platforms and distribution methods in mind, and a range of technical development, feature and ongoing 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 in a way that better engages consumers. 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 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.

**Negative perceptions about our business, products and services and the communities within our products and services 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 have sometimes been critical of our brands, products, services, online communities, 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 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 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.

In addition, we aim to offer our players safe, inclusive and fulfilling environments in which to play. We may not be able to maintain healthy, long-term online communities within our games and services as a result of the use of those communities as forums for harassment or bullying, our inability to successfully discourage overuse of our games and services or overspending within our games and services, or the successful implementation of cheating programs. Although we expend resources, and expect to continue to expend resources, to promote positive play, our efforts may not be successful due to scale, limitations of existing technologies or other factors.

Negative sentiment about gameplay fairness, our online communities, 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.

**During the transition period to new console systems, our operating results may be more volatile.**

New console systems historically have been developed and released several years apart. In periods of transition, sales of products for legacy generation consoles typically slow or decline in response to the introduction of new consoles, and sales of products for new generation consoles typically stabilize only after new consoles are widely-established with the consumer base. Sony and Microsoft are releasing new generation consoles during the three months ending December 31, 2020. Consistent with historical transition periods, we expect consumers to purchase fewer products for the Sony PlayStation 4 and Microsoft Xbox One consoles during the transition period. The console transition may have a comparable impact on our live services business, potentially increasing the impact on our financial results. The transition could accelerate faster than anticipated and may put downward pressure on legacy generation pricing, which could negatively affect our operating results. Our revenue from sales for the new generation consoles from Sony and Microsoft may not offset the negative effects of the transition on our operating results. Alternatively, adoption of the new generation consoles in which we have made significant investments may be slower than we anticipate or wide consumer availability may be delayed because of, among other things, business disruptions resulting from the COVID-19 pandemic. We do not control the unit volumes of consoles made available for sale, the pricing or appeal of new generation consoles, or the rates at which consumers purchase these consoles. As a result, our operating results during this transition may be more volatile and difficult to predict.

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

We 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. We depend on their ability to meet product development schedules which could be negatively affected by, among other things, the shift to a distributed workforce model resulting from the COVID-19 pandemic. In addition, disputes occasionally arise with external developers, including with respect to game content, launch timing, achievement of certain milestones, the game development timeline, marketing campaigns, contractual terms and interpretation. 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 business depends on the success and availability of consoles, systems and devices developed by third parties and our ability to develop commercially successful products and services for those consoles, systems and devices.**

The success of our business is driven in part by the commercial success and adequate supply of third-party consoles, systems and devices for which we develop our products and services or through which our products and services are distributed. Our success depends on our ability to reach a large, global audience by accurately predicting which consoles, systems and devices will be successful in the marketplace, our ability to develop commercially successful products and services that reach players across multiple channels, our ability to simultaneously manage products and services on multiple consoles, systems and devices

and our ability to effectively transition our products and services to new consoles, systems and devices. We must make product development decisions and commit significant resources well in advance of the commercial availability of new consoles, systems and devices, and we may incur significant expense to adjust our product portfolio and development efforts in response to changing consumer preferences. Additionally, we may enter into certain exclusive licensing arrangements that affect our ability to deliver or market products or services on certain consoles, systems or devices. A console, system or device for which we are developing products and services may not succeed as expected or new consoles, systems or devices may take market share and interactive entertainment consumers away from those for which we have devoted significant resources. If consumer demand for the consoles, systems or devices 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 console, system or device for which we have not devoted significant resources could be more successful than we initially anticipated, causing us to not be able to reach our intended audience and take advantage of meaningful revenue opportunities.

**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 sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), and our live services. 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, including in connection with circumstances outside of our control. Furthermore, we may cease to offer games and services that we previously had deemed to be recurring in nature. Consumer demand has declined and fluctuated, and could in the future 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 distribution channels 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 sports games also depends, in part, on the popularity, reputation and brand of the leagues, organizations and individual athletes with whom we partner. Events and circumstances outside of our control that have a negative impact on the accessibility, popularity, reputation and brand of these partners has impacted, and could in the future negatively impact, sales related to our annualized sports games. 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, third parties offering their products and services within our subscription, partners that provide, or don't provide, access to our subscription, products and services offered by our competitors, reliability of our infrastructure and the infrastructure of our partners, pricing, the actual or perceived security of our and our partners 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 or achieve expected synergies. For example, we may experience difficulties with the integration of business systems and technologies, the integration and retention of new employees, the implementation of our internal control and compliance procedures and/or the remediation of the internal control and compliance 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 may fund strategic transactions with (1) cash, which would reduce cash available for other corporate purposes, (2) debt, which would increase our interest expense and leverage and/or (3) equity which would dilute current shareholders' percentage ownership and also dilute our earnings per share. 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, teams 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 successful and engaging products and services may be adversely affected and our revenue, profitability and cash flows may decline significantly. Competition for these licenses has increased, and may continue to 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.

**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 including related to the COVID-19 pandemic, 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.

**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. The financial position of certain partners has deteriorated and while we maintain protections such as monitoring the credit extended to these partners, we could be vulnerable to collection risk if one or more of these partners experienced continued deterioration of their business or declared bankruptcy. The COVID-19 pandemic has resulted in closures of the retail stores of certain partners, which could negatively impact the sales of our packaged goods products and accelerate deterioration of the financial position of such partners. 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 which expose us to heightened risk at that time of year. 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.

## OPERATIONAL RISKS

### **Catastrophic events may disrupt our business.**

Natural disasters, cyber-incidents, weather events, wildfires, power disruptions, telecommunications failures, public health outbreaks, failed upgrades of existing systems or migrations to new systems, acts of terrorism or other events could cause outages, disruptions and/or degradations of our infrastructure (including our or our partners' information technology and network systems), a failure in our ability to conduct normal business operations, or the closure of public spaces in which players engage with our games and services. The health and safety of our employees, players, third-party organizations with whom we partner, or regulatory agencies on which we rely could be also affected, and our employees may experience fatigue from extended work-from-home periods, any of which may prevent us from executing against our business strategies and/or cause a decrease in consumer demand for our products and services.

System redundancy may be ineffective and our disaster recovery and business continuity planning may not be sufficient for all eventualities. Such failures, disruptions, closures, or inability to conduct normal business operations could also prevent access to our products, services or online stores selling our products and services, cause delay or interruption in our product or live services offerings, allow breaches of data security or result in the loss of critical data. Several of our key locations are fully or partially closed as a result of the COVID-19 pandemic, including our global headquarters in Redwood Shores, California and key studios across North America, Europe and Asia, and the distribution of our workforce could disrupt our ability to conduct normal business operations. Our corporate headquarters and several of our key studios also are located in seismically active regions. An event that results in the disruption or degradation of any of our critical business functions or information technology systems, harms our ability to conduct normal business operations or causes a decrease in consumer demand for our products and services could materially impact our reputation and brand, financial condition and operating results.

### **We may experience security breaches and cyber threats.**

The integrity of our and our partners' information technology networks and systems is critical to our ongoing operations, products, and services. Our industry is prone to, and our systems and networks are subject to actions by malevolent actors, such as cyber-attacks and other information security incidents that seek to exploit, disable, damage, and/or disrupt our networks, business operations, products and services and supporting technological infrastructure, or gain access to consumer and employee personal information, our intellectual property and other assets. In addition, our systems and networks could be harmed or improperly accessed due to error by employees or third parties that are authorized to access to these networks and systems. We also rely on technological infrastructure provided by third-party business partners to support the online functionality of our products and services, who are also subject to these same cyber risks. Both our partners and we have expended, and expect to continue to expend, financial and operational resources to guard against cyber risks and to help protect our data and systems. However, the techniques used by malevolent actors change frequently, continue to evolve in sophistication and volume, and often are not detected for long periods of time. As a result of the COVID-19 pandemic, remote access to our networks and systems has increased substantially. While we have taken steps to secure our networks and systems, we may be more vulnerable to a successful cyber-attack or information security incident while our workforce remains distributed. The costs to respond to, mitigate, and/or notify affected parties of cyber-attacks and other security vulnerabilities are significant. In addition, such events could compromise the confidentiality, integrity, or accessibility of these networks and systems or result in the compromise or loss of the data, including personal data, processed by these systems. Consequences of such events have included, and could in the future include, the loss of proprietary and personal data and interruptions or delays in our business operations, as well as loss of player confidence and damage to our brand and reputation. In addition, such events could cause us to be non-compliant with applicable regulations, subject us to legal claims or penalties under laws protecting the privacy or security of personal information or proprietary material information. We have experienced such events in the past and expect future events to occur.

In addition, 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 have included 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.

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

The reliable performance of our products and services 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 internal and external technological infrastructure required to reliably deliver these games and services is expensive and complex. The reliable delivery and stability of our products and services has been, and could in the future 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 that offer, support or host our products and services. The reliability and stability of our products and services has been affected by events outside of our control as well as by events within our control, such as the migration of data among data centers and to third-party hosted environments, the performance of upgrades and maintenance on our systems, and online demand for our products and services that exceeds the capabilities of our technological infrastructure.

If we or our external business partners 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 internal and external technical infrastructure, including network capacity and computing power to continue to satisfy the needs of our players. We are investing, and expect to continue to invest, in our own technology, hardware and software and the technology, hardware and software of external service providers to support our business. It is possible that we may fail to scale effectively and grow this technical infrastructure to accommodate 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.

**We may not attract, train, motivate and retain key personnel.**

Our business depends on our ability to attract, train, motivate and retain executive, technical, creative, marketing and other personnel that are essential to the development, marketing and support of our products and services. The market for highly-skilled workers and leaders in our industry is extremely competitive, particularly in the geographic locations in which many of our key personnel are located. In addition, 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, train, motivate and retain qualified employees, develop and maintain a diverse and inclusive work environment, or replace key employees following their departure, our ability to develop and manage our business will be impaired.

**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. An increasing portion of our marketing activity is taking place on social media platforms and through streaming networks, influencers and content creators that are outside of our direct control. Our ability to engage players with our products and services is dependent in part upon the success of these programs, and changes to player preferences, the impact of athletes, celebrities, influencers or content creators, marketing regulations, technology changes or service disruptions may negatively impact our ability to reach and engage our players or otherwise negatively impact our marketing campaigns or the franchises associated with those marketing campaigns. Moreover, if the marketing for our products and services is not innovative or fails to resonate with players, particularly during key selling periods, or if advertising rates or other media placement costs increase, our business and operating results could be harmed.

**We rely on the consoles, systems and devices of partners who have significant influence over the products and services that we offer in the marketplace.**

A significant percentage of our digital net revenue is attributable to sales of products and services through our significant partners, including Sony, Microsoft, Apple and Google. The concentration of a material portion of our digital sales in these partners exposes us to risks associated with these businesses. Any deterioration in the businesses of our significant 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 typically provide these partners with significant control over the approval and distribution of the products and services that we develop for their consoles, systems and devices. For products and services delivered via digital channels, each respective 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 these partners to invest in, and upgrade, the capabilities of their systems in a manner than corresponds to the preferences of consumers. Failure by these partners to keep pace with consumer preferences could have an adverse impact on the engagement with our products and services and our ability to merchandise and commercialize our products and services which could harm our business and/or financial results.

Moreover, certain significant 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 these 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. These partners also control the information technology systems through which online sales of our products and service channels are captured. If our partners establish terms that restrict our offerings, significantly impact the financial terms on which these products or services are offered to our customers, or their information technology systems experiences outages that impact our players' ability to access our games or purchase extra content or cause an unanticipated delay in reporting, our business and/or 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 resource or technical constraints. In addition, the effectiveness of our quality controls and preventative measures may be negatively affected by the distribution of our workforce resulting from the COVID-19 pandemic. As such, 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 our players 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.

**LEGAL AND COMPLIANCE RISKS**

**Our business is subject to complex and prescriptive regulations regarding consumer protection and data privacy practices, and could be adversely affected if our consumer protection, data privacy and security practices are not adequate, or perceived as being inadequate.**

We are subject to global data privacy, data protection, localization, security and consumer-protection laws and regulations worldwide. These laws and regulations are emerging and evolving and the interpretation and application of these laws and regulations often are uncertain, contradictory and changing. The failure to maintain data practices that are compliant with applicable laws and regulations, or evolving interpretations of applicable laws and regulations, could result in inquiries from enforcement agencies or direct consumer complaints, resulting in civil or criminal penalties, and could adversely impact our reputation and brand. In addition, the operational costs of compliance with these regulations is high and will likely continue to increase.

Even if we remain in strict compliance with applicable laws and regulations, consumer sensitivity to the collection and processing of their personal information continues to increase. Any real or perceived failures in maintaining acceptable data privacy practices, including allowing improper or unauthorized access, acquisition or misuse and/or uninformed disclosure of consumer, employee 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 collect and disclose could result in brand, reputational, or other harms to the business, result in costly remedial measures, deter current and potential customers from using our products and services and cause our financial results to be materially affected.

Third party vendors and business partners receive access to certain 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 also 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.

**Government regulations applicable to us may negatively impact our business.**

We are a global company subject to various and complex laws and regulations domestically and internationally, including laws and regulations related to consumer protection, protection of minors, content, advertising, localization, information security, intellectual property, competition and taxation, among others. Many of these laws and regulations are continuously evolving and developing, and the application to, and impact on, us is uncertain. For example, the World Health Organization recently included “gaming disorder” in the 11th Revision of the International Classification of Diseases, prompting discussion and consideration of legislation and policies aimed at mitigating the risk of overuse of, and overspending within, video games. 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 applicable laws or changes to 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 are subject to new laws or regulations or evolving interpretations and application of existing laws and regulations, including those related to gambling. The growth and development of electronic commerce, virtual items and virtual currency has prompted calls for new laws and regulations and resulted in the application of existing laws or regulations that have limited or restricted the sale of our products and services in certain territories. For example, governmental organizations have applied existing laws and regulations to certain mechanics commonly included within our games, including the Ultimate Team mode associated with our sports franchises. 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, including those related to gambling, our skill-based competitions in the future could become subject to evolving laws and regulations. New laws related to these business models or the interpretation or application of current laws that impact these business models - each of which could vary significantly across jurisdictions - could subject us to additional regulation and oversight, cause us to further limit or restrict the sale of our products and services or otherwise impact our products and services, lessen the engagement with, and growth of, profitable business models, and expose us to increased compliance costs, significant liability, fines, 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 consumers. 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 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. 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 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 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 may be precluded by existing patents that we are unable to acquire or 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, reputation, operating results, or financial condition.

**Our products and brands are subject to intellectual property infringement, including in jurisdictions that do not adequately protect our products and intellectual property rights.**

We regard our products, brands and intellectual property as proprietary and take measures to protect our assets 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. Further, our products and services are available worldwide and the laws of some countries, particularly in Asia, either do not protect our products, brands and intellectual property to the same extent as the laws of the United States or are poorly enforced. Legal protection of our rights may be ineffective in countries with weaker intellectual property enforcement mechanisms. In addition, certain third parties have registered our intellectual property rights without authorization in foreign countries. Successfully registering such intellectual property rights could limit or restrict our ability to offer products and services based on such rights in those countries. Although we take steps to enforce and police our rights, our practices and methodologies may not be effective against all eventualities.

**FINANCIAL RISKS**

**Our financial results are subject to currency and interest rate fluctuations.**

International sales are a fundamental part of our business. For our fiscal year ended March 31, 2020, 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, and volatility in foreign currency exchange rates has increased in connection with the macroeconomic uncertainty caused by the COVID-19 pandemic. Strengthening of the U.S. dollar, particularly relative to the Euro, British pound sterling, Australian dollar, Chinese yuan, South Korean won and Polish zloty, 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. In addition, interest rate volatility, including lower interest rates resulting from actions taken in connection with the COVID-19 pandemic, can decrease the amount of interest earned on our cash, cash equivalents and short-term investment portfolio.

**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 \$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 requires us to maintain compliance with a debt to EBITDA ratio. 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, and changes to tax laws and interpretations of tax laws 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 have, and may continue to, challenge and audit our methodologies for calculating our income taxes, 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 is materially 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 the valuation of our deferred tax assets and liabilities, changes in our corporate structure, changes in applicable accounting rules, or changes in applicable tax laws or interpretations of existing income and withholding tax laws, as well as other factors. For example, the outcome of future guidance related to the U.S. Tax Act could cause us to change our analysis and materially impact our previous estimates and consolidated financial statements. The impact of excess tax benefits and tax deficiencies could result in significant fluctuations to our effective tax rate.

In addition, changes to U.S. federal, state or international tax laws or their applicability to corporate multinationals in the countries in which we do business, particularly in Switzerland, where our international business is headquartered, and actions we have taken in our business with respect to such laws, have affected, and could continue to affect, our effective tax rates and cash taxes, cause us to change the way in which we structure our business and result in other costs. Our effective tax rate also could be adversely affected by changes in our valuation allowances for deferred tax assets. In particular, the partial valuation allowance against our Swiss deferred tax assets could be affected by changes in future Swiss taxable income, expected growth rates of future Swiss taxable income, which are based primarily on third party market and industry growth data, and changes in Swiss interest rates. The partial valuation allowance is due to the limited seven-year carry forward period and our scheduling of future Swiss taxable income. Significant judgment is involved in determining the amount of the partial valuation allowance, particularly in estimating future Swiss taxable income over the period in which the Swiss deferred tax assets will reverse and assumptions related to expected growth rates. Actual financial results also may differ materially from our current estimates and could have a material impact on our assessment of the valuation allowance.

We are required to pay taxes other than income taxes, such as payroll, sales, use, value-added, net worth, property, transfer, and goods and services taxes, in both the United States and foreign jurisdictions. Several foreign jurisdictions have introduced new digital services taxes on revenue of companies that provide certain digital services or expanded their interpretation of existing tax laws with regard to other non-income taxes. There is limited guidance about the applicability of these new taxes or changing interpretations to our business and significant uncertainty as to what will be deemed in scope. If these foreign taxes are applied to the Company, it could have an adverse and material impact on our business and financial performance.

**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 more information on recently adopted accounting standards and recently issued accounting standards applicable to us, 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 subheadings “*Recently Adopted Accounting Standards*” and “*Other Recently Issued 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.

**GENERAL RISKS**

**Our business is subject to economic, market and geopolitical conditions.**

Our business is subject to economic, market, public health and geopolitical conditions, which are beyond our control. The United States and other international economies have experienced cyclical downturns from time to time. Worsening economic conditions that negatively impact discretionary consumer spending and consumer demand, including inflation, slower growth, recession and other macroeconomic conditions, including those resulting from public health outbreaks such as the COVID-19 pandemic and geopolitical issues could have a material adverse impact on our business and operating results. In addition, the United Kingdom’s departure from the European Union has caused economic and legal uncertainty in the region and may result in macroeconomic conditions that adversely affect our business.

We are particularly susceptible to market conditions and risks associated with the entertainment industry, which, in addition to general macroeconomic downturns, also include the popularity, price and timing of our games, 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 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 our operating results or factors specific to our operating results (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), changes in securities analysts’ estimates of our future financial performance, ratings or recommendations, our results or future financial guidance falling below our expectations and analysts’ and investors’ expectations, the failure of our capital return programs to meet analysts’ and investors’ expectations, the announcement and integration of any acquisitions we may make, departure of key personnel, cyberattacks, or factors largely outside of our control including, those affecting interactive gaming, entertainment, and/or technology companies generally, national or international economic conditions, investor sentiment or other factors related or unrelated to our operating performance. 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**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Exhibits**

The exhibits listed in the accompanying index to exhibits on Page 60 are filed or incorporated by reference as part of this report.

**ELECTRONIC ARTS INC.  
FORM 10-Q  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

**EXHIBIT INDEX**

Number	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
<a href="#">10.1*</a>	<a href="#">Xbox Console Publisher License Agreement, dated as of September 30, 2020, between Microsoft Corporation, Electronic Arts Inc. and EA Swiss Sàrl</a>				X
<a href="#">10.2*</a>	<a href="#">PlayStation 5 Amendment to the PlayStation Global Developer and Publisher Agreement, dated as of October 15, 2020, by and among Electronic Arts Inc., EA Swiss Sàrl, Sony Interactive Entertainment Inc., Sony Interactive Entertainment LLC, and Sony Interactive Entertainment Europe Limited</a>				X
<a href="#">15.1</a>	<a href="#">Awareness Letter of KPMG LLP, Independent Registered Public Accounting Firm</a>				X
<a href="#">31.1</a>	<a href="#">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</a>				X
<a href="#">31.2</a>	<a href="#">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</a>				X
Additional exhibits furnished with this report:					
<a href="#">32.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				X
<a href="#">32.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				X
101.INS <sup>†</sup>	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				X
101.SCH <sup>†</sup>	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL <sup>†</sup>	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF <sup>†</sup>	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB <sup>†</sup>	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE <sup>†</sup>	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X

<sup>†</sup> Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 are the following formatted in Inline eXtensible Business Reporting Language (“iXBRL”): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Operations, (3) Condensed Consolidated Statements of Comprehensive Income, (4) Condensed Consolidated Statements of Stockholders' Equity, (5) Condensed Consolidated Statements of Cash Flows, and (6) Notes to Condensed Consolidated Financial Statements.

\* Portions of this exhibit have been redacted pursuant to SEC rules regarding confidential treatment.

**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.

DATED:  
November 10, 2020

ELECTRONIC ARTS INC.

(Registrant)

/s/ Blake Jorgensen

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Blake Jorgensen  
Chief Operating Officer and  
Chief Financial Officer

In accordance with Securities and Exchange Commission rules, certain information has been excluded from this exhibit because it is not material and would likely cause competitive harm to the Company if publicly disclosed. Brackets with an asterisk denote omissions.

Exhibit 10.1

## XBOX CONSOLE PUBLISHER LICENSE AGREEMENT

This Xbox Console Publisher License Agreement is entered into and effective as of September 30, 2020 (“*Effective Date*”), between Microsoft Corporation, a Washington corporation, (“*Microsoft*”), and Electronic Arts Inc., a Delaware corporation and EA Swiss Sarl (collectively, “*Publisher*”).

### RECITALS

Microsoft or its Affiliates provide a family of computer game and entertainment systems, including the Xbox One, Xbox One S, Xbox One X, and their successors and variants (collectively, “*Xbox One*”), a next generation game and entertainment system and its successors and variants (collectively, “*Xbox Series*”), and an associated proprietary online service (known as “*Xbox Live*”). Publisher intends to develop and/or publish software products for Xbox Consoles on the terms in this Agreement. The parties agree as follows:

1. **Exhibits.** The following exhibits are incorporated into this Agreement by this reference:

Exhibit 1:	Digital Store Payments	Exhibit 2:	Physical Disc Manufacture and Sales
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2. **Definitions.** As further described in this Agreement, the following terms have the following respective meanings:

- 2.1. “*Affiliate*” means a person or entity that Controls, is Controlled by, or is under common Control with a party (but only for so long as Control exists), where “Control” of a person or entity means the possession, directly or indirectly, of the power to direct or cause the direction of the management, operating policies, or assets of that person or entity, whether by way of ownership of more than 50% of its voting or equity securities or assets or by way of contract, management agreement, voting trust, or otherwise.
  - 2.2. “*Agreement*” means this Xbox Console Publisher License Agreement and includes this document (including all Exhibits), any Addendums, the Publisher Guide, any approved Concept submission forms (in the form approved by Microsoft), any other documents expressly referenced in other parts of this Agreement, the GDK Licenses, and applicable terms of the NDA.
  - 2.3. “*Avatar*” means a character that is a virtual representation of an End User created using the Microsoft- provided avatar creator tools.
  - 2.4. “*Avatar Items*” means items such as wearables for use with an Avatar.
  - 2.5. “*Base Game*” means each software product (in either digital or physical format), as described in an approved Concept, including any Title Updates (if and to the extent approved by Microsoft) but does not include Demo, Trial, Premium Downloadable Content, or additional downloadable content.
  - 2.6. “*Beta*” is a portion of an applicable Software Title that may be distributed to a select audience at no cost to test and help further develop a Software Title.
  - 2.7. “*Branding Specifications*” means the specifications as provided by Microsoft for using Microsoft Trademarks, as set forth in the Publisher Guide.
  - 2.8. “*Business Day*” means any day other than Saturday, Sunday, or national holidays in the U.S.A.
  - 2.9. “*Certification*” means the approval process in which Microsoft approves or disapproves of a Software Title for distribution.
  - 2.10. “*Certification Requirements*” means the requirements necessary to ensure proper functioning of the Software Title on Xbox Consoles and Xbox Services, as further described in this Agreement. Certification Requirements include Xbox Requirements, technical certification requirements, and functional test cases. The Certification Requirements will be set forth in the Publisher Guide and enforced during Certification.
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- 2.11. “**Commercial Release**” or “**Commercially Released**” means the first availability of a Software Title to End Users not designated as a Demo or Trial.
- 2.12. “**Competitive Platform(s)**” means: [\*]
- 2.13. “**Concept**” means a detailed description of Publisher’s proposed Software Title, including such information as may be reasonably requested by Microsoft.
- 2.14. [Reserved].
- 2.15. “**Data Protection Law**” means any law, rule, regulation, decree, statute, or other enactment, order, mandate or resolution, applicable to Publisher or Microsoft, relating to data security, data protection and/or privacy, and any implementing, derivative or related legislation, rule, regulation, and regulatory guidance, as amended, extended, repealed and replaced, or re-enacted.
- 2.16. “**Demo**” means a small portion of an applicable Software Title or timed availability of full Software Title that is provided to End Users at no or minimal cost to advertise or promote a Software Title.
- 2.17. “**DFU**” or “**Digital Finished Unit**” means an object-code copy of a Software Title that has passed Certification and has been approved by Microsoft and Publisher for Commercial Release.
- 2.18. “**Digital Content**” means any content, feature, or service published by Publisher for electronic distribution under this Agreement. Digital Content includes DFUs, PDLC, Game Features, Title Updates, Beta, Demo, Avatar Items, Trials, trailers, “themes,” “gamer pictures” or any other category of digital content or online service approved by Microsoft or otherwise described in the Publisher Guide.
- 2.19. “**End User**” means an individual or entity that uses an Xbox Console, its features or applications, and associated services.
- 2.20. “**EULA**” will have the meaning set forth in Section 11.10.
- 2.21. “**Game Features**” means content, features, or services (e.g., map packs, levels, and multiplayer functionality) related to consuming a specific Software Title that are made available to End Users, whether included in the Software Title or otherwise distributed via Xbox Services or Publisher Services (as defined in Section 11.3).
- 2.22. “**IPR**” means any patents, copyrights, trademarks and service marks, trade secrets, moral rights, and any other intellectual property or proprietary rights arising at any time under the applicable law of any applicable jurisdiction.
- 2.23. [\*]
- 2.24. “**Marketing Guidelines**” means the requirements that form the basis for Microsoft’s review and approval of Publisher’s Marketing Materials and any media plan as per the Publisher Guide.
- 2.25. “**Marketing Materials**” collectively means all press releases, marketing, advertising, or promotional materials related to a Software Title, including web advertising and Publisher’s web pages to the extent they refer to Software Title(s) that will be used and distributed by Publisher in the marketing of Software Title(s).
- 2.26. “**Microsoft Store**” means Microsoft’s proprietary online marketplace or store through which Digital Content is made available to End Users. Microsoft may elect to change the branding and/or name of Microsoft Store from time to time.
- 2.27. “**Microsoft Trademarks**” means the Microsoft trademarks so identified in the Publisher Guide.
- 2.28. “**Minimum Commitment**” will have the meaning set forth in Section 6.3.
- 2.29. “**NDA**” means the Microsoft Corporation Non-Disclosure Agreement entered into between the parties and signed by Publisher on [\*].
- 2.30. “**Personal Data**” means any information relating to an identified or identifiable natural person (“Data Subject”) and any other data or information that constitutes personal data or personal information under any applicable Data Protection Law.
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- 2.31. “**Premium Downloadable Content (PDLC)**” means downloadable additional content offered to an End User for a fee, such as a game add-on, available from the Microsoft Store for use with or in a Software Title.
- 2.32. “**Project xCloud**” means the cloud-based game streaming features and service of Xbox Consoles. Microsoft may elect to change the branding and/or name of Project xCloud from time to time.
- 2.33. [\*]
- 2.34. “**Publisher Content**” will have the meaning set forth in Section 15.2.
- 2.35. “**Publisher Services**” will have the meaning set forth in Section 11.3.
- 2.36. “**Publisher User Data**” will have the meaning set forth in Section 12.9.
- 2.37. “**Sales Territory**” means the Asian Sales Territory, Australian Sales Territory, European, Middle East and African Sales Territory, Japan Sales Territory, North American Sales Territory, and South American Sales Territory as described further in the Publisher Guide.
- 2.38. “**Security Technology**” means digital signatures, other security technology, and copyright management information that may be added to a Software Title by Microsoft.
- 2.39. “**Software Title**” means each software product that Publisher publishes for Xbox Consoles, in either digital or physical format, including any Title Updates (if and to the extent approved by Microsoft) and all Digital Content for such Software Title. [\*]
- 2.40. “**Streaming Devices**” means [\*].
- 2.41. “**Sub-Publisher**” means an entity that has a valid Xbox Console Publisher License Agreement with Microsoft or a Microsoft Affiliate, and with which Publisher has entered into a written agreement to allow such entity to publish a Software Title in specific countries.
- 2.42. “**Title Updates**” will have the meaning set forth in Section 6.2.
- 2.43. “**Trial**” means a subset of a full Software Title that can be converted to the full experience through digital entitlements and to which an End User is granted limited or timed access at no cost.
- 2.44. “**User Generated Content**” means any content that originates from End Users in any format, including graphics, text, or voice content published through or as part of a Software Title.
- 2.45. “**Verification Version**” means a unit of a Software Title that is intended to comply fully with all terms of this Agreement and that has not passed Certification, which is provided by Publisher for testing purposes.
- 2.46. “**Xbox Console(s)**” means collectively, Xbox One and Xbox Series.
- 2.47. “**Xbox Console Remote Access**” means the features that allow End Users to access their gameplay experiences from their Xbox Consoles on Streaming Devices.
- 2.48. “**Xbox Requirements**” or “**XR**s” means objective requirements regarding proper operation of Software Titles in relation to Xbox Consoles and Xbox Services, as stated in the Publisher Guide and enforced during Certification, and policy requirements that are enforced over the life of the Software Title.
- 2.49. “**Xbox Services**” means the proprietary online service offered by Microsoft to End Users. The current product name of Xbox Services is “Xbox Live.” Microsoft may elect to change the branding and/or name of Xbox Services from time to time.
- 2.50. “**Xbox User Data**” will have the meaning set forth in Section 12.
- 2.51. **Other Terms.** Other initially capitalized terms are defined by their first use.
- 3. Game Development Kit License / Loaned Equipment.**
- 3.1. **Xbox One and Game Development Kit License.** Xbox One Development Kits (“**XDK**”) and Game Development Kits (“**GDK**”) are licensed to Publisher and/or its Affiliates(s) under the terms of the development kit license(s) between Publisher and/or its Affiliate(s) and Microsoft for the
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relevant territory (each a “**GDK License**”). Microsoft retains title and ownership of the XDK and GDK, which will be licensed to Publisher and/or its Affiliates during the Term.

- 3.2. Loaned Equipment.** Microsoft may periodically loan Publisher certain Microsoft assets in relation to Publisher’s development, marketing, and promotion of Software Titles. Such loaned assets may include Xbox Console kiosks, Xbox Console hardware, and accessories (“**Loaned Equipment**”). With respect to all Loaned Equipment provided to Publisher: (1) Publisher will not provide the Loaned Equipment to any third party not approved by Microsoft in advance (“**Approved Third Party**”) and, if so approved, Publisher will be responsible for ensuring that the Approved Third Party complies with this Section 3.2; (2) Publisher is solely liable for theft, damage, loss, or injury to people or property occurring while such Loaned Equipment is in Publisher’s or an Approved Third Party’s possession or control; (3) the Loaned Equipment will be used only in a Microsoft-approved location; (4) Publisher’s insurance policy described in Section 18 will cover all theft, loss, damage, or injury to people or property in relation to Publisher’s or an Approved Third Party’s use or possession of Loaned Equipment; (5) Publisher (and any Approved Third Party) will use only power supplies, power cords, cables, and other parts and accessories provided by Microsoft to connect to or use Loaned Equipment; and (6) Publisher will return Loaned Equipment to Microsoft by the date requested (and in accordance with any shipping instructions provided by Microsoft). For clarity, Microsoft retains title and ownership of the Loaned Equipment.
- 4. Publisher Guide.** Microsoft will provide Publisher access to a guide containing program-wide requirements and information applicable to the Xbox Consoles platform (as supplemented, revised or updated by Microsoft from time to time, the “**Publisher Guide**”), including Xbox Requirements, Branding Specifications, Marketing Guidelines, Xbox Games Store policy, End User data requirements, and other information regarding other operational aspects of Xbox Consoles, and Xbox Services. Each Software Title must comply with the Publisher Guide, except where such requirements conflict with any of Publisher’s rights expressly granted to Publisher in this Agreement. Furthermore, in the event that compliance with the Publisher Guide places an undue burden on individual game teams, [\*]. On publication of a supplement, revision, or updated version of the Publisher Guide, Publisher will automatically be bound by all provisions. After a Software Title has completed optional certification or within [\*] of submission for Certification, however, Publisher will not be obligated to comply, for such Software Title only, with any subsequent changes made by Microsoft to the Xbox Requirements or other required categories in the Publisher Guide, unless (1) such subsequent changes are intended to address privacy, security or technical integrity issues, or (2) compliance will not add significant expense or delay to a Software Title’s development or Certification. Changes to the replication requirements shall not apply to a particular Software Title if such Software Title has a scheduled appointment for Certification within [\*] of the effective date for such changes to the replication requirements unless such subsequent changes are intended to address privacy, security or technical integrity issues, or such changes will not add significant expense or delay to Certification or manufacture. Changes made to Branding Specifications or Marketing Guidelines will be effective as to a Software Title that has passed Certification only on a “going forward” basis (i.e., only to such Marketing Materials created more than [\*] after Microsoft notifies Publisher of the change), [\*].
- 5. Software Title Approval process.** The standard approval process for a Software Title is summarized below and is further described in the Publisher Guide.
- 5.1. Concept.** Publisher will deliver to Microsoft a completed Concept submission form (using Microsoft’s then-current form) describing the proposed Software Title. If Publisher wants to host (or have a third party host) any Game Features, Publisher will so indicate on the Concept submission form and must comply with all Publisher Services requirements in this Agreement the Publisher Guide. Microsoft will review Publisher’s submission and notify Publisher whether the Concept is approved or rejected. Adherence to the approved Concept submission form is required for Certification.
- 5.2. Certification.** Publisher will deliver to Microsoft the proposed final-release version of the applicable Software Title that is complete and ready for Commercial Release, commercial distribution, and access by End Users. Such version must include the final content rating required by Section 5.4. Microsoft will conduct compliance, compatibility, functional, and other testing to determine the Software Title’s compliance with Certification Requirements (“**Certification Testing**”) and will
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provide Publisher with the testing results, including any fixes required to pass Certification. Release from Certification for a Software Title requires: (1) passing Certification Testing; (2) conforming with the approved Concept; (3) providing any other materials required by the Publisher Guide; and (4) ongoing compliance with all Certification Requirements and other required categories in the Publisher Guide, except as otherwise provided in this Agreement. If a Software Title fails Certification, Microsoft may charge Publisher a reasonable fee designed to offset the costs associated with testing for any additional resubmissions. Publisher will not distribute any Software Title or submit any Software Title intended for distribution until Verification Version(s) have been submitted, evaluated, and approved, and Microsoft has given its final approval and release from Certification.

- 5.3. Marketing Materials.** Publisher will submit to Microsoft all Marketing Materials that incorporate Microsoft Trademarks and will not use, publish, or distribute any such Marketing Materials until Microsoft has approved them in writing. Publisher will incorporate all changes related to the Microsoft Trademarks that Microsoft may require to bring such Marketing Materials into compliance with the Marketing Guidelines. Additionally, if press releases or announcements otherwise mention Xbox Consoles, Xbox Services, or Xbox Console versions of Software Titles, Publisher will make reasonable efforts to provide Microsoft with notice of such materials and their contents before release.
- 5.3.1.** Notwithstanding anything to the contrary in this Agreement or the Publisher Guide, samples of Marketing Materials approved by Microsoft that are subsequently manufactured or redistributed without change by or on behalf of Publisher are not required to be resubmitted to Microsoft for approval (i) prior to publication or (ii) prior to assembling the materials with FPU's and distributing the finished goods. Once approved by Microsoft, Marketing Materials, or particular elements thereof, may be reused and republished in related Marketing Materials without the need for additional review or approval by Microsoft, provided that the other elements of such related Marketing Materials shall be subject to Microsoft's approval as provided in Section 5.3.2. By way of example only, elements of the approved packaging for a Software Title may be incorporated into advertisements or point-of-purchase ("POP") displays without requiring additional review or approval by Microsoft of the elements taken from the previously approved packaging (so long as the reused elements are accurately depicted in the ads or POP displays), but other elements (other than the reused or republished elements) of the ads or POP displays shall require review and approval by Microsoft with respect to their conformance to the Marketing Guidelines.
- 5.3.2.** With the exception of certifying that Publisher's use of Licensed Trademarks is in accordance with the Marketing Guidelines, nothing herein shall require Publisher to obtain Microsoft's approval of Publisher's Marketing Materials with respect to screen shots, publicity materials, trademarks, etc. owned by Microsoft or any third parties as permitted by law without a license (for example, pursuant to a right of "fair use" under applicable copyright law or a "referential" use under trademark law).
- 5.4. Content rating.** Microsoft will not accept submission of a Software Title for Certification unless Publisher has obtained a rating of "Mature (17+)" (or its equivalent) or lower (i.e., more broadly appropriate) from appropriate rating bodies, including any independent content rating authority(ies) that Microsoft may reasonably designate (e.g., ESRB, PEGI, IARC). Publisher will include such rating(s) prominently on Marketing Materials, as per the applicable rating body's guidelines. For countries not using a content rating system, Microsoft will not approve any Software Title that, in Microsoft's opinion, is unsuitable for Xbox Consoles (e.g., because it contains excessive sexual content or violence, inappropriate language, or other unsuitable elements). Unless Publisher has obtained, and communicated to Microsoft, a separate rating for Digital Content as per the Publisher Guide, Publisher represents and warrants that all Digital Content not in the initial Base Game for a Software Title will be consistent with the content rating (or, in those countries not using a content rating system, with the overall nature of the content) of the underlying Software Title. Publisher will also comply with any other rating requirements in the Publisher Guide. Microsoft may require removal of Digital Content or require Publisher to obtain a separate rating if Microsoft later deems such content inconsistent with the content rating for the underlying Software Title.
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**5.5. User Generated Content.**

- 5.5.1. Microsoft approval.** Publisher may not allow End Users to create, share, or otherwise provide User Generated Content through a Software Title [\*]. Furthermore, the Software Title must comply with any XRs related to the creation and/or consumption of User Generated Content.
- 5.5.2. Third Party Claims.** If Microsoft has approved Publisher to make User Generated Content available, Publisher will maintain a procedure that complies with applicable law for removing User Generated Content in the event of a third party claim regarding the User Generated Content (e.g., of infringement, defamation, or violation of other rights). Microsoft may notify Publisher of any complaints related to User Generated Content. Publisher will remove User Generated Content subject to such claims no later than [\*] after receipt of a third-party claim or notice from Microsoft. Publisher will notify Microsoft as soon as commercially practicable [\*] after Publisher receives any third-party claim, which notice will also specify the steps that Publisher has taken or will take in response.
- 5.5.3. Violations of End User terms of use or code of conduct.** Microsoft may, in its discretion, require Publisher to remove User Generated Content that violates the End user terms of use, End User code of conduct, or both.

**5.6. Localization.** All Software Titles will be localized as required by local regulation (if applicable) and at least to the same extent (languages, in-game text, and voice) and provided to End Users in the same manner (e.g., incorporated in the Base Game) as any corresponding Competitive Platform product.

**6. Post-release compliance.**

- 6.1. Bugs or errors.** Notwithstanding Microsoft's Certification, all Software Titles must remain in compliance with all Certification Requirements in the Publisher Guide on a continuing and ongoing basis. Nothing in this Agreement may be construed to relieve Publisher of its obligation to (and Publisher will, as soon as possible after discovery) correct material bugs and errors in Software Titles whenever discovered (including after Commercial Release) in a mutually-agreed manner (which may be via a Title Update). [\*]
- 6.2. Title Updates.** All Software Title digital patches and updates provided to End Users for free and that must be accepted for game play (collectively, "*Title Updates*") are subject to Microsoft's approval, except if otherwise stated in this Agreement. Microsoft may require Publisher to develop and provide a Title Update if a Software Title adversely affects Xbox Services. Microsoft reserves the right to remove or reverse a Title Update if such Title Update adversely impacts the Software Title (e.g., Software Title crashes for all End Users). Microsoft will not charge Publisher for Certification or distribution of Title Updates to End Users for any Title Update required by a Publisher Guide change or otherwise requested by Microsoft. [\*]
- 6.3. Minimum Commitment.** If Publisher makes a Game Feature available to End Users, [\*] ("*Minimum Commitment*"), unless otherwise mutually agreed with Microsoft, including for commercial reasons where it does not make sense to continue the Minimum Commitment for a particular Software Title. Publisher will provide necessary customer support for such Game Feature during its availability and for [\*] after discontinuation, and must retain in archive all versions of Digital Content made available to End Users during, and at least [\*] after, the period in which it was available. Subject to Publisher's compliance with this Section 6.3, Publisher may terminate Microsoft's license to such Game Feature on [\*] prior notice (which must include a Microsoft-approved decommission plan); provided, however, Publisher will provide as much advance notice as commercially reasonable. Publisher will clearly notify End Users of the duration of availability and will notify End Users reasonably in advance of discontinuation, of Game Features.
- 6.4. Digital Content Availability.** Unless immediate removal is necessary to comply with Publisher's contractual or other legal obligations, Publisher will use commercially reasonable efforts to provide Microsoft [\*] prior notice before removing Digital Content. Notwithstanding termination or expiration of Microsoft's license to distribute Digital Content, Microsoft may retain a copy of Digital Content, and Publisher grants Microsoft a license to redistribute the final version of any Digital Content to End Users who have previously purchased it, directly or indirectly, from Microsoft to their Xbox Consoles for no
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additional fee, even if the End User is re-downloading to a different Xbox Console unit or within a different country than where originally downloaded, [\*].

**6.5. Disabling.** Microsoft may disable or remove any Digital Content from the Xbox Consoles (including by disabling previously downloaded copies on End Users' Xbox Consoles), Xbox Services, or the Microsoft Store, immediately and at any time, globally or in specific countries, if Microsoft determines that [\*]: (1) Publisher has materially breached this Agreement in relation to such Digital Content; (2) such Digital Content or its related Software Title materially fails to comply with applicable documentation, the approved Concept or other aspects of this Agreement; (3) such Digital Content or its related Software Title materially deviates from the version passing Certification or materially fails to perform as originally intended; (4) such Digital Content or its related Software Title is causing harm to (or is likely to harm) the Xbox Console, Xbox Services, third-party networks, End Users, or otherwise (e.g., due to piracy, security breach or security defects, or technical failure); or (5) such Digital Content is damaging (or is likely to damage) Microsoft's reputation, involve Microsoft in public controversy, or subject Microsoft to liability. [\*]

## 7. Other rights and obligations.

**7.1. Security.** Microsoft may add to the final release version of Software Titles delivered by Publisher to Microsoft certain Security Technology as Microsoft elects, or Microsoft may elect to modify signatures included in any Security Technology included in the Software Title by Publisher. Additionally, Microsoft may add Security Technology that prohibits playing Software Titles on Xbox Consoles units sold in a country different from the country in which Software Titles are intended to be distributed, or Software Titles modified in any way not authorized by Microsoft. Any changes in Security Technology will not be applicable to Software Titles already in Certification testing, unless otherwise agreed by Publisher. Subject to this Section 7.1, Microsoft may update Security Technology requirements from time to time via the Publisher Guide.

**7.2. Samples.** For each Software Title published under this Agreement, Publisher will provide a reasonable number of samples as per the Publisher Guide (but not to exceed [\*] copies per Software Title). Microsoft may use such samples for non-revenue generating purposes, such as for marketing, as product samples, and for customer support, product and charitable giveaways, testing, and archival purposes. Publisher will not be required to pay Royalty Fees or other fees (e.g., Token fees) for any such samples, provided that any FPU samples are shipped directly from an Authorized Replicator to Microsoft. Provided the samples are used by Microsoft in accordance with the terms of this Section 7.2, Publisher will not be entitled to any Royalty Fee or other compensation with respect to Digital Content samples as authorized under this Section 7.2.

**7.3. Demos.** Subject to the Publisher Guide, Publisher may distribute Demo(s) digitally, either as a stand-alone or with other Demos, and the suggested price of such Demo(s) must be free or at a suggested retail price that does not exceed [\*] or its equivalent in local currency. All rights, obligations, and approvals in this Agreement that apply to Software Titles will separately apply to any Demo. No royalties will be payable to Microsoft for any Demo.

**7.4. Trials.** Subject to the Publisher Guide, the suggested price of Trial units must be free. All rights, obligations, and approvals in this Agreement that apply to Software Titles will separately apply to any Trial. No royalties will be payable to Microsoft for any Trial.

**7.5. Sub-Publishing.** Publisher may enter into independent agreements with other publishers to publish Software Titles in approved countries if: (1) Publisher completes and provides to Microsoft, at least [\*] before authorizing a Sub-Publisher to publish any Software Title(s) in each country for each Sub-Publisher, the Sub-Publishing Notification Form (as provided in the Publisher Guide) which will summarize the scope and nature of the Sub-Publishing relationship between Publisher and Sub-Publisher, identify which entity will be responsible for Certification of Software Title(s), list the Software Title(s) for which Sub-Publisher has acquired publishing rights, identify the geographic territory(ies) for which such rights were granted, and identify the term of Publisher's agreement with Sub-Publisher; and (2) Publisher and Sub-Publisher are and remain at all times in good standing under their respective publisher license agreements.

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- 7.6. Authorized affiliates.** If the parties and Publisher's Affiliate execute the "Authorized Affiliate" form (as provided by Microsoft in the Publisher Guide), such Affiliate may exercise the rights granted to Publisher under this Agreement. The foregoing will not apply to any Publisher Affiliate that operates from a European billing address. Any such European Affiliate must execute a Publisher Enrollment Form with Microsoft Ireland Operations Ltd., in the form provided in the Publisher Guide.
- 8. Pricing and Payment Exhibits.** The parties will make payments to each other under the terms of the following Exhibit(s):
- 8.1. Exhibit 1: Digital Store Payments.**
- 8.2. Exhibit 2: Physical Disc Manufacture and Sales.**
- 9. Software Title parity.** Each Software Title is subject to the following requirements:
- 9.1 Features and content parity.**
- 9.1.1.** Each Base Game and Game Feature will have at least the same features and content as any corresponding version of a Competitive Platform product, including all localization, Publisher subscriptions, support for record and share, gameplay streaming, remote access, and cloud streaming features (see Sections 11.4 – 11.7), multi-platform saves, and pack-in content from Publisher, subject to platform limitations. The parties will work together in good faith to address any platform limitations that may impact feature and content parity for the Xbox Console version.
- 9.1.2.** Each Premium Downloadable Content, Demo, Trial, and additional downloadable content will have at least the same features and content as any corresponding version of a Competitive Platform product, subject to platform limitations. In the event that Publisher is unable to comply with this Section 9.1.2, the parties will work together in good faith to determine a mutually acceptable alternative.
- 9.2. Simship with Competitive Platforms.**
- 9.2.1.** If Publisher elects to Commercially Release a Base Game, then Publisher will Commercially Release each Base Game, including Publisher subscriptions and Game Features that are included as part of each such Base Game, either before or simultaneously with the Competitive Platform version of the Base Game (whether released as a DFU or on a physical disc) on a country-by-country basis.
- 9.2.2.** Publisher will Commercially Release each Premium Downloadable Content, Demo, Trial and additional downloadable content either before or simultaneously with the Competitive Platform version of each Premium Downloadable Content, Demo, Trial and additional downloadable content on a country-by-country basis. In the event that Publisher is unable to comply with this Section 9.2.2, the parties will work together in good faith to determine a mutually acceptable alternative.
- 9.3. Software Title feature updates post-Commercial Release.** Subject to hardware, and technical limitations and announce/availability of development tools, at any time after Commercial Release, with respect to any hardware feature updates made to a Software Title (e.g., HDR, spatial audio) that are available for a Console Version video game on a Competitive Platform [\*], Publisher will (1) in its implementation of such features, optimize the performance and technical capability of Xbox Console versions in parity with the Console Version video game on the Competitive Platform; and (2) make the same hardware feature updates commercially available for the Xbox Console versions either before or simultaneously with the Console Version video game on the Competitive Platform. As used in this Section 9.3, "simultaneously" means within [\*] of the availability of such hardware feature on a Competitive Platform. [\*]
- 9.4. Cross Generation Licenses.** Publisher will Commercially Release a cross generation license version of each Software Title [\*]. Cross generation licenses must (1) grant End Users rights to both an Xbox One version and an Xbox Series version of the Software Title, and (2) include features and/or performance that differentiates the Xbox Series version of the Software Title from the Xbox One version, as described in the Publisher Guide.
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**10. Marketing, sales, support, and promotion.**

- 10.1. Publisher responsible.** As between Publisher and Microsoft, only Publisher will market Software Titles outside of the Microsoft Store, and only Microsoft is responsible and has sole discretion for marketing on the Microsoft Store and/or Microsoft sites. This section does not prohibit Publisher from purchasing advertising on Microsoft's advertising platforms (including the Microsoft Store). Publisher will provide all technical and other support related to Software Titles. Publisher will provide appropriate contact information (including Publisher's street address, telephone number, and the applicable individual/group responsible for customer support) to all End Users and to Microsoft for posting online. Microsoft is solely responsible for providing technical and all other support relating the Microsoft Store and Xbox Consoles.
- 10.2. Software Title Marketing license.** Subject to Publisher's prior written consent (which may be via email) in each case (which will not be unreasonably withheld), Publisher grants Microsoft a, fully-paid, royalty-free, non-exclusive license to: (1) publicly perform and publicly display Software Titles at conventions, events, trade shows, press briefings, public interactive displays, and the like; (2) use the title of, screen shots from, and additional marketing assets related to the Software Title in advertising and promotional material related to Xbox Consoles and other Microsoft products and services, as Microsoft may reasonably deem appropriate; and (3) distribute Demos as a standalone product or with other demo software. The licenses granted in this Section 10.2 are sublicensable to Microsoft's Affiliates and third-party contractors. The parties may from time to time discuss additional proposed marketing and promotion activities. For purposes of the foregoing, it is not unreasonable for Publisher to withhold approval if it deems that its screen shots, advertising materials, and other materials permitted for use pursuant to this Section 10.2 would be depicted with Microsoft titles that compete with Publisher's Software Titles, or Microsoft's proposed use is inconsistent with Publisher's marketing plan for such Software Title (e.g., use by Microsoft prior to Publisher's official announcement of a Software Title or if the Software Title has an exclusive marketing partnership with a Competing Platform or other third party). The parties will develop a process to pre-approve uses of Software Titles and screen shots in accordance with this Section 10.2. Nothing in this Agreement, however, will preclude Microsoft from using screen shots, Marketing Materials, and other materials permitted for use pursuant to this Section 10.2 as permitted by law without a license (e.g., "fair use" under applicable copyright and trademark law).
- 10.3. Promotions.** If Publisher wants to distribute Microsoft-generated codes that are redeemable by End Users for Digital Content downloads ("**Tokens**") as part of promotional activities related to a Software Title (each, a "**Token Promotion**"), Publisher will comply with the Publisher Guide, including payment of all applicable fees as set in the Publisher Guide. Microsoft and Publisher may periodically develop, execute, and administer promotions involving Software Title(s) and execute a schedule for each Promotion as per the Publisher Guide.

**11. Grant of distribution and other licenses; limitations.**

- 11.1. Digital Content rights.** In consideration of royalties payable under Exhibit 1, Publisher grants Microsoft a limited, transferable, sublicensable license (to Microsoft Affiliates), in authorized territories during the Term to: (1) broadcast, transmit, distribute to the public, communicate to the public, make available, host, publicly perform and publicly display, reproduce, stream, and store Digital Content and Software Title gameplay for access, use, viewing, download and storage by End Users and other third parties; provided, Microsoft acknowledges and agrees that the foregoing rights do not grant Microsoft (or End Users) the rights [\*]. Notwithstanding the foregoing, this Section 11 does not prevent Publisher from making other platform versions of its Software Titles available via other platform-specific online services.
- 11.2. Multiple Generation Xbox Console Support.** Publisher agrees that the rights granted to Microsoft in Section 11.1 also include the following rights in support of multiple-generational Xbox Console support [\*]:
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- 11.2.1. Microsoft may make all Software Titles that are playable on Xbox One (including Software Titles from prior Xbox generations authorized by Publisher to play on Xbox One) available for access and use on Xbox Series at no cost to End Users who purchased or otherwise obtained rights to (e.g., via subscription) such Software Titles. [\*]
  - 11.2.2. Microsoft may make all Software Titles playable on Xbox One (including Software Titles from prior Xbox generations authorized by Publisher to play on Xbox One) available for purchase for access and use on Xbox Series.
  - 11.2.3. Additional requirements for multiple generation Xbox Console support may be included in the Certification Requirements.
  - 11.2.4. Publisher grants Microsoft the right to conduct testing of Software Titles that are playable on Xbox One to ensure compatibility and playability on Xbox Series.
  - 11.2.5. Publisher has obtained and will maintain all third-party rights, consents, and licenses necessary to meet its commitments and obligations in this Section 11.2.
  - 11.3. **Publisher Services.** As between Publisher and Microsoft, Microsoft will solely offer, host, fulfill, and deliver Software Titles, Game Features, and any other Xbox Console related content or services to End Users, [\*].
    - 11.3.1. Subject to Publisher's compliance with the terms of the Agreement and the Publisher Guide, Microsoft grants Publisher a, nonexclusive, royalty-free license to access the Xbox Services, as necessary to implement and operate the Publisher Services.
    - 11.3.2. Subject to Microsoft's advance written consent (which may be by email), Publisher may subcontract to a third party host all or any portion of Publisher's rights or obligations solely with regard to providing Partner Services. All actions and failures to act of any third party engaged by Publisher are imputed to Publisher and deemed to be Publisher's actions or failures to act. Publisher may provide the third party with access to only those portions of Xbox Services that are necessary to perform hosting services, and to no other portions. Publisher unconditionally and irrevocably guarantees any third party's performance of the applicable obligations imposed by this Agreement and the GDK License.
    - 11.3.3. Additional requirements for Publisher Services may be included in the Publisher Guide.
  - 11.4. **Gameplay record and share.** The Xbox Console gameplay record and share features allow End Users to record their gameplay experiences and publish the recorded gameplay clips to share with third parties via Microsoft and third-party video sharing sites and services. [\*], Publisher grants Microsoft a fully-paid, royalty-free, non-exclusive, perpetual license to, solely as part of the gameplay record and share features: (1) record portions of Software Title gameplay; (2) copy, archive, host, and have hosted such recordings; (3) apply various compression and streaming technologies to such recordings for the purpose of transmitting the recordings; (4) publicly perform, and publicly display such recordings, but in all cases, subject to the restrictions of Section 2.6.1 of Exhibit 1; and (5) grant to third parties the right to view such recordings. The licenses granted in this Section 11.4 are sublicensable to Microsoft's affiliates, third-party contractors, and End Users.
  - 11.5. **Gameplay streaming features.** The Xbox Console gameplay streaming features allow End Users to share their gameplay experiences with Microsoft and third-party applications and services (e.g., Mixer). [\*], Publisher grants Microsoft a fully-paid, royalty-free, non-exclusive, perpetual license, solely as part of the gameplay streaming feature, to broadcast, transmit, distribute, host, publicly perform and publicly display, reproduce, make available, communicate to the public, and stream gameplay of a Software Title with Microsoft and third-party applications and services. The licenses granted in this Section 11.5 are sublicensable to Microsoft's Affiliates, third-party contractors, and End Users.
  - 11.6. **Xbox Console Remote Access.** [\*], Publisher grants Microsoft a fully-paid, royalty-free, non-exclusive, perpetual license, solely as part of the Xbox Console Remote Access feature, to (a) broadcast, transmit, distribute, host, publicly perform and publicly display, reproduce, and stream
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gameplay of a Software Title; and (b) provide use, access, and control of the gameplay on a Software Title on any Streaming Device.

- 11.7. Project xCloud Support.** Publisher grants Microsoft a worldwide, royalty-free, exclusive, transferrable, sublicensable license, solely as part of Project xCloud, to (a) broadcast, transmit, distribute, host, publicly perform and publicly display, reproduce, make available, communicate to the public, and stream Software Titles and gameplay of Software Titles to Streaming Devices; and (b) provide use, access, and control of the gameplay of a Software Title on any Streaming Device. Except for the Royalty Fees provided in Exhibit 1, Publisher will not be entitled to any additional royalty or other payment in connection with Microsoft’s use of the Software Title in Project xCloud. If Microsoft enables End Users to purchase Digital Content through Project xCloud via the Microsoft Store, [\*]. For clarity, the Royalty Fee does not apply to purchases of Digital Content outside of the Microsoft Store. Any such purchases will be governed by a separate agreement executed by the parties.
- 11.7.1.** [\*]
- 11.8. Reservation.** All rights not expressly granted in this Agreement are reserved. Without limiting the above, and except to the extent otherwise expressly provided in this Agreement, nothing in this Agreement may be construed as a license to either party’s IPR, expressly or by implication, estoppel, exhaustion, or otherwise.
- 11.9. Ownership.** Except for IPR supplied by Microsoft to Publisher (including Microsoft Trademarks, licenses in software and hardware granted by a GDK License, or any of Microsoft’s IPR that Publisher may have included in any Software Titles), ownership of which Microsoft retains, Publisher will, as between the parties, own all rights in the Software Titles.
- 11.10. License to End Users.** Publisher may create a license agreement to govern Publisher’s relationship with End Users with regard to Software Titles distributed to them (each, a “*EULA*”). If Publisher elects to bind End Users to a EULA, Publisher’s EULA must: (1) to the maximum extent allowed by applicable law, disclaim any warranties, limit liability, and exclude damages on behalf of Microsoft and its Affiliates, either by category (e.g., by a reference to “Publisher’s licensors”) or by name; (2) disclaim any obligation on the part of Microsoft or its Affiliates to provide support or other services; (3) not prevent or limit access to the Software Title; and (4) not purport to govern or change, in any way, the End User’s relationship with Microsoft under Microsoft’s applicable agreements with such End User.
- 12. Xbox Usage data and Personal Data.** Microsoft may collect and store Xbox Console usage data, including, for example, statistics, scores, ratings, and rankings (collectively, “*Xbox User Data*”), which may include End User Personal Data. Microsoft may periodically make certain Xbox User Data available to Publisher in accordance with the then-current Microsoft Privacy Statement. With respect to the Personal Data transferred under this Agreement, Publisher and Microsoft agree that both Publisher and Microsoft are independent data controllers, and not joint controllers, as defined in the GDPR, of the Personal Data that each independently processes. Each party will comply with the obligations imposed on it under Data Protection Law. If Publisher receives Personal Data from Microsoft, then Publisher must comply with the following requirements:
- 12.1.** Publisher must provide End Users with access to Publisher’s privacy statement that governs Publisher’s use of the Personal Data.
- 12.2.** Publisher must ensure its network, operating system, software, databases, and other relevant computer systems are properly built, configured, and operated to store, manage and protect any Personal Data received or obtained from Microsoft in a secure manner.
- 12.3.** Subject to an End User’s additional authorization or instructions to the contrary, Publisher (i) will only use Xbox User Data in connection with Publisher’s direct business relationship with Microsoft, and (ii) will not transfer or sell the Personal Data to any third party except to contractually bound processors or sub-processors operating on behalf of Publisher. To the extent the California Consumer Privacy Act applies to any Personal Data, Publisher hereby certifies that it understands the above restrictions and will comply with them.
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- 12.4. Publisher will comply with Microsoft's instructions on receiving data subject rights requests from End Users as set forth in the Publisher Guide.
- 12.5. Publisher will comply with Microsoft's request to conduct a compliance review of Publisher's adherence to and/or execution of privacy obligations under the terms of this Agreement and as required by applicable laws. [\*].
- 12.6. Upon termination of the Agreement for cause, an adverse compliance review finding that Publisher is mishandling data, or upon investigation of Publisher by Microsoft or a third party for mishandling of data, Publisher will, at Microsoft's request, [\*].
- 12.7. Publisher will comply with Microsoft's other reasonable requirements governing the use of Xbox User Data set forth in the Publisher Guide.
- 12.8. [Reserved]
- 12.9. In the event the parties agree that Publisher will make certain data of Publisher's End Users available to Microsoft ("**Publisher User Data**"), the parties will enter into a data protection agreement to govern Microsoft's rights and obligations regarding such Publisher User Data.

### 13. Trademark rights and restrictions.

- 13.1. **Microsoft Trademarks.** Publisher will incorporate Microsoft Trademarks, and include credit and acknowledge Microsoft as required by the Branding Specifications, in each Software Title, Demo, Trial, and all Marketing Materials. Subject to all terms of this Agreement, Microsoft grants to Publisher a non-exclusive, non-transferable license to use Microsoft Trademarks on Software Titles, Demos, Trials, and Marketing Materials, solely in connection with marketing, sale, and distribution in approved countries. Except as expressly permitted in this Agreement, Publisher is granted no right, and will not purport to permit any third party, to use Microsoft Trademarks in any manner without Microsoft's prior written consent. Publisher has no right to use Microsoft Trademarks in connection with merchandising or selling related or promotional products, other than approved Demos. Publisher will not during the Term contest the validity of, by act or omission jeopardize, or take any action inconsistent with, Microsoft's rights or goodwill in Microsoft Trademarks in any country, including attempted registration of any Microsoft Trademark, or use or attempted registration of any mark confusingly similar to any Microsoft Trademark.
- 13.2. **Branding Specifications.** Publisher's use of Microsoft Trademarks must comply with the Publisher Guide, including the Branding Specifications. Publisher will not use Microsoft Trademarks with third-party trademarks in a manner that might suggest co-branding or otherwise create confusion as to source or sponsorship of the Software Title or Marketing Materials, or ownership of Microsoft Trademarks, unless Microsoft has approved such use, expressly and in writing. If Publisher learns of any non-conformance with this Section 13.2, it will promptly remedy such non-conformance and notify Microsoft of the non-conformance and remedial steps taken.
- 13.3. **Ownership; goodwill.** Publisher acknowledges Microsoft's ownership of, and all goodwill associated with, the Microsoft Trademarks. Use of the Microsoft Trademarks will not create any right, title, or interest in this Agreement in Publisher's favor. Publisher's use of the Microsoft Trademarks will inure solely to the benefit of Microsoft.

- 14. **Confidentiality; publicity.** The NDA will apply to all Confidential Information (defined in the NDA) provided by the parties under this Agreement or a GDK License (regardless of any earlier termination or expiration of the NDA). Any general terms in the NDA (e.g., applicable law and venue), however, will not apply to the extent they conflict with this Agreement. Except if otherwise stated in this Agreement, neither party will communicate with the press or public about their relationship under, or use the other's name connected to, this Agreement, without the other's express, prior, written consent, not to be unreasonably withheld. Notwithstanding the foregoing, if either party is advised by legal counsel that any portion of this Agreement must be disclosed as part of that party's public filings, it will notify the other in writing and the parties will jointly seek confidential treatment of such information to the maximum extent reasonably possible, in documents approved by both parties and filed with the applicable governmental or regulatory authorities, and Microsoft will prepare a redacted version of this Agreement for filing.
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**14.1. Press Releases.** Neither party will issue any press releases to make any public announcements relating to the relationship established by this Agreement without the prior written consent of the other party, which consent will not be unreasonably delayed or denied.

**15. Protection of proprietary rights.**

**15.1. Microsoft's IPR.** Publisher will promptly notify Microsoft if it learns of any infringement or misappropriation of Microsoft's IPR related to this Agreement. Microsoft may take such actions as it deems advisable to protect its IPR, and Publisher will, on request, cooperate with Microsoft in all reasonable respects, at Microsoft's expense. Microsoft will not, however, be required to take any action and may retain all proceeds derived from any such actions.

**15.2. Publisher's IPR.** Publisher, without Microsoft's express written permission, may bring any action related to actual or potential infringement of Software Titles, Marketing Materials, information, data, logos, software, or any other materials provided or otherwise made available by Publisher under or in relation to this Agreement (excluding only Microsoft Trademarks, Security Technology, and redistributable components in the form delivered to Publisher by Microsoft under a GDK License) (collectively, "**Publisher Content**"), to the extent such infringement involves Publisher's IPR (but not Microsoft's IPR). Publisher will make reasonable efforts to inform Microsoft regarding such actions in a timely manner and may retain all proceeds derived from any such actions.

**15.3. Joint actions.** The parties may jointly pursue cases of infringement involving Software Titles (as such products will contain IPR owned by each of them). Unless otherwise agreed, or unless recovery is expressly allocated between them by the court, if the parties jointly prosecute an infringement lawsuit under this Section 15.3, any recovery will be used first to reimburse the parties' respective reasonable attorneys' fees and expenses, pro rata, and any remaining recovery will also be given to the parties pro rata based on the fees and expenses incurred in bringing such action.

**16. Representations, warranties, and disclaimers.**

**16.1. Publisher.** Publisher continuously represents and warrants that:

**16.1.1.** It has full power to enter into this Agreement;

**16.1.2.** It has not previously granted, and will not grant, any rights to any third party that are inconsistent with the rights granted to Microsoft in this Agreement;

**16.1.3.** The Publisher Content does not, and Microsoft's and End Users' access to and use of Publisher Content through and in relation to Xbox Consoles (excluding Publisher Content) will not, infringe or misappropriate any third-party IPR;

**16.1.4.** It will comply with all laws, regulations, administrative and court orders, and requirements applicable to (and will keep in force all necessary permits, licenses, registrations, approvals, and exemptions throughout the Term, as long as it is) distributing, selling, or marketing Software Titles and Digital Content and Publisher's obligations under this Agreement;

**16.1.5.** Except as otherwise set forth in this Agreement, Publisher has obtained and will maintain all third-party rights, consents, and licenses necessary for distributing, selling, or marketing Software Titles and Digital Content under this Agreement.

**16.2. Microsoft.** Microsoft represents and warrants that it has full power to enter into this Agreement and it has not previously granted, and will not grant, any rights to any third party that are inconsistent with the rights granted to Publisher under this Agreement.

**16.3. Disclaimer.** Expressly subject to Section 16.2, Microsoft provides all materials (including the Security Technology) and services under this Agreement "as is," without warranty of any kind, and, to the maximum extent permitted by applicable law, disclaims all other warranties (express, implied, statutory, or otherwise) under the applicable laws of any jurisdiction, regarding the materials and services it provides under this Agreement, including any warranties of merchantability or fitness for a particular purpose, of freedom from computer viruses, and of non-infringement.

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- 16.4. **Excluded damages.** To the maximum extent permitted by applicable law, in no event will Microsoft or its affiliates, licensors, or suppliers be liable for any special, incidental, punitive, or consequential damages of any kind or nature whatsoever, arising out of or related to this Agreement or the transactions contemplated under it, including lost profits or lost goodwill and whether based on breach of any express or implied warranty, breach of contract, tort (including negligence), or strict liability, regardless of whether Microsoft has been advised of the possibility of such damage or if such damage could have been reasonably foreseen.
- 16.5. **Limitation of liability.** Except for amounts owed under this Agreement, the maximum liability of Microsoft to Publisher or any third party relating to this Agreement will be the lesser [\*]. Furthermore, under no circumstances will Microsoft be liable to Publisher for any damages whatsoever with respect to any claims relating to the Security Technology or its effect on any Software Title or for any statements or claims made by Publisher, whether in Publisher’s Marketing Materials or otherwise, regarding the availability or operation of any Software Title.

**17. Defense of claims.**

- 17.1. **Obligation.** If a Claim is brought against a party, its Affiliates, agents, licensees, or successors, or any agents, directors, officers, or employees of any of them (all, collectively, “*Defendant*”), the other party (“*Respondent*”) will defend the Claim (including by paying litigation costs and reasonable attorneys’ fees) and pay any settlement that Respondent consents to or any adverse final judgment. As used in this Section, “*Claim*” means an unaffiliated third party’s demand, suit, or other action to the extent: (1) as alleged, it reflects Respondent’s breach of this Agreement; (2) as alleged, it arises from or relates to Respondent’s gross negligence or willful misconduct; (3) solely for Microsoft as Respondent, it alleges that Publisher’s use in any country of a Microsoft Trademark, as permitted under this Agreement, infringes claimant’s trademark rights; or (4) solely for Publisher as Respondent, it relates to any Software Title or User Generated Content (excluding unmodified software delivered to Publisher by Microsoft under a GDK License), including any allegation relating to quality, performance, safety, privacy, security, or arising out of Publisher’s use of Microsoft Trademarks in breach of this Agreement.
- 17.2. **Procedure.** Defendant: (1) will promptly notify Respondent of any Claim and permit Respondent, using agreed counsel, to answer and defend; (2) at Respondent’s reasonable request and expense, will assist in the defense and provide non-confidential information; and (3) at its expense, may participate in the defense with separate counsel. Respondent is not responsible for settlements it does not consent to and will not settle Claims under this Section 17 without Defendant’s consent (with both parties’ consent not unreasonably withheld). Neither party will stipulate, acknowledge, or admit fault or liability on the other’s part without the other’s prior, written consent. Respondent will not publicize any settlement without Defendant’s prior written consent.

**18. Insurance.**

- 18.1. **Coverage.** Publisher will maintain sufficient and appropriate insurance coverage to enable it to meet its obligations under this Agreement and by law. Without limiting the foregoing, Publisher will maintain all coverage required by Table 1 (converted to the equivalent value in local currency, as of the date of issuance).

**Table 1– Insurance Coverage Requirements**

	Japan Sales Territory	Asian Sales Territory	Other Sales Territories
<b>General liability coverage</b>	[*]	[*]	[*]
<b>Deductible not to exceed</b>	[*]	[*]	[*]

- 18.2. **Other requirements.** On request, Publisher will deliver to Microsoft proof of the coverage required by this Section 18. If Microsoft reasonably determines that Publisher’s coverage is less than required to

meet its obligations under this Agreement, Publisher will promptly acquire such coverage and notify Microsoft.

**19. Bankruptcy.** The rights conferred by Publisher on Microsoft under this Agreement, including those described in Sections 10.1 and 11, constitute a license running from Publisher to Microsoft of a right to intellectual property for purposes of Section 365(n) of the United States Bankruptcy Code (11 U.S.C. 101, et seq.), and that Microsoft will have, in a bankruptcy proceeding in which Publisher is a debtor, the rights of a “licensee” as set forth in that provision. In a bankruptcy proceeding of Publisher, and notwithstanding any other term of this Agreement, Publisher will not have the power, absent Microsoft’s consent in its sole discretion, to assume or assign to a third-party any license running from Microsoft to Publisher of any property, interest, or right created in the Agreement, all such rights being purely personal to Publisher, such that governing non-bankruptcy law will preclude Publisher’s assignment (and, if applicable, assumption) of those rights without Microsoft’s consent.

**20. Term and termination.**

**20.1. Term.** This Agreement shall commence on the Effective Date and shall continue until December 31, 2023 (the “Term”). Unless one party gives the other notice of non-renewal within [\*] of the end of the then-current term, this Agreement shall automatically renew for successive [\*]. If the Agreement will expire, the parties will agree on a plan to allow End Users who purchase Software Titles near the expiration date to access and use the Digital Content of such Software Titles for a commercially reasonable time after expiration.

**20.2. Termination.** Either party may terminate this Agreement (in its entirety or solely for an applicable Software Title), effective immediately on notice if: (1) the other party materially breaches this Agreement (other than Section 14, the NDA, or a GDK License) and fails to cure within [\*] after notice; (2) the other party materially breaches Section 14, the NDA, or a GDK License; or (3) if the other party becomes Insolvent. If Publisher is the breaching party, Microsoft may suspend availability of Digital Content during any cure period. “*Insolvent*” means admitting in writing the inability to pay debts as they mature; making a general assignment for the benefit of creditors; suffering or permitting appointment of a trustee or receiver for all or any assets, unless such appointment is vacated or dismissed within [\*]; filing (or having filed) any petition as a debtor under any provision of law relating to insolvency, unless such petition and all related proceedings are dismissed within [\*]; being adjudicated insolvent or bankrupt; having wound up or liquidated; or ceasing to carry on business.

**20.3. Effect.** On termination or expiration of this Agreement, Publisher has no further right to, and will not, exercise rights licensed under this Agreement, except that Publisher will have a period of [\*] following the termination or expiration of this Agreement, or termination for a reason other than Publisher’s breach, to sell-off inventory of (i) FPU’s existing as of the date of termination or expiration; and (ii) if and only if this agreement is terminated by Publisher for a material breach by Microsoft, FPU’s manufactured under a bona fide purchase order accepted by an Authorized Replicator prior to the date of Publisher’s notice to Microsoft of termination (with respect to the manufacturing of any Software Title that has been previously approved by Microsoft). Publisher will, until the end of the Minimum Commitment term, continue to support existing Game Features for Software Titles sold before the effective date of termination or expiration.

**20.4. Cross-default.** If Microsoft has the right to terminate this Agreement, then it may also terminate the GDK License. If Microsoft has the right to terminate a GDK License, then Microsoft may also terminate this Agreement.

**20.5. Survival.** The following will survive expiration or termination of this Agreement: Sections 2, 6.3-6.4, 8, 10.1, 11.2.1, 11.4 (solely with respect to storing and distributing recorded gameplay clips), 11.5, 11.6, 12, 14-18, 20.3 - 20.5, and 21; Sections 1-4 of Exhibit 1; and Sections 1, 3.6-3.8, 3.10, 3.11, and 4-7 of Exhibit 2.

**21. General.**

**21.1. Law, venue, attorneys’ fees.** Washington State law governs this Agreement (excluding conflicts principles that would require applying different law). If federal jurisdiction exists, the parties consent to exclusive jurisdiction and venue in the King County, Washington federal courts. If not, the parties

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consent to exclusive jurisdiction and venue in the King County, Washington Superior Court. In any action arising out of or relating to this Agreement, the prevailing party may recover its reasonable attorneys’ fees, costs, and other expenses, including those on appeal or in a bankruptcy action.

21.2. **Notice.** All notices under this Agreement will be: (1) in writing; (2) in English; (3) deemed given when received; (4) sent by delivery service, messenger, or registered or certified mail (postage prepaid, return receipt requested); and (5) addressed and sent, with any required copies, as provided in Table 1 below (or as the recipient has otherwise designated, in writing or by email, before notice was sent). Ordinary business communications (excluding, for example, those related to payment or breach) may be sent by email and need not be cc’d.

Table 1– Contact Information			
<b>To Microsoft:</b>	Microsoft Corporation One Microsoft Way Redmond, Washington 98052-6399 USA	<b>To Publisher:</b>	Electronic Arts Inc. 209 Redwood Shores Pkwy. Redwood City, CA 94065
<b>Attention:</b>	General Manager, Global Games Partnerships and Development	<b>Attention:</b>	[*]
<b>Phone:</b>	(425) 882-8080	<b>Phone:</b>	(650) 628-1500
<b>Fax:</b>	(425) 936-7329	<b>Fax:</b>	[*]
<b>Copy To:</b>	Microsoft Corporation One Microsoft Way Redmond, Washington 98052-6399 USA Attn: Corporate, External, & Legal Affairs	<b>Copy To:</b>	Electronic Arts Inc. 209 Redwood Shores Pkwy. Redwood City, CA 94065 Attn: General Counsel
<b>Copy To Fax:</b>	(425) 936-7329	<b>Copy To Fax:</b>	[*]

- 21.3. **No delay or waiver.** No delay or failure to exercise or enforce any right or remedy under this Agreement, and no course of dealing or performance, will waive any such right or remedy. No express waiver of any right or remedy in one instance will waive such right or remedy in any other instance. All rights and remedies will be cumulative, not exclusive.
- 21.4. **Assignment.** Publisher may not assign this Agreement, or any right or duty under it, to any third party unless Microsoft expressly consents to such assignment, in writing. Microsoft may assign this Agreement, or any right or duty under it, as it deems appropriate, or authorize its affiliates or contractors to perform this Agreement in whole or part on Microsoft’s behalf. A merger, consolidation, or other corporate reorganization, or a transfer or sale of a controlling interest in a party’s stock, or of all or substantially all of its assets, is deemed to be an assignment. This Agreement will inure to the benefit of and bind the parties, their successors, administrators, heirs, and permitted assigns.
- 21.5. **Relationship.** Each party is an independent contractor to the other and has no authority to act on behalf of or bind the other, and this Agreement does not create any other relationship (e.g., employment, partnership, or agency).
- 21.6. **Interpretation.** If a court of competent jurisdiction finds any part of this Agreement illegal, unenforceable, or invalid, that part will be deemed replaced with an enforceable term most closely matching the parties’ intent, and the rest of the Agreement will remain in full force and effect. This Agreement will be interpreted according to its plain meaning without presuming that it should favor either party. Unless stated or context requires otherwise: (1) all internal references are to this Agreement, its parties, and its Exhibits; (2) all monetary amounts are expressed and, if applicable, payable, in U.S. dollars; (3) “*days*” means calendar days; (4) “*may*” means that the applicable party has a right, but not a concomitant duty; (5) “*partner*”, if used in this Agreement or related documents, is used in its common, marketing sense and does not imply a partnership; (6) “*notify*” means to give notice as provided in (and “*notice*” means a notice that complies with) Section 21.1; (7) “*current*” or “*currently*” means “as of the Effective Date” but “*then-current*” means the present time when the applicable right is exercised or performance rendered or measured; (8) URLs are understood to also

refer to successors, localizations, and information or resources linked from within websites at such URLs; (9) lists of examples following “including”, “e.g.”, “such as”, or “for example” are deemed to include “without limitation”; and (10) “or” means “and/or” (i.e., “a or b” is interpreted to mean “a, or b, or both a and b”); and (11) a party’s choices under this Agreement are in its sole discretion.

- 21.7. **Injunction.** Publisher’s threatened or actual unauthorized use of Microsoft Trademarks or other Microsoft proprietary rights, and either party’s threatened or actual breach of confidentiality provisions, may result in immediate and irreparable damage for which there is no adequate remedy at law. In such event, the non-breaching party is entitled to appropriate injunctive relief from any court of competent jurisdiction.
- 21.8. **Miscellaneous.** All rights and remedies under this Agreement are cumulative. Each party will pay its own costs to perform (except if expressly stated otherwise). This Agreement: (1) is effective only when manually signed (i.e., with a pen) or signed via an electronic signature service by authorized representatives of both parties, which signature requirement is, without limitation, a material term; (2) is the parties’ entire agreement on this subject and merges, replaces, and supersedes all related oral understandings, representations, prior discussions, letters of intent, or preliminary agreements, including any Xbox One Publisher License Agreement between the parties; (3) is formed as of the Effective Date; (4) may be modified only by a writing hand-signed (i.e., with a pen) or signed via an electronic signature service by authorized representatives of each party (except as otherwise expressly provided in this Agreement); and (5) may be executed in counterparts, by fax or other electronic means to accurately send images, or by electronic signature service. The parties have formed this Agreement as of the Effective Date.
- 21.9. **Microsoft Portal Terms and Conditions.** Publisher may be required to accept terms and conditions for the use of Microsoft web portals, including the App Developer Agreement (or its successor) governing the Microsoft Store and/or Partner Center (the “ADA”). In the event of any conflict between the terms of this Agreement and the ADA, the terms of this Agreement will control regarding the obligations of the parties governed by this Agreement (including the Certification, sale, and support of Publisher’s Xbox Console Software Titles).

[signature page follows]

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**Agreed and accepted:**

<b>Microsoft Corporation</b>	<b>Electronic Arts, Inc.</b>
Signature: /s/ Lance Peterson	Signature: /s/ Paul Cairns
Name: Lance Peterson	Name: Paul Cairns
Title: Xbox 3PP Program Manager	Title: SVP Business Affairs & Development
Date: 9/25/2020	Date: 9/24/2020

<b>EA Swiss Sàrl</b>	<b>EA Swiss Sàrl</b>
Signature: /s/ Loris Botto	Signature: /s/ Michael Kearney
Name: Loris Botto	Name: Michael Kearney
Title: Director	Title: VP Global Operations
Date: 9/25/2020	Date: 9/25/2020

**EXHIBIT 1 – DIGITAL STORE PAYMENTS**

**1. Definitions.** Capitalized terms used in this Exhibit but not defined below will have the meanings provided in the Agreement.

- 1.1. “*Advertisements*” will have the meaning set forth in Section 2.7.1.
- 1.2. “*Advertising Revenue*” will have the meaning set forth in Section 2.7.
- 1.3. “*CSV*” means currency stored value that consumers may use to redeem for goods or services from Microsoft that are distributed online. The rates, values, and policies applicable to use of CSV are available in the Publisher Guide.
- 1.4. “*CSV Remittance Rate*” means the rate that Microsoft will use to calculate the Royalty Fee due Publisher for Digital Content purchased with CSV. Microsoft reserves the right to change the CSV Remittance Rate [\*], and will publish any such change in the Publisher Guide. Notwithstanding the foregoing, the CSV Remittance Rate is currently [\*].
- 1.5. “*Licensed Music*” will have the meaning set forth in Section 2.6.1.
- 1.6. “*WSP*” or “*Wholesale Price*” means, when used in this Exhibit 1, the price set by Publisher for Digital Content.

**2. Digital Content and PDLC.**

- 2.1. **Generally.** Publisher may submit Digital Content to Microsoft for distribution via the Microsoft Store. Publisher will set the WSP, which can be zero. Microsoft may choose to offer such Digital Content to End Users for free, for a fee, or not at all and for sale in currency or via CSV. If Publisher is requesting that Digital Content be delivered for free via the Microsoft Store, Microsoft may also charge Publisher a reasonable fee for such service (except as otherwise agreed to by the parties in writing). For all Digital Content for which Microsoft receives payment, Microsoft will pay Publisher a royalty as per Section 2.2 (“*Royalty Fee*”).
  - 2.2. **Royalty.** Microsoft will pay Publisher a royalty percentage for Digital Content as follows:
    - 2.2.1. **CSV purchases.** For Digital Content and PDLC made available and purchased with CSV, the Royalty Fee will equal [\*].
    - 2.2.2. **Non-CSV purchases.** For non-CSV purchases of Digital Content and PDLC, or content sold for “free,” the Royalty Fee will equal [\*]. The wholesale and actual prices do not include any pass-through taxes such as sale, use, and/or VAT/GST that are ordinarily collected from End Users whether or not those taxes are displayed to End Users.
  - 2.3. **Payment.** Within [\*] after the end of [\*], or more frequently, Microsoft shall provide Publisher with access to a statement and release payment for any Royalty Fees due to Publisher. In the event Royalty Fees are less than \$200 for a given month, then no payment will be made until such Royalty Fees accrued exceed \$200. Publisher has [\*] after the receipt of the statement to dispute the information presented on the statement, provided that (i) the foregoing shall not affect Publisher’s audit rights as provided below; or (ii) the foregoing shall not apply to any amounts which Microsoft failed to report via the sales or settlement report (e.g. the settlement report never includes sales reports for a given product). [\*]
  - 2.4. **Xbox Services billing, collection, and Publisher Hosted Services.** Microsoft has the sole right to bill and collect all fees associated with Xbox Services, including for subscriptions or any Digital Content for which End Users may be charged, [\*]. As between Publisher and Microsoft, Microsoft will solely offer, host, fulfill, and deliver Digital Content and any other Xbox Console-related content or services to End Users, except as permitted for Publisher Services.
  - 2.5. **Offsets.** Subject to and only in connection with the terms of this Section 2.5, Microsoft reserves the right to adjust Publisher’s Royalty Fee payment amount to reflect offsets, in the month the offset is received by Microsoft, for: (1) actual amounts uncollectable in relation to sales of Publisher’s Digital Content and PDLC (e.g., canceled credit card payments, invalid credit card accounts); and (2) any return(s) of
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Publishers' Digital Content and PDLC. Subject to the terms of this Section 2.5, Microsoft may elect to accept returns of Digital Content and PDLC from End Users in accordance with the terms of sale provided via the Microsoft Services Agreement. Unless Publisher has provided its prior written approval, however, or the parties otherwise agree to a higher cap amount, the total returns that can be netted out of the Royalty Fee calculation will not exceed [\*] of the total number of units sold in any quarter. For any returns accepted by Microsoft, Microsoft will revoke the digital content license associated with the applicable End User's Microsoft account. Note that any revocation of digital content license in accordance with Section 6.5 of the main body of this Agreement is excluded from the [\*] referenced above. Upon written notice to Publisher (email shall suffice), Microsoft shall only have the right to offset amounts due to Publisher under this Section 2.5 of this Exhibit 1 in the event Publisher fails to pay Microsoft any amounts due under the Agreement. If actual amounts uncollectable in (1) above exceed [\*] payable to Publisher in any [\*], the parties will immediately discuss reasonable business efforts to reduce such actual amounts. Microsoft will coordinate with Publisher in good faith to make returns and uncollectible amounts reporting available to Publisher detailing (i) the total amount of End User returns occurring in such period, and (ii) the total amount of uncollectible amounts occurring in such period, in each case reported separately to Publisher in such period.

- 2.6. Additional payment.** Without limiting Section 16.1.5 of the main body of this Agreement, for the sale of Software Titles (including any embodied Digital Content), Publisher will pay all: (1) so-called "record" royalties to artists, producers, engineers, mixers, A&R executives, and other royalty participants; (2) mechanical royalties to publishers of copyrighted musical compositions; (3) synchronization royalties to publishers of copyrighted musical compositions; (4) payments required under collective bargaining agreements applicable to Publisher or its affiliates; and (5) other royalties, fees, or amounts required to be paid to any third party under Section 16.1.5. Notwithstanding the foregoing, Microsoft acknowledges that, with respect to musical compositions embodied in Software Titles that support Project xCloud, as between Publisher and Microsoft, Publisher hereby grants the corresponding public performance rights (and other similar rights) to Microsoft to the extent Publisher owns, controls or is authorized to grant such rights, and otherwise Microsoft shall be responsible for securing, administering and paying for any public performance licenses (or other similar rights licenses in countries outside the United States, including making available or communication to the public licenses) solely to the extent required by law and necessary to support Project xCloud. To enable Microsoft to secure, administer and pay any such licenses, Publisher shall use good faith efforts to cooperate with Microsoft's reasonable requests. For example, at Microsoft's request, Publisher will provide detailed information regarding the musical compositions contained in Software Titles, including the owner(s) or controller(s) of the public performance rights therein (e.g., in the form of cue sheets or as otherwise agreed).
- 2.7. [Reserved].**
- 2.8. Taxes.** Neither party is liable for any of the other party's taxes that the other is legally obligated to pay and that are incurred or arise in connection with or related to transactions under this Agreement, and all such taxes (including net income or gross receipts taxes, franchise taxes, property taxes, or taxes arising from sales between a party and its subscribers or customers) are the financial responsibility of the party legally obligated to pay such tax. Each party will pay to the other any sales, use, or value-added taxes owed by that party solely as a result of entering into this Agreement and required to be collected under applicable law. A party may provide to the other a valid exemption certificate, in which case that other party will not collect taxes covered by such certificate. Each party will defend, indemnify, and hold the other harmless from any taxes (including sales or use taxes paid by one party to the other) or claims, causes of action, costs (including reasonable attorneys' fees), and any other liabilities of any kind whatsoever related to a party's taxes. If any taxes must be withheld on payments made by one party to the other, the paying party will deduct such taxes from the amount otherwise owed and pay them to the appropriate taxing authority. The paying party will secure and deliver to the other an official receipt for those withholdings and other documents reasonably requested by the other to claim a foreign tax credit or refund. The parties will use reasonable efforts to ensure that any taxes withheld are minimized to the extent possible under applicable law. This tax section will govern the treatment of all taxes arising as a result of, or connected with, this Agreement notwithstanding any other section of this Agreement.
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3. **Audit.** Each party will keep all usual and proper records related to its performance under this Agreement (including any addenda or amendments), including audited financial statements and support for all transactions related to the ordering, production, inventory, distribution, billing/invoicing, or payment information for [\*] years from the date created. [\*] (“**Auditing Party**”) may, on [\*], cause a third-party independent CPA or law firm to audit or inspect the [\*] (“**Audited Party**”) records no more than [\*] to verify compliance with the financial, royalty, and payment terms of this Agreement. Auditing Party will have access to the previous [\*] of Audited Party’s records from the date that the audit request notice was received by Audited Party. The right of inspection and consultation will expire with respect to all records related to any amounts payable under this Agreement on the [\*] of the date of the statement or payment to which such records relate. Any such audit will be conducted during regular business hours at Audited Party’s offices and will be paid for by Auditing Party, unless Material discrepancies are disclosed. If Material discrepancies are disclosed, Audited Party will pay Auditing Party [\*]. For purposes of this Section 3, “**Material**” means [\*] (net of any overpayments that may have occurred during such audit period).
  4. **Xbox Play Anywhere.** If Publisher Commercially Releases a Software Title that supports Xbox Play Anywhere (“**XPA**”), which means that the Software Title is playable on both Xbox Consoles and Windows 10 (as further described in the Publisher Guide), then Publisher acknowledges that for XPA Software Title(s) purchased via the Microsoft Store, the Royalty Fee set forth in Section 2 of Exhibit 1 shall be the sole compensation payable to Publisher for such XPA Software Title.
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## EXHIBIT 2 – PHYSICAL DISC MANUFACTURE AND SALES

The terms of this Exhibit govern the manufacturing and sale of Publisher's Software Titles on game media.

### 1. Definitions. Capitalized terms used in this Exhibit but not defined below will have the meanings provided in the Agreement.

- 1.1. "**Authorized Replicator**" means a software replicator approved by Microsoft to replicate FPU's for Xbox Consoles.
- 1.2. "**BTS**" means a Microsoft-designed break-the-seal sticker that will be issued to the Authorized Replicator for placement on the Packaging Materials as specified in the Publisher Guide.
- 1.3. "**FPU**" or "**Finished Product Unit**" means a copy of a Software Title, in object code form, that has passed Certification, has been affixed to a game media and is approved by Microsoft and Publisher for release and manufacturing. Once Packaging Materials have been added and the BTS has been assigned to the FPU or its packaging, the FPU also includes its accompanying BTS and Packaging Materials.
- 1.4. "**FPU Verification Version**" means a unit of a Software Title that is intended to comply fully with all terms of the Agreement and this Exhibit and that has not passed Certification, which Publisher or an Authorized Replicator provides for testing purposes.
- 1.5. "**Packaging Materials**" means art and mechanical formats for a Software Title, including retail packaging, End User instruction manual, warranties, End User warnings, FPU media label, and any promotional inserts and other materials to be included in retail packaging.
- 1.6. [Reserved].
- 1.7. "**Sell-Off Period**" will have the meaning set forth in Section 3.10.
- 1.8. "**Threshold Price**" means the WSP (for the North American, the European Middle East and African, the Asian, the Australian, and the South American Sales Territories) or SRP (for the Japan Sales Territory) at which Publisher intends to sell Software Titles. If the Software Title is bundled with any product or service that is not a Software Title, the Threshold Price will be the WSP or SRP for the entire bundle.
- 1.9. "**WSP**" or "**Wholesale Price**" means, in or for a given Sales Territory, the [\*] per-unit price that Publisher (or any third-party licensee to which Publisher grants distribution or resale rights) intends to or does charge distributors, retailers, or in bona fide third-party transactions for the right to distribute and resell FPU's, however: (1) no transactions involving Publisher Affiliates will be considered in determining WSP; and (2) if the WSP for an FPU varies among countries in a Sales Territory, then (a) WSP in the [\*] will determine the royalty for the entire North American Sales Territory; (b) [\*] WSP in [\*] will determine the royalty for the entire European, Middle East and African Sales Territory; (c) [\*] WSP in [\*] will determine the royalty for the entire Asian Sales Territory; (d) the WSP for [\*] will determine the royalty for the entire Australian Sales Territory; and (e) the WSP for [\*] will determine the WSP for the South American Sales Territory.

### 2. Distribution License Conditions

- 2.1. **Content rating.** Publisher must include the content ratings(s) for all Software Titles prominently on FPU's and Marketing Materials, as per the applicable rating body's guidelines. If, after Commercial Release, Microsoft or a ratings body determines that the Software Title is suitable for adults only or is indecent, obscene, or illegal, Publisher must recall, at Publisher's own expense, all FPU's for the Software Title.
- 2.2. **Distribution license.** On Certification of a Software Title, approval of Marketing Materials, and receipt of the FPU Verification Version by Microsoft, and subject to all terms of the Agreement and this Exhibit, Microsoft grants Publisher a non-exclusive, non-transferable, personal license to distribute FPU's containing redistributable, sample code, and Security Technology in approved Sales Territories, solely in FPU form, to third parties for distribution to users or directly to End Users. Except for transfers of FPU's through normal distribution channels (e.g., retailers, wholesalers), Publisher may not sublicense, transfer, or assign its rights under this license to any third parties (including any right to distribute Software Titles or FPU's to another entity that will brand, co-brand, or otherwise assume control over such products as a

“publisher” as that concept is understood in the console game industry) without Microsoft’s express, prior, written consent. Publisher’s license does not include any right, power, or authority to subject Microsoft’s software (or derivative works of, or IPR associated with, such software) in whole or in part to any terms of an Excluded License. “Excluded License” means any license that requires, as a condition of use, modification, or distribution of software subject to the Excluded License, that such software or other software combined or distributed with such software be: (1) disclosed or distributed in source code form; (2) licensed for the purpose of making derivative works; or (3) redistributable at no charge.

**2.3. Distribution limitations.** Except as provided for in the Agreement and this Exhibit, Publisher will distribute FPU only in the Sales Territories for which the Software Titles have been approved by Microsoft. Publisher will not, directly or indirectly: (1) export any FPU from one Sales Territory to another, or outside of Sales Territories; (2) assist or knowingly permit any third party in doing so, except for de minimis quantities of which Publisher provides Microsoft advanced written notice; or (3) distribute FPU to any person or entity that Publisher has reason to believe may re-distribute or sell such FPU outside a Sales Territory. Publisher may, however, request to distribute FPU in countries outside the Sales Territories, and Microsoft will not unreasonably withhold consent.

**2.4. Simship obligations.**

**2.4.1. DFU and FPU Simship.** For each FPU of a Base Game Commercially Released in a given Sales Territory, a DFU of the same Base Game must be made available for distribution in that same Sales Territory, on a country-by-country basis, via the Microsoft Store simultaneously. For purposes of this Section 2.4 only, “simultaneously” means within [\*] of FPU Commercial Release.

**2.4.2. [\*]**

**3. Manufacturing**

**3.1. Replication.** Publisher will use only Authorized Replicators to produce FPU. Before placing an order with an Authorized Replicator, Publisher will confirm with Microsoft that such entity is an Authorized Replicator, as such list of Authorized Replicators may change from time to time. A then-current list of Authorized Replicators will be in the Publisher Guide. Publisher will notify Microsoft of its intended Authorized Replicator for each Software Title. The agreement for replication services will be negotiated between Publisher and the applicable Authorized Replicator, subject to the terms of the Agreement and this Exhibit. Microsoft may charge Authorized Replicator for rights, services, or products associated with manufacturing FPU. The agreement between Microsoft and each Authorized Replicator grants Microsoft the right to instruct Authorized Replicator to cease manufacturing FPU, or to prohibit releasing FPU to Publisher or its agents, if Publisher is in breach of the Agreement (including this Exhibit) or any credit arrangement between the parties. Microsoft does not guarantee performance of, and will not be liable for the failure to perform any agreement by, any Authorized Replicators. Microsoft is not obligated to ensure that FPU are free of defects. [\*]

**3.2. Submission to Authorized Replicator.** Microsoft, and not Publisher, will provide to the applicable Authorized Replicator the final release version of the Software Title and all specifications required by Microsoft for manufacturing FPU, including the Security Technology. Publisher will prepare and deliver to the Authorized Replicator all other items required for manufacturing FPU, including approved Packaging Materials associated with the FPU.

**3.3. Verification Versions.** Publisher shall allow Microsoft to cause Authorized Replicator to create several Verification Versions of each FPU that has been submitted, but has not passed Certification, that will be provided to both Microsoft and Publisher for evaluation. Before Authorized Replicator fully manufactures FPU, both parties must approve the applicable Verification Version. Microsoft’s approval of each Verification Version is a condition precedent to Publisher’s right to manufacture, however Publisher will grant final approval and will work directly with Authorized Replicator regarding the production run, including by verifying that all FPU are replicated in conformity with all quality standards and manufacturing specifications, policies, and procedures that Microsoft requires of Authorized Replicators and all Packaging Materials are approved by Microsoft before pack out. Publisher will cause Authorized Replicator to include BTS on each FPU.

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- 3.4. Manufacturing reports.** Publisher will provide Microsoft with forecasts showing [\*] manufacturing projections by Sales Territory for each Software Title. Publisher will use commercially reasonable efforts to cause Authorized Replicator to deliver to Microsoft, within [\*] after the end of each [\*] during the Term, accurate [\*] statements of FPU's manufactured in such month, for each Software Title and with sufficient detail to satisfy Microsoft. Microsoft will have reasonable audit rights to examine Authorized Replicator's records regarding the number of FPU's manufactured.
- 3.5. Samples.** In addition to DFU Samples required in the Agreement, for each Software Title published under the Agreement and this Exhibit, Publisher will provide to Microsoft a reasonable number of samples (as per the Publisher Guide, but not to exceed [\*] per Software Title per Sales Territory in which the Software Title will be Commercially Released). Publisher will not be required to pay royalty fees for such FPU samples if the samples.
- 3.6. Support.** Publisher will provide all technical and other support related to FPU's, except as such support relates to Xbox Services. Publisher will provide appropriate contact information (including Publisher's street address, telephone number, and the applicable individual/group responsible for customer support) to all End Users and to Microsoft for posting on [www.xbox.com](http://www.xbox.com).
- 3.7. Warranty.** Publisher will provide the original End User of any FPU a minimum warranty (in writing and in practice) that complies with local laws (as reasonably determined by Publisher) in each country of each Sales Territory in which the FPU is sold. Publisher will offer End Users additional warranty coverage in the applicable country of each Sales Territory as required by local law.
- 3.8. Recall of FPU's.** Notwithstanding anything in the Agreement and this Exhibit to the contrary, if there is a material defect in any FPU's that in Publisher's and Microsoft's reasonable judgment would: (1) significantly impair any End User's ability to play such FPU; or (2) adversely affect Xbox Console gameplay, Microsoft may require Publisher to recall FPU's, at Publisher's own expense, and promptly repair or replace such FPU's if the defect has not been otherwise remedied via a Title Update.
- 3.9. No unapproved or unauthorized bundling.** Except as expressly stated in this Section 3.9, Publisher will not market or distribute FPU's bundled with any other product or service, or knowingly permit or assist any third party in such bundling, without Microsoft's prior written consent. Publisher [\*]
- 3.10. Effect and sell-off.** On termination or expiration of the Agreement, Publisher has no further right to, and will not, exercise rights licensed under the Agreement and will promptly cease all manufacture of FPU's through its Authorized Replicators and, other than as provided below, cease using Microsoft Trademarks. Publisher will have [\*] after expiration (or termination, if not due to Publisher's breach) ("**Sell-Off Period**") to (i) sell its inventory of FPU's existing as of the date of termination or expiration; and (ii) if and only if this Agreement is terminated by EA for a material breach by Microsoft, FPU's manufactured under a bona fide purchase order accepted by an Authorized Replicator prior to the date of Publisher's written notice to Microsoft of termination (with respect to the manufacturing of any Software Title that has been previously approved by Microsoft); after which Publisher will immediately return all unsold FPU's to an Authorized Replicator for destruction. Publisher will cause the Authorized Replicator to: (1) destroy all returned FPU's; and (2) have its authorized representative certify to Microsoft, in writing, that all such FPU's were destroyed. All of Publisher's obligations under the Agreement and this Exhibit will apply during such Sell-Off Period. If the Agreement is terminated due to Publisher's breach, Microsoft may require Publisher to immediately destroy all undistributed FPU's not yet distributed to Publisher's distributors, dealers and/or end users and shall require all those distributing the FPU over which it has control to cease distribution. Publisher will, until the end of the Minimum Commitment term, continue to support existing Game Features for FPU's sold before the effective date of termination or expiration.
- 3.11. Duty to defend.** Publisher's obligations set forth in Section 17.1 ("Defense of Claims") of the Agreement shall include any and all third party claims that relate to the Software Title FPU's.
- 4. Platform royalty.** For each FPU manufactured during the Term, Publisher will pay Microsoft nonrefundable royalties as per Table 1 and Table 2 of this Exhibit 2, and based on the Threshold Price and Sales Territory where FPU's are sold. To determine the applicable royalty rate, first determine the royalty tier ("**Royalty Tier**") based on the Threshold Price and Sales Territory from Table 1. The royalty rate is set forth at the intersection of
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the Sales Territory and Royalty Tier in Table 2. For example, if the Wholesale Price of a Software Title sold in the North American Sales Territory is [\*], Table 1 provides that Tier 1 royalty rates apply, which, according to Table 2, are [\*].

<b>Table 1: Royalty Tier</b>
[*]

<b>Table 2: Royalty Rate</b>
[*]

- 4.1. **Standard Software Titles.** Publisher will submit to Microsoft, at least [\*] before placing the first manufacturing order for a Software Title, a completed “*Xbox Console Royalty Tier Selection Form*” as specified in the Publisher Guide (which may require electronic submission) for each Sales Territory. The selection in such form will be effective only once approved by Microsoft. If a Standard Software Title does not have an approved Xbox One Royalty Tier Selection Form (e.g., due to Publisher not providing, or Microsoft not yet approving the form), the royalty rate for such Standard Software Title will default to Tier 0, regardless of the actual [\*] (e.g., if Microsoft does not approve the form because it is filled out incorrectly, the royalty rate will default to Tier 0).
- 4.2. **Unit Discounts.** Publisher is eligible for a discount on FPUs manufactured for a particular Sales Territory (a “*Unit Discount*”) based on the number of FPUs manufactured for sale in only that Sales Territory (i.e., there is [\*] for a particular Software Title [\*] Sales Territories) as set forth in Table 3 of this Exhibit 2. The discount will be rounded up to the nearest USD Cent, Yen, or Euro Cent.

<b>Table 3: Unit Discounts</b>
[*]

- 4.3. **Royalty Tier migration.** [\*] after Commercial Release of a FPU in a Sales Territory, Publisher may elect to change the Royalty Tier to any other valid Royalty Tier (e.g., migrate from Tier 1 to Tier 2 or from Tier 1 to Tier 3). A Software Title may migrate Royalty Tiers [\*]. Publisher must submit to Microsoft, at least [\*] before placing the first manufacturing order under the desired migrated Royalty Tier a completed “*Xbox Console Royalty Tier Migration Form*” as specified in the Publisher Guide (which may require electronic submission). Unit Discount accumulation [\*].
- 4.4. **Greatest Hits Program.** In each Sales Territory, if (i) a Software Title meets the criteria set forth below at the time of the targeted Commercial Release date of the Greatest Hits FPU; and (ii) Publisher satisfies all the conditions set forth below, Publisher is authorized to manufacture and distribute Greatest Hits FPUs in such Sales Territory at the royalty rate in Table 2 above applicable to Greatest Hits FPUs.
  - 4.4.1. The Software Title must have been commercially available as a Standard FPU in the applicable Sales Territory for at least [\*] at the time of Commercial Release of the Greatest Hits FPU.
  - 4.4.2. As of the date Publisher wishes to Commercially Release the Software Title as a Greatest Hits FPU, Publisher must have manufactured the minimum FPUs and reached the minimum number of DFU transactions for such Software Title as set forth in Table 4 of this Exhibit 2 below:

<b>Table 4: Combined FPU and DFU Transaction Thresholds</b>
[*]

[\*].

- 4.4.3. Packaging for a Greatest Hits Software Title must comply with all Microsoft packaging and branding requirements set forth in the Publisher Guide.

- 4.4.4. The Greatest Hits FPU version must be the same or substantially equivalent to the Standard FPU version of the Software Title. Publisher may modify or add additional content or features to the Greatest Hits FPU version of the Software Title (e.g., demos or game play changes) subject to Microsoft's review and approval, and Publisher acknowledges that any such modifications or additions may require the Software Title to be re-Certified at Publisher's expense.
- 4.4.5. Publisher acknowledges that Microsoft may change any of the qualifications for participation in a Greatest Hits Program upon [\*] advanced written notice to Publisher, provided that any such change will not apply to Software Titles for which a complete Hits Program Election Form has already been approved by Microsoft.
- 4.4.6. Publisher shall submit to Microsoft, at least [\*] prior to the targeted Commercial Release of the Greatest Hits Software Title, a completed and signed Xbox Console Greatest Hits Programs Election Form in the form available in the Publisher Guide for each Sales Territory. The Xbox Console Greatest Hits Programs Election Form will be effective once it has been approved by Microsoft. If the Xbox One Greatest Hits Programs Election Form is not approved for any reason, Microsoft must notify Publisher of the reasons for disapproval within a reasonable amount of time. If a Greatest Hits Software Title does not have an approved Xbox Console Greatest Hits Programs Election Form as required hereunder (e.g., as a result of the Publisher not providing an Xbox Console Greatest Hits Programs Election Form or because Microsoft has not approved the Xbox Console Greatest Hits Programs Election Form), the royalty rate for such Software Title will default to the Royalty Tier that applied to the last manufacturing of the Software Title (i.e., if Microsoft does not approve an Xbox Console Greatest Hits Programs Election Form because it is filled out incorrectly, the royalty rate will default to the Royalty Tier that applied to the last manufacturing of the Software Title). Publisher may elect either GH Tier 1 or GH Tier 2 at initial Commercial Release as a Greatest Hits Software Title provided that the Greatest Hits Software Title meets the Threshold Price requirements set forth in Table 1 above.
- 4.4.7. After [\*] from the Commercial Release of a Greatest Hits Software Title, Publisher may elect to change the previously elected Greatest Hits Tier royalty rate for such Greatest Hits Software Title to a lower Greatest Hits Tier royalty rate in a specific Sales Territory provided that the Greatest Hits Software Title has a [\*] that meets the requirements for the newly elected Greatest Hits Tier royalty rate in Table 1 above.
- 4.4.8. To change a previously elected Greatest Hits Tier royalty, Publisher must submit to Microsoft, at least [\*] before placing the manufacturing order for the applicable Greatest Hits Software Title, a completed Xbox Console Greatest Hits Royalty Tier Migration Form (a "Greatest Hits Tier Migration Form") set forth in the Publisher Guide for each Sales Territory. The change in royalty rate will only apply to manufacturing orders for such Greatest Hits Software Title placed after the relevant Greatest Hits Tier Migration Form has been approved by Microsoft. Microsoft shall approve or provide reasons for disapproval within a reasonable amount of time from submission by Publisher.

## 5. Asian Language Localization Incentive Program. [\*]

- 5.1. **Two (2) Royalty Tier Discount ("Two Tier Discount"):** A Software Title must meet the following requirements to qualify for a Two Tier Discount: [\*]
- 5.2. **Three (3) Royalty Tier Discount ("Three Tier Discount"):** A Software Title qualifies for a Three Tier Discount if, in addition to meeting all the Two Tier Discount qualifications in Section 5.1, the text and subtitles of the Software Title are localized into the Korean language.
- 5.3. **Asian Language Localization Incentive Platform Royalty.** For up to [\*] manufactured under the Asian Language Localization Incentive Program, Publisher will pay to Microsoft nonrefundable royalties per Table 5 of this Exhibit 2. To determine the applicable royalty rate, first determine the Royalty Tier based on the Wholesale Price for the Asian Sales Territory from the "Asian WSP" column in Table 5 below. The royalty rate is set forth at the intersection of the Royalty Tier and the number of applicable Royalty Tier discounts (i.e., 2 or 3). Regardless of the number of Royalty Tier discounts for which the Software Title
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qualifies, the maximum Royalty Tier Discount is [\*]. For example, if the Wholesale Price of a Software Title sold in the Asian Sales Territory is [\*], Table 5 provides that the Tier 2 royalty rates [\*] would apply.

<b>Table 5: Asian Language Localization Program Tier Discounts</b>
[*]

- 5.4.** Units manufactured for the Asian Sales Territory that qualify for this program will not qualify for the Unit Discount calculation set forth in Table 3, nor will the Software Titles be permitted to migrate royalty tiers while participating in this program. Such units will be included in the Greatest Hits Program manufacturing requirements set forth in Section 4.4 (Table 4). With respect to any single Software Title, all units manufactured in addition to [\*] will be charged the applicable Royalty Tier based on the WSP of the Software Title for the Asian Sales Territory designated in Tables 1 and 2.
- 5.5.** Publisher shall submit to Microsoft, at least [\*] prior to the first manufacturing order being placed for the Software Title, a completed “Xbox One Asian Language Localization Tier Selection Form” for each Software Title in the form provided in the Publisher Guide. If the Xbox One Asian Language Localization Tier Selection Form is not approved for any reason, Microsoft must notify Publisher of the reasons for disapproval within a reasonable amount of time. The selection in such form will be effective only once approved by Microsoft. If the Software Title does not have an approved Xbox One Asian Language Localization Tier Selection Form (e.g., due to Publisher not providing, or Microsoft not yet approving the form, in each case provided that MSFT provides the reasons for disapproval to EA as set forth above in this paragraph), the royalty rate for such Software Title will default to [\*] regardless of the actual WSP.
- 6. Japan Tier Reduction Incentive Program.** Unless otherwise terminated earlier by written notice from Microsoft to Publisher, for Software Titles that are Commercially Released in the Japan Sales Territory that meet the requirements set forth in this Section 6, up to [\*] of each such Software Title may qualify for the [\*] royalty rate set forth in Section 4, Exhibit 2, Table 2 regardless of the royalty rate applicable to the Software Title’s SRP. In the event Microsoft terminates the Japan Tier Reduction Incentive Program, Publisher will be entitled to the reduced royalty rates provided by the program in relation to any Software Title(s) for which Publisher submitted an Xbox One Royalty Tier Selection Form (for Japan) that has been approved by Microsoft prior to receipt of Microsoft’s written notice of termination.
- 6.1. Program Qualifications for Japan Tier Reduction Incentive Program:**
- 6.1.1.** The text and subtitles of the Software Title must be fully localized into the Japanese language;
  - 6.1.2.** The Packaging Materials must be in the Japanese language; and
  - 6.1.3.** The FPU must be manufactured for the Japan Sales Territory.
- 6.2.** Units manufactured for the Japan Sales Territory that qualify for this program will not qualify for the Unit Discount calculation set forth in Section 4.2 of Exhibit 2, Table 3, nor will the Software Titles be permitted to migrate royalty tiers under Section 4.3 of Exhibit 2 while participating in this program. Such units will be included in the Greatest Hits Program manufacturing requirements set forth in Section 4.4 (Table 4). With respect to any single Software Title, all units manufactured in addition to [\*] will be charged the applicable Royalty Tier based on the SRP of the Software Title for the Japan Sales Territory designated in Section 4, Exhibit 2, Tables 1 and 2.
- 6.3.** In order to participate in the program, Publisher shall submit to Microsoft a completed “Xbox Console Royalty Tier Selection Form” as specified in the Publisher Guide (which may require electronic submission) for Japan, at least [\*] prior to the first manufacturing order being placed for the Software Title. The participation in the program and Tier selection will be effective only once approved by Microsoft. If the Xbox One Royalty Tier Selection Form is not approved for any reason, Microsoft must notify Publisher of the reasons for disapproval within a reasonable amount of time. If the Software Title is not approved to qualify for the program (e.g., due to Publisher not submitting a completed “Xbox Console Royalty Tier Selection Form” electronically, in each case provided that MSFT provides the reasons for disapproval to Publisher as set forth above in this paragraph), the royalty rate for such Software Title will default to Tier 1, regardless of the actual SRP.
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7. **FPU Exchanges for DFUs.** [\*] Microsoft may, and may authorize its suppliers and retail partners to, offer End Users the ability to exchange FPUs of Software Titles for DFUs of the same Software Title free of charge to End Users (except for processing and/or administrative fees) and Publisher. The DFU provided to End Users will be the same version of the Software Title as the FPU used for the exchange, or a substantially similar DFU if the same version is not available. Such exchanges will not be deemed the sale of the DFU provided to End Users, and Publisher will not be entitled to any Royalty Fee for the DFU granted to End Users in accordance therewith. All FPUs exchanged in this program will be destroyed either physically or electronically.
8. **Payment process.** Payment of royalties owed to Microsoft for the manufacture of FPUs by its Authorized Replicators shall be due no later than [\*] following the date of manufacture. Depending on Publisher’s credit worthiness, Microsoft may, but is not obligated to, offer Publisher credit terms and if Microsoft elects to extend credit terms to Publisher, the parties will execute the applicable credit term agreement. Any payments not paid when due or according to this Section 8 will bear interest. The interest rate will be [\*], or the highest rate permitted by applicable usury law, whichever is less. The rate will be calculated on a daily basis and compounded on the [\*], from the due date until the date received by Microsoft. This Section 8 does not authorize late payments. Interest paid will not be in lieu of or prejudice any other right or remedy that Microsoft may have due to Publisher’s failure to make any payment according to this Section 8. All payments will be made by wire transfer, in accordance with payment instructions in the Publisher Guide, in the currency stated in Table 5 of this Exhibit 2 below for FPUs manufactured for sale in the applicable Sales Territory. Publisher has [\*] to notify Microsoft of any dispute.

Table 5: Payment Currency						
Sales Territory	North American	European, Middle East and African	Australian	Japan	Asian	South American
Currency	U.S. Dollars	Euros	U.S. Dollars	Yen	U.S. Dollars	U.S. Dollars

9. **Billing address.** Publisher has “bill to” addresses for the payment of royalties under this Agreement. Each such address will be for FPUs manufactured by Authorized Replicators in a given Sales Territory. If Publisher includes a “bill-to” address in a European country, Publisher (or its Affiliate) must execute a Publisher Enrollment Form (in the form provided in the Publisher Guide) with Microsoft’s affiliate, Microsoft Ireland Operations, Ltd. within [\*] before establishing a billing address in a European country. Publisher’s billing address(es) for North American Sales Territory and/or either Japan or Asian Sales Territory set forth in Table 6 below.



**Table 6: Publisher Addresses**

<b>Partner Name</b>	ELECTRONIC ARTS INC.	EA Swiss Sarl	ELECTRONIC ARTS INC.	Electronic Arts K.K.
<b>Address Line1</b>	209 Redwood Shores Parkway	[*]	209 Redwood Shores Parkway	[*]
<b>Address Line2</b>	[*]	[*]	[*]	[*]
<b>Address Line3</b>	[*]		[*]	[*]
<b>City</b>	REDWOOD CITY	Geneva	REDWOOD CITY	[*]
<b>State</b>	CA		CA	
<b>Country</b>	United States	Switzerland	United States	Japan
<b>Postal Code</b>	94065	1204	94065-1175	4-33-4
<b>Email</b>		[*]	[*]	
<b>Telephone</b>	[*]	[*]	[*]	[*]
<b>Fax</b>	[*]	[*]	[*]	

**APPENDIX A**  
**EA ACCESS AND ORIGIN ACCESS**

- 1. EA Access Minimum Features and Other Program Requirements.** This Section outlines and describes the minimum individual features that compose EA Access and other applicable requirements [\*].
    - 1.1. Subscription.** [\*], EA Access will have either a recurring subscription fee (e.g., monthly, quarterly and/or annually) or a one-time payment for a set period of membership (e.g., a single payment that entitles the subscriber to one year of EA Access).
    - 1.2. Early Trial Access.** EA Software Titles will be available for Early Trial Access to EA Access subscribers, [\*]. Subject to the foregoing, Publisher shall have flexibility in designing and customizing the Early Trial Access offerings for individual Software Titles. After the Commercial Release of the Software Title (which is a full game), Microsoft reserves the right to [\*]. Subject to the obligations of the Agreement and the foregoing, Publisher shall have flexibility in maintaining or removing the Trials for individual Software Titles. [\*]
    - 1.3. EA Access Vault.** EA Access will include Subscription Access to Software Titles in the EA Access Vault, [\*]. For the Software Titles EA includes in Access Vault, such Software Titles will include, [\*]. The catalog [\*] Software Titles in the EA Access Vault will continue [\*] the execution of this Agreement.
    - 1.4. Discounts.** EA Access subscribers will receive [\*], for purchases of Publisher PDLC and Software Titles.
    - 1.5. Subscription Parity for EA Access.**
      - 1.5.1.** If Publisher adds features or game content to any other [\*] video game version of EA Access on a Competitive Platform offered by Publisher, Publisher will add the corresponding Xbox Console version of such features or game content prior to or simultaneously with the release of such features or content on the other Competitive Platform, [\*].
    - 1.6. Support for Xbox Game Pass Ultimate Perks.** [\*], Publisher agrees to offer, [\*], provided such PDLC has a value for content that could be purchased or otherwise obtained through gameplay. For the avoidance of doubt, this obligation applies to [\*].
  - 2. Origin Access Minimum Features and Other Program Requirements.** This Section outlines and describes the minimum individual features that compose Origin Access and other applicable requirements [\*].
    - 2.1. Parity with EA Access.** All Publisher PC titles may be available for Subscription Access to Origin Access Basic subscribers on PC no earlier than the corresponding Xbox Console versions are made available to EA Access subscribers on Xbox Consoles, unless the PC title does not have a corresponding Xbox Console version.
    - 2.2. Origin Access Vault.** Origin Access will include Subscription Access to PC versions of Software Titles in the Origin Access Vault, [\*]. For the Software Titles EA includes in Origin Access Vault, such Software Titles will include, [\*]. The catalog [\*] at the execution of this Agreement.
    - 2.3. Discounts.** Origin Access subscribers will receive a [\*], for purchases of Publisher PC game titles and related content.
    - 2.4. Subscription Parity for Origin Access Basic.**
      - 2.4.1.** If Publisher adds features or game content to Origin Access Basic, Publisher will add the corresponding version of such features or game content to Origin Access Basic within Game Pass for PC prior to or simultaneously with the release of such features or content on Origin Access Basic, [\*].
    - 2.5. Support for Xbox Game Pass for PC.** [\*], Publisher, in its sole discretion, may elect to offer, on an annual basis, [\*].
  - 3. EA Subscription Offers Development.** Subject to the terms expressly set forth herein, Publisher has the right to determine the appropriate content, product, features, service, and terms of subscription for EA Subscription Offers.
  - 4. Customer Support.** Publisher is solely responsible for providing customer support to EA Subscription Offers subscribers (except for billing, purchasing, and Microsoft Store related inquiries, which shall be Microsoft's responsibilities). Except as expressly set forth herein, Publisher acknowledges and agrees that Microsoft has no support responsibilities whatsoever to EA Subscription Offers subscribers. Notwithstanding the foregoing, Publisher acknowledges that Microsoft may be subject to costs associated with supporting EA Subscription Offers, such as calls to customer support. [\*] If mitigation is not possible, the parties shall discuss, in good faith, the possibility for
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Microsoft to pass through, or otherwise deduct from royalty statements, reasonable customer service costs it incurs as a result of supporting such high volume of support for EA Subscription Offers pursuant to a mutually agreed accounting formula.

**5. Law Enforcement and Regulatory Requirements.** Publisher is responsible for ensuring that the EA Subscription Offers comply with all legal and regulatory requirements that apply in the jurisdictions in which they are made available. [\*]

**[end of Appendix A]**

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**APPENDIX B  
ADDITIONAL CHANGES TO THE AGREEMENT**

The parties agree to amend the terms of the Agreement as set forth in this Appendix. For the avoidance of doubt, the terms of this Appendix B [\*] and expire upon expiration or termination of the Agreement.

**1. Definitions.**

**1.1. [\*]**

**1.2. [\*].** A new defined term [\*] will be added to the Agreement as follows: [\*]

**2. Publisher Guide.** Section 4 (“Publisher Guide”) shall be replaced in full with:

**Publisher Guide.** Microsoft will provide Publisher access to a guide containing program-wide requirements and information applicable to the Xbox Consoles platform (as supplemented, revised or updated by Microsoft from time to time, the “**Publisher Guide**”), including Xbox Requirements, Branding Specifications, Marketing Guidelines, Xbox Games Store policy, End User data requirements, and other information regarding other operational aspects of Xbox Consoles, and Xbox Services. Each Software Title must comply with the Publisher Guide, [\*]. On publication of a supplement, revision, or updated version of the Publisher Guide, Publisher will automatically be bound by all provisions. After a Software Title has completed optional certification or within [\*] of submission for Certification, however, Publisher will not be obligated to comply, for such Software Title only, with any subsequent changes made by Microsoft to the Xbox Requirements or other required categories in the Publisher Guide, unless (1) such subsequent changes are intended to address privacy, security or technical integrity issues, or (2) compliance will not add significant expense or delay to a Software Title’s development or Certification. Changes to the replication requirements shall not apply to a particular Software Title if such Software Title has a scheduled appointment for Certification within [\*] of the effective date for such changes to the replication requirements unless such subsequent changes are intended to address privacy, security or technical integrity issues, or such changes will not add significant expense or delay to Certification or manufacture. Changes made to Branding Specifications or Marketing Guidelines will be effective as to a Software Title that has passed Certification only on a “going forward” basis (i.e., only to such Marketing Materials created more than [\*] after Microsoft notifies Publisher of the change), [\*].

**3. Reserved.**

**4. Digital Content Availability.** The following will be added to the end of Section 6.4 “Digital Content Availability.”

For clarity, Microsoft’s redistribution rights in this Section 6.4 will not apply in connection with [\*].

**5. [Reserved]**

**6. Software Title Parity.** Section 9 (“Software Title Parity”) shall be replaced in full with the following:

**Software Title parity.** Each Software Title is subject to the following requirements:

**9.1 Base Game and Digital Content parity.**

9.1.1. [\*] each Base Game and Game Feature [\*] as any [\*] Console Version [\*], including all localization [\*], support for [\*], multi-platform saves, and pack-in content from Publisher. [\*] to address any platform limitations that may impact [\*].

9.1.2 Each Premium Downloadable Content, Demo, Trial, and additional downloadable content [\*], subject to platform limitations. Notwithstanding the foregoing, Publisher may enter into exclusive arrangements for [\*], the parties will work together in good faith to determine a mutually acceptable alternative.

9.1.3. [\*], only a [\*] video game (not PC-only or mobile-only products) are subject to [\*]. Once a [\*] video game of a previously mobile-only or PC-only software product releases on a [\*].

## 9.2. Simship with Competitive Platforms.

9.2.1. For each [\*] video game or related software application (e.g., a companion app) Publisher releases [\*] an Xbox Console version (or versions, as applicable) of that game or software application as a Software Title [\*]. For clarity, the foregoing requirement will only apply [\*]. Publisher will Commercially Release each Base Game, [\*] and Game Features that are included as part of each such Base Game, either before or simultaneously with [\*] (whether released as a DFU or on a physical disc) on a country-by-country basis. [\*] to address any platform limitations [\*]. For the Japan Sales Territory, Publisher will meet the [\*] program upon the release of a physical version of such Software Title [\*].

9.2.2. Publisher will Commercially Release each Premium Downloadable Content, Demo, Trial and additional downloadable content [\*].

9.2.3. For clarity, only a [\*] video game (not PC-only or mobile-only products) are subject to [\*]. Once a [\*] video game of a previously mobile-only or PC-only software product releases on a Competitive Platform or Xbox Consoles, then [\*] will apply.

**9.3. Software Title feature updates post-Commercial Release.** [\*], with respect to any hardware feature updates made to a Software Title (e.g., HDR, spatial audio) that are available [\*] video game on a Competitive Platform [\*], Publisher will (1) in its implementation of such features, optimize the performance and technical capability of Xbox Console versions in parity with [\*] video game on the Competitive Platform; and (2) make the same hardware feature updates commercially available for the [\*] either before or simultaneously with the [\*] video game on the Competitive Platform. As used in this Section 9.3, “simultaneously” means within [\*] of the availability of such hardware feature on a Competitive Platform. Notwithstanding the foregoing, [\*].

**9.4. Cross Generation Licenses.** [\*], Publisher will Commercially Release a cross generation license version of a Software Title. Such cross generation licenses must (1) grant End Users rights to both an Xbox One version and an Xbox Series version of the Software Title, and (2) include features and/or performance that differentiates the Xbox Series version of the Software Title from the Xbox One version. For the avoidance of doubt, [\*].

7. **Xbox Console Remote Access.** Section 11.6 (“Xbox Console Remote Access”) shall be amended to add the following at the end of the Section: [\*]

8. **Project xCloud Support.** Section 11.7 (“Project xCloud Support”) is replaced in full with the following language:

**11.7 Project xCloud Support.** Solely in connection with Publisher’s Project xCloud Support set forth in this Section 11.7, Publisher grants Microsoft a [\*], worldwide, royalty-free, exclusive, transferrable, sublicensable (to Microsoft Affiliates ) license, solely as part of Project xCloud, to (a) broadcast, transmit, distribute, host, publicly perform and publicly display, reproduce, make available, communicate to the public, and stream Software Titles and gameplay of Software Titles to Streaming Devices; and (b) provide use, access, and control of the gameplay of a Software Title on any Streaming Device. The license grant in this Section 11.7 is subject to [\*]. Except as set forth in Section 11.7.1 – 11.7.5 below, Publisher will have the [\*] Software Titles for Project xCloud Support [\*]. The parties will work in good faith each quarter on a schedule of Software Titles for Project xCloud Support. [\*]:

11.7.1 Publisher agrees that it will support Project xCloud as described in this Section 11.7 (“Project xCloud Support”) [\*] for the following Software Titles and associated Digital Content, starting the dates specific (collectively, “*Project xCloud Support*”):

11.7.1.1. [\*]

11.7.1.2. [\*]

11.7.1.3. [\*]

11.7.1.4. [\*]

11.7.2. Publisher will use commercially reasonable efforts to [\*] for Project xCloud Support, provided the following conditions are met:

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11.7.2.1. [\*] reasonable determination, Software Title(s) [\*] the Project xCloud test environment; and

11.7.2.2. [\*]

11.7.2.3. [\*]

11.7.3. [\*]

11.7.4. [\*]

11.7.5. [\*]

11.7.6. [\*]

**9. Gameplay Record and Share.** Section 11.4 (“Gameplay Record and Share”) shall be amended to add the following at the end of the Section: [\*]

**10. Gameplay Streaming Features.** Section 11.5 (“Gameplay streaming features”) shall be amended to add the following at the end of the Section: [\*]

**11. Xbox Data.** The following shall be added as Section 12.8 in the Agreement:

**12.8.** Subject to the requirements of (i) Data Protection Laws and (ii) Microsoft’s terms with End Users, [\*]. The parties will [\*] that are not currently provided by Microsoft as of the date of this Agreement, that supply Xbox Console [\*], to the extent such [\*] is required by Publisher to operate [\*] features and services, Game Features, Digital Content, or otherwise operate Software Titles on Xbox Consoles.

**12. Excluded Damages.** Section 16.4 (“Excluded Damages”) will be replaced with the following:

**Excluded damages.** To the maximum extent permitted by applicable law, in no event will either party or its affiliates, licensors, or suppliers be liable for any special, incidental, punitive, or consequential damages of any kind or nature whatsoever, arising out of or related to this Agreement or the transactions contemplated under it, including lost profits or lost goodwill and whether based on breach of any express or implied warranty, breach of contract, tort (including negligence), or strict liability, regardless of whether such party has been advised of the possibility of such damage or if such damage could have been reasonably foreseen, [\*].

**13. Limitation of Liability.** Section 16.5 (“Limitation of Liability”) will be replaced with the following:

**Limitation of liability.** Except for amounts owed under this Agreement, the maximum liability of Microsoft to Publisher or any third party relating to this Agreement will be the lesser of the total amounts received by Microsoft under this Agreement or [\*]. Furthermore, under no circumstances will Microsoft be liable to Publisher for any damages whatsoever with respect to any claims relating to the Security Technology or its effect on any Software Title or for any statements or claims made by Publisher, whether in Publisher’s Marketing Materials or otherwise, regarding the availability or operation of any Software Title.

**14. [Reserved].**

**15. Defense of claims obligation.** The following new Sections 17.1.1 and 17.1.2 shall be added to the Agreement as part of Section 17 (“Defense of Claims”)

17.1.1. [\*]

17.1.2. [\*]

**16. Insurance Requirements.** Notwithstanding the terms of Section 18 (“Insurance”), Publisher may meet the requirements for E&O coverage in all Sales Territories by self-insuring for the required amounts.

**17. Term.** Section 20.1 (“Term”) shall be replaced in full with:

**Term.** This Agreement shall commence on the Effective Date and shall continue until December 31, 2023 (the “Term”). Unless one party gives the other notice of non-renewal within [\*] of the end of the then-current term, this Agreement shall automatically renew for [\*]. If the Agreement will expire, the parties will agree on a plan to allow End Users who purchase Software Titles near the expiration date to access and use the Digital Content of such Software Titles for a commercially reasonable time after expiration.

**18. [Reserved]**

**19. Assignment.** Section 21.4 (“Assignment”) shall be replaced in full with:

**Assignment.** Publisher may not assign this Agreement, or any right or duty under it, to any third party unless Microsoft expressly consents to such assignment, in writing, provided, however, [\*]. Microsoft may assign this Agreement, or any right or duty under it, as it deems appropriate, or authorize its affiliates or contractors to perform this Agreement in whole or part on Microsoft's behalf. A merger, consolidation, or other corporate reorganization, or a transfer or sale of a controlling interest in a party's stock, or of all or substantially all of its assets (collectively, a "Sale Event"), is deemed to be an assignment. This Agreement will inure to the benefit of and bind the parties, their successors, administrators, heirs, and permitted assigns.

**20. Payment.** Section 2.3 ("Payment") of Exhibit 1 to the Agreement shall be replaced in full with:

**Payment.** Within [\*] after the end of each month, or more frequently, Microsoft shall provide Publisher with access to a statement and release payment for any Royalty Fees due to Publisher. In the event Royalty Fees are less than \$200 for a given month, then no payment will be made until such Royalty Fees accrued exceed \$200. Publisher has 180 days after the receipt of the statement to dispute the information presented on the statement, provided that (i) the foregoing shall not affect Publisher's audit rights as provided below; or (ii) the foregoing shall not apply to any amounts which Microsoft failed to report via the sales or settlement report (e.g. the settlement report never includes sales reports for a given product). [\*]

**21. Additional Payment.** Section 2.6 ("Additional Payment") of Exhibit 1 to the Agreement shall be replaced in full with:

**2.6. Additional Payment.** Without limiting Section 16.1.5 of the main body of this Agreement, for the sale of Software Titles (including any embodied Digital Content), Publisher will pay all: (1) so-called "record" royalties to artists, producers, engineers, mixers, A&R executives, and other royalty participants; (2) mechanical royalties to publishers of copyrighted musical compositions; (3) synchronization royalties to publishers of copyrighted musical compositions; (4) payments required under collective bargaining agreements applicable to Publisher or its affiliates; and (5) other royalties, fees, or amounts required to be paid to any third party under Section 16.1.5.

**2.6.1.** With respect to musical compositions not owned by Publisher, and/or which Publisher is not authorized to grant public performance rights (and other similar rights) ("**Licensed Music**") embodied in Software Titles or any content for use with Project xCloud, Game Features, User Generated Content, gameplay recording and sharing, gameplay streaming features, and remote access, [\*]. Notwithstanding the foregoing, Microsoft acknowledges that, with respect to musical compositions embodied in Software Titles that support Project xCloud, [\*], as between Publisher and Microsoft, Publisher hereby grants the corresponding public performance rights (and other similar rights) to Microsoft to the extent Publisher owns, controls or is authorized to grant such rights, [\*], Publisher shall use good faith efforts to cooperate with Microsoft's reasonable requests. [\*]

2.6.1.1. [\*]

2.6.1.2. [\*]

**22. Advertising Revenue.** The following is added as Section 2.7 ("Advertising Revenue") to Exhibit 1 to the Agreement:

**2.7 Advertising Revenue.**

**2.7.1.** Microsoft [\*] Advertising Revenues for Software Titles. "Advertising Revenues" includes revenues derived from all static and dynamic third party ads featured in Software Titles for Xbox Consoles, EA Play, and Xbox Services.

**2.7.2** Notwithstanding anything to the contrary in the Agreement and/or the Publisher Guide, if Publisher places advertisements, sponsorships, and/or sponsored content (collectively "Advertisements") within its Software Titles via any available technology, including livestreaming and/or local cached content, then [\*].

Publisher's Advertisements shall remain in compliance with the applicable requirements in the Publisher Guide (including e.g. Store policies, creative/advertising policies, and applicable XRs) (collectively, "Ad Policy"), provided that (i) Microsoft's Ad Policy shall be the same for Publisher as applied to all other advertisements on the Xbox Console, including Microsoft's, and (ii) such Ad Policy shall impose reasonable limitations only, and shall not prohibit all advertisements.

23. **FPU Exchanges for DFUs.** Section 2.5 (“FPU Exchanges for DFUs”) of Exhibit 2 to the Agreement shall be replaced in full with:

**FPU Exchanges for DFUs.** [\*], Microsoft may, and may authorize its suppliers and retail partners to, offer End Users the ability to exchange FPUs of Publisher’s Software Titles for DFUs of the same Software Title free of charge to End Users (except for processing and/or administrative fees) and Publisher. The DFU provided to End Users will be the same version of the Software Title as the FPU used for the exchange. Such exchanges will not be deemed the sale of the DFU provided to End Users, and Publisher will not be entitled to any Royalty Fee for the DFU granted to End Users in accordance therewith. All FPUs exchanged in this program will be destroyed either physically or electronically.

24. **Excluded Territory.** Unless otherwise agreed by the parties in writing, [\*].

In accordance with Securities and Exchange Commission rules, certain information has been excluded from this exhibit because it is not material and would likely cause competitive harm to the Company if publicly disclosed. Brackets with an asterisk denote omissions.

Exhibit 10.2

**PLAYSTATION 5  
AMENDMENT TO  
PLAYSTATION GLOBAL  
DEVELOPER & PUBLISHER AGREEMENT**

This PlayStation 5 Amendment (“**PS5 Amendment**”) to the PlayStation Global Developer and Publisher Agreement (“**GDPA**”), effective as of May 1, 2020 (“**PS5 Effective Date**”), entered into by Sony Interactive Entertainment, Inc. (“**SIEJA**”), a Japanese company with offices at 1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan, Sony Interactive Entertainment LLC (“**SIEA**”), a Delaware limited liability company with offices at 2207 Bridgepointe Parkway, San Mateo, CA 94404, and Sony Interactive Entertainment Europe Limited (“**SIEE**”), an English company with offices at 10 Great Marlborough Street, London W1F 7LP, UK, on the one hand (SIEJA, SIEA and SIEE, and collectively, “**SIE Group**”), and the legal entity identified in your PlayStation Partners registration (“**Publisher**”), on the other hand.

SIE Group and Publisher entered into the GDPA for the development and publishing of products for the PlayStation 4 and other proprietary PlayStation Systems. SIE Group and its Affiliates have since designed and developed certain core technology relating to the PlayStation 5 interactive entertainment system (“**PS5**”). Publisher desires to be granted a non-exclusive license to develop, publish, have manufactured, market, advertise, distribute or sell products for the PS5 and SIE Group is willing to grant Publisher such a license in accordance with the terms, and subject to the conditions, of this PS5 Amendment.

SIE Group and Publisher agree:

1. **Definition of Terms.** Unless otherwise indicated, capitalized terms used in this PS5 Amendment have the meanings given to them in Schedule 1 of the GDPA.
  2. **Extension of GDPA to PS5.** The terms and conditions of the GDPA, as modified by this PS5 Amendment, shall be extended to Publisher’s PS5 products or services and all references to “Systems” in the GDPA are deemed to include PS5. The definition of “Systems” in Schedule 1 of the GDPA will be deleted and replaced by the following:

“System” means each of the proprietary PlayStation systems known as the PlayStation, PlayStation 2, PlayStation 3, PlayStation 4, *PlayStation 5*, PlayStation Portable (PSP), PlayStation Vita (PS Vita), and PlayStation Vita TV (PS Vita TV), including all iterations and server emulation of each. Collectively, all of the foregoing are referred to as the “Systems.”
  3. **Other Modifications to the GDPA.** Certain terms of the GDPA will be modified as set out in Exhibit 1 of this PS5 Amendment.
  4. **Standard Contractual Clauses For The Transfer of Personal Data.** By accepting this PS5 Amendment, Publisher is deemed to have read, acknowledged and accepted the European Commission’s Standard Contractual Clauses for the Transfer of Personal Data set forth in Exhibit 2 of this PS5 Amendment. Upon acceptance of this PS5 Amendment, the GDPA will be deemed to include such clauses as a Schedule to the GDPA.
  5. **Interpretation.** Except as modified by this PS5 Amendment, the GDPA will continue in full force and effect. In the event of any conflict between this PS5 Amendment and the GDPA, the terms of this PS5 Amendment will prevail.
-

<b>Sony Interactive Entertainment LLC</b>	<b>Electronic Arts Inc.</b>
Signature: /s/ Philip L. Rosenberg	Signature: /s/ Paul J. Cairns
Name: Philip L. Rosenberg	Name: Paul J. Cairns
Title: SVP	Title: SVP, Business Development
Date: 10-15-2020	Date: 10-15-2020
<b>EA Swiss Sàrl</b>	<b>EA Swiss Sàrl</b>
Signature: /s/ Loris Botto	Signature: /s/ Michael Kearney
Name: Loris Botto	Name: Michael Kearney
Title: Director	Title: VP Global Operations
Date: 10-15-2020	Date: 10-15-2020

**NOT AN AGREEMENT UNTIL EXECUTED BY AN SIE COMPANY AND PUBLISHER**

**EXHIBIT 1 TO PS5 AMENDMENT****Other Modifications to the GDPR**

1. **Personal Information Disclosed by SIE Group.** Section 12.4 of the GDPR will be deleted and replaced by the following:

**“12.4 Personal Information Disclosed to Publisher by SIE Group.** SIE Group has no obligation to disclose data collected by or on behalf of SIE Group or its Affiliates to Publisher. If Personal Information is disclosed in SIE Group’s absolute discretion, Publisher agrees:

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

12.4.2 Publisher may offer Users the ability to link their PSN ID to Publisher’s account in connection with Publisher’s Licensed Products, provided that prior to processing Personal Information for purposes of account linking or any other purposes beyond those defined under Section 12.4.1, it will:

12.4.2.1 obtain SIE Group’s express, written consent to the use of such Personal Information for such purposes, such consent to be in SIE Group’s sole discretion;

12.4.2.2 inform the appropriate individual of Publisher’s identity;

12.4.2.3 inform the appropriate individual of the purposes for which the Personal Information will be used;

12.4.2.4 except where agreed in advance in writing by SIE, obtain the appropriate individual’s explicit consent to such transfer; and

12.4.2.5 provide notice to the appropriate individual that the use and any disclosure of the Personal Information shall be subject to Publisher’s privacy notice;

12.4.3 handle Personal Information in accordance with applicable law and regulations, Publisher’s privacy notice, the data sharing requirements set forth in the Data Sharing Requirements and Standard Contractual Clauses Schedule to the GDPR, as applicable, the Guidelines and with any terms for handling and use presented by SIE Group; and

**12.4.4 *Intentionally Omitted.***

12.4.5 where such Personal Information relates to an end user who is located in, or is a customer of SIE Group that is subject to, a law, regulation or direction of, the UK, the European Economic Area, Argentina, or Uruguay, that restricts the export or transfer of such Personal Information to Publisher or Publisher’s country, Publisher is bound by one or more of following transfer mechanisms used to protect Personal Information: (i) the European Commission’s Standard Contractual Clauses set out in the Data Sharing Requirements and Standard Contractual Clauses Schedule to the GDPR; (ii) the EU-US Privacy Shield if the Publisher is a current registered EU-US Privacy Shield participant with the US Department of Commerce and continues to retain its certification under this scheme for the Term; or (iii) the Standard Contractual Clauses for Argentina and Uruguay set out in the Data Sharing Requirements and Standard Contractual Clauses Schedule to the GDPR. Further, if requested by SIE Group, Publisher shall implement such further reasonable agreements and take further such steps as are required by that law, regulation or direction to ensure SIE Group is in compliance with the restriction.”

2. **Personal Information Disclosed by Publisher.** The following shall be added as Section 12.6 of the GDPR:

**“12.6 Personal Information Disclosed to SIE Group by Publisher.** If Personal Information is disclosed by Publisher to SIE Group, SIE Group agrees: [\*]

**Awareness Letter of KPMG LLP, Independent Registered Public Accounting Firm**

November 10, 2020

Electronic Arts Inc.  
Redwood City, California:

Re: Registration Statements on Form S-8 Nos. 333-233182, 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.

With respect to the subject registration statement, we acknowledge our awareness of the use therein of our report dated November 10, 2020 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

**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: November 10, 2020

By: /s/ Andrew Wilson  
Andrew Wilson  
Chief Executive Officer

## 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: November 10, 2020

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

**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 September 30, 2020 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

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Andrew Wilson  
Chief Executive Officer  
Electronic Arts Inc.

November 10, 2020

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.

**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 September 30, 2020 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

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Blake Jorgensen  
Chief Operating Officer and  
Chief Financial Officer  
Electronic Arts Inc.

November 10, 2020

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.