
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended March 31, 2017

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 number 001-34003

TAKE-TWO INTERACTIVE SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
622 Broadway
New York, New York
(Address of principal executive offices)

51-0350842
(I.R.S. Employer
Identification No.)

10012
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(646) 536-2842**

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

Title of each class
Common Stock, \$.01 par value

Name of each exchange on which registered
NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller reporting company)

Smaller reporting company ☐

Emerging growth company ☐

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$3,782,335,339.

As of May 16, 2017, there were 103,836,895 shares of the Registrant's Common Stock outstanding, net of treasury stock.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2017 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

The statements contained herein which are not historical facts are considered forward-looking statements under federal securities laws and may be identified by words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "potential," "predicts," "projects," "seeks," "should," "will," or words of similar meaning and include, but are not limited to, statements regarding the outlook for the Company's future business and financial performance. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may vary materially from these forward-looking statements based on a variety of risks and uncertainties including, but not limited to, those discussed under the heading "Risk Factors" included in Part I, Item 1A herein. All forward-looking statements are qualified by these cautionary statements and speak only as of the date they are made. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

General

We are a leading developer, publisher and marketer of interactive entertainment for consumers around the globe. We develop and publish products principally through our two wholly-owned labels Rockstar Games and 2K. Our products are currently designed for console gaming systems such as the Sony Computer Entertainment, Inc. ("Sony") PlayStation®4 ("PS4") and PlayStation®3 ("PS3"), Microsoft Corporation ("Microsoft") Xbox One® ("Xbox One") and Xbox 360® ("Xbox 360"); and personal computers ("PC"), including smartphones and tablets. We deliver our products through physical retail, digital download, online platforms and cloud streaming services.

We were incorporated under the laws of the State of Delaware in 1993 and are headquartered in New York, New York with approximately 3,707 employees globally. Our telephone number is (646) 536-2842 and our website address is www.take2games.com. We make all of our filings with the Securities and Exchange Commission ("SEC") available free of charge on our website under the caption "Corporate—SEC Filings." Included in these filings are our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, which are available as soon as reasonably practicable after we electronically file or furnish such materials with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

Our website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K. You may also obtain copies of our reports without charge by writing to:

Take-Two Interactive Software, Inc.
622 Broadway
New York, NY 10012
Attn: Investor Relations

You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including the Company) file electronically with the SEC. The SEC's website is www.sec.gov.

Strategy

Overview. We endeavor to be the most creative, innovative and efficient company in our industry. Our core strategy is to capitalize on the popularity of video games by developing and publishing high-quality interactive entertainment experiences across a range of genres. We focus on building compelling entertainment franchises by publishing a select number of titles for which we can create sequels and incremental revenue opportunities through add-on content, microtransactions and online play. Most of our intellectual property is internally owned and developed, which we believe best positions us financially and competitively. We have established a portfolio of proprietary software content for the major hardware platforms in a wide range of genres, including action, adventure, family/casual, racing, role-playing, shooter, sports and strategy, which we distribute worldwide. We believe that our commitment to creativity and innovation is a distinguishing strength, enabling us to differentiate our products in the marketplace by combining advanced technology with compelling storylines and characters that provide unique gameplay experiences for consumers. We have created, acquired or licensed a group of highly recognizable brands to match the broad consumer demographics we serve, ranging from adults to children and game enthusiasts to casual gamers. Another cornerstone of our strategy is to support the success of our products in the marketplace through innovative marketing programs and global distribution on platforms and through channels that are relevant to our target audience.

Support Label Structure to Target Distinct Market Segments. Our business consists principally of our wholly-owned labels Rockstar Games and 2K. Rockstar Games is the developer and publisher of the interactive entertainment industry's most iconic and critically acclaimed brand, *Grand Theft Auto*, as well as other successful franchises, including *L.A. Noire*, *Max Payne*, *Midnight Club*, and *Red Dead*. We expect Rockstar Games to continue to be a leader in the action / adventure product category and create groundbreaking entertainment by leveraging our existing franchises, as well as developing new brands. 2K publishes high-quality, owned and licensed titles across a range of genres including shooter, action, role-playing, strategy, sports and family/casual. 2K is the publisher of a number of critically acclaimed, multi-million unit selling franchises including *Battleborn*, *BioShock*, *Borderlands*, *Carnival Games*, *Evolve*, *Mafia*, *NBA 2K*, *Sid Meier's Civilization*, *WWE 2K* and *XCOM*. We expect 2K to continue to be a leader by building on its existing brands, as well as by developing new franchises in the future.

Focus on Core Strength of Producing Select, High Quality Titles. We focus on publishing a select number of high-quality titles based on internally-owned and developed intellectual properties. We currently own the intellectual property rights to 22 proprietary brands. In addition, we will selectively develop titles based on licensed properties, including sports, and also publish externally developed titles.

We use a product investment review process to evaluate potential titles for investment, to review existing titles in development, and to assess titles after release to measure their performance in the market and the return on our investment. We apply this process to all of our products, whether internally or externally developed. The product investment review process includes reviews of each project at various stages of development by our executive management team and the senior management of our publishing labels, and includes coordination between our sales and marketing personnel before the launch of titles. This disciplined approach to product investment is expected to enhance the competitiveness and profitability of our titles.

We develop our products using a combination of our internal development teams and external development resources acting under contract with us. We typically select external developers based on their track record and expertise in developing products in the same category or genre. One developer will generally produce the same game for multiple platforms and will also produce sequels to the original game. We believe that selecting and using development resources in this manner allows us to leverage the particular expertise of our internal and external development resources, which we believe increases the quality of our products.

Leverage Emerging Technologies, Platforms and Distribution Channels, Including Digitally Delivered Content. Interactive entertainment played online and on mobile platforms, including tablets and smartphones, represents exciting opportunities to enhance our growth and profitability. In addition, the interactive entertainment software industry is delivering a growing amount of content for traditional platforms through digital download on the Internet. We provide a variety of digitally delivered products and offerings, which typically have a higher gross margin than physically delivered products. Virtually all of our titles that are available through retailers as packaged goods products are also available through direct digital download on the Internet (from websites we own and third-party websites). We also aim to drive ongoing engagement and incremental revenues from recurrent consumer spending on our titles after their initial purchase through downloadable offerings including add-on content, virtual currency and microtransactions. In addition, we are publishing an expanding variety of titles for tablets and smartphones, which are delivered to consumers through digital download via the Internet. We will continue to invest in emerging opportunities in mobile and online gameplay, particularly for our wholly-owned franchises, as well as downloadable content and microtransactions that enable gamers to pay to download additional content to enhance their game playing experience.

Expand International Business. The global market for interactive entertainment continues to grow and we seek to increase our presence internationally, particularly in Asia, Eastern Europe and Latin America. We are continuing to execute on our growth initiatives in Asia, where our strategy is to broaden the distribution of our existing products and expand our online gaming presence, especially in China and South Korea. We are a direct publisher in Japan and South Korea. While we retain title to all intellectual property, under license agreements local publishers are responsible for localization of software content, distribution and marketing of the products in their respective local markets. We intend to continue to build upon our licensing relationships and also continue to expand on finished goods distribution strategies to grow our international business.

Our Businesses

Our revenue is primarily derived from the sale of internally developed software titles and software titles developed by third-parties. Operating margins are dependent in part upon our ability to continually release new, commercially successful software products and to manage effectively their development and marketing costs. We have internal development studios located in Canada, China, Czech Republic, Spain, the United Kingdom and the United States. As of March 31, 2017, we had a research and development staff of 2,818 employees with the technical capabilities to develop software titles for all major consoles, handheld hardware platforms and PCs in multiple languages and territories.

Agreements with third-party developers generally give us exclusive publishing and marketing rights and require us to make development payments, pay royalties based on product sales and to satisfy other conditions. Development payments for software titles are typically recoupable against royalties otherwise due to developers based on software sales. Our agreements with third-

party developers generally provide us with the right to monitor development efforts and to cease making development payments if specified development milestones are not satisfied. We also regularly monitor the level of development payments in light of the expected sales for the related titles.

We continue to engage in evolving business models such as downloadable content, online gaming and microtransactions. We expect to continue to generate incremental revenue opportunities through add-on content, microtransactions and online play.

Rockstar Games. Software titles published by our Rockstar Games label are primarily internally developed. We expect Rockstar Games, our wholly-owned publisher of the *Grand Theft Auto*, *Max Payne*, *Midnight Club*, *Red Dead* and other popular franchises, to continue to be a leader in the action / adventure product category and to create groundbreaking entertainment by leveraging our existing titles as well as by developing new brands. We believe that Rockstar has established a uniquely original, popular cultural phenomenon with its *Grand Theft Auto* series, which is the interactive entertainment industry's most iconic and critically acclaimed brand and has sold-in over 260 million units. The latest installment, *Grand Theft Auto V*, was released on Sony's PS3 and Microsoft's Xbox 360 in September 2013, on Sony's PS4 and Microsoft's Xbox One in November 2014, and on PC in April 2015. *Grand Theft Auto V* includes access to *Grand Theft Auto Online*, which initially launched in October 2013. Rockstar Games is also well known for developing brands in other genres, including the *LA Noire*, *Bully* and *Manhunt* franchises. Rockstar Games continues to expand on our established franchises by developing sequels, offering downloadable episodes, content and virtual currency, and releasing titles for smartphones and tablets.

2K. Our 2K label has published a variety of popular entertainment properties across all key platforms and across a range of genres including shooter, action, role-playing, strategy, sports and family/casual entertainment. We expect 2K to continue to develop new, successful franchises in the future. 2K's internally owned and developed franchises include the critically acclaimed, multi-million unit selling *BioShock*, *Mafia*, *Sid Meier's Civilization* and *XCOM* series. 2K also publishes externally developed franchises such as *Borderlands* and *Evolve*. In May 2016, 2K launched *Battleborn*, a new brand created by Gearbox Software, the makers of *Borderlands*. 2K's realistic sports simulation titles include our flagship *NBA 2K* series, which continues to be the top-ranked NBA basketball video game, and the *WWE 2K* professional wrestling series.

We are continuing to execute on our growth initiatives in Asia, where our strategy is to broaden the distribution of our existing products and establish an online gaming presence, especially in China and South Korea. 2K has secured a multi-year license from the NBA to develop an online version of our NBA simulation game in China, Taiwan, South Korea and Southeast Asia. In October 2012, *NBA 2K Online*, our free-to-play NBA simulation game, which was co-developed by 2K and Tencent, launched commercially on the Tencent Games portal in China.

On January 31, 2017, Take-Two acquired privately-held Social Point S.L. ("Social Point") for \$175 million in cash and the issuance of 1,480,168 shares of Take-Two common stock, plus potential earn-out consideration of up to an aggregate of \$25.9 million in cash and shares of Take-Two common stock. (See Note 23 of our Consolidated Financial Statements.) Founded in 2008 and headquartered in Barcelona, Spain, Social Point is a developer of popular free-to-play mobile games that focuses on delivering high-quality, deeply-engaging entertainment experiences. Social Point currently has multiple profitable titles in the market. The company's two most successful games, *Dragon City* and *Monster Legends*, have been downloaded more than 180 million times to date on iOS and Android platforms. In addition, Social Point has a robust development pipeline with a number of exciting games planned for launch over the next two years. Social Point's games currently are available in North America, Latin America and Europe, Middle East and Africa ("EMEA"), and approximately 50% of its revenue is derived from the United States. In 2016, over 90% of its revenue was generated from mobile platforms.

Intellectual Property

Our business is highly dependent on the creation, acquisition, licensing and protection of intellectual property. The intellectual property rights we have created or acquired for our internally-owned portfolio of brands include: *BioShock*, *Bully*, *Carnival Games*, *Dragon City*, *Evolve*, *Grand Theft Auto*, *L.A. Noire*, *Mafia*, *Manhunt*, *Max Payne*, *Midnight Club*, *Monster Legends*, *Red Dead*, *Sid Meier's Civilization*, *Spec Ops* and *XCOM*. We believe that content ownership facilitates our internal product development efforts and maximizes profit potential. We attempt to protect our software and production techniques under copyright, patent, trademark and trade secret laws as well as through contractual restrictions on disclosure, copying and distribution.

We also enter into content license agreements, such as those with sports leagues, players associations, music labels and musicians. These licenses are typically limited to use of the licensed rights in products for specific time periods. In addition, we license and include console manufacturer technology in our products on a non-exclusive basis, which allows our games to be played on their respective hardware systems.

Manufacturing

Sony and Microsoft either manufacture or control the selection of approved manufacturers of software products sold for use on their respective hardware platforms. We place a purchase order for the manufacture of our products with Sony or Microsoft's

approved replicator and then send software code and a prototype of the product to the manufacturer, together with related artwork, user instructions, warranty information, brochures and packaging designs for approval, defect testing and manufacture. Games are generally shipped within two to three weeks of receipt of our purchase order and all materials.

Production of PC software is performed by third-party vendors in accordance with our specifications and includes DVD-ROM pressing, assembly of components, printing of packaging and user manuals and shipping of finished goods. We send software code and a prototype of a title, together with related artwork, user instructions, warranty information, brochures and packaging designs to the manufacturers. Games are generally shipped within two weeks of receipt of our manufacturing order. Our software titles typically carry a 90-day limited warranty.

Arrangements with Platform Manufacturers

We have entered into license agreements with Sony and Microsoft to develop and publish software in Asia, Australia, Europe and North America. We are not required to obtain any licenses from hardware manufacturers to develop titles for the PC.

Sony. Effective March 23, 2017, we entered into a PlayStation Global Developer and Publisher Agreement with Sony Computer Entertainment, Inc. and certain of its affiliates, pursuant to which Sony granted us the right and license to develop, publish, have manufactured, market, advertise, distribute and sell PlayStation compatible products for all PlayStation systems, including the PS4, PS3 and PSP. The agreement requires us to submit products to Sony for approval and for us to make royalty payments to Sony based on the number of units manufactured or revenue from downloaded content. In addition, products for the PS4, PS3 and PSP are required to be manufactured by Sony approved manufacturers.

The term of the agreement expires on March 31, 2019, with automatic one-year renewal terms thereafter. After the initial term, Sony may terminate the agreement for any or no reason upon thirty days' notice. The agreement may also be terminated by Sony immediately in the event of a breach by us or our bankruptcy or insolvency. Upon expiration or termination of the agreement, we have certain rights to sell off existing inventories.

Microsoft. Under the terms of the license agreements that we have entered into with Microsoft Corporation and its affiliates, Microsoft granted us the right and license to develop, publish, have manufactured, market, advertise, distribute and sell Xbox compatible products for the Xbox One and Xbox 360. The agreements require us to submit products to Microsoft for approval and for us to make royalty payments to Microsoft based on the number of units manufactured or revenue from downloaded content. In addition, products for the Xbox One and Xbox 360 are required to be manufactured by Microsoft approved manufacturers.

The term of the Xbox One license agreement expires on March 31, 2018 and the term of the Xbox 360 license agreement expires on December 31, 2017, each agreement with automatic one-year renewal terms thereafter. The Xbox One and Xbox 360 license agreements may be terminated by Microsoft immediately in the event of a breach by us, and the Xbox One licensee agreement may also be terminated by Microsoft immediately in the event of our bankruptcy or insolvency. Upon expiration or termination of the Xbox One and Xbox 360 license agreements, we have certain rights to sell off existing inventories.

Sales

We sell software titles both physically and digitally in the United States, EMEA, Canada, Latin America and Asia Pacific through direct relationships with large retail customers and third-party distributors. Our top customers include, among others, GameStop Corporation, Microsoft, Sony, Steam and Wal-Mart. We have sales operations in Australia, Canada, France, Germany, Japan, the Netherlands, New Zealand, Singapore, South Korea, Spain, Taiwan, the United Kingdom and the United States.

We are dependent on a limited number of customers that account for a significant portion of our sales. Sales to our five largest customers during the fiscal year ended March 31, 2017 accounted for 65.5% of our net revenue, with Sony and Microsoft each accounting for more than 10.0% of our net revenue during the fiscal year ended March 31, 2017.

We also distribute our titles, add-on content and microtransactions through direct digital download via the Internet to consoles and PCs, including smartphones and tablets. We view digital distribution as an important growth opportunity for our industry and Company; however, we expect that packaged goods and traditional retailers will continue to be a significant channel for the sale of our products for the foreseeable future.

Marketing

Our marketing and promotional efforts are intended to maximize consumer interest in our titles, promote brand name recognition of our franchises, assist retailers and properly position, package and merchandise our titles. From time to time, we also receive marketing support from hardware manufacturers in connection with their own promotional efforts.

We market titles by:

- Implementing public relations campaigns, using print and online advertising, television, radio spots and outdoor advertising. We believe that we label and market our products in accordance with the applicable principles and guidelines of the Entertainment Software Rating Board, or the ESRB, an independent self-regulatory body that assigns ratings and enforces advertising guidelines for the interactive software industry.
- Satisfying certain shelf life and sales requirements under our agreements with hardware manufacturers in order to qualify for Sony's Greatest Hits Programs and Microsoft's Platinum Hits Program. In connection with these programs, we receive manufacturing discounts from Sony and Microsoft.
- Stimulating continued sales by reducing the wholesale prices of our products to retailers at various times during the life of a product. Price protection may occur at any time in a product's life cycle, but typically occurs three to nine months after a product's initial launch. In certain international markets, we also provide volume rebates to stimulate continued product sales. Price protection, sales returns and other allowances amounted to \$127.7 million, \$64.5 million and \$50.1 million during the fiscal years ended March 31, 2017, 2016 and 2015, respectively.
- Employing various other marketing methods designed to promote consumer awareness, including social media, in-store promotions and point-of-purchase displays, direct mail, co-operative advertising, attendance at trade shows as well as product sampling through demonstration software distributed via the Internet or the digital online services.

As of March 31, 2017, we had a sales and marketing staff of 415 people.

Product Procurement

We procure products from suppliers principally using standard purchase orders based on our assessment of market demand. We carry inventory quantities that we believe are necessary to provide rapid response to retailer orders. We utilize electronic data interchange with many of our customers to enhance the efficiency of placing and shipping orders and receiving payments.

Competition

In our business, we compete with:

- Companies that range in size and cost structure from very small with limited resources to very large with greater financial, marketing and technical personnel and other resources than ours, including Activision Blizzard, Inc. and Electronic Arts Inc.
- Sony and Microsoft for the sale of interactive entertainment software. Each of these competitors is a large developer and marketer of software for their own platforms, and has the financial resources to withstand significant price competition and to implement extensive advertising campaigns.
- Other software, hardware, entertainment and media for limited retail shelf space and promotional resources. The competition is intense among an increasing number of newly introduced entertainment software titles and hardware for adequate levels of shelf space and promotional support.
- Other forms of entertainment such as motion pictures, television and audio, social networking, online computer programs, mobile games and other forms of entertainment, which may be less expensive or provide other advantages to consumers.

Competition in the entertainment software industry is based on innovation, features, playability, and product quality; brand name recognition; compatibility with popular platforms; access to distribution channels; price; marketing; and customer service. Our business is driven by hit titles, which require increasing budgets for development and marketing. Competition for our titles is influenced by the timing of competitive product releases and the similarity of such products to our titles and may result in loss of shelf space or a reduction in sell-through of our titles at retail stores.

Trends and Factors Affecting our Business

Product Release Schedule. Our financial results are affected by the timing of our product releases and the commercial success of those titles. Our *Grand Theft Auto* products in particular have historically accounted for a substantial portion of our revenue. *Grand Theft Auto* products contributed 38.2% of our net revenue for the fiscal year ended March 31, 2017. The timing of our *Grand Theft Auto* releases varies significantly, which in turn may affect our financial performance on a quarterly and annual basis.

Economic Environment and Retailer Performance. We continue to monitor economic conditions that may unfavorably affect our businesses, such as deteriorating consumer demand, pricing pressure on our products, credit quality of our receivables, and foreign currency exchange rates. Our business is dependent upon a limited number of customers who account for a significant portion of our revenue. Our five largest customers accounted for 65.5%, 58.9% and 64.6% of net revenue during the fiscal years ended March 31, 2017, 2016 and 2015, respectively. As of March 31, 2017 and 2016, five customers comprised 69.9% and 73.9%

of our gross accounts receivable, respectively, with our significant customers (those that individually comprised more than 10% of our gross accounts receivable balance) accounting for 57.6%% and 64.1% of such balance at March 31, 2017 and 2016, respectively. We had two customers who accounted for 40.2% and 17.4% of our gross accounts receivable as of March 31, 2017 and three customers who accounted for 35.2%, 16.8% and 12.1% of our gross accounts receivable as of March 31, 2016. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of March 31, 2017 and 2016. The economic environment has affected our customers in the past, and may do so in the future. Bankruptcies or consolidations of our large retail customers could seriously hurt our business, due to uncollectible accounts receivables and the concentration of purchasing power among the remaining large retailers. Certain of our large customers sell used copies of our games, which may negatively affect our business by reducing demand for new copies of our games. While the downloadable content that we now offer for certain of our titles may serve to reduce used game sales, we expect used game sales to continue to adversely affect our business.

Hardware Platforms. We derive most of our revenue from the sale of products made for video game platforms manufactured by third-parties, such as Sony's PS4c and PS3 and Microsoft's Xbox One and Xbox 360, which comprised 81.0% of our net revenue by product platform for the fiscal year ended March 31, 2017. The success of our business is dependent upon the consumer acceptance of these platforms and the continued growth in the installed base of these platforms. When new hardware platforms are introduced, demand for software based on older platforms typically declines, which may negatively affect our business during the market transition to the new consoles. Accordingly, our strategy is to focus our development efforts on a select number of the highest quality titles for these platforms, while also expanding our offerings for emerging platforms such as tablets, smartphones and online games.

Online Content and Digital Distribution. The interactive entertainment software industry is delivering a growing amount of content through digital online delivery methods. We provide a variety of online delivered products and offerings. Virtually all of our titles that are available through retailers as packaged goods products are also available through direct digital download via the Internet (from websites we own and others owned by third-parties). In addition, we aim to drive ongoing engagement and recurrent consumer spending on our titles after their initial purchase by generating incremental revenues through downloadable offerings, including virtual currency, add-on content, and microtransactions. We also publish an expanding variety of titles for tablets and smartphones, which are delivered to consumers through digital download via the Internet. Note 17 to the Consolidated Financial Statements, "Segment and Geographic Information," discloses that net revenue from digital online channels comprised 51.8% of our net revenue by distribution channel for the fiscal year ended March 31, 2017. We expect online delivery of games and game offerings to become an increasing part of our business over the long-term.

International Operations

International sales are a significant part of our business. For the fiscal years ended March 31, 2017, 2016 and 2015, 43.9%, 47.4% and 42.5%, respectively, of our net revenue was earned outside the United States. We are continuing to execute on our growth initiatives in Asia, where our strategy is to broaden the distribution of our existing products and expand our online gaming presence, especially in China and South Korea. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant effect on our operating results. See Notes 1 and 17 to the Consolidated Financial Statements.

Segment and Geographic Information

See Note 17 to the Consolidated Financial Statements.

Employees

As of March 31, 2017, we had 3,707 full-time employees, of which 1,772 were employed outside of the United States. None of our regular employees is subject to collective bargaining agreements. We consider our relations with employees to be satisfactory.

Item 1A. Risk Factors

Our business is subject to many risks and uncertainties, which may affect our future financial performance. Because of the risks and uncertainties described below, as well as other factors affecting our operating results and financial condition, past financial performance should not be considered to be a reliable indicator of future performance and our business and financial performance could be harmed and the market value of our securities could decline.

Risks relating to our business

We are dependent on the future success of our Grand Theft Auto products and we must continue to publish "hit" titles or sequels to such "hit" titles in order to compete successfully in our industry.

Grand Theft Auto and certain of our other titles are "hit" products and have historically accounted for a substantial portion of our revenue. *Grand Theft Auto* products contributed 38.2% of the Company's net revenue for the fiscal year ended March 31, 2017 and the five best-selling franchises (including *Grand Theft Auto*), which may change year over year, in the aggregate accounted for 89.8% of the Company's net revenue for the fiscal year ended March 31, 2017. If we fail to continue to develop and sell new commercially successful "hit" titles or sequels to such "hit" titles or experience any delays in product releases or disruptions following the commercial release of our "hit" titles or their sequels, our revenue and profits may decrease substantially and we may incur losses. In addition, competition in our industry is intense and a relatively small number of hit titles account for a large portion of total revenue in our industry. Hit products offered by our competitors may take a larger share of consumer spending than we anticipate, which could cause revenue generated from our products to fall below our expectations. If our competitors develop more successful products or services at lower price points or based on payment models perceived as offering better value, or if we do not continue to develop consistently high quality and well-received products and services, our revenue and profitability may decline. In addition, both the online and mobile games marketplaces are characterized by frequent product introductions, relatively low barriers to entry, and new and evolving business methods, technologies and platforms for development. Widespread consumer adoption of these new platforms for games and other technological advances in online or mobile game offerings could negatively affect our sales of console and traditional PC products before we have an opportunity to develop profitable businesses in such markets.

We are subject to product development risks which could result in delays and additional costs, and we must adapt to changes in software technologies.

We depend on our internal development studios and third-party software developers to develop new interactive entertainment software within anticipated release schedules and cost projections. The development cycle for new titles generally ranges from 12 months for annual sports releases, to multiple years for certain of our top-selling titles. Therefore our development costs can be substantial. If we or our third party developers experience unanticipated development delays, financial difficulties or additional costs, we may not be able to release titles according to our schedule and at budgeted costs. There can be no assurance that our products will be sufficiently successful so that we can recoup these costs or make a profit on these products.

Additionally, in order to stay competitive, our internal development studios must anticipate and adapt to rapid technological changes affecting software development. Any inability to respond to technological advances and implement new technologies could render our products obsolete or less marketable. Further, the failure to pursue the development of new technology, platforms, or business models that obtain meaningful commercial success in a timely manner may negatively affect our business, resulting in increased production costs and more strenuous competition.

The inability of our products to achieve significant market acceptance, delays in product releases or disruptions following the commercial release of our products may have a material adverse effect on our business, financial condition and operating results.

New products may not achieve significant market acceptance, generate sufficient sales or be introduced in a timely manner to permit us to recover development, manufacturing and marketing costs associated with these products. The life cycle of a title generally involves a relatively high level of sales during the first few months after introduction followed by a rapid decline in sales. Because sales associated with an initial product launch generally constitute a high percentage of the total sales associated with the life of a product, delays in product releases or disruptions following the commercial release of one or more new products could have a material adverse effect on our business, financial condition and operating results and cause our operating results to be materially different from our expectations.

Our business is subject to our ability to develop commercially successful products for the current video game platforms.

We derive most of our revenue from the sale of products made for video game platforms manufactured by third parties, such as Sony's PS4 and PS3 and Microsoft's Xbox One and Xbox 360, which comprised 81.0% of the Company's net revenue by product platform for the fiscal year ended March 31, 2017. The success of our business is subject to the continued popularity of these platforms and our ability to develop commercially successful products for these platforms.

Connectivity issues could affect our ability to sell and provide online services for our products and could affect our profitability.

We rely upon third-party digital delivery platforms, such as Microsoft's Xbox Live, Sony Entertainment Network, Steam and other third-party service providers, to provide connectivity from the consumer to our digital products and our online services. Connectivity issues could prevent customers from accessing this content and our ability to successfully market and sell our products could be adversely affected. In addition, we could experience similar issues related to services we host on our internal servers. Such issues also could affect our ability to provide online services and could have a material adverse effect on our business, financial condition and operating results.

Our business could be adversely affected if our consumer data protection measures are not seen as adequate or there are breaches of our security measures or unintended disclosures of our consumer data.

We are collecting and storing consumer information, including personal information. We take measures to protect our consumer data from unauthorized access or disclosure. It is possible that our security controls over consumer data may not prevent the improper access or disclosure of personally identifiable information. In addition, due to the high profile nature of our products, we may draw a disproportionately higher amount of attention and attempts to breach our security controls than companies with lower profile products. A security breach that leads to disclosure of consumer account information (including personally identifiable information) could harm our reputation, compel us to comply with disparate breach notification laws in various jurisdictions and otherwise subject us to liability under laws that protect personal data, resulting in increased costs or loss of revenue. A resulting perception that our products or services do not adequately protect the privacy of personal information could result in a loss of current or potential consumers and business partners. In addition, if any of our business partners experience a security breach that leads to disclosure of consumer account information, our reputation could be harmed, resulting in loss of revenue.

In addition, certain of our products are online enabled. The ability of our products to offer online functionality, and our ability to offer content through a video game platform's digital distribution channel, is dependent upon the continued operation and security of such platform's online network. These third party networks, as well as our own internal systems and websites, and the security measures related thereto may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise, and result in someone obtaining unauthorized access to our customers' data or our data, including our intellectual property and other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, we may lose business, suffer irreparable damage to our reputation, and/or incur significant costs and expenses relating to the investigation and possible litigation of claims relating to such event.

The laws and regulations concerning data privacy and certain other aspects of our business are continually evolving. Failure to comply with these laws and regulations could harm our business.

We are subject to certain privacy and data protection laws, including those in the United States. Certain activities related to E.U. customers are registered with our U.K. data controller. The U.S. Children's Online Privacy Protection Act also regulates the collection, use, and disclosure of personal information from children under 13 years of age. Failure to comply with privacy laws, data protection laws, or age restrictions may increase our costs, subject us to expensive and distracting government investigations, and result in substantial fines.

Privacy and data protection laws are rapidly changing and likely will continue to do so for the foreseeable future, which could have an impact on our approach to operating and marketing our games. For example, the Court of Justice of the European Union's recent decision to invalidate the E.U.-U.S. Safe Harbor regime that legitimized the transfer of certain personal data from the E.U. to the U.S. was a material change to laws on data privacy applicable to our business. In addition, after four years of preparation and debate, the E.U. Parliament approved the general Data Protection Regulation ("GDPR") on April 14, 2016. GDPR will become effective in May 2018, and will replace the existing Data Protection Directive 95/46/EC. The U.S. government, including the Federal Trade Commission and the Department of Commerce, also continue to review the need for greater or different regulation over the collection of personal information and information about consumer behavior on the Internet and on mobile devices. Various government and consumer agencies worldwide have also called for new regulation and changes in industry practices.

Player use of our games is subject to our privacy policy, end user license agreements, and terms of service. If we fail to comply with our posted privacy policy, EULAs, or terms of service, or if we fail to comply with existing privacy-related or data protection laws and regulations, it could result in proceedings or litigation against us by governmental authorities or others, which could result in fines or judgments against us, damage our reputation, affect our financial condition and harm our business. If regulators, the media, or consumers raise any concerns about our privacy and data protection or consumer protection practices, even if unfounded, this could also result in fines or judgments against us, damage our reputation, negatively affect our financial condition, and damage our business.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in the United States and elsewhere that could restrict the interactive entertainment industry, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through digital sales. Any such changes would require us to devote legal and other resources to address such regulation. For example, existing laws or new laws regarding the regulation of currency, banking institutions and unclaimed property may be interpreted to cover virtual currency or virtual goods. If that were to occur we may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs. Changes

in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding these activities may lessen the growth of the interactive entertainment industry and impair our business, financial condition, and operating results.

Security breaches involving the source code for our products or other sensitive and proprietary information could adversely affect our business.

We securely store the source code for our interactive entertainment software products as it is created. A breach, whether physical, electronic or otherwise, of the systems on which such source code and other sensitive data are stored could lead to damage or piracy of our software. In addition, certain parties with whom we do business are given access to our sensitive and proprietary information in order to provide services and support our team. These third parties may misappropriate our information and engage in unauthorized use of it. If we are subject to data security breaches, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures which could materially and adversely affect our business, financial condition and operating results. Any theft and/or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an event could adversely affect our competitive position, reputation, brand, and future sales of our products. Our business could be subject to significant disruption, and we could suffer monetary and other losses and reputational harm, in the event of such incidents and claims.

We rely on complex information technology systems and networks to operate our business. Any significant system or network disruption could have a negative impact on our business.

We rely on the efficient and uninterrupted operation of complex information technology systems and networks, some of which are within Take-Two and some of which are managed and/or hosted by third-party providers. All information technology systems and networks are potentially vulnerable to damage or interruption from a variety of sources, including but not limited to cyber-attacks, malicious software, security breach, energy blackouts, natural disasters, terrorism, war and telecommunication failures. We may also face sophisticated attacks, referred to as advanced persistent threats, which are cyber-attacks aimed at compromising our intellectual property and other commercially-sensitive information, such as the source code and game assets for our software or confidential customer or employee information, which remain undetected for prolonged periods of time. Information technology system or network failure or security breach could negatively affect our business continuity, operations and financial results. These risks extend to the networks and e-commerce sites of console platform providers and other partners who sell and host our content online. We may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Our efforts to expand into new products and services may subject us to additional risks.

In recent years, we have invested in emerging opportunities in interactive entertainment played on mobile platforms, including tablets and smartphones, and online platforms, including social networks. We have also grown our product offerings that are available through digital download, including virtual currency, through our existing franchises such as *Grand Theft Auto* and *NBA 2K* as well as through product offerings by newly acquired Social Point and other mobile product offerings. We are actively investing to capitalize on these trends in order to diversify our product mix, reduce our operating risks, and increase our revenue. There are risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. There is no assurance that we will be able to attract a sufficiently large number of customers or recover costs incurred for developing and marketing any of these new products or services. For example, we may offer games that do not attract sufficient purchases of virtual currency, which may cause our investments into this product space, such as through our recent acquisition of Social Point, to fail to realize the expected benefits. External factors, such as competitive alternatives and shifting market preferences, may also have an impact on the successful implementation of any new products or services. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on our business, financial condition and operating results.

We depend on our key management and product development personnel.

Our continued success will depend to a significant extent on our senior management team and our relationship with ZelnickMedia Corporation ("ZelnickMedia"). Our Executive Chairman/Chief Executive Officer and President are partners of ZelnickMedia. We are also highly dependent on the expertise, skills and knowledge of certain of our Rockstar employees and other key creative personnel responsible for content creation and development of our *Grand Theft Auto* titles and titles based on other brands. We may not be able to continue to retain these personnel at current compensation levels, or at all.

The loss of the services of our executive officers, ZelnickMedia, our key Rockstar employees or other key creative personnel could significantly harm our business. In addition, if one or more key employees were to join a competitor or form a competing company, we may lose additional personnel, experience material interruptions in product development, delays in bringing products to market and difficulties in our relationships with licensors, suppliers and customers, which would significantly harm our business. Failure to continue to attract and retain other qualified management and creative personnel could adversely affect our business and prospects.

Declines in consumer spending and other adverse changes in the economy could have a material adverse effect on our business, financial condition and operating results.

Most of our products involve discretionary spending on the part of consumers. We believe that consumer spending is influenced by general economic conditions and the availability of discretionary income. This makes our products particularly sensitive to general economic conditions and economic cycles as consumers are generally more willing to make discretionary purchases, including purchases of products like ours, during periods in which favorable economic conditions prevail. Adverse economic conditions such as a prolonged U.S. or international general economic downturn, including periods of increased inflation, unemployment levels, tax rates, interest rates, energy prices or declining consumer confidence could also reduce consumer spending. Reduced consumer spending has and may in the future continue to result in reduced demand for our products and may also require increased selling and promotional expenses, which has had and may continue to have an adverse effect on our business, financial condition and operating results. In addition, during periods of relative economic weakness, our consolidated credit risk, reflecting our counterparty dealings with distributors, customers, capital providers and others may increase, perhaps materially so. Furthermore, uncertainty and adverse changes in the economy could also increase the risk of material losses on our investments, increase costs associated with developing and publishing our products, increase the cost and availability of sources of financing, and increase our exposure to material losses from bad debts, any of which could have a material adverse effect on our business, financial condition and operating results. If economic conditions worsen, our business, financial condition and operating results could be adversely affected.

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

We are subject to income taxes in the U.S. and in various other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes, and in the ordinary course of business there are many transactions and calculations where the ultimate tax determination is uncertain. We are required to estimate future taxes. Although we currently believe our tax estimates are reasonable, the estimate process is inherently uncertain, and such estimates are not binding on tax authorities. Further, our effective tax rate could be adversely affected by a variety of factors, including changes in the business, including the mix of earnings in countries with differing statutory tax rates, changes in tax elections, and changes in applicable tax laws. Additionally, tax determinations are regularly subject to audit by tax authorities and developments in those audits could adversely affect our income tax provision. Should the ultimate tax liability exceed estimates, our income tax provision and net income or loss could be adversely affected.

Historically, we recorded a valuation allowance against most of our U.S. deferred tax assets. We expect to provide a valuation allowance on future U.S. tax benefits until we can sustain a level of profitability or until other significant positive evidence arises that suggest that these benefits are more likely than not to be realized. Further, our tax determinations are regularly subject to audit by tax authorities and developments in those audits could adversely affect our income tax provision. Should our ultimate tax liability exceed our estimates, our income tax provision and net income or loss could be materially affected.

We earn a significant amount of our operating income and hold a significant portion of our cash, outside the U.S. Any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for the Company. In addition, there have been proposals to change U.S. tax laws that would significantly affect how U.S. multinational corporations are taxed on foreign earnings. Although we cannot predict whether or in what form this proposed legislation will pass, if enacted it could have a material adverse impact on our income tax provision and financial condition.

We are also required to pay taxes other than income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in both the U.S. and foreign jurisdictions. We are regularly under examination by tax authorities with respect to these non-income taxes. There can be no assurance that the outcomes from these examinations, changes in our business or changes in applicable tax rules will not have an adverse effect on our net income or loss and financial condition.

Unclaimed property audits by governmental authorities could adversely affect our operating results.

We are subject to unclaimed property (escheat) laws which require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time. We are subject to audit by individual U.S. states with regard to our escheatment practices. The legislation and regulations related to unclaimed property matters tend to be complex and subject to varying interpretations by both government authorities and taxpayers. Although management believes that the positions we have taken are reasonable, various taxing authorities may challenge certain of the positions we have taken, which may also potentially result in additional liabilities for unclaimed property and interest in excess of accrued liabilities. Our positions are reviewed as events occur such as the availability of new information, the lapsing of applicable statutes of limitations, the measurement of additional estimated liability based on current calculations or the rendering of relevant court decisions. An unfavorable resolution of assessments by a governmental authority could have a material adverse effect on our financial condition, results of operations and cash flows in future periods.

Our quarterly operating results are dependent on the release of "hit" titles and are highly seasonal which may cause our quarterly operating results to fluctuate significantly.

We have experienced and may continue to experience wide fluctuations in quarterly operating results. The release of a "hit" title typically leads to a high level of sales during the first few months after introduction followed by a rapid decline in sales. In addition, the interactive entertainment industry is highly seasonal, with sales typically higher during the fourth calendar quarter, due primarily to increased demand for games during the holiday season. Demand for and sales of titles in our *NBA 2K* series are also seasonal in that they are typically released just prior to the start of the NBA season. If a key event or sports season to which our product release schedule is tied were to be delayed or cancelled, our sales might also suffer disproportionately. Our failure or inability to produce "hit" titles or introduce products on a timely basis to meet seasonal fluctuations in demand could adversely affect our business, financial condition and operating results. The uncertainties associated with software development, manufacturing lead times, production delays and the approval process for products by hardware manufacturers and other licensors make it difficult to predict the quarter in which our products will ship and therefore may cause us to fail to meet financial expectations.

Price protection granted to our customers and returns of our published titles by our customers may adversely affect our operating results.

We are exposed to the risk of price protection and product returns with respect to our customers. Our distribution arrangements with customers generally do not give them the right to return titles to us or to cancel firm orders. However, we sometimes accept product returns from our distribution customers for stock balancing and negotiate accommodations for customers, which include credits and returns, when demand for specific products falls below expectations. We grant price protection and accept returns in connection with our publishing arrangements and revenue is recognized after deducting estimated price protection and reserves for returns. While we believe that we can reliably estimate future price protection and returns, if price protection and return rates for our products exceed our reserves, our revenue could decline, which could have a material adverse effect on our business, financial condition and operating results.

Increased sales of used video game products could lower our sales.

Certain of our larger customers sell used video games, which are generally priced lower than new video games. If our customers increase their sales of used video games, it could negatively affect our sales of new video games and have an adverse influence on our business, financial condition and operating results.

A limited number of customers account for a significant portion of our sales. The loss of a principal customer or other significant business relationship could seriously hurt our business.

A substantial portion of our product sales are made to a limited number of customers. Sales to our five largest customers during the fiscal year ended March 31, 2017 accounted for 65.5% of our net revenue, with Sony and Microsoft each accounting for more than 10.0% of our net revenue during the fiscal year ended March 31, 2017. Our sales are made primarily pursuant to purchase orders without long-term agreements or other commitments, and our customers may terminate their relationship with us at any time. Certain of our customers may decline to carry products containing mature content. The loss of our relationships with principal customers or a decline in sales to principal customers, including as a result of a product being rated "AO" (age 18 and over) could materially adversely affect our business, financial condition and operating results. In addition, if our customers are subject to pricing pressures due to deteriorating demand for our products, competitive pressure, or otherwise, such customers may pass those pricing pressures through to us, which could materially adversely affect our business, financial condition and operating results.

Furthermore, our customers may also be placed into bankruptcy, become insolvent or be liquidated due to economic downturns, global contractions of credit or for other factors. Bankruptcies or consolidations of certain large retail customers could seriously hurt our business, including as a result of uncollectible accounts receivable from such customers and the concentration of purchasing power among remaining large retailers. In addition, our results of operations may be adversely affected if certain of our customers who purchase on credit terms are no longer eligible to purchase on such terms due to their financial distress, which may reduce the quantity of products they demand from us.

If our marketing and advertising efforts fail to resonate with consumers, our business, financial condition and operating results could be adversely affected.

Our products are marketed worldwide through a diverse spectrum of advertising and promotional programs such as television and online advertising, social media advertising, print advertising, retail merchandising, website development and event sponsorship. Our ability to sell our products and services is dependent in part on the success of these programs. If the marketing for our products and services fails to resonate with consumers, particularly during the holiday season or other key selling periods, or if advertising rates or other media placement costs increase, these factors could have a material adverse influence on our business, financial condition and operating results.

The interactive entertainment software industry is highly competitive.

We compete for both licenses to properties and the sale of interactive entertainment software with Sony and Microsoft, each of which is a large developer and marketer of software for its own platforms. We also compete with game publishers, such as Activision Blizzard, Inc. and Electronic Arts Inc. and Ubisoft Entertainment S.A. As our business is dependent upon our ability to develop hit titles, which require increasing budgets for development and marketing, the availability of significant financial resources has become a major competitive factor in developing and marketing software games. Some of our competitors have greater financial, technical, personnel and other resources than we do and are able to finance larger budgets for development and marketing and make higher offers to licensors and developers for commercially desirable properties. Our titles also compete with other forms of entertainment, such as social media and casual games, in addition to motion pictures, television and audio and video products featuring similar themes, online computer programs and other entertainment, which may be less expensive or provide other advantages to consumers.

A number of software publishers who compete with us have developed and commercialized or are currently developing online games for use by consumers over the Internet. If technological advances significantly increase the availability of online games and if consumer acceptance of online gaming grows substantially, it could result in a decline in our platform-based software sales and negatively affect sales of such products.

Increased competition for limited shelf space and promotional support from retailers could affect the success of our business and require us to incur greater expenses to market our titles.

Retailers have limited shelf space and promotional resources and competition is intense among newly introduced interactive entertainment software titles for adequate levels of shelf space and promotional support. Competition for retail shelf space is expected to continue to increase, which may require us to increase our marketing expenditures to maintain desirable sales levels of our titles. Competitors with more extensive lines and more popular titles may have greater bargaining power with retailers. Accordingly, we may not be able, or we may have to pay more than our competitors, to achieve similar levels of promotional support and shelf space.

Our business is partly dependent on our ability to enter into successful software development arrangements with third-parties.

Our success depends on our ability to continually identify and develop new titles on a timely basis. We rely on third-party software developers for the development of some of our titles. Quality third-party developers are continually in high demand. Software developers who have developed titles for us in the past may not be available to develop software for us in the future. Due to the limited number of third-party software developers and the limited control that we exercise over them, these developers may not be able to complete titles for us on a timely basis or within acceptable quality standards, if at all. We have entered into agreements with third-parties to acquire the rights to publish and distribute interactive entertainment software as well as to use licensed intellectual properties in our titles. These agreements typically require us to make development payments, pay royalties and satisfy other conditions. Our development payments may not be sufficient to permit developers to develop new software successfully, which could result in material delays and significantly increase our costs to bring particular products to market. Software development costs, promotion and marketing expenses and royalties payable to software developers and third-party licensors have increased significantly in recent years and reduce potential profits derived from sales of our software. Future sales of our titles may not be sufficient to recover development payments and advances to software developers and licensors, and we may not have adequate financial and other resources to satisfy our contractual commitments to such developers. If we fail to satisfy our obligations under agreements with third-party developers and licensors, the agreements may be terminated or modified in ways that are burdensome to us, and have a material adverse effect on our business, financial condition and operating results.

We cannot publish our titles without the approval of hardware licensors that are also our competitors.

We are required to obtain licenses from Sony and Microsoft, which are also our competitors, to develop and publish titles for their respective hardware platforms. Our existing platform licenses require that we obtain approval for the publication of new titles on a title-by-title basis. As a result, the number of titles we are able to publish for these hardware platforms, our ability to manage the timing of the release of these titles and, accordingly, our net revenue from titles for these hardware platforms, may be limited. If a licensor chooses not to renew or extend our license agreement at the end of its current term, or if a licensor were to terminate our license for any reason or does not approve one or more of our titles, we may be unable to publish that title as well as additional titles for that licensor's platform. Termination of any such agreements or disapproval of titles could seriously hurt our business and prospects. We may be unable to continue to enter into license agreements for certain current generation platforms on satisfactory terms or at all. Failure to enter into any such agreement could also seriously hurt our business.

We rely on a limited number of channel partners some of whom influence the fee structures for online distribution of our games on their platforms.

We rely on a limited number of channel partners, some of whom have retained the right to change the fee structures for online distribution of both paid content and free content (including patches and corrections) that we license to them for distribution on their platforms. Such channel partners' ability to set or influence royalty rates may increase costs, which could negatively affect our operating margins. We may be unable to distribute our content in a cost-effective or profitable manner through such distribution channel, which could adversely affect our business, financial condition and operating results.

Outside of fee arrangements, our agreements with our channel partners sometimes give them significant control over other aspects of the distribution of our products and services that we develop for their platform. If our channel partners establish terms that restrict our offerings through their channels, or significantly affect the financial terms on which these products or services are offered to our customers, we may be unable to distribute our product offerings through them or be forced to do so on a materially worse financial or business terms.

We may not be able to adequately adjust our cost structure in a timely fashion in response to a sudden decrease in demand.

In the event of a significant decline in revenue, we may not be able to dispose of facilities, reduce personnel or make other changes to our cost structure without disruption to our operations or without significant termination and exit costs. Management may not be able to implement such actions in a timely manner, if at all, to offset an immediate shortfall in revenue and profit. Moreover, reducing costs may impair our ability to produce and develop software titles at sufficient levels in the future.

The increasing importance of digital sales to our business exposes us to the risks of that business model, including greater competition.

The proportion of our revenues derived from digital content delivery, as compared to traditional retail sales, may continue to increase. The increased importance of digital content delivery in our industry increases our potential competition, as the minimum capital needed to produce and publish a digitally delivered game is significantly less than that needed to produce and publish one that is purchased through retail distribution and is played on a game console. This will also require us to dedicate capital to developing and implementing alternative marketing strategies, which we may not do successfully. If either occurs, we may be unable to effectively market and distribute our products, which could materially adversely affect our business, financial condition and operating results. In addition, a continuing shift to digital delivery could result in a deprioritization of our products by traditional retailers. The increasing importance of digital sales to our business could also result in increasing issues with our digital distribution process, including difficulties our distributors have with collecting from consumers and any associated rebates we would owe.

We use open source software in connection with certain of our games and services, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative impact on our business.

We use open source software in connection with certain of our games and the services we offer. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of the open source software. Were it determined that our use was not in compliance with a particular license, we may be required to release our proprietary source code, pay damages for breach of contract, re-engineer our games, discontinue distribution in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our game development efforts, any of which could harm our business.

We depend on servers and Internet bandwidth to operate our games and digital services with online features. If we were to lose server capacity or lack sufficient Internet bandwidth for any reason, our business could suffer.

We rely on data servers, including those owned or controlled by third parties, to enable our customers to download our games and other downloadable content, and to operate our online games and other products with online functionality. Events such as limited hardware failure, any broad-based catastrophic server malfunction, a significant intrusion by hackers that circumvents security measures, or a failure of disaster recovery services would likely interrupt the functionality of our games with online services and could result in a loss of sales for games and related services. An extended interruption of service could materially adversely affect our business, financial condition and operating results.

We expect a significant portion of our games to be on-line enabled in the future, and therefore we must project our future server needs and make advance purchases of servers or server capacity to accommodate expected business demands. If we underestimate the amount of server capacity our business requires or if our business were to grow more quickly than expected, our consumers may experience service problems, such as slow or interrupted gaming access. Insufficient server capacity may result in decreased sales, a loss of our consumer base and adverse consequences to our reputation. Conversely, if we overestimate the amount of server capacity required by our business, we may incur additional operating costs.

Because of the potential importance of our online business to our revenues and results of operations, our ability to access adequate Internet bandwidth and online computational resources to support our business is critical. If the price of either such resource increases, we may not be able to increase our prices or subscriber levels to compensate for such costs, which could materially adversely affect our business, financial condition and operating results.

We submit our products for rating by the Entertainment Software Rating Board ("ESRB") in the United States and other voluntary or government ratings organizations in foreign countries. Failure to obtain a target rating for certain of our products could negatively affect our ability to distribute and sell those games, as could the re-rating of a game for any reason.

We voluntarily submit our game products to the ESRB, a U.S.-based non-profit and independent ratings organization. The ESRB system provides consumers with information about game content using a rating symbol that generally suggests the appropriate player age group and specific content descriptors, such as graphic violence, profanity or sexually explicit material. The ESRB may impose significant penalties on game publishers for violations of its rules related to rating or marketing games, including revocation of a rating or monetary fines. Other countries require voluntary or government backed ratings as prerequisites for product sales. In some instances, we may have to modify our products in order to market them under the target rating, which could delay or disrupt the release of our products. In addition, some of our titles may not be sold at all or without extensive edits in certain countries, such as Germany.

In the United States, if the ESRB rates a game as "AO" (age 18 and older), platform licensors may not certify the game and retailers may refuse to sell it. In addition, some consumers have reacted to re-ratings or controversial game content by refusing to purchase such games, demanding refunds for games that they had already purchased, and refraining from buying other games published by us. Many of our Rockstar titles and certain of our 2K titles have been rated "M" (age 17 and older) by the ESRB. If we are unable to obtain "M" ratings and instead receive "AO" ratings on future versions of those or similar titles as a result of changes in the ESRB's ratings standards or for other reasons, including the adoption of legislation in this area, our business and prospects could be negatively affected. If any of our games are re-rated by the ESRB or other foreign based ratings organizations, we could be exposed to litigation, administrative fines and penalties and other potential liabilities, and our operating results and financial condition could be significantly affected.

We have implemented processes to comply with the requirements of the ESRB and other ratings organizations and properly display the designated rating symbols and content descriptions. Nonetheless, these processes are subject to human error, circumvention, overriding and reasonable resource constraints. If a video game we published were found to contain undisclosed pertinent content, the ESRB could re-rate a game, retailers could refuse to sell it and demand that we accept the return of any unsold copies or returns from customers, and consumers could refuse to buy it or demand that we refund their money. This could have a material negative affect on our operating results and financial condition. In addition, we may be exposed to litigation, administrative fines and penalties and our reputation could be harmed, which could affect sales of other video games we sell. If any of these consequences were to occur, our business and financial performance could be significantly harmed.

Content policies adopted by retailers, consumer opposition and litigation could negatively affect sales of our products.

Retailers may decline to sell interactive entertainment software containing what they judge to be graphic violence or sexually explicit material or other content that they deem inappropriate for their businesses. If retailers decline to sell our products based upon their opinion that they contain objectionable themes, graphic violence or sexually explicit material or other generally objectionable content, or if any of our previously "M" rated series products are rated "AO," we might be required to significantly change or discontinue particular titles or series, which in the case of our best-selling *Grand Theft Auto* titles could seriously affect our business. Consumer advocacy groups have opposed sales of interactive entertainment software containing objectionable themes, violence or sexual material or other objectionable content by pressing for legislation in these areas and by engaging in public demonstrations and media campaigns. Additionally, although lawsuits seeking damages for injuries allegedly suffered by third-parties as a result of video games have generally been unsuccessful in the courts, claims of this kind have been asserted against us from time to time and may be asserted and be successful in the future. An increase in the number of lawsuits filed by the families of victims of violence may trigger supplemental governmental scrutiny, damage our reputation, and negatively affect the sale of our products.

Our results of operations or reputation may be harmed as a result of offensive consumer-created content.

We are subject to risks associated with the collaborative online features in our games which allow consumers to post narrative comments, in real time, that are visible to other consumers. From time to time, objectionable and offensive consumer content may be posted to a gaming or other site with online chat features or game forums which allow consumers to post comments. We may be subject to lawsuits, governmental regulation or restrictions, and consumer backlash (including decreased sales and harmed reputation), as a result of consumers posting offensive content. We may also be subject to consumer backlash from comments made in response to postings we make on social media sites such as Facebook, YouTube and Twitter.

We are subject to risks and uncertainties of international trade, including fluctuations in the values of local foreign currencies against the dollar.

Sales in international markets, primarily in Europe, have accounted for a significant portion of our net revenue. For the fiscal year ended March 31, 2017, 43.9% of our net revenue was earned outside the United States. We are continuing to execute on our growth initiatives in Asia, where our strategy is to broaden the distribution of our existing products and expand our online gaming presence, especially in China and South Korea. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays, and international political, regulatory and economic developments, all of which can have a significant influence on our operating results. Many of our international sales are made in local currencies, which could fluctuate against the dollar. While we may use forward exchange contracts to a limited extent to seek to mitigate foreign currency risk, our operating results could be adversely affected by unfavorable foreign currency fluctuations.

We face risks from our international operations.

We are subject to certain risks because of our international operations, particularly as we continue to grow our business and presence in Asia, Latin America and other parts of the world. Changes to and compliance with a variety of foreign laws and regulations may increase our cost of doing business and our inability or failure to obtain required approvals could harm our international and domestic sales. Trade legislation in either the United States or other countries, such as a change in the current tariff structures, import/export compliance laws or other trade laws or policies, could adversely affect our ability to sell or to distribute in international markets. We incur additional legal compliance costs associated with our international operations and could become subject to legal penalties in foreign countries if we do not comply with local laws and regulations which may be substantially different from those in the United States. In many foreign countries, particularly in those with developing economies, it may be common to engage in business practices that are prohibited by United States laws and regulations, such as the Foreign Corrupt Practices Act, and by local laws, such as laws prohibiting corrupt payments to government officials. Although we implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, including those based in or from countries where practices which violate such laws may be customary, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business.

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the E.U., commonly referred to as “Brexit.” On March 29, 2017, the U.K. notified the European Council, in accordance with Article 50 of the Treaty on European Union, of the U.K.’s intention to withdraw from the European Union. As a result, it is expected that the British government will begin negotiating the terms of the U.K.’s future relationship with the E.U. The effects of Brexit will depend on any agreements the U.K. makes to retain access to the E.U. markets either during a transitional period or more permanently. The measures could potentially disrupt the markets we serve and may cause us to lose customers, distributors and employees. If the U.K. loses access to the single E.U. market and the global trade deals negotiated by the E.U., it could have a detrimental impact on our U.K. growth. Such a decline could also make our doing business in Europe more difficult, which could negatively affect sales to consumers of our products. Without access to the single E.U. market, it may be more challenging and costly to distribute our products in Europe. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace and replicate. If there are changes to U.K. immigration policy as a result of Brexit, this could affect our employees and their ability to move freely between the E.U. member states for work related matters.

If we are unable to protect the intellectual property relating to our software, the commercial value of our products will be adversely affected and our competitive position could be harmed.

We develop proprietary software and have obtained the rights to publish and distribute software developed by third-parties. We attempt to protect our software and production techniques under patent, copyright, trademark and trade secret laws as well as through contractual restrictions on disclosure, copying and distribution. Nonetheless, our software is susceptible to piracy and unauthorized copying, and third-parties may potentially exploit or misappropriate our intellectual property and proprietary information, causing significant reputational damage. Unauthorized third-parties, for example, may be able to copy or to reverse engineer our software to obtain and use programming or production techniques that we regard as proprietary. Well organized piracy operations have also proliferated in recent years, resulting in the ability to download pirated copies of our software over the Internet. Although we attempt to incorporate protective measures into our software, piracy of our products could negatively affect our future profitability.

If we infringe on or are alleged to infringe on the intellectual property rights of third-parties, our business could be adversely affected.

As our industry grows, we may be subject to an increasing amount of litigation that is common in the software industry based on allegations of infringement or other alleged violations of patent, copyright and/or trademarks. In addition, we believe that interactive entertainment software will increasingly become the subject of claims that such software infringes on the intellectual property

rights of others with both the growth of online functionality and advances in technology, game content and software graphics as games become more realistic. From time to time, we receive notices from third-parties or are named in lawsuits by third-parties alleging infringement of their proprietary rights. Although we believe that our software and technologies and the software and technologies of third-party developers and publishers with whom we have contractual relations do not and will not infringe or violate proprietary rights of others, it is possible that infringement of proprietary rights of others may occur. Any claims of infringement, with or without merit, could be time consuming, costly and difficult to defend. Moreover, intellectual property litigation or claims could require us to discontinue the distribution of products, obtain a license or redesign our products, which could result in additional substantial costs and material delays.

Our software is susceptible to errors, which can harm our financial results and reputation.

The technological advancements of new hardware platforms result in the development of more complex software products. As software products become more complex, the risk of undetected errors in new products increases. We may need to produce and distribute patches in order to repair such errors, which could be costly and may distract our developers from working on new products. If, despite testing, errors are found in new products or releases after shipments have been made, we may have to consider suspending distribution of defective products or offering refunds, and we could experience a loss of or delay in timely market acceptance, product returns, loss of revenue, increases in costs relating to the repair of such errors and damage to our reputation.

If we acquire or invest in other businesses, intellectual properties or other assets, we may be unable to integrate them with our business, our financial performance may be impaired and/or we may not realize the anticipated financial and strategic goals for such transactions.

If appropriate opportunities present themselves, we may acquire or make investments in businesses, intellectual properties and other assets that we believe are strategic. We may not be able to identify, negotiate or finance any future acquisition or investment successfully. Even if we do succeed in acquiring or investing in a business, intellectual property or other asset, such acquisitions and investments involve a number of risks, including:

- retaining key employees and maintaining the key business and customer relationships of the businesses we acquire;
- cultural challenges associated with integrating employees from an acquired company or business into our organization;
- the possibility that the combined company would not achieve the expected benefits, including any anticipated operating and product synergies, of the acquisition as quickly as anticipated or that the costs of, or operational difficulties arising from, an acquisition would be greater than anticipated;
- significant acquisition-related accounting adjustments, particularly relating to an acquired company's deferred revenue, that may cause reported revenue and profits of the combined company to be lower than the sum of their stand-alone revenue and profits;
- significant accounting charges resulting from the completion and integration of a sizeable acquisition and increased capital expenditures, including potential impairment charges incurred to write down the carrying amount of intangible assets generated as a result of an acquisition;
- the possibility that significant acquisitions, when not managed cautiously, may result in the over-extension of our existing operating infrastructures, internal controls and information technology systems.
- the possibility that we will not discover important facts during due diligence that could have a material adverse effect on the value of the businesses we acquire, including the possibility that a change of control of a company we acquire triggers a termination of contractual or intellectual property rights important to the operation of its business;
- the need to integrate an acquired company's accounting, management information, human resource and other administrative systems to permit effective management and timely reporting, and the need to implement or remediate controls, procedures and policies appropriate for a public company in an acquired company that, prior to the acquisition, lacked these controls, procedures and policies;
- litigation or other claims in connection with, or inheritance of claims or litigation risks as a result of, an acquisition, including claims from terminated employees, customers or other third-parties; and
- to the extent that we engage in strategic transactions outside of the United States, we face additional risks, including risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

Future acquisitions and investments could also involve the issuance of our equity and equity-linked securities (potentially diluting our existing stockholders), 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 such as stock-based compensation. Any of the foregoing factors could harm our financial condition or prevent us from achieving improvements in our financial condition and operating performance that could have otherwise been achieved by us on a stand-alone basis. Our stockholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments.

Our ability to acquire and maintain licenses to intellectual property, especially for sports titles, affects our revenue and profitability. Competition for these licenses may make them more expensive and increase our costs.

Certain of our products are based on or incorporate intellectual property owned by others. For example, certain of our 2K products include rights licensed from major sports leagues and players' associations. Similarly, some of our other titles are based on licenses of popular entertainment products. Competition for these licenses is intense. If we are unable to maintain these licenses or obtain additional licenses on reasonable economic terms or with significant commercial value, our revenue and profitability could decline significantly. Competition for these licenses may also increase the advances, guarantees and royalties that we must pay to the licensor, which could significantly increase our costs and adversely affect our profitability. In addition, on certain intellectual property licenses, we are subject to guaranteed minimum payments, royalties or standards of performance and may not be able to terminate these agreements prior to their stated expiration. If such licensed products do not generate revenues in excess of such minimum guarantees, our profitability will be adversely affected.

We are subject to contractual covenants which place certain limitations on how we manage our business.

Our Second Amended and Restated Credit Agreement (as amended, the "Credit Agreement") and the indentures governing our 1.00% Convertible Notes due 2018 issued in June 2013 (the "1.00% Convertible Notes") may limit our ability to take various actions, including incurring additional debt, paying dividends, repurchasing shares and acquiring or disposing of assets or businesses. In addition, we have granted a security interest in connection with certain compensatory arrangements which limits our ability to incur senior debt in excess of certain amounts. Accordingly, we may be restricted from taking actions that management believes would be desirable and in the best interests of us and our stockholders. Our Credit Agreement and the indentures also require us to satisfy specified financial and non-financial covenants. A breach of any of the covenants contained in our Credit Agreement could result in an event of default under the agreement and under the indentures governing our 1.00% Convertible Notes and would allow our lenders and noteholders to pursue various remedies, including accelerating the repayment of any outstanding indebtedness.

Our business and products are subject to potential legislation. The adoption of such proposed legislation could limit the retail market for our products.

Several proposals have been made for federal legislation to regulate our industry. Such proposals seek to prohibit the sale of products containing certain content included in some of our games. If any such proposals are enacted into law, it may limit the potential market for some of our games in the United States, and adversely affect our business, financial condition and operating results. Other countries, such as Germany, have adopted laws regulating content both in packaged games and those transmitted over the Internet that are stricter than current United States laws. In the United States, proposals have also been made by numerous state legislators to regulate and prohibit the sale of interactive entertainment software products containing certain types of violent or sexual content to under 17 or 18 audiences, such as the State of California's "ultraviolent video games law" that sought to ban the sale or rental of violent video games to minors. While such legislation to date has been enjoined by industry and retail groups or been found unconstitutional, the adoption into law of such legislation in federal and/or in state jurisdictions in which we do significant business could severely limit the retail market for some of our games.

We may be required to record a significant charge to earnings if our goodwill becomes impaired.

We are required under U.S. generally accepted accounting principles to review our goodwill for impairment at least annually or more frequently when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances, indicating a requirement to reevaluate whether our goodwill continues to be recoverable, include a significant decline in stock price and market capitalization, slower growth rates in our industry or other materially adverse events. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill is determined. This may adversely affect our operating results.

Our reported financial results could be adversely affected by the application of existing or future accounting standards to our business as it evolves.

Our reported financial results are affected by the accounting policies promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. For example, standards regarding revenue recognition have and could further significantly affect the way we account for revenue related to our products and services. We expect that an increasing number of our games will be online-enabled in the future and that we could be required to recognize the related revenues over a period of time rather than at the time of sale. Further, as we increase our downloadable content and

add new features to our online services, our estimate of the service period may change and we could be required to recognize revenues, and defer related costs, over a shorter or longer period of time than we initially allocated. 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, could have a significant adverse effect on our reported results although not necessarily on our cash flows.

Risks relating to our common stock

For purposes of this section "Risks relating to our common stock," references to "the Company," "we," "our," and "us" refer only to Take-Two Interactive Software, Inc. and not to its subsidiaries.

Additional issuances or sales of equity securities by us would dilute the ownership of our existing stockholders and could adversely affect the market price of our common stock.

We may issue equity or equity-based securities (such as our 1.00% Convertible Notes) in the future in connection with acquisitions or strategic transactions, to adjust our ratio of debt to equity, including through repayment of outstanding debt, to fund expansion of our operations or for other purposes. To the extent we issue additional equity securities, including upon conversion of our outstanding 1.00% Convertible Notes, the percentage ownership of our existing stockholders would be reduced. The sale of substantial amounts of our common stock could adversely affect its price. The sale or the availability for sale of a large number of shares of our common stock in the public market could cause the price of our common stock to decline. The issuance of shares of our common stock upon conversion of our 1.00% Convertible Notes could also adversely affect the price of our common stock.

There is no guarantee that we will do additional share repurchases in the future.

The share repurchase program authorized by the Board of Directors, which authorized the repurchase of up to 14,217,683 shares of our common stock and had 9,046,353 shares available for repurchase as of March 31, 2017, does not obligate the Company to make any purchases at any specific time or situation. Discontinuing repurchases could adversely affect the price of the Company's common stock. The program may be suspended or discontinued at any time for any reason.

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

The market price of our common stock historically has been, and we expect will continue to be, subject to significant fluctuations. These fluctuations may be due to factors specific to us including those discussed in the risk factors in this section as well as others not currently known to us or that we currently do not believe are material, to changes in securities analysts' earnings estimates or ratings, to our results or future financial guidance falling below our expectations and analysts' and investors' expectations, to factors affecting the computer, software, entertainment, media or electronics industries, or to national or international economic conditions.

Stock markets, in general, have experienced over the years, and continue to experience significant price and volume fluctuations that have affected market prices for companies such as ours and that may be unrelated or disproportionate to the operating performance of the affected companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance.

Delaware law, our charter documents and provisions of our debt agreements may impede or discourage a takeover, which could cause the market price of our shares to decline.

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third-party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. Our Board of Directors has the power, without stockholder approval, to adopt a stockholder rights plan and/or to designate the terms of one or more series of preferred stock and issue shares of preferred stock. In addition, we may under certain circumstances involving a change of control, be obligated to repurchase all or a portion of our 1.00% Convertible Notes and any potential acquirer would be required to assume our obligations related to any outstanding 1.00% Convertible Notes. We or any possible acquirer may not have available financial resources necessary to repurchase those notes. The ability of our Board of Directors to create and issue a new series of preferred stock and certain provisions of Delaware law, our certificate of incorporation and bylaws and the indenture governing our notes could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock and the value of any outstanding notes.

Our ability to use net operating loss and tax credit carryforwards to reduce future years' taxes could be substantially limited under Internal Revenue Code Sections 382 and 383 if we experience an ownership change as defined in the Internal Revenue Code Section 382.

Section 382 of the Internal Revenue Code contains rules that limit the ability of a company to use its net operating loss and tax credit carryforwards in years after an ownership change, which is generally defined as any change in ownership of more than 50% of its stock over a three-year testing period. These rules generally operate by focusing on ownership changes among stockholders owning directly or indirectly 5% or more of the stock of a company and/or any change in ownership arising from a new issuance of stock by the company. If, as a result of future transactions involving our common stock, including purchases or sales of stock by 5% stockholders, we undergo cumulative ownership changes which exceed 50% over the testing period, our ability to use our net operating loss and tax credit carryforwards would be subject to additional limitations under Sections 382 and 383.

Generally, if an ownership change occurs, the annual taxable income limitation on the use of net operating loss and tax credit carryforwards is equal to the product of the applicable long-term tax exempt rate and the value of the company's stock immediately before the ownership change. Depending on the resulting limitation, a portion of our net operating loss and tax credit carryforwards could expire before we would be able to use them.

Our inability to fully utilize our net operating losses to reduce tax liability in the future could have a material and negative affect on our future financial position and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located at 622 Broadway, New York, New York in approximately 64,000 square feet of space under a lease expiring in March 2023.

We also lease approximately 61,000 square feet of space at 1133 Avenue of the Americas, New York, New York under a lease expiring in December 2032. We expect that this new space will be ready for occupancy by late 2017 and will become our principal executive offices after the move is completed. We also intend to continue to lease and use the premises located at 622 Broadway, New York, New York after the move to the new premises.

Take-Two Interactive Software Europe Ltd, our wholly-owned subsidiary, leases 12,500 square feet of office space in Windsor, United Kingdom, which expires in January 2022. Rockstar North, our wholly-owned subsidiary, leases 72,000 square feet of office space in Edinburgh, Scotland, which expires in June 2024.

2K corporate offices and two development studios occupy approximately 110,000 square feet of leased office space in Novato, California. The lease expires in March 2019.

In addition, our other subsidiaries lease office space in Sydney, Australia; Toronto, Canada; Chengdu, China; Brno, Czech Republic; Paris, France; Munich, Germany; Tokyo, Japan; Seoul, South Korea; Breda, Netherlands; Auckland, New Zealand; Singapore; Madrid and Barcelona, Spain; Lucerne, Switzerland; Taipei, Taiwan; London, Lincoln, and Leeds, United Kingdom; and, in the United States, Petaluma and San Diego, California; Sparks, Maryland; Andover and Westwood, Massachusetts; Las Vegas, Nevada; Bethpage and New York, New York; and Kirkland, Washington.

For information regarding our lease commitments, see Note 13 to the Consolidated Financial Statements.

Item 3. Legal Proceedings

We are, or may become, subject to demands and claims (including intellectual property claims) and are involved in routine litigation in the ordinary course of business which we do not believe to be material to our business or financial statements. We have appropriately accrued amounts related to certain of these claims and legal and other proceedings. While it is reasonably possible that a loss may be incurred in excess of the amounts accrued in our financial statements, we believe that such losses, unless otherwise disclosed, would not be material.

On April 11, 2016, we filed a declaratory judgment action in the United States District Court for the Southern District of New York seeking, among other things, a judicial declaration that Leslie Benzies, the former president of one of our subsidiaries with whom we had been in ongoing discussions regarding his separation of employment, is not entitled to any minimum allocation or financial parity with any other person under the applicable royalty plan. We believe we will prevail in this matter, although there can be no assurance of the outcome. On April 12, 2016, Mr. Benzies filed a complaint in the Supreme Court of the State of New York, New York County against us, and certain of our subsidiaries and employees. We removed this case to the United States District Court for the Southern District of New York, but the case was subsequently remanded to state court. The complaint claims damages of at least \$150 million and contains allegations of breach of fiduciary duty; fraudulent

inducement and fraudulent concealment; aiding and abetting breach of fiduciary duty; breach of various contracts; breach of implied duty of good faith and fair dealing; tortious interference with contract; unjust enrichment; reformation; constructive trust; declaration of rights; constructive discharge; defamation and fraud. Motion practice in both the federal and state actions is ongoing. We believe that we have meritorious defenses to these claims, and we intend to vigorously defend against them and to pursue any counterclaims.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

Our common stock trades on the NASDAQ Global Select Market under the symbol "TTWO." The following table sets forth, for the periods indicated, the range of the high and low sale prices for our common stock as reported by NASDAQ.

	High	Low
Fiscal Year Ended March 31, 2017		
First Quarter ended June 30, 2016	\$ 40.17	\$ 33.06
Second Quarter ended September 30, 2016	46.78	37.64
Third Quarter ended December 31, 2016	51.34	41.70
Fourth Quarter ended March 31, 2017	60.20	48.58
Fiscal Year Ended March 31, 2016		
First Quarter ended June 30, 2015	\$ 28.98	\$ 23.30
Second Quarter ended September 30, 2015	32.71	25.01
Third Quarter ended December 31, 2015	37.00	27.89
Fourth Quarter ended March 31, 2016	37.95	31.36

The number of record holders of our common stock was 80 as of May 16, 2017.

Dividend Policy

We have never declared or paid cash dividends. We currently anticipate that all future earnings will be retained to finance the growth of our business and we do not expect to declare or pay any cash dividends in the foreseeable future. The payment of dividends in the future is within the discretion of our Board of Directors and will depend upon future earnings, capital requirements and other relevant factors. Our Credit Agreement restricts the payment of dividends on our stock. See "Liquidity and Capital Resources" under Item 7 for additional information on our Credit Agreement.

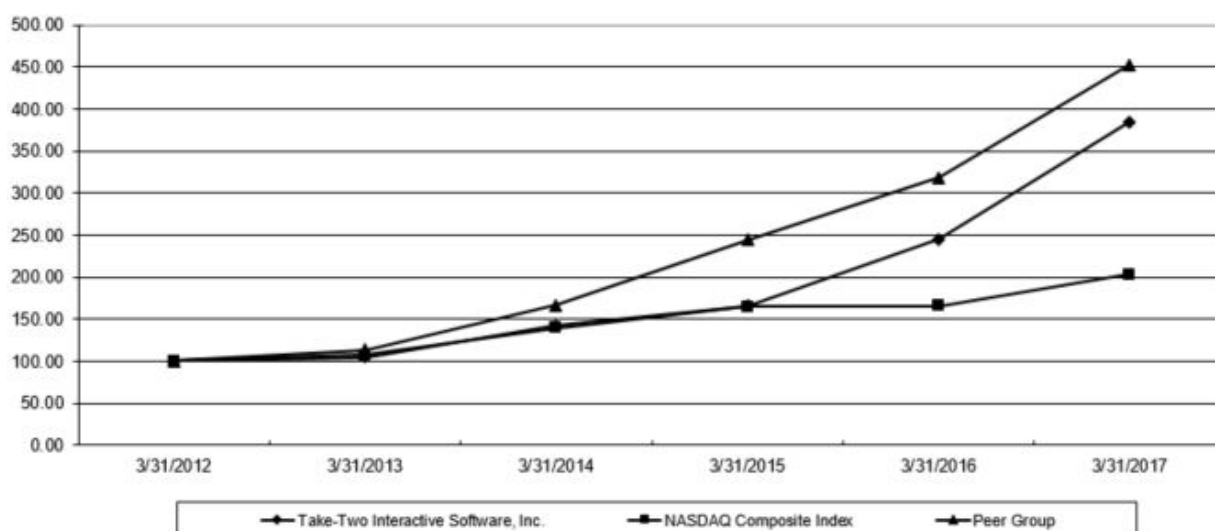
Securities Authorized for Issuance under Equity Compensation Plans

The table setting forth this information is included in Part III—Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Stock Performance Graph

The following line graph compares, from March 31, 2012 through March 31, 2017, the cumulative total stockholder return on our common stock with the cumulative total return on the stocks comprising the NASDAQ Composite Index and the stocks comprising a peer group index consisting of Activision Blizzard, Inc. and Electronic Arts Inc. The comparison assumes \$100 was invested on March 31, 2012 in our common stock and in each of the following indices and assumes reinvestment of all cash dividends, if any, paid on such securities. We have not paid any cash dividends and, therefore, our cumulative total return calculation is based solely upon stock price appreciation and not upon reinvestment of cash dividends. Historical stock price is not necessarily indicative of future stock price performance.

Comparison of 5 Year Cumulative Total Return*
Among Take-Two Interactive Software, Inc., the NASDAQ Composite Index and a Peer Group
March 2017



* \$100 invested on March 31, 2012 in stock or index - including reinvestment of dividends.

	March 31,					
	2012	2013	2014	2015	2016	2017
Take-Two Interactive Software, Inc.	\$ 100.00	\$ 104.94	\$ 142.50	\$ 165.43	\$ 244.77	\$ 385.12
NASDAQ Composite Index	100.00	107.14	139.48	164.75	165.66	203.56
Peer Group	100.00	112.99	166.26	244.07	318.00	453.01

Issuer Purchases of Equity Securities

Share Repurchase Program—In January 2013, our Board of Directors authorized the repurchase of up to 7,500,000 shares of our common stock. During the fiscal year ended March 31, 2014, we repurchased 4,217,683 shares of our common stock in the open market for \$73.3 million as part of the program. In May 2015, our Board of Directors authorized the repurchase of an additional 6,717,683 shares of our common stock pursuant to the share repurchase program. During the fiscal year ended March 31, 2016, we repurchased 953,647 shares of our common stock in the open market for \$26.6 million as part of the program. As of March 31, 2017, we have repurchased a total of 5,171,330 shares of our common stock and have 9,046,353 shares of our common stock that remain available for repurchase under our share repurchase authorization. We are authorized to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, our financial performance and other conditions. The program does not require us to repurchase shares and may be suspended or discontinued at any time for any reason.

During the fiscal year ended March 31, 2017, we repurchased 133,250 shares of our common stock for \$7.9 million, in connection with our obligation to holders of restricted stock awards to withhold the number of shares required to satisfy the holders' tax liabilities in connection with the vesting of such shares. These 133,250 shares were not part of the publicly announced share repurchase program.

Summary Table—The table below details the share repurchases that were made by us during the three months ended March 31, 2017:

Period	Shares purchased*	Average price per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the repurchase program
January 1 - 31, 2017	—	—	—	9,046,353
February 1 - 28, 2017	1,735	\$ 57.88	—	9,046,353
March 1 - 31, 2017	130,468	\$ 59.27	—	9,046,353

* All of the shares purchased during this period were purchased in connection with our obligation to holders of restricted stock awards to withhold the number of shares required to satisfy the holders' tax liabilities in connection with the vesting of such shares. None of the shares repurchased during the three months ended March 31, 2017 were part of the publicly announced share repurchase program.

Item 6. Selected Financial Data

The following Selected Financial Data should be read in conjunction with our Consolidated Financial Statements and related Notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. (in thousands, except per share data)

STATEMENT OF OPERATIONS DATA:	Fiscal Year Ended March 31,				
	2017	2016	2015	2014	2013
Net revenue	\$ 1,779,748	\$ 1,413,698	\$ 1,082,938	\$ 2,350,568	\$ 1,214,483
Gross profit	756,789	599,825	288,071	936,241	498,646
Income (loss) from continuing operations	67,303	(8,302)	(279,470)	361,691	(31,162)
Net income (loss)	\$67,303	\$ (8,302)	\$ (279,470)	\$ 361,605	\$ (29,491)
Earnings (loss) per share:					
Basic:					
Continuing operations	\$ 0.73	\$ (0.10)	\$ (3.48)	\$ 3.79	\$ (0.36)
Earnings (loss) per share:	\$ 0.73	\$ (0.10)	\$ (3.48)	\$ 3.79	\$ (0.34)
Diluted:					
Continuing operations	\$ 0.72	\$ (0.10)	\$ (3.48)	\$ 3.20	\$ (0.36)
Earnings (loss) per share:	\$ 0.72	\$ (0.10)	\$ (3.48)	\$ 3.20	\$ (0.34)

BALANCE SHEET DATA:	As of March 31,				
	2017	2016	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾
Total assets	\$ 3,149,154	\$ 2,590,277	\$ 2,228,073	\$ 1,795,083	\$ 1,273,221
Long-term debt	251,929	497,935	473,030	449,484	330,584

(1) During 2016, we retrospectively adopted Accounting Standards Update 2015-03, "Simplifying the Presentation of Debt Issuance Costs," and as a result previously reported Total assets and Long-term debt have both decreased from previously reported amounts by \$3,027, \$4,547, \$4,618 and \$6,458 as of March 31, 2015, 2014, 2013 and 2012, respectively to reflect the deduction of debt issuance costs from the carrying amount of the related debt liability.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Our Business

We are a leading developer, publisher and marketer of interactive entertainment for consumers around the globe. Our products are currently designed for console gaming systems such as Sony's PS4 and PS3 and Microsoft's Xbox One and Xbox 360; and PC, including smartphones and tablets. We deliver our products through physical retail, digital download, online platforms and cloud streaming services.

We endeavor to be the most creative, innovative and efficient company in our industry. Our core strategy is to capitalize on the popularity of video games by developing and publishing high-quality interactive entertainment experiences across a range of genres. We focus on building compelling entertainment franchises by publishing a select number of titles for which we can create sequels and incremental revenue opportunities through add-on content, microtransactions and online play. Most of our intellectual property is internally owned and developed, which we believe best positions us financially and competitively. We have established a portfolio of proprietary software content for the major hardware platforms in a wide range of genres, including action, adventure, family/casual, racing, role-playing, shooter, sports and strategy, which we distribute worldwide. We believe that our commitment to creativity and innovation is a distinguishing strength, enabling us to differentiate our products in the marketplace by combining advanced technology with compelling storylines and characters that provide unique gameplay experiences for consumers. We have created, acquired or licensed a group of highly recognizable brands to match the broad consumer demographics we serve, ranging from adults to children and game enthusiasts to casual gamers. Another cornerstone of our strategy is to support the success of our products in the marketplace through innovative marketing programs and global distribution on platforms and through channels that are relevant to our target audience.

Our revenue is primarily derived from the sale of internally developed software titles and software titles developed by third-parties. Operating margins are dependent in part upon our ability to release new, commercially successful software products and to manage effectively their development costs. We have internal development studios located in Canada, China, Czech Republic, the United Kingdom and the United States.

Software titles published by our Rockstar Games label are primarily internally developed. We expect Rockstar Games, our wholly-owned publisher of the *Grand Theft Auto*, *Max Payne*, *Midnight Club*, *Red Dead* and other popular franchises, to continue to be a leader in the action / adventure product category and to create groundbreaking entertainment by leveraging our existing titles as well as by developing new brands. We believe that Rockstar has established a uniquely original, popular cultural phenomenon with its *Grand Theft Auto* series, which is the interactive entertainment industry's most iconic and critically acclaimed brand and has sold-in over 260 million units. The latest installment, *Grand Theft Auto V*, was released on Sony's PS3 and Microsoft's Xbox 360 in September 2013, on Sony's PS4 and Microsoft's Xbox One in November 2014, and on PC in April 2015. *Grand Theft Auto V* includes access to *Grand Theft Auto Online*, which initially launched in October 2013. Rockstar Games is also well known for developing brands in other genres, including the *L.A. Noire*, *Bully* and *Manhunt* franchises. Rockstar Games continues to expand on our established franchises by developing sequels, offering downloadable episodes, content and virtual currency, and releasing titles for smartphones and tablets.

Our 2K label has published a variety of popular entertainment properties across all key platforms and across a range of genres including shooter, action, role-playing, strategy, sports and family/casual entertainment. We expect 2K to continue to develop new, successful franchises in the future. 2K's internally owned and developed franchises include the critically acclaimed, multi-million unit selling *BioShock*, *Mafia*, *Sid Meier's Civilization* and *XCOM* series. In May 2016, 2K launched *Battleborn*, a new brand created by Gearbox Software, the makers of *Borderlands*. 2K also publishes successful externally developed franchises, such as *Borderlands* and *Evolve*. 2K's realistic sports simulation titles include our flagship *NBA 2K* series, which continues to be the top-ranked NBA basketball video game, and the *WWE 2K* professional wrestling series.

We are continuing to execute on our growth initiatives in Asia, where our strategy is to broaden the distribution of our existing products and expand our online gaming presence, especially in China and South Korea. 2K has secured a multi-year license from the NBA to develop an online version of the NBA simulation game in China, Taiwan, South Korea and Southeast Asia. In October 2012, *NBA 2K Online*, our free-to-play NBA simulation game, which was co-developed by 2K and Tencent, launched commercially on the Tencent Games portal in China.

On January 31, 2017, Take-Two acquired privately-held Social Point (refer to Note 23 of our Consolidated Financial Statements). Founded in 2008 and headquartered in Barcelona, Spain, Social Point is a highly-successful free-to-play mobile game developer and publisher that focuses on delivering high-quality, deeply-engaging entertainment experiences. Social Point currently has multiple profitable titles in the market, including its two most successful games, *Dragon City* and *Monster Legends*. In addition, Social Point has a robust development pipeline with a number of exciting games planned for launch over the next two years. Social Point's games currently are available in North America, Latin America and EMEA, and approximately 50% of its revenue is derived from the United States. In 2016, over 90% of its revenue was generated from mobile platforms.

Trends and Factors Affecting our Business

Product Release Schedule. Our financial results are affected by the timing of our product releases and the commercial success of those titles. Our *Grand Theft Auto* products in particular have historically accounted for a significant portion of our revenue. Sales of *Grand Theft Auto* products generated 38.2% of our net revenue for the fiscal year ended March 31, 2017. The timing of our *Grand Theft Auto* product releases may affect our financial performance on a quarterly and annual basis.

Economic Environment and Retailer Performance. We continue to monitor economic conditions that may unfavorably affect our businesses, such as deteriorating consumer demand, pricing pressure on our products, credit quality of our receivables, and foreign currency exchange rates. Our business is dependent upon a limited number of customers that account for a significant portion of our revenue. Our five largest customers accounted for 65.5%, 58.9% and 64.6% of net revenue during the fiscal years ended March 31, 2017, 2016 and 2015, respectively. As of March 31, 2017 and 2016, five customers comprised 69.9% and 73.9% of our gross accounts receivable, respectively, with our significant customers (those that individually comprised more than 10% of our gross accounts receivable balance) accounting for 57.6% and 64.1% of such balance at March 31, 2017 and 2016, respectively. We had two customers who accounted for 40.2% and 17.4% of our gross accounts receivable as of March 31, 2017 and three customers who accounted for 35.2%, 16.8% and 12.1% of our gross accounts receivable as of March 31, 2016. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of March 31, 2017 and 2016. The economic environment has affected our customers in the past, and may do so in the future. Bankruptcies or consolidations of our large retail customers could seriously hurt our business, due to uncollectible accounts receivables and the concentration of purchasing power among the remaining large retailers. Certain of our large customers sell used copies of our games, which may negatively affect our business by reducing demand for new copies of our games. While the downloadable content that we now offer for certain of our titles may serve to reduce used game sales, we expect used game sales to continue to adversely affect our business.

Hardware Platforms. We derive most of our revenue from the sale of products made for video game consoles manufactured by third-parties, such as Sony's PS4 and PS3 and Microsoft's Xbox One and Xbox 360, which comprised 81.0% of our net revenue by product platform for the fiscal year ended March 31, 2017. The success of our business is dependent upon the consumer acceptance of these consoles and continued growth in their installed base. When new hardware platforms are introduced, demand for software used on older platforms typically declines, which may negatively affect our business during the market transition to the new consoles. We continually monitor console hardware sales. We manage our product delivery on each current and future platform in a manner we believe to be most effective to maximize our revenue opportunities and achieve the desired return on our investments in product development. Accordingly, our strategy is to focus our development efforts on a select number of the highest quality titles for these platforms, while also expanding our offerings for emerging platforms such as tablets, smartphones and online games.

Online Content and Digital Distribution. The interactive entertainment software industry is delivering a growing amount of content through digital online delivery methods. We provide a variety of online delivered products and offerings. Most of our titles that are available through retailers as packaged goods products are also available through direct digital download (from websites we own and others owned by third-parties). In addition, we aim to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles after their initial purchase through downloadable offerings, including add-on content, microtransactions and online play. We also publish an expanding variety of titles for tablets and smartphones, which are delivered to consumers through digital download via the Internet. Note 17 to the Consolidated Financial Statements, "Segment and Geographic Information," discloses that net revenue from digital online channels comprised 51.8% of our net revenue by distribution channel for the fiscal year ended March 31, 2017. We expect online delivery of games and game offerings to continue to grow and to become an increasing part of our business over the long-term.

Product Releases

We released the following key titles in fiscal year 2017:

Title	Publishing Label	Internal or External Development	Platform(s)	Date Released
<i>Battleborn</i>	2K	External	Xbox One, PS4, PC	May 3, 2016
<i>BioShock: The Collection</i>	2K	Internal/External	Xbox One, PS4, PC (digital download only)	September 13, 2016
<i>NBA 2K17</i>	2K	Internal	Xbox 360, Xbox One, PS3, PS4, PC	September 20, 2016
<i>XCOM 2</i>	2K	Internal	Xbox One, PS4	September 27, 2016
<i>Mafia III</i>	2K	Internal	Xbox One, PS4, PC	October 7, 2016
<i>WWE 2K17</i>	2K	Internal/External	Xbox 360, Xbox One, PS3, PS4	October 11, 2016
<i>Sid Meier's Civilization VI</i>	2K	Internal	PC	October 21, 2016

Product Pipeline

We have announced the following key titles to date (this list does not represent all titles currently in development):

Title	Publishing Label	Internal or External Development	Platform(s)	Expected Release Date
<i>Red Dead Redemption 2</i>	Rockstar Games	Internal	PS4, Xbox One	Spring 2018
<i>NBA 2K18</i>	2K	Internal	Xbox 360, Xbox One, PS3, PS4, Switch, PC	September 19, 2017
<i>WWE 2K18</i>	2K	Internal/External	TBA	Fall 2017

Fiscal 2017 Financial Summary

Our net revenue for fiscal year ended March 31, 2017 was led by titles from a variety of our top franchises, primarily *Grand Theft Auto*, *NBA 2K* and *WWE 2K*. Our net revenue increased to \$1,779.7 million, an increase of \$366.1 million or 25.9% compared to the fiscal year ended March 31, 2016.

For the fiscal year ended March 31, 2017, our net income was \$67.3 million, as compared to a net loss of \$8.3 million in the prior year. Diluted earnings per share for the fiscal year ended March 31, 2017 was \$0.72, as compared to a loss per share of \$0.10 for the fiscal year ended March 31, 2016. Our operating income for the fiscal year ended March 31, 2017 increased compared to the operating loss for fiscal year ended March 31, 2016, due primarily to higher gross profit from sales of our titles and the business reorganization charges incurred in 2016 not recurring in 2017, offset by higher operating expenses, primarily as a result of an increase in selling and marketing expense.

At March 31, 2017 we had \$943.4 million of cash and cash equivalents, compared to \$798.7 million at March 31, 2016. The increase in cash and cash equivalents from March 31, 2016 was due primarily to cash provided by operating activities partially offset by cash used in investing and financing activities. The increase in net cash provided by operations was due primarily to cash generated from sales of *Grand Theft Auto V*, *NBA 2K17*, *WWE 2K17*, *Mafia III*, and virtual currency, partially offset by investments in software development and licenses and the funding of internal royalty payments. Net cash used in investing and financing activities related primarily to our acquisition of Social Point and the net share settlements of stock-based awards.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net revenues and expenses during the reporting periods. We base our estimates, assumptions and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our Consolidated Financial Statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual amounts could differ significantly from these estimates.

We have identified the policies below as critical to our business operations and the understanding of our financial results and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The effect and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the Consolidated Financial Statements. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Revenue Recognition

We recognize revenue on the sales of software products upon the transfer of title and risk of loss to our customers. Accordingly, we recognize revenue for software titles when there is (1) persuasive evidence that an arrangement with the customer exists, (2) the product is delivered, (3) the selling price is fixed or determinable and (4) collection of the customer receivable is deemed probable. Certain products are sold to customers with a street date (*i.e.*, the earliest date these products may be sold by retailers). For these products we recognize revenue on the later of the street date or the sale date. In addition, some of our software products are sold as full game digital downloads and digital add-on content for which the consumer takes possession of the digital content for a fee. Revenue from product downloads is generally recognized when the download is made available to the end user (assuming all other recognition criteria are met).

In providing credit terms to our customers, our payment arrangements typically provide net 30 and 60 day terms. Advances received for licensing and exclusivity arrangements are reported on our Consolidated Balance Sheets as deferred revenue until we meet our performance obligations, at which point we recognize the revenue.

For some of our software products, we enter into multiple element revenue arrangements in which we may provide a combination of full game software, online multi-player functionality, and related post-contract customer support ("PCS") which generally includes additional free unspecified add-on content updates, maintenance, and online support services. For these arrangements, we evaluate the significance of the PCS at the time each game is released based on the guidance in Accounting Standards Codification 985-605, "Software—Revenue Recognition" ("ASC 985-605") to determine if the PCS rises to the level of a separate deliverable. We monitor our initial assessments on an ongoing basis and consider any changes that may arise. In conjunction with our evaluation, we consider such factors as the significance of the development effort, the nature of online features, the extent of anticipated marketing focus on online features, the significance of the online features to the consumers' anticipated overall gameplay experience, and the significance and length of time of our post sale obligations to consumers. Determining whether PCS is significant for a particular game is subjective and requires management's judgment.

When a software arrangement includes multiple elements, the arrangement consideration is allocated to each revenue element based on its relative fair value, based on the vendor specific objective evidence ("VSOE") of fair value for each element. When VSOE of fair value does not exist for all of the elements in the arrangement, ASC 985-605 requires either the use of the residual method or the deferral of revenue until the earlier point at which VSOE of fair value exists for any undelivered element or until only one undelivered element remains. For arrangements that require the deferral of revenue, the related cost of goods sold is deferred and recognized as the related net revenue is recognized. Deferred cost of goods sold includes product costs and licenses. We do not have VSOE for our PCS obligations and in those arrangements where PCS obligations have been determined to be significant we recognize revenue from the sale of software products and the related cost of goods sold ratably over the period we expect to offer the PCS to the consumer ("estimated service period"), assuming all other recognition criteria are met. We also do not have VSOE for our online multi-player functionality; however it is generally delivered at the same time with the full game software. Determining the estimated service period is subjective and requires management's judgment, therefore, the estimated service period may change in the future. The estimated service periods of our current games, with online functionality and related PCS, are generally 12 to 41 months.

When our software products provide insignificant PCS at no additional cost to the consumer, we recognize revenue when the four primary revenue recognition criteria described above have been met for all other deliverables in the arrangement and, in those situations, we estimate and accrue the future costs of providing those services.

Certain of our games provide consumers with the option to purchase virtual currency to use in the game to acquire virtual goods. We currently recognize revenue from the sale of virtual currency, using the game-based model, ratably over the estimated remaining life of the game. Because the service period for our online-enabled games with significant PCS is not an explicitly defined period, we must make an estimate of the service offering period for purposes of recognizing revenue. The estimated service period for current deferred title offerings is based on our estimate of the economic game life of the respective title. Determining the estimated service period (or economic game life) is inherently subjective and is subject to regular revision based on numerous factors and considerations. The factors that we primarily consider as part of our process of initially determining and subsequently reassessing estimated service periods for our titles include:

- the period of time over which the substantial majority of a respective title's estimated lifetime game sales and in-game virtual currency sales are expected to occur;
- the period of time over which we plan to provide free unspecified add-on content updates, maintenance or other remaining material online support services associated with our online-enabled games;
- the time over which we plan to dedicate internal resources to support the online functionality of a title;
- known and expected online gameplay trends;
- the results from prior analyses;
- the nature of the game (e.g., annual title, genre, period of time between franchise title releases, etc.); and
- the disclosed service periods for competitors' games.

To the extent we have recorded significant amounts of revenue deferred for specific titles, changes in the estimated service periods could have a material impact on the revenue recognized in a particular period.

As part of our on-going assessment of estimated service periods during the three months ended March 31, 2017, we changed *Grand Theft Auto V*'s estimated service period from 36 to 41 months. The change in estimate resulted in a decrease in net revenues

of \$29,367 and income from operations of \$27,070 to our fiscal 2017 financial results, with such revenues expected to be recognized in fiscal 2018.

Revenue is recognized after deducting estimated price protection, reserves for returns and other allowances. In circumstances when we do not have a reliable basis to estimate price protection, returns and other allowances or are unable to determine that collection of a receivable is probable, we defer the revenue until we can reliably estimate any related returns and allowances and determine that collection of the receivable is probable.

Price protection and Allowances for Returns

We grant price protection and accept returns in connection with our publishing arrangements. Following reductions in the price of our products, we grant price protection to permit customers to take credits against amounts they owe us with respect to merchandise unsold by them. Our customers must satisfy certain conditions to entitle them to receive price protection or return products, including compliance with applicable payment terms and confirmation of field inventory levels.

Generally, our distribution arrangements with customers do not give them the right to return titles or to cancel firm orders. However, we occasionally accept returns from our customers for stock balancing and make accommodations to customers, which include credits and returns, when demand for specific titles falls below expectations.

We make estimates of future price protection and product returns related to current period product revenue. We estimate the amount of future price protection and returns for published titles based upon, among other factors, historical experience and performance of the titles in similar genres, historical performance of the hardware platform, customer inventory levels, analysis of sell-through rates, sales force and retail customer feedback, industry pricing, market conditions and changes in demand and acceptance of our products by consumers.

Significant management judgments and estimates must be made and used in connection with establishing price protection and the allowance for returns in any accounting period. We believe we can make reliable estimates of price protection and returns. However, actual results may differ from initial estimates as a result of changes in circumstances, market conditions and assumptions. Adjustments to estimates are recorded in the period in which they become known.

Software Development Costs and Licenses

Capitalized software development costs include direct costs incurred for internally developed titles and payments made to third-party software developers under development agreements.

We capitalize internal software development costs (including stock-based compensation, specifically identifiable employee payroll expense and incentive compensation costs related to the completion and release of titles), third-party production and other content costs, subsequent to establishing technological feasibility of a software title. Technological feasibility of a product includes the completion of both technical design documentation and game design documentation. Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a product by product basis.

We enter into agreements with third-party developers that require us to make payments for game development and production services. In exchange for our payments, we receive the exclusive publishing and distribution rights to the finished game title as well as, in some cases, the underlying intellectual property rights. Such agreements typically allow us to fully recover these payments to the developers at an agreed upon royalty rate earned on the subsequent sales of such software, net of any agreed upon costs. Prior to establishing technological feasibility of a product we record any costs incurred by third-party developers as research and development expenses. Subsequent to establishing technological feasibility of a product we capitalize all development and production service payments to third-party developers as software development costs and licenses. We typically enter into agreements with third-party developers after completing the technical design documentation for our products and therefore record the design costs leading up to a signed development contract as research and development expense. When we contract with third-party developers, we generally select those that have proven technology and experience in the genre of the software being developed, which often allows for the establishment of technological feasibility early in the development cycle. In instances where the documentation of the design and technology are not in place prior to an executed contract, we monitor the software development process and require our third-party developers to adhere to the same technological feasibility standards that apply to our internally developed products.

Licenses consist of payments and guarantees made to holders of intellectual property rights for use of their trademarks, copyrights or other intellectual property rights in the development of our products. Agreements with license holders generally provide for guaranteed minimum payments for use of their intellectual property. Certain licenses, especially those related to our sports products, extend over multi-year periods and encompass multiple game titles. In addition to guaranteed minimum payments, these licenses frequently contain provisions that could require us to pay royalties to the license holder based on pre-agreed unit sales thresholds.

Amortization of capitalized software development costs and licenses commences when a product is released and is recorded on a title-by-title basis in cost of goods sold. For capitalized software development costs, amortization is calculated using (1) the proportion of current year revenues to the total revenues expected to be recorded over the life of the title or (2) the straight-line method over the remaining estimated useful life of the title, whichever is greater. For capitalized licenses, amortization is calculated as a ratio of (1) current period revenues to the total revenues expected to be recorded over the remaining life of the title or (2) the contractual royalty rate based on actual net product sales as defined in the licensing agreement, whichever is greater.

We evaluate the future recoverability of capitalized software development costs and licenses on a quarterly basis. Recoverability is primarily assessed based on the actual title's performance. For products that are scheduled to be released in the future, recoverability is evaluated based on the expected performance of the specific products to which the cost or license relates. We utilize a number of criteria in evaluating expected product performance, including: historical performance of comparable products developed with comparable technology; market performance of comparable titles; orders for the product prior to its release; general market conditions; and, past performance of the franchise. When we determine that the value of the title is unlikely to be recovered by product sales, capitalized costs are charged to cost of goods sold in the period in which such determination is made.

We have profit and unit sales based internal royalty programs that allow selected employees to each participate in the success of software titles that they assist in developing. Royalties earned under this program are recorded as a component of cost of goods sold in the period earned.

Fair Value Estimates

The preparation of financial statements in conformity with U.S. GAAP often requires us to determine the fair value of a particular item to fairly present our Consolidated Financial Statements. Without an independent market or another representative transaction, determining the fair value of a particular item requires us to make several assumptions that are inherently difficult to predict and can have a material influence on the conclusion of the appropriate accounting.

Various valuation techniques are used to estimate fair value. These include (1) the market approach where market transactions for identical or comparable assets or liabilities are used to determine the fair value, (2) the income approach, which uses valuation techniques to convert future amounts (for example, future cash flows or future earnings) to a single present amount, and (3) the cost approach, which is based on the amount that would be required to replace an asset. For many of our fair value estimates, including our estimates of the fair value of acquired intangible assets, we use the income approach. Using the income approach requires the use of financial models, which require us to make various estimates including, but not limited to (1) the potential future cash flows for the asset, liability or equity instrument being measured, (2) the timing of receipt or payment of those future cash flows, (3) the time value of money associated with the delayed receipt or payment of such cash flows, and (4) the inherent risk associated with the cash flows (risk premium). Developing these cash flow estimates is inherently difficult and subjective, and, if any of the estimates used to determine the fair value using the income approach turn out to be inaccurate, our financial results may be negatively affected. Furthermore, relatively small changes in many of these estimates can have a significant influence on the estimated fair value resulting from the financial models or the related accounting conclusion reached. For example, a relatively small change in the estimated fair value of an asset may change a conclusion as to whether an asset is impaired. While we are required to make certain fair value assessments associated with the accounting for several types of transactions, the following areas are the most sensitive to the assessments:

Business Combinations—Goodwill and Intangible Assets. We must estimate the fair value of assets acquired and liabilities assumed in a business combination. Our assessment of the estimated fair value of each of these can have a material effect on our reported results as intangible assets are amortized over various lives. Goodwill represents the excess of purchase price over the fair value of the net tangible assets and intangible assets acquired in a business combination. A change in the estimated fair value of an acquired asset or liability assumed often has a direct influence on the amount recognized as goodwill, which is an asset that is not amortized. Often determining the fair value of these acquired assets and liabilities assumed requires an assessment of expected use of the asset, the expected cost to extinguish the liability or our expectations related to the timing and the successful completion of development of an acquired in-process technology. Such estimates are inherently difficult and subjective and can have a material influence on our financial statements.

We use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

We test our goodwill for impairment annually, in our second fiscal quarter, or more frequently if events and circumstances indicate the fair value of a reporting unit may be below its carrying amount. A reporting unit is defined as an operating segment or one

level below an operating segment. We have determined that we operate in one reporting unit, which is our operating segment. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Changes in our strategy and/or market conditions could significantly affect these judgments and require reductions to recorded intangible asset balances. We have the option to first perform a qualitative assessment to determine if the fair value of its reporting unit is more likely than not (i.e., a likelihood of more than 50%) less than its carrying value before performing the two-step impairment test. If the two-step impairment test for goodwill is utilized, step one compares the fair value of the reporting unit to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment is recognized. Based on our annual impairment assessment process for goodwill, no impairments were recorded during the fiscal year ended March 31, 2017 or 2016.

Long-lived assets. We review long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the related carrying amount of an asset or asset group may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with future undiscounted cash flows expected to be generated from the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Inventory Obsolescence. We regularly review inventory quantities on-hand and in the retail channels and record an inventory provision for excess or obsolete inventory based on the future expected demand for our products. Significant changes in demand for our products would affect management's estimates in establishing our inventory provision. We write down inventory based on excess or obsolete inventories determined primarily by future anticipated demand for our products. Inventory write-downs are measured as the difference between the cost of the inventory and net realizable value, based upon assumptions about future demand that are inherently difficult to assess.

Stock-based Compensation

We account for stock-based awards under the fair value method of accounting. The fair value of all stock-based compensation is either capitalized and amortized in accordance with our software development cost accounting policy or recognized as expense on a straight-line basis over the full vesting period of the awards.

We estimate the fair value of time-based awards to employees using our closing stock price on the date of grant. We estimate the fair value of market-based awards using a Monte Carlo Simulation method which takes into account assumptions such as the expected volatility of our common stock, the risk-free interest rate based on the contractual term of the award, expected dividend yield, vesting schedule and the probability that the market conditions of the awards will be achieved.

We apply variable accounting to our non-employee stock-based awards, whereby we remeasure the value of such awards at each balance sheet date and adjust the value of the awards based on its fair value at the end of the reporting period. For non-employee time-based awards fair value is determined by the closing price of our common stock at the end of the reporting period. For non-employee market-based awards fair value is determined using a Monte Carlo Simulation method which takes into account assumptions such as the expected volatility of our common stock, the risk-free interest rate based on the contractual term of the award, expected dividend yield, vesting schedule and the probability that the market conditions of the awards will be achieved. For non-employee performance-based awards we do not record an expense until a performance target(s) have been achieved and once achieved fair value is determined by the closing price of our common stock at the end of the reporting period.

We issue time and performance based restricted stock units to certain employees, which currently can only be settled in cash. These awards are accounted for as liability awards. Changes in the value of the awards from period to period are recorded as stock-based compensation expense over the vesting period.

See Note 15 to the Consolidated Financial Statements for a full discussion of our stock-based compensation arrangements.

Income Taxes

We record a tax provision for the anticipated tax consequences of the reported results of operations. The provision for income taxes is computed using the asset and liability method, under which deferred income taxes are recognized for differences between

the financial statement and tax bases of assets and liabilities at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. Our history of pre-tax losses represents sufficient evidence for us to determine that the establishment of a valuation allowance against the deferred tax asset is appropriate. This valuation allowance offsets deferred tax assets associated with future tax deductions as well as carryforward items.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates, changes in the valuation of our deferred tax assets or liabilities, or changes in tax laws or interpretations thereof. In addition, our filed tax returns are subject to examination by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

Recently Issued Accounting Pronouncements

Accounting for Acquisitions or Disposals

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, *Clarifying the Definition of a Business*, with the objective of providing additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update provide new guidance to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The new guidance requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The new guidance is expected to reduce the number of transactions that need to be further evaluated. The new standard, as amended, will be effective for the Company prospectively for interim and annual reporting periods beginning on January 1, 2018 (April 1, 2018 for the Company), with early adoption permitted. We intend to early adopt this ASU for the quarterly period ending June 30, 2017 and believe that the evaluation of whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses will be simplified under the new standard.

Accounting for Goodwill

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)*. This ASU eliminates Step 2 from the goodwill impairment test. Under the new guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, this ASU eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019 (April 1, 2020 for the Company), including interim periods within those fiscal years, and is applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. While we are currently evaluating the impact of the adoption of this ASU, we do not believe that the adoption of this guidance will have a material impact on our consolidated financial statements.

Accounting for Restricted Cash

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that changes in restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2017 (April 1, 2018 for the Company), including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of the adoption of this ASU.

Accounting for Stock Compensation

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation*. This new guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This update is effective for annual periods beginning after December 15, 2016 (April 1, 2017 for the Company) and interim periods within those annual periods. In the first quarter of fiscal 2018, the Company will apply a modified retrospective transition method to account for the changes under the standard related to income taxes and the policy election for recording forfeitures as they occur.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting. This update is effective for annual periods, and interim periods within those years, beginning after December 15, 2018 (April 1, 2019 for the Company). This new guidance must be adopted using a modified retrospective approach whereby, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted. We are currently evaluating the impact of adopting this update on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases, mostly for office space.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB recently issued several amendments to the standard, including clarifications on disclosure of prior-period performance obligations and remaining performance obligations.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method).

The new standard is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2017 (April 1, 2018 for the Company), with early adoption permitted for annual reporting periods beginning after December 15, 2016 (April 1, 2017 for the Company). We will adopt the new standard effective April 1, 2018 using the cumulative catch-up method.

We anticipate this standard will have a material impact on our Consolidated Financial Statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impact relates to our accounting for on-line enabled games that benefit from meaningful game related services such as unspecified content updates and online support services for which we do not have vendor specific objective evidence of fair value ("VSOE").

Under the current accounting standards, for titles that do not have VSOE we recognize the entire sales price ratably over the titles estimated service period. The VSOE requirement will be eliminated under the new standard. Accordingly, we may be required to recognize as revenue a portion of the sales price upon delivery of the software, as compared to the current requirement of recognizing the entire sales price ratably over an estimated offering period.

Results of Operations

The following table sets forth, for the periods indicated, our statements of operations, net revenue by geographic region, net revenue by platform and net revenue by distribution channel:

	Fiscal Year Ended March 31,					
	2017		2016		2015	
Net revenue	\$	1,779,748	100.0 %	\$	1,413,698	100.0 %
Cost of goods sold		1,022,959	57.5 %		813,873	57.6 %
Gross profit		756,789	42.5 %		599,825	42.4 %
Selling and marketing		285,453	16.0 %		198,309	14.0 %
General and administrative		211,409	11.9 %		192,452	13.6 %
Research and development		137,915	7.8 %		119,807	8.5 %
Business reorganization		—	— %		71,285	5.1 %
Depreciation and amortization		30,707	1.7 %		28,800	2.0 %
Total operating expenses		665,484	37.4 %		610,653	43.2 %
Income (loss) from operations		91,305	5.1 %		(10,828)	(0.8)%
Interest and other, net		(15,690)	(0.9)%		(30,205)	(2.1)%
Gain on long-term investments, net		1,350	0.1 %		2,683	0.2 %
Income (loss) before income taxes		76,965	4.3 %		(38,350)	(2.7)%
Provision for (benefit from) income taxes		9,662	0.5 %		(30,048)	(2.1)%
Net income (loss)	\$	67,303	3.8 %	\$	(8,302)	(0.59)%

	Fiscal Year Ended March 31,							
	2017			2016		2015		
Net revenue by geographic region:								
United States	\$	999,128	56.1%	\$	742,963	52.6%	\$ 623,080	57.5%
International		780,620	43.9%		670,735	47.4%	459,858	42.5%
Net revenue by platform:								
Console		1,440,724	81.0%		1,167,623	82.6%	881,516	81.4%
PC and other		339,024	19.0%		246,075	17.4%	201,422	18.6%
Net revenue by distribution channel:								
Digital online		921,734	51.8%		697,658	49.3%	455,299	42.0%
Physical retail and other		858,014	48.2%		716,040	50.7%	627,639	58.0%

Fiscal Years ended March 31, 2017 and 2016

(thousands of dollars)	2017	% of net revenue	2016	% of net revenue	Increase/(decrease)	% Increase/(decrease)
Net revenue	\$ 1,779,748	100.0%	\$ 1,413,698	100.0%	\$ 366,050	25.9%
Software development costs and royalties(1)	335,675	18.9%	223,512	15.8%	112,163	50.2%
Internal royalties	330,782	18.6%	328,610	23.2%	2,172	0.7%
Product costs	255,914	14.4%	200,206	14.2%	55,708	27.8%
Licenses	100,588	5.6%	61,545	4.4%	39,043	63.4%
Cost of goods sold	1,022,959	57.5%	813,873	57.6%	209,086	25.7%
Gross profit	\$ 756,789	42.5%	\$ 599,825	42.4%	\$ 156,964	26.2%

(1) Includes \$21,056 and \$15,323 of stock-based compensation expense in 2017 and 2016, respectively.

For the fiscal year ended March 31, 2017, net revenue increased by \$366.1 million, as compared to the prior year. This increase was due primarily to (1) an increase of \$265.8 million in revenues from our *NBA 2K* franchise; (2) an increase of \$161.2 million in net revenues from *Mafia III*, which released in October 2016; and (3) an increase of \$63.8 million in net revenues from *Civilization VI*, which released in October 2016. The increase was partially offset by a decrease of \$91.2 million in net revenue from our *Grand Theft Auto* franchise, due primarily to lower net revenues from *Grand Theft Auto V*, and a decrease of \$80.3 million in net revenues from *Evolve*, which released in fiscal 2016.

Net revenue from console games increased by \$273.1 million, and accounted for 81.0% of our total net revenue in the fiscal year ended March 31, 2017, as compared to 82.6% in the prior year. The increase in net revenues from console games was due primarily to higher net revenue from our *NBA 2K* franchise and *Mafia III*. Net revenue from PC and other increased by \$92.9 million, as

compared to the prior year, and increased as a percentage of revenue to 19.0% compared to 17.4% in the prior year. The increase in net revenue from PC and other was due primarily to higher net revenues from *Civilization VI*, which released on the PC in the current year and higher net revenues from *Grand Theft Auto V* and *Grand Theft Auto Online*.

Net revenue from digital online channels increased by \$224.1 million and accounted for 51.8% of our total net revenue for the fiscal year ended March 31, 2017, as compared to 49.3% in the prior year. The increase in net revenue from digital online channels was due primarily to higher revenues related to our *NBA 2K* franchise, *Civilization VI*, *Mafia III*, and *Grand Theft Auto Online*, partially offset by lower revenues from *Evolve*. Recurrent consumer spending (including virtual currency, add-on content, and microtransactions) increased by \$97.2 million and accounted for 49.8% of net revenue from digital online channels for the fiscal year ended March 31, 2017, as compared to 51.8% for the prior year. The increase in recurrent consumer spending was due primarily to higher virtual currency net revenues from our *NBA 2K* franchise. Net revenue from physical retail and other channels increased by \$142.0 million and accounted for 48.2% of our total net revenues for the fiscal year ended March 31, 2017, as compared to 50.7% for the prior year. The increase in net revenue from physical retail and other channels was due primarily to higher net revenues from the current year release of *Mafia III* and the performance of our *NBA 2K* franchise, which was partially offset by lower net revenues from our *Grand Theft Auto* franchise.

Gross profit as a percentage of net revenue for the fiscal year ended March 31, 2017 was 42.5%, as compared to 42.4% in the prior year.

Net revenue earned outside of the United States increased by \$109.9 million and accounted for 43.9% of our total net revenue in the fiscal year ended March 31, 2017, as compared to 47.4%. The increase in net revenue was due primarily to an increase in net revenues from the current year release of *Mafia III* and our *NBA 2K* franchise outside of the United States, which was partially offset by lower net revenues from our *Grand Theft Auto* franchise. Changes in foreign currency exchange rates decreased net revenue and gross profit by \$18.7 million and \$8.1 million, respectively, in the fiscal year ended March 31, 2017 as compared to the prior year.

Operating Expenses

(thousands of dollars)	2017	% of net revenue	2016	% of net revenue	Increase/(decrease)	% Increase/(decrease)
Selling and marketing	\$ 285,453	16.0%	\$ 198,309	14.0%	\$ 87,144	43.9 %
General and administrative	211,409	11.9%	192,452	13.6%	18,957	9.9 %
Research and development	137,915	7.8%	119,807	8.5%	18,108	15.1 %
Business reorganization	—	—%	71,285	5.1%	(71,285)	(100.0)%
Depreciation and amortization	30,707	1.7%	28,800	2.0%	1,907	6.6 %
Total operating expenses⁽¹⁾	\$ 665,484	37.4%	\$ 610,653	43.2%	\$ 54,831	9.0 %

(1) Includes stock-based compensation expense, which was allocated as follows (in thousands):

	2017	2016
Selling and marketing	\$ 9,963	\$ 9,425
General and administrative	\$ 42,908	\$ 40,322
Research and development	\$ 7,952	\$ 4,926

Foreign currency exchange rates decreased total operating expenses by \$11.4 million in the fiscal year ended March 31, 2017 as compared to the prior year.

Selling and marketing

Selling and marketing expenses increased by \$87.1 million in the fiscal year ended March 31, 2017 as compared to the prior year, due primarily to \$81.4 million in higher advertising expenses. Advertising expenses were higher in the current year due primarily to the fiscal 2017 releases of *Mafia III*, *Battleborn*, and *Civilization VI*, and *BioShock: The Collection*. These were slightly offset by lower advertising expense for *Grand Theft Auto V* and *Grand Theft Auto Online*.

General and administrative

General and administrative expenses increased by \$19.0 million for the fiscal year ended March 31, 2017, as compared to the prior year, due to increases in professional fees for our acquisition of Social Point and litigation related charges, stock compensation associated with our management agreement, expenses associated with unclaimed property, personnel expenses due to an increase in headcount, and external software costs.

General and administrative expenses for the fiscal years ended March 31, 2017 and 2016 include occupancy expense (primarily rent, utilities and office expenses) of \$15.8 million and \$17.2 million, respectively, related to our development studios.

Research and development

Research and development expenses increased by \$18.1 million for the fiscal year ended March 31, 2017, as compared to the prior year, due primarily to higher production expenses for new titles in development that have not reached technological feasibility as well as higher personnel expenses related to employees in our development studios.

Business Reorganization

Business reorganization expense decreased by \$71.3 million for the fiscal year ended March 31, 2017, as compared to the prior year. During the fiscal year ended March 31, 2016, we incurred business reorganization expenses of \$71.3 million due primarily to employee separation costs in connection with reorganizing one development studio and closing two development studios. Through March 31, 2017, we have paid \$5.4 million related to these reorganization activities and \$65.9 million remains accrued for in Accrued expenses and other current liabilities. See Note 20 to the Consolidated Financial Statements.

Depreciation and amortization

Depreciation and amortization expenses increased by \$1.9 million for the fiscal year ended March 31, 2017, as compared to the prior year, due primarily to higher purchases of fixed assets for information technology infrastructure and studio build-outs as well as the amortization of intangible assets related to our acquisition of Social Point.

Interest and other, net

(thousands of dollars)	2017	% of net revenue	2016	% of net revenue	Increase/(decrease)	% Increase/(decrease)
Interest income (expense), net	\$ (21,700)	(1.2)%	\$ (29,239)	(2.0)%	\$ 7,539	(25.8)%
Foreign exchange gain (loss)	4,990	0.3 %	(1,407)	(0.1)%	6,397	(454.7)%
Other	1,019	0.1 %	441	— %	579	131.3 %
Interest and other, net	\$ (15,690)	(0.9)%	\$ (30,205)	(2.1)%	\$ 14,515	(48.1)%

Interest and other, net was an expense of \$15.7 million for the fiscal year ended March 31, 2017, as compared to an expense of \$30.2 million for the fiscal year ended March 31, 2016. The decrease was due primarily to a \$7.5 million decrease in interest expense, as our 1.75% Convertible Note due 2016 (the "1.75% Convertible Notes") settled in December 2016 and to foreign exchange gains.

Provision for (benefit from) income taxes

Income tax expense was \$9.7 million for the fiscal year ended March 31, 2017 as compared to income tax benefit of \$30.0 million for the fiscal year ended March 31, 2016. The increase in income tax expense was primarily attributable to a discrete tax benefit of approximately \$26.4 million recognized in the previous year relating to a tax deduction and due to an increase in net income in the current year. Our effective rate differed from the federal statutory rate due primarily to changes in valuation allowances related to tax loss and tax credit carryforwards and mix of earnings. Our valuation allowances increased by \$13.5 million during the fiscal year ended March 31, 2017 and increased by \$37.1 million during the fiscal year ended March 31, 2016 due to changes in net operating loss and tax credit carryforwards.

For the fiscal year ended March 31, 2016, we recognized an income tax benefit based on becoming eligible to claim certain tax deductions in the UK on applicable video games. It is possible that we may become eligible to claim certain tax deductions on additional video games in the future periods, which could result in tax benefits that could have a material impact on our effective tax rate.

As of March 31, 2017, we had gross unrecognized tax benefits, including interest and penalties, of \$120.2 million, of which \$36.9 million would affect our effective tax rate if realized. For the fiscal year ended March 31, 2017, gross unrecognized tax benefits increased by \$64.2 million.

We are no longer subject to audit for U.S. federal income tax returns for periods prior to our fiscal year ended March 31, 2013 and state income tax returns for periods prior to the fiscal year ended March 31, 2012. With few exceptions, we are no longer subject to income tax examinations in non-U.S. jurisdictions for years prior to fiscal year ended March 31, 2012. The IRS is currently examining our income tax return for fiscal years ended March 31, 2015. Certain U.S. state taxing authorities are currently examining our income tax returns for the fiscal years ended March 31, 2013 through March 31, 2015.

We are regularly audited by domestic and foreign taxing authorities. We believe that our tax positions comply with applicable tax law, and that we have adequately provided for reasonably foreseeable tax assessments.

Net income (loss) and earnings (loss) per share

For the fiscal year ended March 31, 2017, our net income was \$67.3 million, as compared to a net loss of \$8.3 million in the prior year. Diluted earnings per share for the fiscal year ended March 31, 2017 was \$0.72, as compared basic and diluted loss per share of \$0.10 for the fiscal year ended March 31, 2016. Basic weighted average shares outstanding were higher compared to the prior fiscal year due primarily to the issuance of 4.6 million shares for settlements of conversions our 1.00% Convertible Notes and our 1.75% Convertible Notes (together, the "Convertible Notes" and net stock-based compensation activity of 1.5 million shares. See Notes 1 and 12 to the Consolidated Financial Statements for additional information regarding earnings (loss) earnings per share.

Fiscal Years Ended March 31, 2016 and 2015

(thousands of dollars)	2016	% of net revenue	2015	% of net revenue	Increase/(decrease)	% Increase/(decrease)
Net revenue	\$ 1,413,698	100.0%	\$ 1,082,938	100.0%	\$ 330,760	30.5 %
Internal royalties	328,610	23.2%	306,717	28.3%	21,893	7.1 %
Software development costs and royalties(1)	223,512	15.8%	231,615	21.4%	(8,103)	(3.5)%
Product costs	200,206	14.2%	178,810	16.5%	21,396	12.0 %
Licenses	61,545	4.4%	77,725	7.2%	(16,180)	(20.8)%
Cost of goods sold	813,873	57.6%	794,867	73.4%	19,006	2.4 %
Gross profit	\$ 599,825	42.4%	\$ 288,071	26.6%	\$ 311,754	108.2 %

(1) Includes \$15,323 and \$17,121 of stock-based compensation expense in 2016 and 2015, respectively.

For the fiscal year ended March 31, 2016, net revenue increased by \$330.8 million, as compared to the prior year. This increase was due primarily to an increase of \$467.7 million in revenue from our *Grand Theft Auto* franchise, due principally to higher revenue from the console versions of *Grand Theft Auto V* and *Grand Theft Auto Online*, and the release of *Grand Theft Auto V* and *Grand Theft Auto Online* for PC in April 2015. Also contributing to the increase was higher revenue from *Evolve*. These increases were partially offset by lower revenues from the *Borderlands* franchise, as the prior fiscal year benefited from the release of *Borderlands: The Pre-Sequel* and lower revenues from our *NBA 2K* franchise, due to the deferral of revenues from *NBA 2K16*.

Net revenue from console games increased by \$286.1 million, and accounted for 82.6% of our total net revenue in the fiscal year ended March 31, 2016, as compared to 81.4% in the prior year, due primarily to higher revenue from the console versions of *Grand Theft Auto V* and *Grand Theft Auto Online*. Net revenue from PC and other increased by \$44.7 million, as compared to the prior year, and decreased as a percentage of revenue to 17.4% compared to 18.6% in the prior year. The increase in net revenue from PC was due primarily to higher revenue from the PC versions of *Grand Theft Auto V* and *Grand Theft Auto Online*, partially offset by lower revenue from *Sid Meier's Civilization: Beyond Earth*, which was released for PC in the prior year.

For the fiscal year ended March 31, 2016, net revenue from physical retail and other channels increased by \$88.4 million, as compared to the prior year, and decreased as a percentage of total net revenue to 50.7%, compared to 58.0% in the prior year. The increase in net revenue from physical retail and other channels was due primarily to higher revenues from *Grand Theft Auto V*. Net revenue from digital online channels increased by \$242.4 million and accounted for 49.3% of our total net revenue in the fiscal year ended March 31, 2016, as compared to 42.0% in the prior year, driven by increased recurrent consumer spending and full game digital downloads of *Grand Theft Auto V*. Recurrent consumer spending (including add-on content, microtransactions and online play) increased to 51.8% of net revenue from digital online channels in the fiscal year ended March 31, 2016, as compared to 49.4% of net revenue from digital online channels in the prior year, due primarily to revenue related to virtual currency for *Grand Theft Auto Online* and our *NBA 2K* franchise.

Gross profit as a percentage of net revenue for the fiscal year ended March 31, 2016 was 42.4%, as compared to 26.6% in the prior year. The increase was due primarily to (1) lower internal royalties as a percentage of revenue due to the timing of when internal royalties are earned, (2) lower software development costs and royalties as a percentage of net revenues due primarily to the sales mix and a higher percentage of revenues from catalog titles, which typically have lower capitalized software costs, and (3) lower product costs as a percentage of net revenues due primarily to an increase in the proportion of net revenues from digital online channels.

Net revenue earned outside of the United States accounted for 47.4% of our total net revenue in the fiscal year ended March 31, 2016, as compared to 42.5% in the prior year, due to an increase in *Grand Theft Auto V* sales outside of the United States. Changes

in foreign currency exchange rates decreased net revenue and gross profit by \$29.5 million and \$18.6 million, respectively, in the fiscal year ended March 31, 2016 as compared to the prior year.

Operating Expenses

(thousands of dollars)	2016	% of net revenue	2015	% of net revenue	Increase/(decrease)	% Increase/(decrease)
Selling and marketing	\$ 198,309	14.0%	\$ 235,341	21.7%	\$ (37,032)	(15.7)%
General and administrative	192,452	13.6%	175,093	16.2%	17,359	9.9 %
Research and development	119,807	8.5%	115,043	10.6%	4,764	4.1 %
Business reorganization	71,285	5.1%	—	—%	71,285	100.0 %
Depreciation and amortization	28,800	2.0%	21,057	2.0%	7,743	36.8 %
Total operating expenses⁽¹⁾	\$ 610,653	43.2%	\$ 546,534	50.5%	\$ 64,119	11.7 %

(1) Includes stock-based compensation expense, which was allocated as follows (in thousands):

	2016	2015
Selling and marketing	\$ 9,425	\$ 8,798
General and administrative	\$ 40,322	\$ 33,636
Research and development	\$ 4,926	\$ 5,691

Foreign currency exchange rates decreased total operating expenses by \$13.0 million in the fiscal year ended March 31, 2016 as compared to the prior year.

Selling and marketing

Selling and marketing expenses decreased by \$37.0 million in the fiscal year ended March 31, 2016 as compared to the prior year, due primarily to \$38.6 million in lower advertising expenses. Advertising expenses were higher in the prior year due primarily to the releases of *Evolve*, *Grand Theft Auto V* for PS4 and Xbox One, and *Borderlands: The Pre-Sequel*, offset in part by expenses for the releases of *Battleborn* and *XCOM 2*, and higher expenses for the *NBA 2K* series. Also contributing to the decrease was \$5.3 million in lower performance based compensation at our labels. Partially offsetting the decrease to selling and marketing expenses was \$8.3 million in higher third party customer service costs to support our growing online titles.

General and administrative

General and administrative expenses increased by \$17.4 million for the fiscal year ended March 31, 2016, as compared to the prior year, due to (1) a \$6.7 million increase in stock-based compensation expense, which was due primarily to this year's grants of employee restricted stock units having a higher fair value on the grant date, (2) a \$4.9 million increase in personnel costs, due primarily to higher headcount, and (3) a \$3.1 million increase in third party legal and tax consulting fees.

General and administrative expenses for the fiscal years ended March 31, 2016 and 2015 include occupancy expense (primarily rent, utilities and office expenses) of \$17.2 million and \$17.9 million, respectively, related to our development studios.

Research and development

Research and development expenses increased by \$4.8 million for the fiscal year ended March 31, 2016, as compared to the prior year, due primarily to \$8.7 million in higher production expenses for new titles in development that have not reached technological feasibility, and \$3.1 million in lower government grants recognized at certain of our development studios. This increase was partially offset by higher payroll capitalization at our development studios due to upcoming product releases.

Business Reorganization

During the fiscal year ended March 31, 2016, we incurred Business reorganization expenses of \$71.3 million due primarily to employee separation costs in connection with reorganizing one development studio and closing two development studios.

Through March 31, 2016, we have paid \$5.0 million related to these reorganization activities and \$66.3 million remains accrued for in Accrued expenses and other current liabilities. See Note 20 to the Consolidated Financial Statements.

Depreciation and amortization

Depreciation and amortization expenses increased by \$7.7 million for the fiscal year ended March 31, 2016, as compared to the prior year, due primarily to higher purchases of fixed assets for information technology infrastructure and studio build-outs.

Interest and other, net

(thousands of dollars)	2016	% of net revenue	2015	% of net revenue	(Increase)/decrease	% Increase/(decrease)
Interest income (expense), net	\$ (29,239)	(2.0)%	\$ (29,901)	(2.7)%	\$ 662	(2.2)%
Foreign exchange loss	(1,407)	(0.1)%	(2,068)	(0.2)%	661	(32.0)%
Other	441	— %	76	— %	365	480.3 %
Interest and other, net	\$ (30,205)	(2.1)%	\$ (31,893)	(2.9)%	\$ 1,688	(5.3)%

Interest and other, net was an expense of \$30.2 million for the fiscal year ended March 31, 2016, as compared to an expense of \$31.9 million for the fiscal year ended March 31, 2015. The change of \$1.7 million in interest and other, net was due primarily to \$2.0 million in increased interest income, due primarily to higher short-term investment balances and lower foreign currency exchange losses of \$0.7 million, which was partially offset by \$1.4 million in higher interest expense related to the amortization of the discount related to our Convertible Notes.

Gain on long-term investments, net

We recognized a \$2.7 million and a \$17.5 million net gain on long-term investments for the fiscal years ended March 31, 2016 and 2015, respectively. The net gain in both years was primarily comprised of the sale of our investment in Twitch Interactive, Inc.'s ("Twitch") Class C Preferred stock, which was accounted for under the cost method of accounting.

(Benefit from) provision for income taxes

Income tax benefit was \$30.0 million for the fiscal year ended March 31, 2016 as compared to income tax expense of \$6.6 million for the fiscal year ended March 31, 2015. The increase in income tax benefit was primarily attributable to the Company becoming eligible to claim certain tax deductions on applicable video games in the United Kingdom, which was recognized during fiscal 2016. Our effective tax rate differed from the federal statutory rate due primarily to the benefit recognized from the tax incentive relating to a prior period and the current period, changes in valuation allowances related to tax loss and tax credit carryforwards anticipated to be utilized and the mix of earnings. Our valuation allowances increased by \$37.1 million during the fiscal year ended March 31, 2016 and increased by \$92.7 million during the fiscal year ended March 31, 2015 due to changes in net operating loss and tax credit carryforwards.

As of March 31, 2016, we had gross unrecognized tax benefits, including interest and penalties, of \$56.0 million, of which \$41.3 million would affect our effective tax rate if recognized. For the fiscal year ended March 31, 2016, gross unrecognized tax benefits increased by \$13.3 million.

We generally are no longer subject to audit for U.S. federal income tax returns for periods prior to our fiscal year ended March 31, 2012 and state income tax returns for periods prior to the fiscal year ended March 31, 2011. With few exceptions, we are no longer subject to income tax examinations in non-U.S. jurisdictions for years prior to the fiscal year ended March 31, 2011. Certain U.S. state taxing authorities are currently examining our income tax returns from the fiscal years ended March 31, 2011 through March 31, 2013. The determination as to further adjustments to our gross unrecognized tax benefits during the next 12 months is not practicable.

We are regularly audited by domestic and foreign taxing authorities. Audits may result in tax assessments in excess of amounts claimed and the payment of additional taxes. We believe that our tax positions comply with applicable tax law, and that we have adequately provided for reasonably foreseeable tax assessments.

Net loss and loss per share

For the fiscal year ended March 31, 2016, our net loss was \$8.3 million, as compared to \$279.5 million in the prior year. Basic and diluted loss per share for the fiscal year ended March 31, 2016 was \$0.10, as compared to \$3.48 for the fiscal year ended March 31, 2015. Basic and diluted weighted average shares outstanding were higher compared to the prior fiscal year due primarily to the vesting of 4.2 million shares for stock-based awards, which was partially offset by the repurchase of 1.0 million shares during the fiscal year ended March 31, 2016. See Notes 1 and 12 to the Consolidated Financial Statements for additional information regarding (loss) earnings per share

Liquidity and Capital Resources

Our primary cash requirements have been to fund (i) the development, manufacturing and marketing of our published products, (ii) working capital, (iii) acquisitions and (iv) capital expenditures. We expect to rely on cash and cash equivalents as well as on short-term investments, funds provided by our operating activities, and our Credit Agreement to satisfy our working capital needs.

Short-term Investments

As of March 31, 2017, we had \$448.9 million of short-term investments, which are highly-liquid in nature and represent an investment of cash that is available for current operations. From time to time, we may purchase additional short-term investments depending on future market conditions and liquidity needs.

Credit Agreement

In April 2016, we entered into a Sixth Amendment to our Second Amended and Restated Credit Agreement (as amended, the "Credit Agreement"). The Credit Agreement provides for borrowings of up to \$100.0 million which may be increased by up to \$100.0 million pursuant to the terms of the Credit Agreement and which is secured by substantially all of our assets and the equity of our subsidiaries. The Credit Agreement expires on August 18, 2019. Revolving loans under the Credit Agreement bear interest at our election of (a) 0.25% to 0.75% above a certain base rate (4.25% at March 31, 2017), or (b) 1.25% to 1.75% above the LIBOR Rate (approximately 2.23% at March 31, 2017), with the margin rate subject to the achievement of certain average liquidity levels. We are also required to pay a monthly fee on the unused available balance, ranging from 0.25% to 0.375% based on availability. We had no outstanding borrowings at March 31, 2017 and 2016.

Availability under the Credit Agreement is unrestricted when liquidity, as defined in the Credit Agreement, is at least \$300.0 million. When liquidity is below \$300.0 million availability under the Credit Agreement is restricted by our United States and United Kingdom based accounts receivable and inventory balances. The Credit Agreement also allows for the issuance of letters of credit in an aggregate amount of up to \$5.0 million.

As of March 31, 2017, there was \$98.3 million available to borrow under the Credit Agreement and we had \$1.7 million of letters of credit outstanding. At March 31, 2017 and 2016, we had no outstanding borrowings under the Credit Agreement.

The Credit Agreement contains covenants that substantially limit our and our subsidiaries' ability to: create, incur, assume or be liable for indebtedness; dispose of assets outside the ordinary course of business; acquire, merge or consolidate with or into another person or entity; create, incur or allow any lien on any of their respective properties; make investments; or pay dividends or make distributions (each subject to certain limitations); or optionally prepay any indebtedness (subject to certain exceptions, including an exception permitting the redemption of the Company's unsecured convertible senior notes upon the meeting of certain minimum liquidity requirements). In addition, the Credit Agreement provides for certain events of default such as nonpayment of principal and interest, breaches of representations and warranties, noncompliance with covenants, acts of insolvency, default on indebtedness held by third parties and default on certain material contracts (subject to certain limitations and cure periods). The Credit Agreement also contains a requirement that we maintain an interest coverage ratio of more than one to one for the trailing twelve month period, if certain average liquidity levels fall below \$30,000.

1.75% Convertible Notes Due 2016

On November 16, 2011, we issued \$250.0 million aggregate principal amount of 1.75% Convertible Notes due 2016. The issuance of the 1.75% Convertible Notes included \$30.0 million related to the exercise of an over-allotment option by the underwriters. Interest on the 1.75% Convertible Notes was payable semi-annually in arrears on June 1st and December 1st of each year, commencing on June 1, 2012. The 1.75% Convertible Notes matured on December 1, 2016, unless earlier repurchased by the Company or converted. We did not have the right to redeem the 1.75% Convertible Notes prior to maturity.

The 1.75% Convertible Notes were convertible at an initial conversion rate of 52.3745 shares of our common stock per \$1 principal amount of 1.75% Convertible Notes (representing an initial conversion price of approximately \$19.093 per share of common stock for a total of approximately 13,094,000 underlying conversion shares) subject to adjustment in certain circumstances. As of June 1, 2016 until the close of business on the business day immediately preceding the maturity date, holders were eligible to convert their 1.75% Convertible Notes at any time. Prior to September 27, 2016, upon conversion, the 1.75% Convertible Notes were eligible to be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock. On September 27, 2016, we elected to settle our conversion obligations in connection with the 1.75% Convertible Notes solely in shares of our common stock and accordingly notified the Trustee. As such, we continued to classify these 1.75% Convertible Notes as long-term debt until their maturity.

Prior to December 1, 2016, holders of the 1.75% Convertible Notes elected to convert such notes, and we settled all such notes during the period by converting them to shares of our common stock using the initial conversion rate.

1.00% Convertible Notes Due 2018

On June 18, 2013, we issued \$250.0 million aggregate principal amount of 1.00% Convertible Notes due 2018. The 1.00% Convertible Notes were issued at 98.5% of par value for proceeds of \$246.3 million. Interest on the 1.00% Convertible Notes is payable semi-annually in arrears on July 1st and January 1st of each year, commencing on January 1, 2014. The 1.00% Convertible Notes mature on July 1, 2018, unless earlier repurchased by the Company or converted. We do not have the right to redeem the 1.00% Convertible Notes prior to maturity. We also granted the underwriters a 30-day option to purchase up to an additional \$37.5 million principal amount of 1.00% Convertible Notes to cover overallocments, if any. On July 17, 2013, we closed its public offering of \$37.5 million principal amount of our 1.00% Convertible Notes as a result of the underwriters exercising their overallocation option in full on July 12, 2013, bringing the total proceeds to \$283.2 million.

The 1.00% Convertible Notes are convertible at an initial conversion rate of 46.4727 shares of our common stock per \$1 principal amount of 1.00% Convertible Notes (representing an initial conversion price of approximately \$21.52 per share of common stock for a total of approximately 13,361,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders may convert the 1.00% Convertible Notes at their option prior to the close of business on the business day immediately preceding January 1, 2018 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2013, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of 1.00% Convertible Notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after January 1, 2018 until the close of business on the business day immediately preceding the maturity date, holders may convert their 1.00% Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 1.00% Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock. Our common stock price exceeded 130% of the applicable conversion price per share for at least 20 trading days during the 30 consecutive trading days ended March 31, 2017. Accordingly, as of April 1, 2017, the 1.00% Convertible Notes may be converted at the holder's option through June 30, 2017. During the year ended March 31, 2017, 1.00% Convertible Notes with an aggregate principal value of \$19.4 million were settled and additional 1.00% Convertible Notes with aggregate principal value of \$0.1 million were tendered for conversion with April 2017 settlement dates. We elected to settle in shares of our common stock, and our current intent and ability, given our option, would be to settle future conversions in shares of our common stock. As such, we have continued to classify these 1.00% Convertible Notes as long-term debt.

Upon the occurrence of certain fundamental changes involving the Company, holders of the 1.00% Convertible Notes may require us to purchase all or a portion of their 1.00% Convertible Notes for cash at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the fundamental change purchase date.

The indenture governing the 1.00% Convertible Notes contains customary terms and covenants and events of default. If an event of default (as defined therein) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in aggregate principal amount of the 1.00% Convertible Notes then outstanding by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest (including additional interest, if any) on all the 1.00% Convertible Notes to be due and payable. In the case of an event of default arising out of certain bankruptcy events, 100% of the principal of and accrued and unpaid interest (including additional interest, if any), on the 1.00% Convertible Notes will automatically become due and payable immediately.

The 1.00% Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the 1.00% Convertible Notes; equal in right of payment to our existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness incurred by our subsidiaries.

Financial Condition

We are subject to credit risks, particularly if any of our receivables represent a limited number of customers or are concentrated in foreign markets. If we are unable to collect our accounts receivable as they become due, it could adversely affect our liquidity and working capital position.

Generally, we have been able to collect our accounts receivable in the ordinary course of business. We do not hold any collateral to secure payment from customers. We have trade credit insurance on the majority of our customers to mitigate accounts receivable risk.

A majority of our trade receivables are derived from sales to major retailers and distributors. Our five largest customers accounted for 65.5%, 58.9%, and 64.6% of net revenue during the fiscal years ended March 31, 2017, 2016, and 2015, respectively. As of March 31, 2017 and 2016, five customers accounted for 69.9% and 73.9% of our gross accounts receivable, respectively. Customers that individually accounted for more than 10% of our gross accounts receivable balance comprised 57.6% and 64.1% of such balances at March 31, 2017 and 2016, respectively. We had two customers who accounted for 40.2% and 17.4% of our gross accounts receivable as of March 31, 2017 and three customers who accounted for 35.2%, and 16.8% and 12.1% of our gross accounts receivable as of March 31, 2016. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of March 31, 2017 and 2016. Based upon performing ongoing credit evaluations, maintaining trade credit insurance on a majority of our customers and our past collection experience, we believe that the receivable balances from these largest customers do not represent a significant credit risk, although we actively monitor each customer's credit worthiness and economic conditions that may affect our customers' business and access to capital. We are monitoring the current global economic conditions, including credit markets and other factors as it relates to our customers in order to manage the risk of uncollectible accounts receivable.

We believe our current cash, short term investments and projected cash flow from operations, along with availability under our Credit Agreement will provide us with sufficient liquidity to satisfy our cash requirements for working capital, capital expenditures and commitments on both a short-term and long-term basis.

As of March 31, 2017, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was \$239.2 million. These balances are dispersed across various locations around the world. We believe that such dispersion meets the business and liquidity needs of our foreign affiliates. In addition, we expect to have the ability to generate sufficient cash domestically to support ongoing operations for the foreseeable future. Consequently, it is the Company's intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. In the event we needed to repatriate funds outside of the U.S., such repatriation may be subject to local laws and tax consequences including foreign withholding taxes or U.S. income taxes. It is not practicable to estimate the tax liability and we would try to minimize the tax effect to the extent possible. However, any repatriation may not result in significant cash payments as the taxable event would likely be offset by the utilization of the then available tax credits.

In January 2013, our Board of Directors authorized the repurchase of up to 7,500,000 shares of our common stock. During the fiscal year ended March 31, 2014, we repurchased 4,217,683 shares of our common stock in the open market for \$73.3 million as part of the program. In May 2015, our Board of Directors authorized the repurchase of an additional 6,717,683 shares of our common stock pursuant to the share repurchase program. During the fiscal year ended March 31, 2016 we repurchased 953,647 shares of our common stock in the open market for \$26.6 million as part of the program. As of March 31, 2017, we have repurchased a total of 5,171,330 shares of our common stock and have 9,046,353 shares of our common stock that remain available for repurchase under our share repurchase authorization. We are authorized to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, our financial performance and other conditions. The program may be suspended or discontinued at any time for any reason.

Our changes in cash flows were as follows:

(thousands of dollars)	Fiscal Year Ended March 31,		
	2017	2016	2015
Net cash provided by operating activities	\$ 331,429	\$ 261,305	\$ 212,814
Net cash used in investing activities	(129,030)	(324,516)	(220,141)
Net cash (used in) provided by financing activities	(49,772)	(48,047)	928
Effects of foreign currency exchange rates on cash and cash equivalents	(7,973)	(1,120)	(17,881)
Net increase (decrease) in cash and cash equivalents	\$ 144,654	\$ (112,378)	\$ (24,280)

At March 31, 2017 we had \$943.4 million of cash and cash equivalents, compared to \$798.7 million at March 31, 2016. The increase in cash and cash equivalents from March 31, 2016 was due primarily to cash provided by operating activities partially offset by cash used in investing and financing activities. Net cash provided by operating activities was due primarily to cash generated from sales of *Grand Theft Auto V*, *NBA 2K17*, *WWE 2K17*, *Mafia III*, and virtual currency, partially offset by investments in software development and licenses and the funding of internal royalty payments. Net cash used in investing and financing activities related primarily to our acquisition of Social Point and the repurchase of common stock and net share settlements of stock-based awards.

Contractual Obligations and Commitments

We have entered into various agreements in the ordinary course of business that require substantial cash commitments over the next several years. Generally, these include:

- *Software Development and Licensing:* We make payments to third-party software developers that include contractual payments to developers under several software development agreements that expire at various times through January 2022. Our aggregate outstanding software development commitments assume satisfactory performance by third-party software developers. We also have licensing commitments that primarily consist of obligations to holders of intellectual property rights for use of their trademarks, copyrights, technology or other intellectual property rights in the development of our products.
- *Marketing:* We have certain minimum marketing support commitments where we commit to spend specified amounts related to marketing our products. Marketing commitments expire at various times through December 2022.
- *Operating Leases:* Our offices are occupied under non-cancelable operating leases expiring at various times through December 2032. We also lease certain furniture, equipment and automobiles under non-cancelable leases expiring through March 2021. Some of the leases have fixed rent increases and also include inducements to enter into the lease. The effect of such amounts are deferred and recognized on a straight-line basis over the related lease term.
- Purchase obligations primarily related to agreements to purchase services that are enforceable and legally binding on the Company that specifies all significant terms, including fixed, minimum or variable pricing provisions; and the approximate timing of the transactions, expiring at various times through September 2021.

A summary of annual minimum contractual obligations and commitments as of March 31, 2017 is as follows (in thousands of dollars):

Fiscal Year Ending March 31,	Software Development and Licensing	Marketing	Operating Leases	Purchase Obligations	Convertible Notes Interest	Convertible Notes	Total
2018	\$ 103,726	\$ 12,547	\$ 27,238	\$ 38,243	\$ 2,875	\$ —	\$ 184,629
2019	53,426	50,458	32,325	9,842	1,438	268,149	415,638
2020	34,450	12,750	23,386	4,200	—	—	74,786
2021	15,032	3,250	20,117	205	—	—	38,604
2022	15,000	3,250	18,269	54	—	—	36,573
Thereafter	—	3,250	77,987	—	—	—	81,237
Total	\$ 221,634	\$ 85,505	\$ 199,322	\$ 52,544	\$ 4,313	\$ 268,149	\$ 831,467

Income Taxes: At March 31, 2017, we had recorded a liability for gross unrecognized tax benefits, including interest and penalties, of \$36.9 million, for which we are unable to make a reasonable and reliable estimate of the period in which these liabilities will be settled with the respective tax authorities; therefore, these liabilities have not been included in the contractual obligations table.

Legal and Other Proceedings: We are, or may become, subject to demands and claims (including intellectual property claims) and are involved in routine litigation in the ordinary course of business which we do not believe to be material to our business or financial statements. We have appropriately accrued amounts related to certain of these claims and legal and other proceedings. While it is reasonably possible that a loss may be incurred in excess of the amounts accrued in our financial statements, we believe that such losses, unless otherwise disclosed, would not be material.

On April 11, 2016, we filed a declaratory judgment action in the United States District Court for the Southern District of New York seeking, among other things, a judicial declaration that Leslie Benzies, the former president of one of our subsidiaries with whom we had been in ongoing discussions regarding his separation of employment, is not entitled to any minimum allocation or financial parity with any other person under the applicable royalty plan. We believe we will prevail in this matter, although there can be no assurance of the outcome. On April 12, 2016, Mr. Benzies filed a complaint in the Supreme Court of the State of New York, New York County against us, and certain of our subsidiaries and employees. We removed this case to the United States District Court for the Southern District of New York, but the case was subsequently remanded to state court. The complaint claims damages of at least \$150 million and contains allegations of breach of fiduciary duty; fraudulent inducement and fraudulent concealment; aiding and abetting breach of fiduciary duty; breach of various contracts; breach of implied duty of good faith and fair dealing; tortious interference with contract; unjust enrichment; reformation; constructive trust; declaration of rights; constructive discharge; defamation and fraud. Motion practice in both the federal and state actions is ongoing. We believe that we have meritorious defenses to these claims, and we intend to vigorously defend against them and to pursue any counterclaims.

Off-Balance Sheet Arrangements

As of March 31, 2017 and 2016, we did not have any material relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

International Operations

Net revenue earned outside of the United States is principally generated by our operations in Europe, Asia, Australia, Canada and Latin America. For the fiscal years ended March 31, 2017, 2016 and 2015, 43.9%, 47.4% and 42.5%, respectively, of our net revenue was earned outside the United States. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant effect on our operating results.

Fluctuations in Quarterly Operating Results and Seasonality

We have experienced fluctuations in quarterly and annual operating results as a result of the timing of the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of our titles; development and promotional expenses relating to the introduction of new titles; sequels or enhancements of existing titles; projected and actual changes in platforms; the timing and success of title introductions by our competitors; product returns; changes in pricing policies by us and our competitors; the accuracy of retailers' forecasts of consumer demand; the size and timing of acquisitions; the timing of orders from major customers; and order cancellations and delays in product shipment. Sales of our products are also seasonal, with peak shipments typically occurring in the fourth calendar quarter as a result of increased demand for products during the holiday season. For certain of our software products with multiple element revenue arrangements where we do not have VSOE for each element and the deliverables are deemed more-than-inconsequential, we defer the recognition of our net revenues over an estimated service period which generally ranges from 12 to 41 months. As a result, the quarter in which we generate the highest net sales volume may be different from the quarter in which we recognize the highest amount of net revenues. Quarterly comparisons of operating results are not necessarily indicative of future operating results.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from fluctuations in market rates and prices. Our market risk exposures primarily include fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

Our exposure to fluctuations in interest rates relates primarily to our short-term investment portfolio and variable rate debt under the Credit Agreement.

We seek to manage our interest rate risk by maintaining a short-term investment portfolio that includes corporate bonds with high credit quality and maturities less than two years. Since short-term investments mature relatively quickly and can be reinvested at the then-current market rates, interest income on a portfolio consisting of short-term securities is more subject to market fluctuations than a portfolio of longer term maturities. However, the fair value of a short-term portfolio is less sensitive to market fluctuations than a portfolio of longer term securities. We do not currently use derivative financial instruments in our short-term investment portfolio. Our investments are held for purposes other than trading.

As of March 31, 2017, we had \$448.9 million of short-term investments which included \$273.2 million of available-for-sale securities. The available-for-sale securities were recorded at fair market 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. We also had \$943.4 million of cash and cash equivalents that are comprised primarily of money market funds and bank-time deposits. We determined that, based on the composition of our investment portfolio, there was no material interest rate risk exposure to our Consolidated Financial Statements or liquidity as of March 31, 2017.

Historically, fluctuations in interest rates have not had a significant effect on our operating results. Under our Credit Agreement, outstanding balances bear interest at our election of (a) 0.25% to 0.75% above a certain base rate (4.25% at March 31, 2017), or (b) 1.25% to 1.75% above the LIBOR rate (approximately 2.23% at March 31, 2017), with the margin rate subject to the achievement of certain average liquidity levels. Changes in market rates may affect our future interest expense if there is an outstanding balance on our line of credit. At March 31, 2017, there were no outstanding borrowings under our Credit Agreement. The 1.00% Convertible Notes pay interest semi-annually at a fixed rate of 1.00% per annum, and we expect that there will be no fluctuation related to the 1.00% Convertible Notes affecting our cash component of interest expense. For additional details on our Convertible Notes see Note 11 to the Consolidated Financial Statements.

Foreign Currency Exchange Rate Risk

We transact business in foreign currencies and are exposed to risks resulting from fluctuations in foreign currency exchange rates. Accounts relating to foreign operations are translated into United States dollars using prevailing exchange rates at the relevant period end. Translation adjustments are included as a separate component of stockholders' equity. For the fiscal year ended March 31, 2017 and 2016, our foreign currency translation adjustment loss was \$9.1 million and \$7.4 million, respectively. We recognized a foreign currency exchange transaction gain of \$5.0 million for fiscal year ended March 31, 2017, and losses of \$1.4 million and \$2.1 million for the fiscal years ended March 31, 2016, and 2015 respectively, in interest and other, net in our Consolidated Statements of Operations.

Balance Sheet Hedging Activities

We use foreign currency forward contracts to mitigate foreign currency exchange rate risk associated with non-functional currency denominated cash balances and inter-company funding loans, non-functional currency denominated accounts receivable and non-functional currency denominated accounts payable. These transactions are not designated as hedging instruments and are accounted for as derivatives whereby the fair value of the contracts is reported as either assets or liabilities on our Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in interest and other, net, in our Consolidated Statements of Operations. We do not enter into derivative financial contracts for speculative or trading purposes. At March 31, 2017, we had \$9.2 million of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars and \$177.5 million of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. At March 31, 2016, we had \$2.4 million of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars and \$54.5 million of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. For the fiscal years ended March 31, 2017, 2016 and 2015, we recorded gains of \$7.2 million, \$0.1 million, and \$18.5 million, respectively, related to foreign currency forward contracts in interest and other, net on the Consolidated Statements of Operations. As of March 31, 2017 and 2016 the fair value of these outstanding forward contracts was a loss of \$0.4 million and \$0.1 million, respectively, and is included in accrued and other current liabilities. The fair value of these outstanding forward contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

Our hedging programs are designed to reduce, but do not entirely eliminate, the effect of currency exchange rate movements. We believe the counterparties to these foreign currency forward contracts are credit-worthy multinational commercial banks and that the risk of counterparty nonperformance is not material. Notwithstanding our efforts to mitigate some foreign currency exchange rate risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. For the fiscal year ended March 31, 2017, 43.9% of our revenue was generated outside the United States. Using sensitivity analysis, a hypothetical 10% increase in the value of the U.S. dollar against all currencies would decrease revenues by 4.4%, while a hypothetical 10% decrease in the value of the U.S. dollar against all currencies would increase revenues by 4.4%. In the opinion of management, a substantial portion of this fluctuation would be offset by cost of goods sold and operating expenses incurred in local currency.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data appear in a separate section of this report following Part IV. We provide details of our valuation and qualifying accounts in "Note 21—Supplementary Financial Information" to the Consolidated Financial Statements. All schedules have been omitted since the information required to be submitted has been included on the Consolidated Financial Statements or notes thereto or has been omitted as not applicable or not required.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Definition and Limitations of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

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.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures at March 31, 2017, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at March 31, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported on a timely basis, and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of March 31, 2017.

In accordance with SEC guidance, our management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Social Point, which is included in the March 31, 2017 Consolidated Financial Statements and constituted nine percent of consolidated total assets as of March 31, 2017.

Our independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on our internal control over financial reporting. The report on the audit of internal control over financial reporting is included in this Form 10-K.

Changes in Internal Control Over Financial Reporting

On January 31, 2017, we acquired Social Point. Our management has elected to exclude Social Point from its March 31, 2017 assessment of and report on internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of Social Point into the internal control over financial reporting for our assessment of and report on internal control over financial reporting for March 31, 2018.

There were no other changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2017, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the sections entitled "Proposal 1—Election of Directors" and "Executive Compensation—Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive Proxy Statement (the "Proxy Statement") for the Annual Meeting of Stockholders to be held in 2017. We intend to file the Proxy Statement within 120 days after the end of the fiscal year (i.e. on or before July 29, 2017). Our Code of Business Conduct and Ethics applicable to our directors and all employees, including senior financial officers, is available on our website at www.take2games.com. If we make any amendment to our Code of Business Conduct and Ethics that is required to be disclosed pursuant to the Exchange Act, we will make such disclosures on our website.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the section entitled "Executive Compensation" in our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the sections entitled "Voting Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the section entitled "Certain Relationships and Related Transactions" in our Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the section entitled "Independent Auditor Fee Information" in our Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Report:

- (i) Financial Statements. See Index to Financial Statements on page 66 of this Report.
- (ii) Financial Statement Schedule. See Note 21 to the Consolidated Financial Statements.
- (iii) Index to Exhibits:

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Filing Date	Exhibit	Filed Herewith
2.1	Share Sale and Purchase Agreement, dated January 31, 2017, by and among Take-Two Interactive Software, Inc., Take-Two Invest Espana, S.L., Andres Bou Ortiz, Horacio Martos Borja, Marc Canaleta Caupena, Voladuras Hinojo, S.L., Nauta Tech Invest III, S.C.R., S.A., Bilbao Vizcaya Holding, S.A., La Banque Postale Innovation 11 FCPI, Capital Croissance 4, Objectif Innovation Patrimoine 4 FCPI, Strategie PME 2011 FCPI, Idinvest Patrimoine FCPI, Allianz Eco Innovation 3 FCPI, Objectif Innovation 5 FCPI, Idinvest Crossance FCPI, SG Innovation 2011 FCPI, Allianz Eco Innovation 2 FCPI, Objectif Innovation 4 FCPI, Idinvest Flexible 2016 FCPI, Capital Croissance 5 FCPI, Objectif Innovation Patrimoine 5 FCPI, Idinvest Patrimoine 2 FCPI, Objectif Innovation Patrimoine 6 FCPI, Idinvest Patrimoine 3 FCPI, Greylock Israel Investment Vehicle in Social Point, LTD, and HCPESP, S.a.r.l. †	8-K	2/3/2017	2.1	
3.1	Restated Certificate of Incorporation	10-K	2/12/2004	3.1	
3.1.1	Certificate of Amendment of Restated Certificate of Incorporation, dated April 30, 1998	10-K	2/12/2004	3.1.2	
3.1.2	Certificate of Amendment of Restated Certificate of Incorporation, dated November 17, 2003	10-K	2/12/2004	3.1.3	
3.1.3	Certificate of Amendment of Restated Certificate of Incorporation, dated April 23, 2009.	8-K	4/23/2009	3.1	
3.1.4	Certificate of Amendment of Restated Certificate of Incorporation, dated September 21, 2012	8-K	9/24/2012	3.1	
3.2	Certificate of Designation of Series A Preferred Stock, dated March 11, 1998	10-K	2/12/2004	3.1.1	
3.3	Certificate of Designation of Series B Preferred Stock, dated March 26, 2008	8-A12B	3/26/2008	4.2	
3.4	Amended and Restated Bylaws of Take-Two Interactive Software, Inc., effective as of December 2, 2014.	8-K	12/5/2014	3.1	
4.1	Indenture, dated as of June 18, 2013, by and between the Company and The Bank of New York Mellon, as Trustee, relating to 1.00% Convertible Notes	8-K	6/18/2013	4.1	

Incorporated by Reference

Exhibit Number	Exhibit Description	Form	Filing Date	Exhibit	Filed Herewith
4.2	Supplemental Indenture, dated as of June 18, 2013, between the Company and The Bank of New York Mellon, as Trustee, to Indenture, dated as of June 18, 2013, between the Company and The Bank of New York Mellon, as Trustee	8-K	6/18/2013	4.2	
4.3	Form of 1.00% Convertible Note (included in Exhibit 4.4)	8-K	6/18/2013	4.2	
10.1	Take-Two Interactive Software, Inc. Change in Control Employee Severance Plan ⁺	8-K	3/7/2008	10.1	
10.2	Amended and Restated Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan, effective as of July 21, 2016 ⁺	14A	7/28/2016	Annex A	
10.3	Form of Employee Restricted Stock Agreement ⁺	10-Q	6/5/2009	10.2	
10.4	Form of Non-Employee Director Restricted Stock Agreement ⁺	10-Q	6/5/2009	10.3	
10.5	Form of Employee Restricted Unit Agreement ⁺	10-Q	8/1/2012	10.1	
10.6	Form of Employee Restricted Unit Agreement ⁺	10-Q	10/30/2013	10.1	
10.7	Form of Employee Restricted Unit Agreement ⁺	10-Q	10/30/2013	10.2	
10.8	Form of Employee Restricted Unit Agreement ⁺	10-Q	10/30/2013	10.3	
10.9	Form of Employee Restricted Unit Agreement ⁺	10-Q	10/30/2013	10.4	
10.10	Form of Employee Restricted Unit Agreement ⁺	10-Q	10/30/2013	10.5	
10.11	Employment Agreement, dated May 12, 2010, between the Company and Lainie Goldstein ⁺	8-K	5/14/2010	10.1	
10.12	First Amendment to Employment Agreement, dated October 25, 2010, between the Company and Lainie Goldstein ⁺	8-K	10/25/2010	10.1	
10.13	Second Amendment to Employment Agreement, dated August 27, 2012, between the Company and Lainie Goldstein ⁺	10-Q	10/31/2012	10.6	
10.14	Employment Agreement, dated February 14, 2008, by and between the Company and Karl Slatoff ⁺	8-K	2/15/2008	10.3	
10.15	Employment Agreement dated January 28, 2015 between the Company and Daniel Emerson ⁺	10-Q	2/6/2015	10.1	
10.16	Management Agreement, dated as of May 20, 2011, by and between Take-Two Interactive Software, Inc. and ZelnickMedia Corporation ⁺	8-K	5/24/2011	10.1	
10.17	Amendment to Non-Qualified Stock Option Agreement with ZelnickMedia Corporation, dated as of November 18, 2013 ⁺	8-K	11/18/2013	10.1	
10.18	Amendment to the Restricted Stock Agreement dated as of May 20, 2011 between the Company and ZelnickMedia Corporation, effective as of December 2, 2014 ⁺	10-Q	2/6/2015	10.2	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
10.19	Amendment to the Performance Based Restricted Stock Agreement dated as of May 20, 2011 between the Company and ZelnickMedia Corporation, effective as of December 2, 2014 ⁺	10-Q	2/6/2015	10.3	
10.20	Second Amendment to the Restricted Stock Agreement dated as of May 20, 2011 between the Company and ZelnickMedia Corporation, effective as of April 24, 2015 ⁺	S-3ASR	5/20/2015	10.5	
10.21	Second Amendment to the Performance Based Restricted Stock Agreement dated as of May 20, 2011 between the Company and ZelnickMedia Corporation, effective as of April 24, 2015 ⁺	S-3ASR	5/20/2015	10.6	
10.22	Management Agreement, dated as of March 10, 2014, by and between the Company and ZelnickMedia Corporation ⁺	8-K	3/10/2014	10.1	
10.23	Restricted Unit Agreement, dated as of May 20, 2015, by and between the Company and ZelnickMedia Corporation ⁺	S-3ASR	5/20/2015	10.2	
10.24	Amended and Restated Restricted Unit Agreement Pursuant to the Take-Two Interactive Software, Inc. 2009 Incentive Stock Plan, dated as of June 30, 2015 ⁺	10-Q	8/10/2015	10.1	
10.25	Amendment to the Restricted Stock Unit Agreement, dated as of March 31, 2016, by and between Take-Two Interactive Software, Inc. and ZelnickMedia Corporation ⁺	10-K	5/19/2016	10.50	
10.26	Restricted Unit Agreement, dated as of May 20, 2016, by and between Take-Two Interactive Software, Inc. and ZelnickMedia Corporation ⁺	S-3ASR	5/20/2016	10.2	
10.27	Amendment to Amended and Restated Restricted Unit Agreement Pursuant to the Take Two Interactive Software, Inc. 2009 Incentive Stock Plan, dated as of February 7, 2017 ⁺	10-Q	2/8/2017	10.3	
10.28	Security Agreement dated as of July 3, 2007, made by each of the Grantors listed on the signature pages thereof and Wells Fargo Foothill, Inc. in its capacity as administrative agent for the Lender Group and the Bank Product Providers	8-K	7/9/2007	10.2	
10.29	Supplement to Security Agreement dated as of November 16, 2007, made by each of the grantors listed on the signature pages thereof and Wells Fargo Foothill, Inc. in its capacity as administrative agent for the Lender Group and the Bank Product Providers	8-K	11/20/2007	99.2	
10.30	Second Amended and Restated Credit Agreement, dated as of October 17, 2011, by and among the Company, each of its Subsidiaries identified on the signature pages thereto as Borrowers, each of its Subsidiaries identified on the signature pages thereto as Guarantors, the lender parties thereto, and Wells Fargo Capital Finance, Inc., as administrative agent	8-K	10/17/2011	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
10.31	First Amendment to Second Amended and Restated Credit Agreement, dated June 12, 2013	10-K	5/14/2014	10.27	
10.32	Second Amendment to Second Amended and Restated Credit Agreement, dated April 28, 2014	10-K	5/14/2014	10.28	
10.33	Third Amendment to Second Amended and Restated Credit Agreement, dated August 18, 2014	8-K	8/21/2014	10.1	
10.34	Fourth Amendment to Second Amended and Restated Credit Agreement, May 21, 2015	10-K	5/19/2016	10.45	
10.35	Fifth Amendment to Second Amended and Restated Credit Agreement, dated February 11, 2016	8-K	2/12/2016	10.1	
10.36	Sixth Amendment to Second Amended and Restated Credit Agreement, dated April 8, 2016	10-Q	8/5/2016	10.1	
10.37	Xbox 360 Publisher License Agreement dated November 17, 2005, between Microsoft Licensing, GP and the Company*	10-Q	11/8/2011	10.3	
10.38	Amendment to Xbox 360 Publisher License Agreement, dated December 4, 2008, between Microsoft Licensing, GP and the Company*	10-Q	6/5/2009	10.1	
10.39	Amendment to the Xbox 360 Publisher License Agreement, dated November 22, 2011, between the Company and Microsoft Licensing, GP*	10-Q	2/3/2012	10.1	
10.40	Amendment to the Xbox 360 Publisher License Agreement, dated December 11, 2012, between the Company and Microsoft Licensing, GP*	10-Q	2/6/2013	10.2	
10.41	Amendment to the Xbox 360 Publisher License Agreement, dated November 13, 2013, between the Company and Microsoft Licensing, GP.*	10-Q	2/4/2014	10.2	
10.42	Amendment to the Xbox 360 Publisher License Agreement, dated September 30, 2014, between Microsoft Corporation and the Company*	10-Q	10/30/2014	10.1	
10.43	Xbox One Publisher License Agreement dated October 31, 2013, between Microsoft Licensing, GP and the Company*	10-Q	2/4/2014	10.1	
10.44	Amendment to the Xbox One Publisher License Agreement, dated May 7, 2014, between Microsoft Licensing, GP and the Company*	10-Q	8/6/2014	10.1	
10.45	Amendment to the Xbox One Publisher License Agreement, dated January 30, 2015, between Microsoft Corporation and the Company*	10-K	5/19/2016	10.48	
10.46	Amendment No. 3 to the Xbox One Publisher License Agreement, dated August 13, 2015, between Microsoft Corporation and the Company*	10-K	5/19/2016	10.49	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
10.47	Amendment No. 4 to the Xbox One Publisher License Agreement, dated December 15, 2016, between Microsoft Corporation and the Company**	10-Q/A	5/23/2017	10.2	
10.48	PlayStation Global Developer and Publisher Agreement, dated as of March 23, 2017, between the Company and certain of its affiliates and Sony Interactive Entertainment, Inc., Sony Interactive Entertainment America LLC, and Sony Interactive Entertainment Europe Ltd.**				X
10.49	Lease Agreement between the Company and Moklam Enterprises, Inc. dated July 1, 2002	10-Q	9/16/2002	10.2	
10.50	Sixth Lease Modification Agreement, dated January 18, 2012, between the Company and Moklam Enterprises, Inc.	10-K	5/23/2012	10.45	
10.51	Seventh Lease Modification Agreement, dated April 8, 2014, between the Company and Moklam Enterprises, Inc.	10-K	5/14/2014	10.39	
10.52	Eighth Lease Modification Agreement, dated as of January 6, 2015, by and between Take-Two Interactive Software, Inc. and Moklam Enterprises, Inc.	10-K	5/19/2016	10.47	
10.53	Ninth Lease Modification Agreement, dated as of December 15, 2015, by and between Take-Two Interactive Software, Inc. and Moklam Enterprises, Inc.	10-Q	2/4/2016	10.1	
10.54	Lease Agreement, dated as of December 12, 2016, by and between Take-Two Interactive Software, Inc. and DOLP 1133 Properties II LLC for a premises with entrances at 1133 Avenue of the Americas and 110 West 44th Street, New York, New York 10036	10-Q	2/8/2017	10.1	
10.55	Registration Rights Agreement, dated January 31, 2017, by and among Take-Two Interactive Software, Inc., Andres Bou Ortiz, Horacio Martos Borja, Marc Canaleta Caupena, Voladuras Hinojo, S.L., Nauta Tech Invest III, S.C.R., S.A., Bilbao Vizcaya Holding, S.A., La Banque Postale Innovation 11 FCPI, Capital Croissance 4, Objectif Innovation Patrimoine 4 FCPI, Strategie PME 2011 FCPI, Idinvest Patrimoine FCPI, Allianz Eco Innovation 3 FCPI, Objectif Innovation 5 FCPI, Idinvest Crossance FCPI, SG Innovation 2011 FCPI, Allianz Eco Innovation 2 FCPI, Objectif Innovation 4 FCPI, Idinvest Flexible 2016 FCPI, Capital Croissance 5 FCPI, Objectif Innovation Patrimoine 5 FCPI, Idinvest Patrimoine 2 FCPI, Objectif Innovation Patrimoine 6 FCPI, Idinvest Patrimoine 3 FCPI, Greylock Israel Investment Vehicle in Social Point, LTD, and HCPESP, S.a.r.l.	8-K	2/3/2017	10.1	

Exhibit Number	Exhibit Description	Importance by Reference			
		Form	Filing Date	Exhibit	Filed Herewith
21.1	Subsidiaries of the Company				X
23.1	Consent of Ernst & Young LLP				X
31.1	Chief Executive Officer Certification Pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Chief Financial Officer Certification Pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				X
101.LAB	XBRL Taxonomy Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Presentation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Document.				X

† Schedules omitted pursuant to item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon its request.

+ Represents a management contract or compensatory plan or arrangement.

* Portions thereof were omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment that was granted in accordance with Exchange Act Rule 24b-2.

** Portions hereof have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment in accordance with Exchange Act Rule 24b-2.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2017 and 2016, (ii) Consolidated Statements of Operations for the fiscal years ended March 31, 2017, 2016 and 2015, (iii) Consolidated Statements of Comprehensive (Loss) Income for the fiscal years ended March 31, 2017, 2016 and 2015, (iv) Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2017, 2016 and 2015, (v) Consolidated Statements of Stockholders' Equity for the fiscal years ended March 31, 2017, 2016 and 2015; and (vi) Notes to the Consolidated Financial Statements.

Item 16. Form 10-K Summary

Not applicable.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

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(All other items in this report are inapplicable)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Take-Two Interactive Software, Inc.

We have audited the accompanying consolidated balance sheets of Take-Two Interactive Software, Inc. as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for each of the three years in the period ended March 31, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Take-Two Interactive Software, Inc. at March 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Take-Two Interactive Software, Inc.'s internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 23, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

May 23, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Take-Two Interactive Software, Inc.

We have audited Take-Two Interactive Software, Inc.'s internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Take-Two Interactive Software Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Social Point S.L., which is included in the March 31, 2017 consolidated financial statements of Take-Two Interactive Software, Inc. and constituted nine percent of consolidated total assets as of March 31, 2017. Our audit of internal control over financial reporting of Take-Two Interactive Software, Inc. also did not include an evaluation of the internal control over financial reporting of Social Point S.L.

In our opinion, Take-Two Interactive Software, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Take-Two Interactive Software, Inc. as of March 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for each of the three years in the period ended March 31, 2017 of Take-Two Interactive Software, Inc. and our report dated May 23, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

May 23, 2017

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	March 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 943,396	\$ 798,742
Short-term investments	448,932	470,820
Restricted cash	337,818	261,169
Accounts receivable, net of allowances of \$66,483 and \$45,552 at March 31, 2017 and 2016, respectively	219,558	168,527
Inventory	16,323	15,888
Software development costs and licenses	41,721	178,387
Deferred cost of goods sold	127,901	98,474
Prepaid expenses and other	59,593	53,269
Total current assets	2,195,242	2,045,276
Fixed assets, net	67,300	77,127
Software development costs and licenses, net of current portion	381,910	214,831
Deferred cost of goods sold, net of current portion	—	17,915
Goodwill	359,115	217,080
Other intangibles, net	110,262	4,609
Other assets	35,325	13,439
Total assets	\$ 3,149,154	\$ 2,590,277
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 31,892	\$ 30,448
Accrued expenses and other current liabilities	750,875	607,479
Deferred revenue	903,125	582,484
Total current liabilities	1,685,892	1,220,411
Long-term debt	251,929	497,935
Non-current deferred revenue	10,406	216,319
Other long-term liabilities	197,199	74,227
Total liabilities	2,145,426	2,008,892
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 5,000 shares authorized: no shares issued and outstanding at March 31, 2017 and 2016	—	—
Common stock, \$.01 par value, 200,000 shares authorized; 119,813 and 103,765 shares issued and 102,621 and 86,573 outstanding at March 31, 2017 and 2016, respectively	1,198	1,038
Additional paid-in capital	1,452,754	1,088,628
Treasury stock, at cost; 17,192 common shares at March 31, 2017 and 2016, respectively	(303,388)	(303,388)
Accumulated deficit	(99,694)	(166,997)
Accumulated other comprehensive loss	(47,142)	(37,896)
Total stockholders' equity	1,003,728	581,385
Total liabilities and stockholders' equity	\$ 3,149,154	\$ 2,590,277

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Fiscal Year Ended March 31,		
	2017	2016	2015
Net revenue	\$ 1,779,748	\$ 1,413,698	\$ 1,082,938
Cost of goods sold	1,022,959	813,873	794,867
Gross profit	756,789	599,825	288,071
Selling and marketing	285,453	198,309	235,341
General and administrative	211,409	192,452	175,093
Research and development	137,915	119,807	115,043
Business reorganization	—	71,285	—
Depreciation and amortization	30,707	28,800	21,057
Total operating expenses	665,484	610,653	546,534
Income (loss) from operations	91,305	(10,828)	(258,463)
Interest and other, net	(15,690)	(30,205)	(31,893)
Gain on long-term investments, net	1,350	2,683	17,476
Income (loss) before income taxes	76,965	(38,350)	(272,880)
Provision for (benefit from) income taxes	9,662	(30,048)	6,590
Net income (loss)	\$ 67,303	\$ (8,302)	\$ (279,470)
Earnings (loss) per share:			
Basic earnings (loss) per share	\$ 0.73	\$ (0.10)	\$ (3.48)
Diluted earnings (loss) per share	\$ 0.72	\$ (0.10)	\$ (3.48)

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	March 31,		
	2017	2016	2015
Net income (loss)	\$ 67,303	\$ (8,302)	\$ (279,470)
Other comprehensive income (loss):			
Foreign currency translation adjustment	(9,086)	(7,364)	(32,747)
Cash flow hedges:			
Change in unrealized gains, net of taxes	—	—	32
Reclassification to earnings, net of taxes	—	(17)	—
Change in fair value of effective cash flow hedges	—	(17)	32
Available-for-sale securities:			
Net unrealized gain (loss), net of taxes	(169)	73	(25)
Reclassification to earnings for realized net loss, net of taxes	9	36	—
Change in fair value of available-for-sale securities	(160)	109	(25)
Other comprehensive loss	(9,246)	(7,272)	(32,740)
Comprehensive income (loss)	\$ 58,057	\$ (15,574)	\$ (312,210)

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fiscal Year Ended March 31,		
	2017	2016	2015
Operating activities:			
Net income (loss)	\$ 67,303	\$ (8,302)	\$ (279,470)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization and impairment of software development costs and licenses	221,911	134,472	133,453
Stock-based compensation	81,879	69,996	65,246
Depreciation and amortization	30,707	28,800	21,057
Amortization of discount on Convertible Notes	21,222	23,457	22,026
Amortization and impairment of intellectual property	6,738	160	344
Deferred income taxes	3,020	(270)	2,279
Amortization of debt issuance costs	1,227	1,567	1,663
Gain on long-term investments, net	(1,350)	(2,683)	(17,476)
Other, net	(3,410)	2,588	2,068
Changes in assets and liabilities:			
Restricted cash	(76,474)	(91,491)	24,161
Accounts receivable	(41,956)	49,348	(164,717)
Inventory	(4,942)	3,809	9,729
Software development costs and licenses	(252,951)	(219,217)	(188,772)
Prepaid expenses, other current and other non-current assets	(22,155)	(12,272)	5,398
Deferred revenue	126,285	152,325	568,028
Deferred cost of goods sold	(14,969)	(41,144)	(70,788)
Accounts payable, accrued expenses and other liabilities	189,344	170,162	78,585
Net cash provided by operating activities	331,429	261,305	212,814
Investing activities:			
Change in bank time deposits	89,076	(182,383)	(87,500)
Proceeds from available-for-sale securities	155,936	43,314	—
Purchases of available-for-sale securities	(195,733)	(150,501)	(100,116)
Purchases of commercial paper	(25,938)	—	—
Purchases of fixed assets	(21,167)	(37,280)	(49,501)
Proceeds from sale of long-term investment	1,350	2,683	21,976
Purchase of long-term investments	(1,885)	—	(5,000)
Business acquisitions, net of cash acquired	(130,669)	—	—
Other	—	(349)	—
Net cash used in investing activities	(129,030)	(324,516)	(220,141)
Financing activities:			
Tax payment related to net share settlements on restricted stock awards	(51,762)	(22,916)	—
Repurchase of common stock	—	(26,552)	—
Excess tax benefit from stock-based compensation	1,990	1,421	928
Net cash (used in) provided by financing activities	(49,772)	(48,047)	928
Effects of foreign currency exchange rates on cash and cash equivalents	(7,973)	(1,120)	(17,881)
Net increase (decrease) in cash and cash equivalents	144,654	(112,378)	(24,280)
Cash and cash equivalents, beginning of year	798,742	911,120	935,400
Cash and cash equivalents, end of year	\$ 943,396	\$ 798,742	\$ 911,120
Supplemental data:			
Interest paid	\$ 7,628	\$ 7,626	\$ 7,657
Income taxes paid (refunded)	\$ 6,648	\$ (26,223)	\$ 9,749

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings/(Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance, March 31, 2014	105,156	\$ 1,052	\$ 954,699	(16,238)	\$ (276,836)	\$ 120,775	\$ 2,116	\$ 801,806
Net loss	—	—	—	—	—	(279,470)	—	(279,470)
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	(32,747)	(32,747)
Change in unrealized gains on derivative instruments, net	—	—	—	—	—	—	32	32
Net unrealized loss on available-for-sale securities, net of taxes	—	—	—	—	—	—	(25)	(25)
Stock-based compensation	—	—	72,579	—	—	—	—	72,579
Tax benefit associated with stock awards	—	—	928	—	—	—	—	928
Issuance of restricted stock, net of forfeitures and cancellations	(570)	(6)	(108)	—	—	—	—	(114)
Issuance of common stock in connection with acquisition	8	—	99	—	—	—	—	99
Balance, March 31, 2015	104,594	1,046	1,028,197	(16,238)	(276,836)	(158,695)	(30,624)	563,088
Net loss	—	—	—	—	—	(8,302)	—	(8,302)
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	(7,364)	(7,364)
Change in unrealized gains on derivative instruments, net	—	—	—	—	—	—	(17)	(17)
Net unrealized loss on available-for-sale securities, net of taxes	—	—	—	—	—	—	109	109
Stock-based compensation	—	—	83,137	—	—	—	—	83,137
Tax benefit associated with stock awards	—	—	1,421	—	—	—	—	1,421
Issuance of restricted stock, net of forfeitures and cancellations	(84)	(1)	1	—	—	—	—	—
Repurchased common stock	—	—	—	(954)	(26,552)	—	—	(26,552)
Net share settlement of restricted stock awards	(745)	(7)	(24,128)	—	—	—	—	(24,135)
Balance, March 31, 2016	103,765	1,038	1,088,628	(17,192)	(303,388)	(166,997)	(37,896)	581,385
Net income	—	—	—	—	—	67,303	—	67,303
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	(9,086)	(9,086)
Net unrealized gain on available-for-sale securities, net of taxes	—	—	—	—	—	—	(160)	(160)
Stock-based compensation	—	—	88,378	—	—	—	—	88,378
Tax benefit associated with stock awards	—	—	1,990	—	—	—	—	1,990
Issuance of restricted stock, net of forfeitures and cancellations	1,738	17	(17)	—	—	—	—	—
Settlement of 1.75% Convertible Notes Due 2016	13,094	131	249,866	—	—	—	—	249,997
Conversion of 1.00% Convertible Notes Due 2018	899	9	18,332	—	—	—	—	18,341
Issuance of shares related to Social Point acquisition	1,480	15	57,327	—	—	—	—	57,342
Net share settlement of restricted stock awards	(1,163)	(12)	(51,750)	—	—	—	—	(51,762)
Balance, March 31, 2017	119,813	\$ 1,198	\$ 1,452,754	(17,192)	\$ (303,388)	\$ (99,694)	\$ (47,142)	\$ 1,003,728

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Take-Two Interactive Software, Inc. (the "Company," "we," "us," or similar pronouns) was incorporated in the state of Delaware in 1993. We are a leading developer, publisher and marketer of interactive entertainment for consumers around the globe. The Company develops and publishes products principally through its two wholly-owned labels Rockstar Games and 2K. Our products are designed for console systems and personal computers, including smart phones and tablets, and are delivered through physical retail, digital download, online platforms and cloud streaming services.

Principles of Consolidation

The Consolidated Financial Statements include the financial statements of the Company and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

Reclassifications

Certain immaterial amounts in the financial statements of the prior years have been reclassified to conform to the current year presentation for comparative purposes.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net revenue and expenses during the reporting periods. Our most significant estimates and assumptions relate to the recoverability of software development costs and prepaid royalties, licenses and intangibles, valuation of inventories, realization of deferred income taxes, the adequacy of price protection, allowances for sales returns and doubtful accounts, accrued liabilities, the service period for deferred net revenue and related cost of goods sold, fair value estimates, the valuation of stock-based compensation, and assumptions used in our goodwill impairment tests. These estimates generally involve complex issues and require us to make judgments, involve analysis of historical and the prediction of future trends, and are subject to change from period to period. Actual amounts could differ significantly from these estimates. The Company considers transactions or events that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.

Concentration of Credit Risk and Accounts Receivable

We maintain cash balances at several major financial institutions. While we attempt to limit credit exposure with any single institution, balances often exceed insurable amounts.

If the financial condition and operations of our customers deteriorate, our risk of collection could increase substantially. A majority of our trade receivables are derived from sales to major retailers and distributors. Our five largest customers accounted for 65.5%, 58.9% and 64.6% of net revenue during the fiscal years ended March 31, 2017, 2016 and 2015, respectively. One customer accounted for 26.3%, 20.7% and 13.3% of net revenues during the fiscal years ended March 31, 2017, 2016, and 2015, respectively. A second customer accounted for 14.2%, 15.5%, and 11.7% of net revenue during the fiscal years ended March 31, 2017 and 2016, and 2015 respectively. A third customer accounted for 10.9% of net revenue during the fiscal year ended March 31, 2017. A fourth customer accounted for 21.0% of net revenue during the fiscal year ended March 31, 2015. A fifth customer accounted for 10.4% of net revenue during the fiscal year ended March 31, 2015. As of March 31, 2017 and 2016, five customers accounted for 69.9% and 73.9% of our gross accounts receivable, respectively. Customers that individually accounted for more than 10% of our gross accounts receivable balance comprised 57.6% and 64.1% of such balances at March 31, 2017 and 2016, respectively. We had two customers who accounted for 40.2% and 17.4% of our gross accounts receivable as of March 31, 2017 and three customers who accounted for 35.2%, 16.8% and 12.1% of our gross accounts receivable as of March 31, 2016. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of March 31, 2017 and 2016. Based upon performing ongoing credit evaluations, maintaining trade credit insurance on a majority of our customers and our past collection experience, we believe that the receivable balances from these largest customers do not represent a significant credit risk.

Cash and Cash Equivalents

We consider all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Our restricted cash balance is primarily related to a dedicated account limited to the payment of certain internal royalty obligations.

Short-term Investments

Short-term investments designated as available-for-sale securities are carried at fair value, which is based on quoted market prices for such securities, if available, or is estimated on the basis of quoted market prices of financial instruments with similar characteristics. Investments with original maturities greater than 90 days and remaining maturities of less than one year are normally classified within short-term investments. In addition, investments with maturities beyond one year at the time of purchase that are highly liquid in nature and represent the investment of cash that is available for current operations are classified as short-term investments.

Unrealized gains and losses of the Company's available-for-sale securities are excluded from earnings and are reported as a component of other comprehensive (loss) income, net of tax, until the security is sold, the security has matured, or the Company determines that the fair value of the security has declined below its adjusted cost basis and the decline is other-than-temporary. Realized gains and losses on short-term investments are calculated based on the specific identification method and would be reclassified from accumulated other comprehensive loss to interest and other, net.

Short-term investments are evaluated for impairment quarterly. The Company considers various factors in determining whether it should recognize an impairment charge, including the credit quality of the issuer, the duration that the fair value has been less than the adjusted cost basis, the severity of the impairment, the reason for the decline in value, and our intent to sell and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. If the Company concludes that an investment is other-than-temporarily impaired, it recognizes an impairment charge at that time in the Consolidated Statements of Operations. In determining whether the decline in fair value is other-than-temporary requires management judgment based on the specific facts and circumstances of each security. The ultimate value realized on these securities is subject to market price volatility until they are sold.

Inventory

Inventory consists of materials, including manufacturing royalties paid to console manufacturers, and is stated at the lower of weighted average cost or net realizable value. Estimated product returns are included in the inventory balance at their cost. We regularly review inventory quantities on-hand and in the retail channels and record an inventory provision for excess or obsolete inventory based on the future expected demand for our products. Significant changes in demand for our products would affect management's estimates in establishing our inventory provision. We write down inventory based on excess or obsolete inventories determined primarily by future anticipated demand for our products. Inventory write-downs are measured as the difference between the cost of the inventory and market value, based upon assumptions about future demand that are inherently difficult to assess.

Software Development Costs and Licenses

Capitalized software development costs include direct costs incurred for internally developed titles and payments made to third-party software developers under development agreements.

We capitalize internal software development costs (including specifically identifiable employee stock-based compensation, payroll expense, and incentive compensation costs related to the completion and release of titles, as well as third-party production and other content costs), subsequent to establishing technological feasibility of a software title. Technological feasibility of a product includes the completion of both technical design documentation and game design documentation. Significant management judgments are made in the assessment of when technological feasibility is established. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a product-by-product basis.

We enter into agreements with third-party developers that require us to make payments for game development and production services. In exchange for our payments, we receive the exclusive publishing and distribution rights to the finished game title as well as, in some cases, the underlying intellectual property rights. Such agreements typically allow us to fully recover these payments to the developers at an agreed upon royalty rate earned on the subsequent sales of such software, net of any agreed upon costs. Prior to establishing technological feasibility of a product, we record any costs incurred by third-party developers as research and development expenses. Subsequent to establishing technological feasibility of a product, we capitalize all development and production service payments to third-party developers as software development costs and licenses. We typically enter into agreements with third-party developers after completing the technical design documentation for our products and therefore record the design costs leading up to a signed development contract as research and development expense. When we contract with third-party developers, we generally select those that have proven technology and experience in the genre of the software being developed, which often allows for the establishment of technological feasibility early in the development cycle. In instances where the documentation of the design and technology are not in place prior to an executed contract, we monitor the software development process and require our third-party developers to adhere to the same technological feasibility standards that apply to our internally developed products.

Licenses consist of payments and guarantees made to holders of intellectual property rights for use of their trademarks, copyrights or other intellectual property rights in the development of our products. Agreements with license holders generally provide for guaranteed minimum payments for use of their intellectual property. Certain licenses, especially those related to our sports products, extend over multi-year periods and encompass multiple game titles. In addition to guaranteed minimum payments, these licenses frequently contain provisions that could require us to pay royalties to the license holder based on pre-agreed unit sales thresholds.

Amortization of capitalized software development costs and licenses commences when a product is released and is recorded on a title-by-title basis in cost of goods sold. For capitalized software development costs, amortization is calculated using (1) the proportion of current year revenues to the total revenues expected to be recorded over the life of the title or (2) the straight-line method over the remaining estimated useful life of the title, whichever is greater. For capitalized licenses, amortization is calculated as a ratio of (1) current period revenues to the total revenues expected to be recorded over the remaining life of the title or (2) the contractual royalty rate based on actual net product sales as defined in the licensing agreement, whichever is greater.

We evaluate the future recoverability of capitalized software development costs and licenses on a quarterly basis. Recoverability is primarily assessed based on the actual title's performance. For products that are scheduled to be released in the future, recoverability is evaluated based on the expected performance of the specific products to which the cost or license relates. We utilize a number of criteria in evaluating expected product performance, including historical performance of comparable products developed with comparable technology; market performance of comparable titles; orders for the product prior to its release; general market conditions; and, past performance of the franchise. When we determine that capitalized cost of the title is unlikely to be recovered by product sales, an impairment of software development and license capitalized costs is charged to cost of goods sold in the period in which such determination is made.

We have profit and unit sales based internal royalty programs that allow selected employees to each participate in the success of software titles that they assist in developing. Royalties earned under this program are recorded as a component of cost of goods sold in the period earned.

Fixed Assets, net

Office equipment, furniture and fixtures are depreciated using the straight-line method over their estimated useful life of five years. Computer equipment and software are generally depreciated using the straight-line method over three to five years. Leasehold improvements are amortized over the lesser of the term of the related lease or the useful life of the underlying asset, typically seven years. The cost of additions and betterments are capitalized, and repairs and maintenance costs are charged to operations, in the periods incurred. When depreciable assets are retired or sold, the cost and related allowances for depreciation are removed from the accounts and the gain or loss, if any, is recognized. The carrying amounts of these assets are recorded at historical cost.

Goodwill and Intangible Assets

Goodwill is the excess of purchase price paid over identified intangible and tangible net assets of acquired companies. Intangible assets consist of intellectual property, developed game technology, analytics technology, user base, trade names, and in-process research and development. Certain intangible assets acquired in a business combination are recognized as assets apart from goodwill.

We use either the income, cost or market approach to aid in our conclusions of such fair values and asset lives. The income approach presumes that the value of an asset can be estimated by the net economic benefit to be received over the life of the asset, discounted to present value. The cost approach presumes that an investor would pay no more for an asset than its replacement or reproduction cost. The market approach estimates value based on what other participants in the market have paid for reasonably similar assets. Although each valuation approach is considered in valuing the assets acquired, the approach ultimately selected is based on the characteristics of the asset and the availability of information.

We test our goodwill for impairment annually, at the beginning of August, or more frequently, if events and circumstances indicate the fair value of a reporting unit may be below its carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment. We have determined that we operate in one reporting unit, which is our operating segment. In the evaluation of goodwill for impairment, we have the option to first perform a qualitative assessment to determine if the fair value of its reporting unit is more likely than not (i.e., a likelihood of more than 50%) less than the carrying value before performing the two-step impairment test. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. If the two-step impairment test is utilized to test goodwill for impairment, step one compares the fair value of the reporting unit to its carrying value. In performing the quantitative assessment in step-one, we measure the fair value of the reporting unit using a combination of the income approach, which uses discounted cash flows, and the market approach, which uses market capitalization and comparable companies' data. Each step requires us to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions include long-term growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates based on our weighted average cost of capital, future economic and market conditions and the determination of appropriate market comparables. Our estimates for market growth are based on historical data, various internal estimates and observable external sources when available, and are based on assumptions that are consistent with

the plans and estimates we use to manage the underlying business. If the carrying value of the reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and step two must be performed. Step two compares the carrying value of the reporting unit's goodwill to its implied fair value (i.e., fair value of reporting unit less the fair value of the unit's assets and liabilities, including identifiable intangible assets). If the implied fair value of goodwill is less than the carrying amount of goodwill, an impairment is recognized. Based on our annual impairment assessment process for goodwill, no impairments were recorded during the fiscal years ended March 31, 2017, 2016 or 2015.

Long-lived Assets

We review all long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amount of an asset or asset group may not be recoverable. We compare the carrying amount of the asset to the estimated undiscounted future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, we record an impairment charge for the difference between the carrying amount of the asset and its fair value. The estimated fair value is generally measured by discounting expected future cash flows using our incremental borrowing rate or fair value, if available. As of March 31, 2017, no indicators of impairment existed.

Derivatives and Hedging

We transact business in various foreign currencies and have significant sales and purchase transactions denominated in foreign currencies, subjecting us to foreign currency exchange rate risk. From time to time, we carry out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge our exposure in currency exchange rate movements. We recognize derivative instruments as either assets or liabilities on our Consolidated Balance Sheets and we measure those instruments at fair value. The changes in fair value of derivatives that are not designated as hedges are recognized currently in earnings as interest and other, net in our Consolidated Statements of Operations. If a derivative meets the definition of a cash flow hedge and is so designated, the effective portion of changes in the fair value of the derivative are recognized, as a component of other comprehensive income (loss) while the ineffective portion of the changes in fair value is recorded currently in earnings as interest and other, net in our Consolidated Statements of Operations. Amounts included in Accumulated other comprehensive income (loss) for cash flow hedges are reclassified into earnings in the same period that the hedged item is recognized in cost of goods sold or research and development expenses, as appropriate.

Income Taxes

We record a tax provision for the anticipated tax consequences of the reported results of operations. Our provision for income taxes is computed using the asset and liability method, under which deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at currently enacted statutory tax rates for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment.

Valuation allowances are established when we determine that it is more likely than not that such deferred tax assets will not be realized. We do not record income tax expense related to foreign withholding taxes or United States income taxes which may become payable upon the repatriation of undistributed earnings of foreign subsidiaries, as such earnings are expected to be reinvested indefinitely outside of the United States.

We use estimates and assumptions to compute the provision for income taxes including allocations of certain transactions to different tax jurisdictions, amounts of permanent and temporary differences, the likelihood of deferred tax assets being recovered and the outcome of contingent tax risks. These estimates and assumptions are revised as new events occur, more experience is acquired and additional information is obtained. The effect of these revisions is recorded in income tax expense or benefit in the period in which they become known.

Revenue Recognition

We recognize revenue on the sales of software products upon the transfer of title and risk of loss to our customers. Accordingly, we recognize revenue for software titles when there is (1) persuasive evidence that an arrangement with the customer exists, (2) the product is delivered, (3) the selling price is fixed or determinable and (4) collection of the customer receivable is deemed probable. Certain products are sold to customers with a street date (*i.e.*, the earliest date these products may be sold by retailers). For these products we recognize revenue on the later of the street date or the sale date. In addition, some of our software products are sold as full game digital downloads and digital add-on content for which the consumer takes possession of the digital content for a fee. Revenue from product downloads is generally recognized when the download is made available to the end user (assuming all other recognition criteria are met).

In providing credit terms to our customers, our payment arrangements typically provide net 30 and 60 day terms. Advances received for licensing and exclusivity arrangements are reported on our Consolidated Balance Sheets as deferred revenue until we meet our performance obligations, at which point we recognize the revenue.

For some of our software products, we enter into multiple element revenue arrangements in which we may provide a combination of full game software, online multi-player functionality, and related post-contract customer support ("PCS") which generally includes additional free unspecified add-on content updates, maintenance, and online support services. For these arrangements, we evaluate the significance of the PCS at the time each game is released based on the guidance in Accounting Standards Codification 985-605, "Software—Revenue Recognition" ("ASC 985-605") to determine if the PCS rises to the level of a separate deliverable. We monitor our initial assessments on an ongoing basis and consider any changes that may arise. In conjunction with our evaluation, we consider such factors as the significance of the development effort, the nature of online features, the extent of anticipated marketing focus on online features, the significance of the online features to the consumers' anticipated overall gameplay experience, and the significance and length of time of our post sale obligations to consumers. Determining whether PCS is significant for a particular game is subjective and requires management's judgment.

When a software arrangement includes multiple elements, the arrangement consideration is allocated to each revenue element based on its relative fair value, based on the vendor specific objective evidence ("VSOE") of fair value for each element. When VSOE of fair value does not exist for all of the elements in the arrangement, ASC 985-605 requires either the use of the residual method or the deferral of revenue until the earlier point at which VSOE of fair value exists for any undelivered element or until only one undelivered element remains. For arrangements that require the deferral of revenue, the related cost of goods sold is deferred and recognized as the related net revenue is recognized. Deferred cost of goods sold includes product costs and licenses. We do not have VSOE for our PCS obligations and in those arrangements where PCS obligations have been determined to be significant we recognize revenue from the sale of software products and the related cost of goods sold ratably over the period we expect to offer the PCS to the consumer ("estimated service period"), assuming all other recognition criteria are met. We also do not have VSOE for our online multi-player functionality; however it is generally delivered at the same time with the full game software. Determining the estimated service period is subjective and requires management's judgment, therefore, the estimated service period may change in the future. The estimated service periods of our current games, with online functionality and related PCS, are generally 12 months, with the exception of GTA, which is 41 months (see below).

When our software products provide insignificant PCS at no additional cost to the consumer, we recognize revenue when the four primary revenue recognition criteria described above have been met for all other deliverables in the arrangement and, in those situations, we estimate and accrue the future costs of providing those services.

Certain of our games provide consumers with the option to purchase virtual currency to use in the game to acquire virtual goods. We currently recognize revenue from the sale of virtual currency, using the game-based model, ratably over the estimated remaining life of the game. Because the service period for our online-enabled games with significant PCS is not an explicitly defined period, we must make an estimate of the service offering period for purposes of recognizing revenue. The estimated service period for current deferred title offerings is based on our estimate of the economic game life of the respective title. Determining the estimated service period (or economic game life) is inherently subjective and is subject to regular revision based on numerous factors and considerations. The factors that we primarily consider as part of our process of initially determining and subsequently reassessing estimated service periods for our titles include:

- the period of time over which the substantial majority of a respective title's estimated lifetime game sales and in-game virtual currency sales are expected to occur;
- the period of time over which we plan to provide free unspecified add-on content updates, maintenance or other remaining material online support services associated with our online-enabled games;
- the time over which we plan to dedicate internal resources to support the online functionality of a title;
- known and expected online gameplay trends;
- the results from prior analyses;
- the nature of the game (e.g., annual title, genre, period of time between franchise title releases, etc.); and
- the disclosed service periods for competitors' games.

To the extent we have recorded significant amounts of revenue deferred for specific titles, changes in the estimated service periods could have a material impact on the revenue recognized in a particular period.

As part of our on-going assessment of estimated service periods during the three months ended March 31, 2017, we changed *Grand Theft Auto V*'s estimated service period from 36 to 41 months. The change in estimate resulted in a decrease in net revenues of \$29,367 and income from operations of \$27,070 to our fiscal 2017 financial results, with such revenues expected to be recognized in fiscal 2018.

Revenue is recognized after deducting estimated price protection, reserves for returns and other allowances. In circumstances when we do not have a reliable basis to estimate price protection, returns and other allowances or are unable to determine that collection of a receivable is probable, we defer the revenue until we can reliably estimate any related returns and allowances and determine that collection of the receivable is probable.

Price protection and Allowances for Returns

We grant price protection and accept returns in connection with our distribution arrangements with customers. Following reductions in the price of our products, we grant price protection to permit customers to take credits against amounts they owe us with respect to merchandise unsold by them. Our customers must satisfy certain conditions to entitle them to receive price protection or return products, including compliance with applicable payment terms and confirmation of field inventory levels.

Generally, our distribution arrangements with customers do not give them the right to return titles or to cancel firm orders. However, we occasionally accept returns from our customers for stock balancing and make accommodations to customers, which include credits and returns, when demand for specific titles falls below expectations.

We make estimates of future price protection and product returns related to current period product revenue. We estimate the amount of future price protection and returns for published titles based upon, among other factors, historical experience and performance of the titles in similar genres, historical performance of the hardware platform, customer inventory levels, analysis of sell-through rates, sales force and retail customer feedback, industry pricing, market conditions and changes in demand and acceptance of our products by consumers.

Significant management judgments and estimates must be made and used in connection with establishing price protection and the allowance for returns in any accounting period. We believe we can make reliable estimates of price protection and returns. However, actual results may differ from initial estimates as a result of changes in circumstances, market conditions and assumptions. Adjustments to estimates are recorded in the period in which they become known.

Consideration Given to Customers and Received from Vendors

We have various marketing arrangements with retailers and distributors of our products that provide for cooperative advertising and market development funds, among others, which are generally based on single exchange transactions. Such amounts are accrued as a reduction to revenue at the later of: (1) the date at which the related revenue is recognized by us, or (2) the date at which the sales incentive is offered, except for cooperative advertising which is included in selling and marketing expense if there is a separate identifiable benefit and the benefit's fair value can be established.

We receive various incentives from our manufacturers, including up-front cash payments as well as rebates based on a cumulative level of purchases. Such amounts are generally accounted for as a reduction in the price of the manufacturer's product and included as a reduction of inventory or cost of goods sold, based on an agreed upon per unit rebate.

Advertising

We expense advertising costs as incurred. Advertising expense for the fiscal years ended March 31, 2017, 2016 and 2015 amounted to \$173,947, \$94,743 and \$132,990, respectively, and are included in "Selling and marketing expense" in our Consolidated Statements of Operations.

Earnings (loss) per Share ("EPS")

Basic EPS is computed by dividing the net income (loss) applicable to common stockholders for the period by the weighted average number of shares of common stock outstanding during the same period. Diluted EPS is computed by dividing the net income (loss) applicable to common stockholders for the period by the weighted average number of shares of common stock and common stock equivalents outstanding.

Certain of our unvested restricted stock awards (including restricted stock units, time-based and market-based restricted stock awards) are considered participating securities since these securities have non-forfeitable rights to dividends or dividend equivalents during the contractual period of the award, and thus require the two-class method of computing EPS. The calculation of EPS for common stock under the two-class method excludes the income attributable to the participating securities from the numerator and excludes the dilutive effect of those awards from the denominator.

We define common stock equivalents as unvested restricted stock awards and common stock equivalents underlying the Convertible Notes (see Note 11) outstanding during the period. Unvested restricted stock awards are measured using the treasury stock method, and common stock equivalents underlying the Convertible Notes are assessed for their effect on diluted EPS using the more dilutive of the treasury stock method or the if-converted method. Under the provisions of the if-converted method, the Convertible Notes are assumed to be converted and included in the denominator of the EPS calculation and the interest expense, net of tax, recorded in connection with the Convertible Notes is added back to the numerator. However, potential common shares are not included in the denominator of the diluted earnings (loss) per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

Stock-based Compensation

We account for stock-based awards under the fair value method of accounting. The fair value of all stock-based compensation is either capitalized and amortized in accordance with our software development cost accounting policy or recognized as expense on a straight-line basis over the full vesting period of the awards for time-based stock awards and on an accelerated attribution method for market-based and performance-based stock awards.

We estimate the fair value of time-based awards to employees using our closing stock price on the date of grant. We estimate the fair value of market-based awards using a Monte Carlo Simulation method which takes into account assumptions such as the expected volatility of our common stock, the risk-free interest rate based on the contractual term of the award, expected dividend yield, vesting schedule and the probability that the market conditions of the awards will be achieved.

We apply variable accounting to our non-employee stock-based awards, whereby we remeasure the value of such awards at each balance sheet date and adjust the value of the awards based on its fair value at the end of the reporting period. For non-employee time-based awards fair value is determined by the closing price of our common stock at the end of the reporting period. For non-employee market-based awards fair value is determined using a Monte Carlo Simulation method which takes into account assumptions such as the expected volatility of our common stock, the risk-free interest rate based on the contractual term of the award, expected dividend yield, vesting schedule and the probability that the market conditions of the awards will be achieved. For non-employee performance-based awards we do not record an expense until a performance target(s) have been achieved and once achieved fair value is determined by the closing price of our common stock at the end of the reporting period.

We issue time and performance based restricted stock units to certain employees, which currently can only be settled in cash. These awards are accounted for as liability awards. Changes in the value of the awards from period to period are recorded as stock-based compensation expense over the vesting period or capitalized as software development costs.

Foreign Currency

The functional currency for our foreign operations is primarily the applicable local currency. Accounts of foreign operations are translated into U.S. dollars using exchange rates for assets and liabilities at the balance sheet date and average prevailing exchange rates for the period for revenue and expense accounts. Adjustments resulting from translation are included in accumulated other comprehensive income (loss). Realized and unrealized transaction gains and losses are included in our Consolidated Statements of Operations in the period in which they occur.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments, which relate to investments that are permanent in nature and therefore do not require tax adjustments, and the net of tax amounts for unrealized gains (losses), net on derivative instruments designated as cash flow hedges and available for sale securities.

Recently Issued Accounting Pronouncements

Accounting for Acquisitions or Disposals

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, *Clarifying the Definition of a Business*, with the objective of providing additional guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update provide new guidance to determine when an integrated set of assets and activities (collectively referred to as a "set") is not a business. The new guidance requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The new guidance is expected to reduce the number of transactions that need to be further evaluated. The new standard, as amended, will be effective prospectively for interim and annual reporting periods beginning on January 1, 2018 (April 1, 2018 for the Company), with early adoption permitted. We intend to early adopt this ASU for the quarterly period ending June 30, 2017 and believe that the evaluation

of whether transactions should be accounted for as acquisitions (or dispositions) of assets or businesses will be simplified under the new standard.

Accounting for Goodwill

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)*. This ASU eliminates Step 2 from the goodwill impairment test. Under the new guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, this ASU eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019 (April 1, 2020 for the Company), including interim periods within those fiscal years, and is applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. While we are currently evaluating the impact of the adoption of this ASU, we do not believe that the adoption of this guidance will have a material impact on our consolidated financial statements.

Accounting for Restricted Cash

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that changes in restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2017 (April 1, 2018 for the Company), including interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of the adoption of this ASU.

Accounting for Stock Compensation

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation*. This new guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This update is effective for annual periods beginning after December 15, 2016 (April 1, 2017 for the Company) and interim periods within those annual periods. In the first quarter of fiscal 2018, the Company will apply a modified retrospective transition method to account for the changes under the standard related to income taxes and the policy election for recording forfeitures as they occur.

Accounting for Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting. This update is effective for annual periods, and interim periods within those years, beginning after December 15, 2018 (April 1, 2019 for the Company). This new guidance must be adopted using a modified retrospective approach whereby, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted. We are currently evaluating the impact of adopting this update on our Consolidated Financial Statements, which will consist primarily of a balance sheet gross up of our operating leases, mostly for office space.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration, which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB recently issued several amendments to the standard, including clarifications on disclosure of prior-period performance obligations and remaining performance obligations.

The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method).

The new standard is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2017 (April 1, 2018 for the Company), with early adoption permitted for annual reporting periods beginning after December 15, 2016 (April 1, 2017 for the Company). The Company will adopt the new standard effective April 1, 2018 using the cumulative catch-up method.

We anticipate this standard will have a material impact on our Consolidated Financial Statements. While we are continuing to assess all potential impacts of the standard, we currently believe the most significant impact relates to our accounting for on-line enabled games that benefit from meaningful game related services such as unspecified content updates and online support services for which we do not have vendor specific objective evidence of fair value ("VSOE").

Under the current accounting standards, for titles that do not have VSOE, we recognize the entire sales price ratably over the title's estimated service period. The VSOE requirement will be eliminated under the new standard. Accordingly, we may be required to recognize as revenue a portion of the sales price upon delivery of the software, as compared to the current requirement of recognizing the entire sales price ratably over an estimated offering period.

2. MANAGEMENT AGREEMENT

In May 2011, we entered into an amended management services agreement, (the "2011 Management Agreement") with ZelnickMedia Corporation ("ZelnickMedia") pursuant to which ZelnickMedia provided us with certain management, consulting and executive level services. In March 2014, we entered into a new management agreement, (the "2014 Management Agreement"), with ZelnickMedia pursuant to which ZelnickMedia continues to provide financial and management consulting services to the Company through March 31, 2019. The 2014 Management Agreement became effective April 1, 2014 and supersedes and replaces the 2011 Management Agreement, except as otherwise contemplated by the 2014 Management Agreement. As part of the 2014 Management Agreement, Strauss Zelnick, the President of ZelnickMedia, continues to serve as Executive Chairman and Chief Executive Officer and Karl Slatoff, a partner of ZelnickMedia, continues to serve as President of the Company. The 2014 Management Agreement provides for an annual management fee of \$2,970 over the term of the agreement and a maximum annual bonus opportunity of \$4,752 over the term of the agreement, based on the Company achieving certain performance thresholds. In consideration for ZelnickMedia's services, we recorded consulting expense (a component of general and administrative expenses) of \$7,722, \$7,722 and \$7,737 for the fiscal years ended March 31, 2017, 2016 and 2015, respectively.

Pursuant to the 2011 Management Agreement and the 2014 Management Agreement, we also issued stock-based awards to ZelnickMedia. During the fiscal years ended March 31, 2017, 2016 and 2015, we recorded \$29,573, \$26,652 and \$24,449, respectively, of stock-based compensation expense for non-employee awards, which is included in general and administrative expenses. See Note 15 for a discussion of such awards.

3. FAIR VALUE MEASUREMENTS

The carrying amounts of our financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, approximate fair value because of their short maturities.

We follow a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The three levels of inputs 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 in Level 1, such as quoted prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The table below segregates all assets that are measured at fair value on a recurring basis (which is measured at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

	March 31, 2017	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Balance Sheet Classification
Money market funds	\$ 646,386	\$ 646,386	\$ —	\$ —	Cash and cash equivalents
Bank-time deposits	46,605	46,605	—	—	Cash and cash equivalents
Commercial paper	38,268	—	38,268	—	Cash and cash equivalents
Corporate bonds	273,187	—	273,187	—	Short-term investments
Bank-time deposits	175,745	175,745	—	—	Short-term investments
Foreign currency forward contracts	2	—	2	—	Prepaid expenses and other
Foreign currency forward contracts	(352)	—	(352)	—	Accrued and other current liabilities
Private equity	570	—	—	570	Other assets
Contingent consideration	6,465	—	—	6,465	Other long-term liabilities
Total recurring fair value measurements, net	\$ 1,186,876	\$ 868,736	\$ 311,105	\$ 7,035	

	March 31, 2016	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Balance Sheet Classification
Money market funds	\$ 562,726	\$ 562,726	\$ —	\$ —	Cash and cash equivalents
Corporate bonds	205,250	—	205,250	—	Short-term investments
Bank-time deposits	265,570	265,570	—	—	Short-term investments
Foreign currency forward contracts	(137)	—	(137)	—	Accrued and other current liabilities
Total recurring fair value measurements, net	\$ 1,033,409	\$ 828,296	\$ 205,113	\$ —	

In connection with the Social Point acquisition (see Note 23), we recorded \$6,409 as the initial fair value of earn-out contingent consideration. The fair value was estimated using a Monte-Carlo simulation model, which included significant unobservable Level 3 inputs, such as projected financial performance over the earn-out period along with estimates for market volatility and the discount rate applicable to potential cash payouts.

We did not have any transfers between Level 1 and Level 2 fair value measurements nor did we have any transfers into or out of Level 3 during the fiscal year ended March 31, 2017.

Debt

As of March 31, 2017, the estimated fair value of our 1.00% Convertible Notes due 2018 (the "1.00% Convertible Notes") was \$738,053. The fair value was determined using Level 2 inputs, observable market data for the 1.00% Convertible Notes and its embedded option feature. See Note 11 for additional information regarding our Convertible Notes.

4. SHORT-TERM INVESTMENTS

Our short-term investments consisted of the following as of March 31, 2017:

	March 31, 2017			
	Cost or Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Short-term investments				
Bank time deposits	\$ 175,745	\$ —	\$ —	\$ 175,745
Available-for-sale securities:				
Corporate bonds	273,196	226	(235)	273,187
Total short-term investments	\$ 448,941	\$ 226	\$ (235)	\$ 448,932

	March 31, 2016			
	Cost or Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Short-term investments				
Bank time deposits	\$ 265,570	\$ —	\$ —	\$ 265,570
Available-for-sale securities:				
Corporate bonds	205,166	131	(47)	205,250
Total short-term investments	\$ 470,736	\$ 131	\$ (47)	\$ 470,820

Based on our evaluation of impairment for these investments, we did not consider any of these investments to be other-than-temporarily impaired as of March 31, 2017 or 2016.

The following table summarizes the contracted maturities of our short-term investments at March 31, 2017:

	March 31, 2017	
	Amortized Cost	Fair Value
Short-term investments		
Due in 1 year or less	\$ 362,259	\$ 362,338
Due in 1-2 years	86,682	86,594
Total short-term investments	\$ 448,941	\$ 448,932

5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not enter into derivative financial contracts for speculative or trading purposes. We classify cash flows from its derivative transactions as cash flows from operating activities in the consolidated statements of cash flow.

The following table shows the gross notional amounts of foreign currency forward contracts:

	March 31,	
	2017	2016
Forward contracts to sell foreign currencies	\$ 177,549	\$ 54,529
Forward contracts to purchase foreign currencies	\$ 9,170	\$ 2,409

For the fiscal years ended March 31, 2017, 2016 and 2015, we recorded gains of \$7,197, \$144, and \$18,548, respectively, related to foreign currency forward contracts in interest and other, net on the Consolidated Statements of Operations. Our derivative contracts are foreign currency exchange forward contracts that are not designated as hedging instruments under hedge accounting and are used to reduce the impact of foreign currency on certain balance sheet exposures and certain revenue and expense. These instruments are generally short term in nature, with typical maturities of less than one year, and are subject to fluctuations in foreign exchange rates. As of March 31, 2017, no amounts related to derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss).

6. INVENTORY

Inventory balances by category are as follows:

	March 31,	
	2017	2016
Finished products	\$ 15,530	\$ 14,321
Parts and supplies	793	1,567
Inventory	\$ 16,323	\$ 15,888

Estimated product returns included in inventory at March 31, 2017 and 2016 were \$529 and \$527, respectively.

7. SOFTWARE DEVELOPMENT COSTS AND LICENSES

Details of our capitalized software development costs and licenses are as follows:

	March 31,			
	2017		2016	
	Current	Non-current	Current	Non-current
Software development costs, internally developed	\$ 28,959	\$ 310,229	\$ 131,378	\$ 162,261
Software development costs, externally developed	5,455	71,407	46,888	45,703
Licenses	7,307	274	121	6,867
Software development costs and licenses	\$ 41,721	\$ 381,910	\$ 178,387	\$ 214,831

Software development costs and licenses as of March 31, 2017 and 2016 included \$381,910 and \$343,450, respectively, related to titles that have not been released.

Amortization and impairment of software development costs and licenses are as follows:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Amortization of software development costs and licenses	\$ 222,801	\$ 117,506	\$ 119,488
Impairment of software development costs and licenses	20,166	22,671	23,947
Less: Portion representing stock-based compensation	(21,056)	(5,705)	(9,982)
Amortization and impairment, net of stock-based compensation	\$ 221,911	\$ 134,472	\$ 133,453

8. FIXED ASSETS, NET

Fixed asset balances by category are as follows:

	March 31,	
	2017	2016
Computer equipment	\$ 75,281	\$ 74,684
Computer software	41,527	39,277
Leasehold improvements	56,758	47,773
Office equipment	5,843	6,344
Furniture and fixtures	9,108	8,051
	188,517	176,129
Less: accumulated depreciation	121,217	99,002
Fixed assets, net	\$ 67,300	\$ 77,127

Depreciation expense related to fixed assets for the fiscal years ended March 31, 2017, 2016 and 2015 was \$30,629, \$28,800 and \$21,057, respectively.

9. GOODWILL AND INTANGIBLE ASSETS, NET

The change in our goodwill balance is as follows:

	Total
Balance at March 31, 2015	\$ 217,288
Currency translation adjustment	(208)
Balance at March 31, 2016	\$ 217,080
Additions and adjustments (see Note 23)	143,952
Currency translation adjustment	\$ (1,917)
Balance at March 31, 2017	\$ 359,115

Included in Intangibles, net are in-process research and development assets of \$14,827 acquired as part of the Social Point acquisition, which are indefinite-lived intangibles and therefore not subject to amortization until the related games are released.

The following table sets forth the intangible assets that are subject to amortization:

	March 31,					
	2017			2016		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intellectual property	\$ 15,931	\$ (12,943)	\$ 2,988	\$ 26,859	\$ (22,250)	\$ 4,609
Developed game technology	54,421	(2,659)	51,762	—	—	—
Analytics technology	29,959	(999)	28,960	—	—	—
User base	9,079	(1,513)	7,566	—	—	—
Branding and trade names	4,237	(78)	4,159	—	—	—
Total definite-lived intangible assets	\$ 113,627	\$ (18,192)	\$ 95,435	\$ 26,859	\$ (22,250)	\$ 4,609

Amortization of intangible assets is included in our Consolidated Statements of Operations as follows:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Cost of goods sold	\$ 4,252	\$ 160	\$ 344
Selling and marketing	1,497	—	—
Research and development	989	—	—
Depreciation and amortization	78	—	—
Total amortization of intangible assets	\$ 6,816	\$ 160	\$ 344

Estimated future amortization of intangible assets that will be recorded in cost of goods sold and operating expenses for the years ending March 31, are as follows:

Fiscal Year Ended March 31,	Amortization
2018	\$ 32,617
2019	21,672
2020	20,290
2021	12,354
2022	5,918

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

	March 31,	
	2017	2016
Software development royalties	\$ 492,133	\$ 414,492
Business reorganization (see Note 20)	65,935	66,323
Compensation and benefits	44,843	39,919
Licenses	37,019	31,825
Deferred acquisition payments	25,000	—
Marketing and promotions	21,030	14,938
Other	64,915	39,982
Accrued expenses and other current liabilities	\$ 750,875	\$ 607,479

11. DEBT

Credit Agreement

In April 2016, we entered into a Sixth Amendment to our Second Amended and Restated Credit Agreement (as amended, the “Credit Agreement”). The Credit Agreement provides for borrowings of up to \$100,000 which may be increased by up to \$100,000 pursuant to the terms of the Credit Agreement and which is secured by substantially all of our assets and the equity of our subsidiaries. The Credit Agreement expires on August 18, 2019. Revolving loans under the Credit Agreement bear interest at our election of (a) 0.25% to 0.75% above a certain base rate (4.25% at March 31, 2017), or (b) 1.25% to 1.75% above the LIBOR Rate (approximately 2.23% at March 31, 2017), with the margin rate subject to the achievement of certain average liquidity levels. We are also required to pay a monthly fee on the unused available balance, ranging from 0.25% to 0.375% based on availability. We had no outstanding borrowings at March 31, 2017 and 2016.

Availability under the Credit Agreement is unrestricted when liquidity, as defined in the Credit Agreement, is at least \$300,000. When liquidity is below \$300,000 availability under the Credit Agreement is restricted by our United States and United Kingdom based accounts receivable and inventory balances. The Credit Agreement also allows for the issuance of letters of credit in an aggregate amount of up to \$5,000.

Information related to availability on our Credit Agreement is as follows:

	March 31,	
	2017	2016
Available borrowings	\$ 98,320	\$ 98,335
Outstanding letters of credit	\$ 1,664	\$ 1,664

We recorded interest expense and fees related to the Credit Agreement of \$441, \$438 and \$518, for the fiscal years ended March 31, 2017, 2016 and 2015, respectively. The Credit Agreement contains covenants that substantially limit our and our subsidiaries' ability to: create, incur, assume or be liable for indebtedness; dispose of assets outside the ordinary course of business; acquire, merge or consolidate with or into another person or entity; create, incur or allow any lien on any of their respective properties; make investments; or pay dividends or make distributions (each subject to certain limitations); or optionally prepay any indebtedness (subject to certain exceptions, including an exception permitting the redemption of the Company's unsecured convertible senior notes upon the meeting of certain minimum liquidity requirements). In addition, the Credit Agreement provides for certain events of default such as nonpayment of principal and interest, breaches of representations and warranties, noncompliance with covenants, acts of insolvency, default on indebtedness held by third parties and default on certain material contracts (subject to certain limitations and cure periods). The Credit Agreement also contains a requirement that we maintain an interest coverage ratio of more than one to one for the trailing twelve-month period, if certain average liquidity levels fall below \$30,000.

1.75% Convertible Notes Due 2016

On November 16, 2011, we issued \$250,000 aggregate principal amount of 1.75% Convertible Notes due 2016. The issuance of the 1.75% Convertible Notes included \$30,000 related to the exercise of an over-allotment option by the underwriters. Interest on the 1.75% Convertible Notes was payable semi-annually in arrears on June 1st and December 1st of each year, commencing on

June 1, 2012. The 1.75% Convertible Notes matured on December 1, 2016, unless earlier repurchased by the Company or converted. We did not have the right to redeem the 1.75% Convertible Notes prior to maturity.

The 1.75% Convertible Notes were convertible at an initial conversion rate of 52.3745 shares of our common stock per \$1 principal amount of 1.75% Convertible Notes (representing an initial conversion price of approximately \$19.093 per share of common stock for a total of approximately 13,094,000 underlying conversion shares) subject to adjustment in certain circumstances. As of June 1, 2016 until the close of business on the business day immediately preceding the maturity date, holders were eligible to convert their 1.75% Convertible Notes at any time. Prior to September 27, 2016, upon conversion, the 1.75% Convertible Notes were eligible to be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock. On September 27, 2016, we elected to settle our conversion obligations in connection with the 1.75% Convertible Notes solely in shares of our common stock and accordingly notified the Trustee. As such, we continued to classify these 1.75% Convertible Notes as long-term debt until their maturity.

Prior to December 1, 2016, holders of the 1.75% Convertible Notes elected to convert such notes, and we settled all such notes during the period by converting them to shares of our common stock using the initial conversion rate.

We previously separately accounted for the liability and equity components of the 1.75% Convertible Notes in a manner that reflected our nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. We estimated the fair value of the 1.75% Convertible Notes to be \$197,373, as of the date of issuance of our 1.75% Convertible Notes, assuming a 6.9% non-convertible borrowing rate. The carrying amount of the equity component was determined to be \$52,627 by deducting the fair value of the liability component from the par value of the 1.75% Convertible Notes. The excess of the principal amount of the liability component over its carrying amount was amortized to interest and other, net over the term of the 1.75% Convertible Notes using the effective interest method. The equity component was not remeasured as long as it continued to meet the conditions for equity classification. In accounting for the \$6,875 of banking, legal and accounting fees related to the issuance of the 1.75% Convertible Notes, we allocated \$5,428 to the liability component and \$1,447 to the equity component. Debt issuance costs attributable to the liability component were amortized to interest and other, net over the term of the 1.75% Convertible Notes, and issuance costs attributable to the equity component were netted with the equity component in additional paid-in capital.

At maturity and as of March 31, 2016, the if-converted value of our 1.75% Convertible Notes exceeded the principal amount of \$250,000 by \$368,430 and \$243,251, respectively.

The following table provides additional information related to our 1.75% Convertible Notes:

	March 31,	
	2017	2016
Additional paid-in capital	\$ —	\$ 51,180
Principal amount of 1.75% Convertible Notes	\$ —	\$ 250,000
Unamortized discount of the liability component	—	8,014
Carrying amount of debt issuance costs	—	657
Net carrying amount of 1.75% Convertible Notes	\$ —	\$ 241,329

The following table provides the components of interest expense related to our 1.75% Convertible Notes:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Cash interest expense (coupon interest expense)	\$ 2,898	\$ 4,375	\$ 4,375
Non-cash amortization of discount on 1.75% Convertible Notes	8,014	11,372	10,639
Amortization of debt issuance costs	657	1,005	1,054
Total interest expense related to 1.75% Convertible Notes	\$ 11,569	\$ 16,752	\$ 16,068

1.00% Convertible Notes Due 2018

On June 18, 2013, we issued \$250,000 aggregate principal amount of 1.00% Convertible Notes due 2018. The 1.00% Convertible Notes were issued at 98.5% of par value for proceeds of \$246,250. Interest on the 1.00% Convertible Notes is payable semi-annually in arrears on July 1st and January 1st of each year, commencing on January 1, 2014. The 1.00% Convertible Notes mature on July 1, 2018, unless earlier repurchased by the Company or converted. The Company does not have the right to redeem the 1.00% Convertible Notes prior to maturity. The Company also granted the underwriters a 30-day option to purchase up to an

additional \$37,500 principal amount of 1.00% Convertible Notes to cover overallocments, if any. On July 17, 2013, the Company closed its public offering of \$37,500 principal amount of the Company's 1.00% Convertible Notes as a result of the underwriters exercising their overallocation option in full on July 12, 2013, bringing the total proceeds to \$283,188.

The 1.00% Convertible Notes are convertible at an initial conversion rate of 46.4727 shares of our common stock per \$1 principal amount of 1.00% Convertible Notes (representing an initial conversion price of approximately \$21.52 per share of common stock for a total of approximately 13,361,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders may convert the 1.00% Convertible Notes at their option prior to the close of business on the business day immediately preceding January 1, 2018 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2013, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per \$1 principal amount of 1.00% Convertible Notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after January 1, 2018 until the close of business on the business day immediately preceding the maturity date, holders may convert their 1.00% Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 1.00% Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock. Our common stock price exceeded 130% of the applicable conversion price per share for at least 20 trading days during the 30 consecutive trading days ended March 31, 2017. Accordingly, as of April 1, 2017, the 1.00% Convertible Notes may be converted at the holder's option through June 30, 2017. During the year ended March 31, 2017, 1.00% Convertible Notes with an aggregate principal value of \$19,351 were settled and additional 1.00% Convertible Notes with aggregate principal value of \$93 were tendered for conversion with April 2017 settlement dates. We elected to settle the conversion in shares of our common stock, and our current intent and ability, given our option, would be to settle future conversions in shares of our common stock. As such, we have continued to classify these 1.00% Convertible Notes as long-term debt.

Upon the occurrence of certain fundamental changes involving the Company, holders of the 1.00% Convertible Notes may require us to purchase all or a portion of their 1.00% Convertible Notes for cash at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the fundamental change purchase date.

The indenture governing the 1.00% Convertible Notes contains customary terms and covenants and events of default. If an event of default (as defined therein) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in aggregate principal amount of the 1.00% Convertible Notes then outstanding by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest (including additional interest, if any) on all the 1.00% Convertible Notes to be due and payable. In the case of an event of default arising out of certain bankruptcy events, 100% of the principal of and accrued and unpaid interest (including additional interest, if any), on the 1.00% Convertible Notes will automatically become due and payable immediately.

The 1.00% Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the 1.00% Convertible Notes; equal in right of payment to our existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness incurred by our subsidiaries.

We separately account for the liability and equity components of the 1.00% Convertible Notes in a manner that reflects the Company's nonconvertible debt borrowing rate. We estimated the fair value of the 1.00% Convertible Notes to be \$225,567 upon issuance of our 1.00% Convertible Notes, assuming a 6.15% non-convertible borrowing rate. The carrying amount of the equity component was determined to be approximately \$57,621 by deducting the fair value of the liability component from the net proceeds of the 1.00% Convertible Notes. The excess of the principal amount of the liability component over its carrying amount is amortized to interest and other, net over the term of the 1.00% Convertible Notes using the effective interest method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. In accounting for the \$2,815 of banking, legal and accounting fees related to the issuance of the 1.00% Convertible Notes, we allocated \$2,209 to the liability component and \$606 to the equity component. Debt issuance costs attributable to the liability component are being amortized to interest and other, net over the term of the 1.00% Convertible Notes, and issuance costs attributable to the equity component were netted with the equity component in additional paid-in capital.

As of March 31, 2017 and 2016, the if-converted value of our 1.00% Convertible Notes exceeded the principal amount of \$268,149 and \$287,500, respectively, by \$470,456 and \$215,809, respectively.

The following table provides additional information related to our 1.00% Convertible Notes:

	March 31,	
	2017	2016
Additional paid-in capital	\$ 35,784	\$ 35,784
Principal amount of 1.00% Convertible Notes	\$ 268,149	\$ 287,500
Unamortized discount of the liability component	15,751	29,972
Carrying amount of debt issuance costs	469	922
Net carrying amount of 1.00% Convertible Notes	\$ 251,929	\$ 256,606

The following table provides the components of interest expense related to our 1.00% Convertible Notes:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Cash interest expense (coupon interest expense)	\$ 2,784	\$ 2,875	\$ 2,875
Non-cash amortization of discount on 1.00% Convertible Notes	14,221	12,085	11,387
Amortization of debt issuance costs	453	443	466
Total interest expense related to 1.00% Convertible Notes	\$ 17,458	\$ 15,403	\$ 14,728

12. EARNINGS (LOSS) PER SHARE ("EPS")

The following table sets forth the computation of basic and diluted EPS (shares in thousands):

	Fiscal Year Ended March 31,		
	2017	2016	2015
Computation of Basic earnings (loss) per share:			
Net income (loss)	\$ 67,303	\$ (8,302)	\$ (279,470)
Less: net income allocated to participating securities	(1,275)	—	—
Net income (loss) for basic earnings (loss) per share calculation	\$ 66,028	\$ (8,302)	\$ (279,470)
Total weighted average shares outstanding—basic	91,921	83,417	80,367
Less: weighted average participating shares outstanding	(1,741)	—	—
Weighted average common shares outstanding—basic	90,180	83,417	80,367
Basic earnings (loss) per share	\$ 0.73	\$ (0.10)	\$ (3.48)
Computation of Diluted earnings (loss) per share:			
Net income (loss)	\$ 67,303	\$ (8,302)	\$ (279,470)
Less: net income allocated to participating securities	(1,246)	—	—
Net income (loss) for diluted earnings (loss) per share calculation	\$ 66,057	\$ (8,302)	\$ (279,470)
Weighted average common shares outstanding—basic	91,921	83,417	80,367
Add: dilutive effect of common stock equivalents	2,152	—	—
Weighted average common shares outstanding—diluted	94,073	83,417	80,367
Less: weighted average participating shares outstanding	(1,741)	—	—
Weighted average common shares outstanding- diluted	92,332	83,417	80,367
Diluted earnings (loss) per share	\$ 0.72	\$ (0.10)	\$ (3.48)

The calculation of EPS for common stock under the two-class method shown above for the fiscal year ended March 31, 2017 excludes income attributable to the participating securities from the numerator and excludes the dilutive effect of those awards from the denominator.

We incurred a net loss for the fiscal years ended March 31, 2016 and 2015; therefore, the basic and diluted weighted average shares outstanding exclude the effect of unvested share-based awards that are considered participating securities and all common stock equivalents because their effect would be antidilutive. For the fiscal years ended March 31, 2016 and 2015 we had 6,405,000, and 6,061,000, respectively, of unvested share-based awards which are excluded due to the net loss for the periods.

13. COMMITMENTS AND CONTINGENCIES

A summary of annual minimum contractual obligations and commitments as of March 31, 2017 is as follows:

Fiscal Year Ending March 31,		Software Development and Licensing	Marketing	Operating Leases	Purchase Obligations	Convertible Notes Interest	Convertible Notes	Total
2018	\$	103,726	\$ 12,547	\$ 27,238	\$ 38,243	\$ 2,875	\$ —	\$ 184,629
2019		53,426	50,458	32,325	9,842	1,438	268,149	415,638
2020		34,450	12,750	23,386	4,200	—	—	74,786
2021		15,032	3,250	20,117	205	—	—	38,604
2022		15,000	3,250	18,269	54	—	—	36,573
Thereafter		—	3,250	77,987	—	—	—	81,237
Total	\$	221,634	\$ 85,505	\$ 199,322	\$ 52,544	\$ 4,313	\$ 268,149	\$ 831,467

Software Development and Licensing Agreements: We make payments to third-party software developers that include contractual payments to developers under several software development agreements that expire at various times through January 2022. Our aggregate outstanding software development commitments assume satisfactory performance by third-party software developers. We also have licensing commitments that primarily consist of obligations to holders of intellectual property rights for use of their trademarks, copyrights, technology or other intellectual property rights in the development of our products.

Marketing Agreements: We have certain minimum marketing support commitments where we commit to spend specified amounts related to marketing our products. Marketing commitments expire at various times through December 2022 and primarily reflect our agreements with major sports leagues and players' associations.

Operating Leases: Our offices are occupied under non-cancelable operating leases expiring at various times through December 2032. We also lease certain furniture, equipment and automobiles under non-cancelable leases expiring through March 2020. Some of the leases have fixed rent increases and also include inducements to enter into the lease. The effect of such amounts are deferred and recognized on a straight-line basis over the related lease term. Rent expense amounted to \$19,545, \$18,032 and \$18,120 for the fiscal years ended March 31, 2017, 2016 and 2015, respectively.

Purchase obligations: These obligations are primarily related to agreements to purchase services that are enforceable and legally binding on the Company that specifies all significant terms, including fixed, minimum or variable pricing provisions; and the approximate timing of the transactions, expiring at various times through January 2019.

Employee Savings Plans: For our United States employees we maintain a 401(k) retirement savings plan and trust. Our 401(k) plan is offered to all eligible employees and participants may make voluntary contributions. We also have various pension plans for our non-U.S. employees, some of which are required by local laws, and allow or require Company contributions. Employer contributions under all defined contribution and pension plans during the fiscal years ended March 31, 2017, 2016 and 2015 were \$8,018, \$8,348 and \$8,554, respectively.

Legal and Other Proceedings: We are, or may become, subject to demands and claims (including intellectual property claims) and are involved in routine litigation in the ordinary course of business which we do not believe to be material to our business or financial condition or results of operations. We have appropriately accrued amounts related to certain of these claims and legal and other proceedings. While it is reasonably possible that a loss may be incurred in excess of the amounts accrued in our financial statements, we believe that such losses, unless otherwise disclosed, would not be material.

On April 11, 2016, we filed a declaratory judgment action in the United States District Court for the Southern District of New York seeking, among other things, a judicial declaration that Leslie Benzies, the former president of one of our subsidiaries with whom we had been in ongoing discussions regarding his separation of employment, is not entitled to any minimum allocation or financial parity with any other person under the applicable royalty plan. We believe we will prevail in this matter, although there can be no assurance of the outcome. On April 12, 2016, Mr. Benzies filed a complaint in the Supreme Court of the State of New York, New York County against us, and certain of our subsidiaries and employees. We removed this case to the United States District Court for the Southern District of New York, but the case was subsequently remanded to state court. The complaint claims damages of at least \$150,000 and contains allegations of breach of fiduciary duty; fraudulent inducement and fraudulent concealment; aiding and abetting breach of fiduciary duty; breach of various contracts; breach of implied duty of good faith and fair dealing; tortious interference with contract; unjust enrichment; reformation; constructive trust; declaration of rights; constructive discharge; defamation and fraud. Motion practice in both the federal and state actions is ongoing. While we believe that we have meritorious defenses to these claims, and we intend to vigorously defend against them and to pursue any counterclaims, we have accrued what we believe to be an adequate amount for this matter, which amounts are classified as

Business reorganization within Accrued expenses and other current liabilities in our Condensed Consolidated Balance Sheet (see Note 20). We do not believe that the ultimate outcome of such litigation, even if in excess of our current accrual, will have a material adverse effect on our business, financial condition or results of operations.

14. INCOME TAXES

Components of income (loss) income from continuing operations before income taxes are as follows:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Domestic	\$ 86,050	\$ (94,174)	\$ (126,582)
Foreign	(9,085)	55,824	(146,298)
Income (loss) from continuing operations before income taxes	\$ 76,965	\$ (38,350)	\$ (272,880)

Provision (benefit from) for current and deferred income taxes consists of the following:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Current:			
U.S. federal	\$ 19,271	\$ 792	\$ 2,773
U.S. state and local	2,521	938	(1,406)
Foreign	(13,012)	(31,508)	2,944
Total current income taxes	8,780	(29,778)	4,311
Deferred:			
U.S. federal	969	1,211	1,575
U.S. state and local	2,395	(231)	72
Foreign	(2,482)	(1,250)	632
Total deferred income taxes	882	(270)	2,279
Provision (benefit from) for income taxes	\$ 9,662	\$ (30,048)	\$ 6,590

A reconciliation of our effective tax rate to the U.S. statutory federal income tax rate is as follows:

	Fiscal Year Ended March 31,		
	2017	2016	2015
U.S. federal statutory rate	35.0 %	35.0 %	35.0 %
State and local taxes, net of U.S. federal benefit	4.9 %	1.6 %	0.9 %
Tax amortization of goodwill	1.3 %	(3.2)%	(0.6)%
Foreign tax rate differential ⁽¹⁾	(1.4)%	25.8 %	(12.1)%
Foreign earnings	5.5 %	(3.7)%	(1.5)%
Tax credits ⁽²⁾	(45.8)%	98.7 %	—
Domestic production deduction	(2.5)%	—	—
Valuation allowance—domestic	10.1 %	(77.8)%	(16.8)%
Valuation allowance—foreign	0.1 %	10.4 %	(5.1)%
Change in reserves	2.9 %	(7.0)%	(1.6)%
Other	2.4 %	(1.4)%	(0.6)%
Effective tax rate	12.5 %	78.4 %	(2.4)%

(1) The foreign rate differential in relation to foreign earnings, for all periods presented, are primarily driven by changes in the mix of our foreign earnings.

(2) Tax benefits were recorded for fiscal years ended March 31, 2017 and March 31, 2016 attributable to certain tax credits related to software development activities

The effects of temporary differences that gave rise to our deferred tax assets and liabilities were as follows:

	March 31,	
	2017	2016
Deferred tax assets:		
Accrued compensation expense	\$ 131,305	\$ 82,230
Equity Compensation	25,048	22,446
Deferred revenue	41,977	33,254
Domestic net operating loss carryforward	4,495	28,811
Tax credit carryforward	52,639	76,565
Foreign net operating loss carryforwards	15,636	16,910
Business reorganization	24,103	24,143
Sales returns and allowances (including bad debt)	3,942	2,257
Deferred rent	8,865	5,359
Other	4,045	—
Total deferred tax assets	312,055	291,975
Less: Valuation allowance	(184,085)	(170,574)
Net deferred tax assets	127,970	121,401
Deferred tax liabilities:		
Capitalized software and depreciation	(120,715)	(104,294)
Convertible debt	(5,219)	(12,716)
Intangible amortization	(38,068)	(8,306)
Other	—	(896)
Total deferred tax liabilities	(164,002)	(126,212)
Net deferred tax liability(a)	(36,032)	(4,811)

(a) As of March 31, 2017 and 2016, \$36,032 and \$4,811, respectively, is included in other long-term liabilities.

The valuation allowance is primarily attributable to deferred tax assets for which no benefit is provided due to uncertainty with respect to their realization. The net deferred tax liability is primarily the result of deferred tax liabilities related to indefinite lived intangibles, which cannot be used to offset deferred tax assets, as well as deferred tax liabilities related to intangibles as a result of the acquisition of Social Point.

At March 31, 2017, we had domestic net operating loss carryforwards totaling \$50,208 of which \$640 will expire in 2022, \$24,022 will expire from 2023 to 2027, \$24,263 will expire from 2028 to 2032, and \$1,283 will expire in 2037. In addition, we had foreign net operating loss carryforwards of \$277,892, of which \$25,331 will expire in 2020, \$244,527 will expire in 2022, \$29 will expire in 2026, \$727 will expire in 2035, and the remainder may be carried forward indefinitely.

At March 31, 2017, we had domestic credit carryforwards totaling \$150,811 of which \$83,371 expire in 2031 to 2036, and the remainder may be carried forward indefinitely. In addition, we had foreign credit carryforwards of \$1,691 of which \$1,037 expire in 2019, \$191 expire in 2028, \$80 expire in 2029, \$230 expire in 2030, and \$153 will expire in 2031.

The total amount of undistributed earnings of foreign subsidiaries was approximately \$162,800 at March 31, 2017 and \$197,300 at March 31, 2016. It is our intention to reinvest undistributed earnings of our foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or U.S. income taxes which may become payable if undistributed earnings of foreign subsidiaries are repatriated. It is not practicable to estimate the tax liability that would arise if these earnings were remitted.

We are regularly audited by domestic and foreign taxing authorities. Audits may result in tax assessments in excess of amounts claimed and the payment of additional taxes. We believe that our tax return positions comply with applicable tax law and that we have adequately provided for reasonably foreseeable assessments of additional taxes. Additionally, we believe that any assessments in excess of the amounts provided for will not have a material adverse effect on the Consolidated Financial Statements.

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes in our Consolidated Statements of Operations. For the fiscal years ended March 31, 2017, 2016 and 2015, we recognized an increase in interest and penalties of \$877, \$1,098 and \$771, respectively. The gross amount of interest and penalties accrued as of March 31, 2017 and March 31, 2016 was \$4,090 and \$3,213, respectively.

As of March 31, 2017 and March 31, 2016, we had gross unrecognized tax benefits, including interest and penalties, of \$120,198 and \$56,012, of which \$36,940 and \$41,285, respectively, would affect our effective tax rate if realized.

We are no longer subject to audit for U.S. federal income tax returns for periods prior to our fiscal year ended March 31, 2013 and state income tax returns for periods prior to the fiscal year ended March 31, 2012. With few exceptions, we are no longer subject to income tax examinations in non-U.S. jurisdictions for years prior to our fiscal year ended March 31, 2012. U.S. federal taxing authorities have completed examinations of our income tax returns through the fiscal year ended October 31, 2009. The statute relating to the fiscal year ended March 31, 2013 has expired. The IRS is currently examining our income tax returns for the fiscal year ended March 31, 2015.

The timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. Although potential resolution of uncertain tax positions involve multiple tax periods and jurisdictions, it is reasonably possible that a reduction of up to \$31,000 of unrecognized tax benefits may occur within the next 12 months, some of which, depending on the nature of the settlement or expiration of statutes of limitations, may affect the Company's income tax provision and therefore benefit the resulting effective tax rate. The actual amount could vary significantly depending on the ultimate timing and nature of any settlements.

The aggregate changes to the liability for gross uncertain tax positions, excluding interest and penalties, were as follows:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Balance, beginning of period	\$ 52,799	\$ 40,591	\$ 23,536
Additions:			
Current year tax positions	65,669	12,208	8,297
Prior year tax positions	5,086	—	9,040
Reduction of prior year tax positions	—	—	—
Lapse of statute of limitations	(7,469)	—	(256)
Other, net	—	—	(26)
Balance, end of period	\$ 116,085	\$ 52,799	\$ 40,591

We believe that we have provided for any reasonably foreseeable outcomes related to our tax audits and that any settlement will not have a material adverse effect on our consolidated financial statements. However, there can be no assurances as to the possible outcomes.

15. STOCK-BASED COMPENSATION

Our stock-based compensation plans are broad-based long-term retention programs intended to attract and retain talented employees and align stockholder and employee interests. For similar reasons, we also granted non-employee equity awards, which are subject to variable accounting, to ZelnickMedia in connection with their contract to provide executive management services to us. In April 2009, our stockholders approved our 2009 Stock Incentive Plan (the "2009 Plan"). The aggregate number of shares issuable under the 2009 Plan is 28,609,000 and as of March 31, 2017, there were approximately 2,194,000 shares available for issuance. The 2009 Plan is administered by the Compensation Committee of the Board of Directors and allows for awards of restricted stock and other stock-based awards of our common stock to employees and non-employees. Subject to the provisions of the plans, the Board of Directors or any Committee appointed by the Board of Directors, has the authority to determine the individuals to whom the equity awards are to be granted, the number of shares to be covered by each equity award, the vesting period, restrictions, if any, on the equity award and the terms and conditions of the equity award. Upon the vesting of certain restricted stock awards employees have the option to have the Company withhold shares to satisfy the employee's federal and state tax withholding requirements.

The following table summarizes stock-based compensation expense included in our Consolidated Statements of Operations:

	Fiscal Year Ended March 31,		
	2017	2016	2015
Cost of goods sold	\$ 21,056	\$ 15,323	\$ 17,121
Selling and marketing	9,963	9,425	8,798
General and administrative	42,908	40,322	33,636
Research and development	7,952	4,926	5,691
Stock-based compensation expense	\$ 81,879	\$ 69,996	\$ 65,246
Capitalized stock-based compensation expense	\$ 74,717	\$ 30,367	\$ 17,423

Restricted Stock Awards

Employee Awards

Restricted stock awards granted to employees under our stock-based compensation plans generally vest annually over 3 years from the date of grant. Certain restricted stock awards granted to key officers, senior-level employees, and key employees vest based on market conditions, primarily related to the performance of the price of our common stock.

ZelnickMedia Non-Employee Awards

Pursuant to the 2011 Management Agreement, we granted 1,100,000 shares of restricted stock to ZelnickMedia that vested annually through May 15, 2015 and 1,650,000 shares of market-based restricted stock that were eligible to vest through May 15, 2015, based on the Company's Total Shareholder Return (as defined in the relevant grant agreements) relative to the Total Shareholder Return of the companies that constitute the NASDAQ Composite Index measured annually on a cumulative basis. To earn all of the shares of market-based restricted stock, the Company must perform at the 75th percentile, or top quartile, of the NASDAQ Composite Index. None of the shares of restricted stock grant pursuant to the 2011 Management Agreement remained unvested as of March 31, 2017 and 1,133,000 shares of restricted stock remained unvested as of March 31, 2016. During the fiscal year ended March 31, 2017, 591,912 shares of restricted stock vested and 27,578 shares of restricted stock were forfeited related to the 2011 Management Agreement.

In connection with the 2014 Management Agreement, we granted 372,935 and 525,591 restricted stock units to ZelnickMedia on May 20, 2016 and May 20, 2015, respectively, as follows:

	Fiscal Year Ended March 31,	
	2017	2016
Time-based	107,551	151,575
Market-based ⁽¹⁾	199,038	280,512
Performance-based ⁽¹⁾		
New IP	33,174	46,752
Major IP	33,172	46,752
Total-Performance-based	66,346	93,504
Total Restricted Stock Units	372,935	525,591

(1) Represents the maximum number of shares eligible to vest.

Time-based restricted stock units granted on May 20, 2015 vested on April 4, 2017 and those granted on May 20, 2016 will vest on April 1, 2018, provided that the 2014 Management Agreement has not been terminated prior to such vesting date.

Market-based restricted stock units granted on May 20, 2015 vested on April 4, 2017 and those granted on May 20, 2016 are eligible to vest on April 1, 2018, provided that the 2014 Management Agreement has not been terminated prior to such vesting date. Market-based restricted stock units are eligible to vest based on the Company's Total Shareholder Return (as defined in the relevant grant agreement) relative to the Total Shareholder Return (as defined in the relevant grant agreement) of the companies that constitute the NASDAQ Composite Index as of the grant date measured over a two-year period. To earn the target number of market-based restricted stock units (which represents 50% of the number of the market-based restricted stock units set forth in the table above), the Company must perform at the 50th percentile, with the maximum number of market-based restricted stock units earned if the Company performs at the 75th percentile. Each reporting period, we re-measure the fair value of the unvested shares of market-based restricted stock units granted to ZelnickMedia.

Performance-based restricted stock units granted on May 20, 2015 vested on April 4, 2017 and those granted on May 20, 2016 are eligible to vest on April 1, 2018, provided that the 2014 Management Agreement has not been terminated prior to such vesting date. Performance-based restricted stock units, of which 50% are tied to "New IP" and 50% to "Major IP" (as defined in the relevant grant agreement), are eligible to vest based on the Company's achievement of certain performance metrics (as defined in the relevant grant agreement) of individual product releases of "New IP" or "Major IP" measured over a two-year period. The target number of performance-based restricted stock units that may be earned pursuant to these grants is equal to 50% of the grant amounts set forth in the above table (which represents the maximum number of performance-based restricted stock units that may be earned). Each reporting period, we assess the performance metric and upon achievement of certain thresholds record an expense for the unvested portion of the shares of performance-based restricted stock units. Certain performance metrics, based on unit sales, have been achieved as of March 31, 2017 and 2016 for the "New IP" and "Major IP" performance-based restricted stock units granted on April 1, 2014, May 20, 2015, and May 20, 2016.

The unvested portion of time-based, market-based and performance-based restricted units granted pursuant to the 2014 Management Agreement as of March 31, 2017 and 2016 was 898,526 and 1,145,081, respectively.

The following table summarizes the weighted-average assumptions used in the Monte Carlo Simulation method:

	Fiscal Year Ended March 31,					
	2017		2016		2015	
	Employee Market-Based	Non-Employee Market-Based	Employee Market-Based	Non-Employee Market-Based	Employee Market-Based	Non-Employee Market-Based
Risk-free interest rate	0.9%	0.7%	0.6%	0.4%	0.4%	0.1%
Expected stock price volatility	31.2%	30.1%	33.9%	32.2%	31.9%	33.7%
Expected service period (years)	1.5	1.0	1.9	1.1	2.0	3.7
Dividends	None	None	None	None	None	None

The estimated value of time-based restricted stock awards granted to employees during the fiscal years ended March 31, 2017, 2016 and 2015 was \$49.43, \$33.74 and \$21.52 per share, respectively. The estimated value of market-based restricted stock awards granted to employees during the fiscal years ended March 31, 2017, 2016 and 2015 was \$63.60, \$43.66 and \$36.56 per share, respectively. For the fiscal years ended March 31, 2017, 2016 and 2015, the estimated value of time-based restricted stock awards granted to ZelnickMedia was \$36.37, \$27.65 and \$21.92 per share, respectively. For the fiscal years ended March 31, 2017, 2016 and 2015, the estimated value of the market-based restricted stock awards granted to ZelnickMedia was \$51.92, \$58.45 and \$24.21 per share, respectively.

The following table summarizes the activity in non-vested restricted stock awards to employees and ZelnickMedia under our stock-based compensation plans with performance and market based restricted stock awards presented at 100% of target number of shares that may potentially vest:

	Shares (in thousands)	Weighted Average Fair Value on Grant Date
Non-vested restricted stock at March 31, 2016	6,405	\$ 24.74
Granted	1,161	47.48
Vested	(3,220)	23.54
Forfeited	(87)	20.76
Non-vested restricted stock at March 31, 2017	4,259	\$ 32.93

The maximum number of restricted stock awards that could vest is 228,587 for performance-based and market-based restricted stock awards granted during the current year. As of March 31, 2017, the maximum number of shares that could vest is 886,360 for performance-based and market-based restricted stock units outstanding.

As of March 31, 2017, the total future unrecognized compensation cost, net of estimated forfeitures, related to outstanding unvested restricted stock was \$95,965 and will be recognized as compensation expense on a straight-line basis over a weighted-average period of approximately 1 year, or capitalized as software development costs.

Liability Awards

During the fiscal year ended March 31, 2016, we issued 5,500,000 of time and performance based restricted stock units, to certain employees, which currently can only be settled in cash and are therefore treated as liability awards. The awards are expected to vest between fiscal 2019 and fiscal 2022. As of March 31, 2017, the total future unrecognized compensation cost, based on the estimated cash payment terms, is estimated to be \$165,596 and will be recognized as compensation expense over a weighted-average period of approximately 3.9 years, or capitalized as software development costs.

16. SHARE REPURCHASE PROGRAM

In January 2013, our Board of Directors authorized the repurchase of up to 7,500,000 shares of our common stock. In May 2015, our Board of Directors authorized the repurchase of an additional 6,717,683 shares of our common stock pursuant to the share repurchase program. We did not repurchase any shares of our common stock under this program during the fiscal year ended March 31, 2017. During the fiscal year ended March 31, 2016 we repurchased 953,647 shares of our common stock in the open market for \$26,552, including commissions of \$10, as part of the program. During the fiscal year ended March 31, 2014, we repurchased 4,217,683 shares of our common stock in the open market for \$73,325, including commissions of \$42, as part of the program. As of March 31, 2017, we have repurchased a total of 5,171,330 shares of our common stock and have 9,046,353 shares of our common stock that remain available for repurchase under our share repurchase authorization. We are authorized to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, our financial performance and other conditions. The program may be suspended or discontinued at any time for any reason.

All of the repurchased shares are classified as treasury stock in our Consolidated Balance Sheets.

17. SEGMENT AND GEOGRAPHIC INFORMATION

We are a publisher of interactive software games designed for console systems and personal computers, including smart phones and tablets, which are delivered through physical retail, digital download, online platforms and cloud streaming services. Our business consists principally of our Rockstar Games and 2K labels, which represent a single operating segment, the "publishing segment". Our operations involve similar products and customers worldwide. Revenue earned from our publishing segment is primarily derived from the sale of internally developed software titles and software titles developed by third parties. Our publishing segment is based upon our internal organizational structure, the manner in which our operations are managed and the criteria used by our Chief Executive Officer, our Chief Operating Decision Maker ("CODM"), to evaluate performance and allocate resources. We are centrally managed and the CODM primarily uses consolidated financial information supplemented by sales information by product category, major product title and platform to make operational decisions and assess financial performance.

We attribute net revenue to geographic regions based on product destination. Net revenue by geographic region was as follows:

Net revenue by geographic region:	Fiscal Year Ended March 31,		
	2017	2016	2015
United States	\$ 999,128	\$ 742,963	\$ 623,080
Europe	515,696	449,577	322,645
Asia Pacific	157,183	120,629	69,923
Canada and Latin America	107,741	100,529	67,290
Total net revenue	\$ 1,779,748	\$ 1,413,698	\$ 1,082,938

Net revenue by product platform was as follows:

Net revenue by product platform:	Fiscal Year Ended March 31,		
	2017	2016	2015
Console	\$ 1,440,724	\$ 1,167,623	\$ 881,516
PC and other	339,024	246,075	201,422
Total net revenue	\$ 1,779,748	\$ 1,413,698	\$ 1,082,938

Our products are delivered through digital online services (digital download, online platforms and cloud streaming) and physical retail. Net revenue by distribution channel was as follows:

Net revenue by distribution channel:	Fiscal Year Ended March 31,		
	2017	2016	2015
Digital online	\$ 921,734	\$ 697,658	\$ 455,299
Physical retail and other	858,014	716,040	627,639
Total net revenue	\$ 1,779,748	\$ 1,413,698	\$ 1,082,938

18. INTEREST AND OTHER, NET

	Fiscal Year Ended March 31,		
	2017	2016	2015
Interest expense, net	\$ (21,700)	\$ (29,239)	\$ (29,901)
Foreign currency exchange gain (loss)	4,990	(1,407)	(2,068)
Other	1,020	441	76
Interest and other, net	\$ (15,690)	\$ (30,205)	\$ (31,893)

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides the components of accumulated other comprehensive income (loss):

	Foreign currency translation adjustments	Unrealized gain (loss) on derivative instruments	Unrealized gain (loss) on available-for-sales securities	Total
Balance at March 31, 2015	\$ (31,216)	\$ 617	\$ (25)	\$ (30,624)
Other comprehensive income (loss) before reclassifications	(7,364)	—	73	(7,291)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(17)	36	19
Balance at March 31, 2016	\$ (38,580)	\$ 600	\$ 84	\$ (37,896)
Other comprehensive income (loss) before reclassifications	(9,086)	—	(169)	(9,255)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	9	9
Balance at March 31, 2017	\$ (47,666)	\$ 600	\$ (76)	\$ (47,142)

20. BUSINESS REORGANIZATION

During the fiscal years ended March 31, 2017 and 2016, the Company incurred business reorganization expenses of \$0 and \$71,285 due primarily to employee separation costs in connection with reorganizing one development studio and closing two development studios. Through March 31, 2017 and 2016, the Company has paid \$5,350 and \$4,962, respectively, related to these reorganization activities. As of March 31, 2017, and 2016, \$65,935 and \$66,323, respectively, remained accrued for in Accrued expenses and other current liabilities. See Note 13 for additional information.

21. SUPPLEMENTARY FINANCIAL INFORMATION

The following table provides details of our valuation and qualifying accounts:

	Beginning Balance	Additions ⁽¹⁾	Deductions	Other	Ending Balance
<i>Fiscal Year Ended March 31, 2017</i>					
Valuation allowance for deferred income taxes	\$ 170,574	\$ 13,511	\$ —	\$ —	\$ 184,085
Price protection, sales returns and other allowances	\$ 45,153	\$ 127,744	\$ (100,934)	\$ (6,849)	\$ 65,114
Allowance for doubtful accounts	399	974	(4)	—	1,369
Total accounts receivable allowances	\$ 45,552	\$ 128,718	\$ (100,938)	\$ (6,849)	\$ 66,483
<i>Fiscal Year Ended March 31, 2016</i>					
Valuation allowance for deferred income taxes	\$ 133,468	\$ 37,106	\$ —	\$ —	\$ 170,574
Price protection, sales returns and other allowances	\$ 69,305	\$ 64,498	\$ (86,622)	\$ (2,028)	\$ 45,153
Allowance for doubtful accounts	1,166	—	(767)	—	399
Total accounts receivable allowances	\$ 70,471	\$ 64,498	\$ (87,389)	\$ (2,028)	\$ 45,552
<i>Fiscal Year Ended March 31, 2015</i>					
Valuation allowance for deferred income taxes	\$ 40,774	\$ 92,694	\$ —	\$ —	\$ 133,468
Price protection, sales returns and other allowances	\$ 74,078	\$ 50,114	\$ (57,982)	\$ 3,095	\$ 69,305
Allowance for doubtful accounts	1,440	—	(274)	—	1,166
Total accounts receivable allowances	\$ 75,518	\$ 50,114	\$ (58,256)	\$ 3,095	\$ 70,471

⁽¹⁾Includes price protection of \$65,336, \$36,546 and \$16,669; other allowances including rebates, discounts and cooperative advertising of \$45,850, \$23,073 and \$24,402; and sales returns of \$16,558, \$4,879 and \$9,043 for the fiscal years ended March 31, 2017, 2016 and 2015, respectively.

22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth quarterly supplementary data for each of the years in the two-year period ended March 31, 2017:

Fiscal Year Ended March 31, 2017	Quarter			
	First	Second	Third	Fourth
Net revenue	\$ 311,552	\$ 420,167	\$ 476,474	\$ 571,555
Gross profit	120,171	214,562	165,399	256,657
(Loss) income from operations	(38,983)	47,194	(28,409)	111,503
Net (loss) income	\$ (38,567)	\$ 36,432	\$ (29,842)	\$ 99,280
(Loss) earnings per share:				
Basic (loss) earnings per share	\$ (0.46)	\$ 0.42	\$ (0.33)	\$ 0.97
Diluted (loss) earnings per share	\$ (0.46)	\$ 0.39	\$ (0.33)	\$ 0.89

Fiscal Year Ended March 31, 2016	Quarter			
	First	Second	Third	Fourth
Net revenue	\$ 275,297	\$ 346,974	\$ 414,221	\$ 377,206
Gross profit (loss)	72,682	203,034	156,360	167,749
(Loss) income from operations	(62,637)	66,431	(59,197)	44,575
Net (loss) income	\$ (67,023)	\$ 54,735	\$ (42,413)	\$ 46,399
(Loss) earnings per share:				
Basic (loss) earnings per share	\$ (0.81)	\$ 0.63	\$ (0.51)	\$ 0.54
Diluted (loss) earnings per share	\$ (0.81)	\$ 0.55	\$ (0.51)	\$ 0.48

Basic and diluted (loss) earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted (loss) earnings per share information may not equal annual basic and diluted earnings per share.

23. ACQUISITIONS

On January 31, 2017, we completed the acquisition of privately-held Social Point, S.L. ("Social Point"), a Spanish free-to-play mobile game developer, for consideration of \$175,000 in cash and the issuance of 1,480,168 shares of the Company's common stock, plus contingent earn-out consideration of up to an aggregate of \$25,900 in cash and shares of the Company's common stock. The cash portion was funded from our cash on hand. Certain of the shares that were issued to continuing employees are subject to transferability restrictions and forfeiture provisions requiring their continued employment subject to certain exceptions over the three-year period following the closing and are therefore considered share-based compensation over the service period.

We acquired Social Point to leverage its strong portfolio of technology, assembled workforce, and existing free-to-play mobile games in order to expand and enhance our game offerings, particularly on mobile platforms.

The acquisition-date fair value of the consideration transferred totaled \$238,736, which consisted of the following:

	Fair value of purchase consideration
Cash	\$ 175,000
Common stock (1,071,739 shares)	57,327
Contingent earn-out	6,409
Total	<u>\$ 238,736</u>

The fair value of the of the purchase consideration attributed to the common shares issued was calculated by using the Take-Two's closing share price on January 30, 2017, as the shares were transferred prior to the opening of the market on January 31, 2017.

The contingent earn-out consideration arrangement requires us to pay up to an aggregate of \$25,900 in cash and shares of the Take-Two common stock, if Social Point achieves certain performance measures over the 12 and 24 month periods following the closing. The fair value of the contingent consideration arrangement at the acquisition date was \$6,409. We estimated the fair value of the contingent consideration using a Monte Carlo simulation model. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. (Refer to Note 3.) As of March 31, 2017, there were no significant changes in the range of outcomes for the contingent consideration recognized as a result of the acquisition of Social Point, although the recognized amount increased to \$6,465 as a result of minor changes in estimates, the passage of time (reduced impact of discounting), and currency exchange rate fluctuations.

The following table summarizes the preliminary acquisition date fair value of net tangible and intangible assets acquired, net of liabilities assumed from Social Point.

	Preliminary estimated fair value	Preliminary estimated weighted average useful life
Tangible net assets (liabilities) assumed	\$ (16,380)	N/A
Intangible Assets		
Developed game technology	53,950	4 years
In-process R&D	14,700	N/A
Analytics technology	29,700	5 years
User base	9,000	1 year
Branding and trade names	4,200	9 years
Goodwill	143,566	N/A
Total	<u>\$ 238,736</u>	

Goodwill, which is not deductible for U.S. income tax purposes, represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, and is primarily attributable to the assembled workforce of the acquired business and expected synergies at the time of the acquisition. The preliminary fair values of net tangible and intangible assets are management's estimates based on the information available at the acquisition date.

The Company recognized \$1,915 of acquisition related costs that were expensed in the current period. These costs are included in our Consolidated Statement of Operations within General and Administrative expenses.

The amounts of revenue and earnings of Social Point included in our Consolidated Statement of Operations from the acquisition date to the period ending March 31, 2017 are as follows:

	February 1, 2017 to March 31, 2017
Net revenue	\$ 2,903
Net loss	\$ (8,789)

The following represents the pro forma consolidated information (unaudited) as if Social Point had been included in our consolidated results for the entire years ending March 31, 2017 and 2016, and due to different fiscal period ends, combines the historical results of the Company for the year ended March 31, 2017 and 2016 and the historical results of Social Point for the years ended December 31, 2016 and 2015, respectively:

	12 months ended March 31,	
	2017	2016
Net revenue	\$ 1,815,233	1,429,634
Net income (loss)	\$ 30,161	(61,805)

These amounts have been calculated after applying our accounting policies and adjusting the results of Social Point to reflect recognition of revenue over an estimated service period as compared to upfront recognition; the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied on April 1, 2015; stock-based compensation expense associated with the 408,429 shares of the Company's common stock granted in the acquisition which vest over three years subject to continued employment; together with the consequential tax effects as though the acquisition occurred as of the beginning of the periods presented. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved based on these assumptions.

SIGNATURES

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ STRAUSS ZELNICK

Strauss Zelnick
Chairman and Chief Executive Officer

May 23, 2017

POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints Strauss Zelnick and Lainie Goldstein and each of them, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ STRAUSS ZELNICK</u> Strauss Zelnick	Chairman and Chief Executive Officer (Principal Executive Officer)	May 23, 2017
<u>/s/ LAINIE GOLDSTEIN</u> Lainie Goldstein	Chief Financial Officer (Principal Financial and Accounting Officer)	May 23, 2017
<u>/s/ MICHAEL DORNEMANN</u> Michael Dornemann	Lead Independent Director	May 23, 2017
<u>/s/ ROBERT A. BOWMAN</u> Robert A. Bowman	Director	May 23, 2017
<u>/s/ J MOSES</u> J Moses	Director	May 23, 2017
<u>/s/ MICHAEL SHERESKY</u> Michael Sheresky	Director	May 23, 2017
<u>/s/ LAVERNE SRINIVASAN</u> LaVerne Srinivasan	Director	May 23, 2017

Signature	Title	Date
/s/ SUSAN TOLSON		
Susan Tolson	Director	May 23, 2017

*** INDICATES MATERIAL THAT WAS OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT WAS REQUESTED. ALL SUCH OMITTED MATERIAL WAS FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO THE RULES APPLICABLE TO SUCH CONFIDENTIAL TREATMENT REQUEST.

PLAYSTATION[®]

GLOBAL DEVELOPER & PUBLISHER AGREEMENT

Sony Computer Entertainment

PLAYSTATION GDPA version 1.01

CONFIDENTIAL

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**PLAYSTATION GLOBAL
DEVELOPER & PUBLISHER AGREEMENT**

This PlayStation Global Developer and Publisher Agreement (“**GDPA**”), effective March 23, 2017 (the “**Effective Date**”), is entered into by Sony Interactive Entertainment, Inc. (“**SIE Inc.**”), a Japanese company with offices at 1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan, Sony Interactive Entertainment America LLC (“**SIEA**”) a Delaware limited liability company with offices at 2207 Bridgepointe Parkway, San Mateo, CA 94404, and Sony Interactive Entertainment Europe Ltd. (“**SIEE**”), an English company with offices at 10 Great Marlborough Street, London W1F 7LP, UK, on the one hand (SIE Inc., SIEA and SIEE each an “**SIE Company**,” and collectively, “**SIE**”), and Take-Two Interactive Software, Inc., a Delaware Corporation with offices at 622 Broadway, New York, NY 10012, and email address dan.emerson@take2games.com, Take-Two Interactive Japan G.K., Take-Two Interactive Korea Ltd., Take-Two Interactive Software UK Limited and Take Two International GmbH (individually and collectively, “**Publisher**”), on the other hand.

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

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

SIE and Publisher agree as follows:

Sony Computer Entertainment

PLAYSTATION GDPA version 1.01 **CONFIDENTIAL**

1. **Definition of Terms.** Capitalized terms used in this GDPA are defined in Schedule 1.
2. **(a) SIE Company Authority and Responsibility.** Each SIE Company enters into this GDPA individually and binds itself to and benefits from the terms of this GDPA only to the extent that such terms relate to the exercise of the rights and obligations under this GDPA taking place in that SIE Company's Territory, or otherwise directly relate to that SIE Company or its Territory. Each SIE Company shall have no liability outside of its Territory, shall neither be jointly nor severally liable with the other SIE Companies in their Territories, and nothing contained in this GDPA shall be deemed to make an SIE Company liable with respect to any activities, demands, obligations, covenants, claims or causes of action outside of that SIE Company's Territory. References in this GDPA to "SIE" shall mean "each SIE Company for its respective Territory only," except where the context clearly requires otherwise. Each SIE Company is authorized by each other SIE Company to present and execute this GDPA on behalf of each other SIE Company, and to bind each other SIE Company, as set forth in this Section 2. SIE shall be entitled to modify or expand the Territory of an SIE Company upon reasonable notice to Publisher, including by updating the Guidelines.

(b) Publisher Authority and Responsibility. Publisher and each Publisher Affiliate set forth on Schedule 2 enters into this GDPA individually and binds itself to and benefits from the terms of this GDPA. References in this GDPA to "Publisher" shall include each "Publisher Affiliate" except where the context clearly requires otherwise. Publisher represents and warrants that each Publisher Affiliate is directly or indirectly owned by Publisher or under common control with Publisher and that Publisher is authorized by each Publisher Affiliate to present and execute this GDPA on behalf of each Publisher Affiliate, and to bind each Publisher Affiliate to the terms herein. Publisher and each Publisher Affiliate shall be jointly and severally liable for the acts, omissions, representations and warranties of Publisher and every Publisher Affiliate.
3. **License Grant.** Subject to the terms of this GDPA, SIE grants to Publisher and each Publisher Affiliate, for the Term (and, where applicable, any sell-off period permitted hereunder), in each Territory, a non-exclusive, non-transferable license, without the right to sublicense (except as specifically provided in this GDPA), as follows:
 - 3.1 to use the SIE Materials solely to develop and test PlayStation Compatible Products;
 - 3.2 to publish, distribute, supply, sell, rent, market, advertise and promote Digitally Delivered Products to end-users, through each applicable SIE Company (or its nominated Affiliate) through PSN, and to provide PlayStation Compatible Products to other Licensed Publishers for exploitation under a Licensed Publisher Agreement;
 - 3.3 where Publisher has exercised its rights under Section 3.2 (or where the requirement of such exercise is expressly waived by the applicable SIE Company), to have the equivalent Physical Media Products manufactured by Designated Manufacturing Facilities according to those facilities' terms;
 - 3.4 to publish, distribute, supply, sell, market, advertise and promote Physical Media Products directly to end-users or to third parties for distribution to end-users;
 - 3.5 to use the Licensed Trademarks in connection with the manufacturing, packaging, marketing, advertising, promotion, sale and distribution of Licensed Products; and
 - 3.6 to sublicense to end-users the right to use Licensed Products for personal, noncommercial purposes in conjunction with the applicable Systems only.

4. **Compliance with Guidelines.** Publisher shall comply, throughout the Term, with this GDPA's terms, with all Guidelines applicable in the relevant Territories, and with all technical specifications that any Designated Manufacturing Facility issues. Subject to the remainder of this Section 4, SIE may remove any Digitally Delivered Product from PSN (in whole or in part) that does not materially conform to the Guidelines, notwithstanding any approval given to such product pursuant to Section 6.3. Publisher shall be given reasonable prior notice of modification or additions to the Guidelines (the amount of such prior notice to be substantially similar to the amount of notice provided to other Licensed Publishers). To the extent that Guidelines change: (i) after any PlayStation Compatible Product or related materials are approved by SIE pursuant to Section 6.3, Publisher is required to implement any such revised Guidelines only in subsequent orders, patches or re-releases of the relevant Physical Media Products, or subsequent publications of relevant Digitally Delivered Products or other PlayStation Compatible Products, if the implementation of such revised Guidelines is required by SIE of all Licensed Publishers (unless otherwise advised by SIE in order to protect the System's security; to comply with any material change in applicable law; or to comply with any applicable government order); or (ii) during the development of any PlayStation Compatible Product, Publisher shall implement any such revised Guidelines in such PlayStation Compatible Product [***], including via patch. Publisher shall be required to use its commercially reasonable efforts to recall or destroy previously manufactured Physical Media Products if: (a) such Physical Media Products did not comply with the standards, requirements and conditions set forth in the Guidelines at the time they were made, or (b) explicitly required to do so in writing if other Licensed Publishers are also required to do so in a non-discriminatory manner.

5. **Other Limitations on Licensed Rights**

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

shall not: (a) develop any software or tool to circumvent the System Bypass Areas; or (b) make any addition, alteration or improvement to the Development Tools that contravenes or is inconsistent with the Guidelines (including any programming guidelines set forth in the Documentation) or that may compromise the security or integrity of any System, Development Tools, or PSN. Publisher bears all risks arising from incompatibility of its PlayStation Compatible Products and any System resulting from the use of Publisher-created tools.

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

5.3 Limitations on Licensed Products. Unless expressly approved in writing by an SIE Company, Publisher will not:

5.3.1 publish a Licensed Product previously published by another Licensed Publisher in the same Territory for the same System whilst such previously published version is available for purchase for such System, unless Publisher has acquired a controlling interest in such other Licensed Publisher; or

5.3.2 submit for approval as a Licensed Product, under Section 6.3 or otherwise, any non-game product or product which contains significant elements of, or is hybrid with, an audio or video product.

Where an SIE Company consents to any such proposed publication, this GDPA's terms apply, unless otherwise agreed in writing.

5.4 Limitations Regarding Ownership and Protection of SIE Materials and SIE Intellectual Property Rights. All rights with respect to the SIE Materials and the Systems, including the SIE Intellectual Property Rights, are the exclusive property of SIE. Nothing herein gives Publisher any right, title or interest in or to the SIE Materials or the Systems, other than the non-exclusive licenses provided in this GDPA. Publisher shall not contest, impair, or dilute (or assist any third party in doing so) any of SIE's rights, title or interests in or to the SIE Materials, the Systems or the SIE Intellectual Property Rights. Publisher shall not (i) apply for, seek to obtain or register any trademark in its own name or in any other person's name, or use or obtain rights to use Internet domain names or addresses, that are identical, similar to or likely to be confused with any of the Licensed Trademarks or any other SIE trademarks or (ii) challenge or attack any SIE Intellectual Property Rights in any part of the SIE Materials or the Systems. Publisher shall not patent anything created or derived from the SIE Materials. Publisher shall take all steps as SIE may reasonably require for the protection and maintenance of the SIE Intellectual Property Rights, including executing licenses or assisting SIE in obtaining registrations. All goodwill associated with the Licensed Trademarks, including any goodwill generated or arising by or through Publisher's or its subcontractors' or sublicensees' activities under this GDPA, accrues to the benefit of and belongs exclusively to the SIE Company

that owns or controls the Licensed Trademark in its Territory. The Licensed Trademarks may be modified, supplemented or amended by SIE at any time. Nothing contained in this GDPA grants Publisher the right to use the trademark “SONY” in any manner or for any purpose without SIE’s prior written consent. Where it is not possible under applicable law to prevent Publisher from challenging the validity of the SIE Intellectual Property Rights, nothing in this Section 5.4 shall prevent Publisher from doing so.

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

5.6 Acknowledgment of Publisher’s Ownership Rights. Separate and apart from the SIE Materials and other rights licensed to Publisher by SIE and to SIE by Publisher under this GDPA, as between Publisher and SIE, Publisher retains all rights, title and interest in and to the Publisher Property, Product Proposals, and Product Information, including Publisher Intellectual Property Rights therein, as well as Publisher’s rights in any source code and other underlying material such as artwork and music (but specifically excluding the Licensed Trademarks and the Software Tools or any derivatives thereof), and any names used as titles for PlayStation Compatible Products and other trademarks used by Publisher. SIE shall not contest, impair, or dilute (or assist any third party in doing so) any of Publisher’s rights, title or interests in or to the Publisher Property, Product Proposals, Product Information or the Publisher Intellectual Property Rights. SIE shall not (i) apply for, seek to obtain or register any trademark in its own name or in any other person’s name, or use or obtain rights to use Internet domain names or addresses, that are identical, similar to or likely to be confused with any of Publisher’s trademarks or (ii) challenge or attack any Publisher Intellectual Property Rights in any part of the Publisher Property. SIE shall not patent anything created or derived from the Publisher Property provided to SIE under this GDPA. SIE shall take all steps as Publisher may reasonably require for the protection and maintenance of the Publisher Intellectual Property Rights, including executing licenses or assisting Publisher in obtaining registrations. As between SIE and Publisher, Publisher shall exclusively own any User Content. Nothing in this GDPA shall restrict the right of Publisher to: (i) develop, distribute or transmit products incorporating the Publisher Property for any hardware platform or service other than the Systems or related services, provided that the Publisher Property and underlying material do not contain or were not developed through use of or in reliance on the SIE Materials or the SIE Intellectual Property Rights, or (ii) use Printed Materials or Advertising Materials for any hardware platform or service other than the Systems or related services, provided that the Printed Materials or Advertising Materials do not contain any Licensed Trademarks or (iii) use of Licensed Trademarks for display within Advertising Materials used to promote Publisher’s games on multiple platforms or services including the Systems. All goodwill associated with Publisher’s trademarks, including any goodwill generated or arising by or through any SIE Company or its subcontractors’ or sublicensees’ activities under this GDPA, accrues to the benefit of and belongs exclusively to Publisher. Where it is not possible under applicable law to prevent SIE from challenging the validity of the Publisher Intellectual Property Rights, nothing in this Section 5.6 shall prevent SIE from doing so.

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

- 6.1 Right to Develop.** Pursuant to Section 3 and subject to payment of any applicable fees [***], SIE grants to Publisher the right to place orders for Hardware Tools pursuant to Section 7, and a non-exclusive, non-transferrable license to use Software Tools, for the sole purpose of developing and testing PlayStation Compatible Products. Each PlayStation Compatible Product developed using, incorporating or with reference to the Development Tools must be expressly authorized by SIE. SIE's authorization may require, at SIE's discretion, consent by Publisher to additional terms presented by SIE [***], or a requirement that the PlayStation Compatible Product be subject to compatibility, assessment and quality assurance testing by SIE.
- 6.2 Developer Support Website.** Subject to the terms of this GDPA, SIE will grant Publisher access to relevant portions of the Developer Website to facilitate the dissemination of the Development Tools and other materials and information. SIE will design and maintain the Developer Website in accordance with industry standard security practices in order to detect and prevent vulnerability that may lead to dissemination of computer viruses.
- 6.3 Assessment and Quality Assurance of PlayStation Compatible Products.** Publisher will comply with the requirements and related process for assessment and format quality assurance of PlayStation Compatible Products and Advertising Materials, on a product-by-product basis, as specified in the Guidelines. All Licensed Products must successfully pass SIE's assessment and format quality assurance testing before distribution. Additionally, SIE may require other PlayStation Compatible Products that are not Licensed Products to undergo assessment and format quality assurance testing, in connection with its review or approval of such PlayStation Compatible Products at its reasonable discretion. SIE may withhold approval of any PlayStation Compatible Product that does not conform to the Guidelines as reasonably determined by SIE. Only upon and not prior to SIE approval, Physical Media Products may be ordered from a Designated Manufacturing Facility, and Digitally Delivered Products may be placed on PSN. SIE shall provide Publisher with the results of such assessment and format quality assurance testing, along with details of the steps taken to reproduce any must fix bugs ("**FQA Report**") and shall reasonably assist Publisher with any changes that need to be made to the Licensed Products as a result of such testing.
- 6.4 Authentication.** Publisher will use commercially reasonable efforts to protect Licensed Products and any other PlayStation Compatible Products that include Software Tools from and against illegal reproduction or copying by third parties. SIE may use on Licensed Products, or require Publisher to use on Licensed Products, an authentication or authorization system to be provided, licensed or designated by SIE to authenticate and verify all Licensed Products and units of the System. SIE may insert serial numbers or reasonable security measures on Licensed Products for security or authentication purposes.
- 6.5 Advice and Support.** Any advice or support provided by any SIE Company or Affiliate to Publisher to assist with the development of PlayStation Compatible Products is provided at the complete discretion of the relevant SIE Company or Affiliate, which may change, suspend, remove or disable access to any such advice or support, or impose limits on its use, at any time without incurring liability. Any such advice or support is provided to Publisher on an "AS IS" and "AS AVAILABLE" basis and SIE shall have no liability to Publisher in respect of such support or advice. Any Publisher Property, or other software, materials or information provided by Publisher to any SIE Company or Affiliate in connection with obtaining advice and support is provided at Publisher's own risk (but without prejudice to SIE's obligations under Section 20.6).

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

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

6.8 Peripherals and Compatibility of Licensed Products. Publisher will not (directly, or indirectly through any third party) develop or distribute any Peripheral without the prior express written consent of SIE. Consent is within SIE's sole discretion, and may be subject to a right to test or evaluate the Peripheral and subject to other terms presented by SIE [***]. Publisher is solely responsible for the functionality and operational compatibility of its Licensed Products with Peripherals that are not distributed by SIE. SIE has no responsibility to test or evaluate the compatibility of Publisher's Licensed Products with Peripherals that are not distributed by SIE. SIE is not responsible for any actual, incidental or consequential damages that may result from any use or inability to use any Peripheral with any PlayStation Compatible Product or System. If SIE elects, in its sole discretion, to test or evaluate the compatibility of Publisher's Licensed Products with any Peripheral then, (i) such testing or evaluation will not obligate SIE to test or evaluate any other Peripheral; (ii) such testing or evaluation will not shift to SIE any responsibility to ensure the functionality or compatibility of any Peripheral; (iii) SIE will not be deemed to have endorsed any Peripheral solely by reason of such testing or evaluation; (iv) such testing or evaluation shall be carried out by SIE in a timely manner and the results of such testing or evaluation provided to Publisher in a timely manner following such testing or evaluation; and (v) Publisher will provide SIE, at no additional cost or expense to SIE, with a reasonable number of samples of any Peripherals for testing and review in a timely manner. If any PlayStation Compatible Product fails to perform to SIE's reasonable satisfaction with any Peripheral that the PlayStation Compatible Product is intended to support, SIE may require that Publisher modify such portions of the Publisher Property as are intended to support the affected Peripheral and, if so, will provide Publisher with details of any steps required to be taken to secure SIE's approval of such PlayStation Compatible Product in connection with the supported Peripheral. If Publisher is unable or unwilling to modify the relevant portions of any PlayStation Compatible Product to fix its performance with the affected Peripheral, SIE may require that Publisher remove such portions of the relevant Publisher Property.

- 6.9 Publisher's Additional Quality Assurance Obligations.** If SIE becomes aware of any material defect (such materiality to be determined by SIE in its reasonable discretion) with respect to a PlayStation Compatible Product, or if SIE becomes aware of any improper use of the Licensed Trademarks or SIE Materials, then Publisher shall, at no cost to SIE, promptly correct that material defect or improper use, to SIE's commercially reasonable satisfaction, which may include, in SIE's reasonable discretion, the recall and re-release of units of an affected PlayStation Compatible Product distributed on physical media, or publication of an update, upgrade or technical fix to an affected PlayStation Compatible Product. If any PlayStation Compatible Product creates any risk of loss or damage to any property or injury to any person, Publisher shall immediately take commercially reasonable steps, at Publisher's sole liability and expense, to recall and remove that PlayStation Compatible Product from any affected channels of distribution; provided, however, that if Publisher is not acting as the distributor or seller for the PlayStation Compatible Product its obligation shall be to use commercially reasonable efforts to arrange removal of all affected units of the PlayStation Compatible Product from the relevant distribution channels. Publisher shall, as between the parties, provide all end-user support for Publisher's PlayStation Compatible Products and shall use its commercially reasonable efforts to provide such end-user support in an efficient manner. SIE expressly disclaims any obligations or liability to provide end-user support with respect to PlayStation Compatible Products.
- 6.10 Rating Requirements.** No PlayStation Compatible Product may be published, sold, distributed, marketed, advertised or promoted unless it bears a consumer advisory age rating and product descriptors, either as required by local law or as issued by, and following the rating display requirements of, a consumer advisory ratings system designated by SIE. Publisher alone bears all costs incurred in connection with obtaining any rating. PlayStation Compatible Products and related Printed Materials or Advertising Materials shall comply with all local rating authority rules with respect to bearing more than one consumer advisory rating in any Territory. Any digitally delivered PlayStation Compatible Product that can be used with or directly relates to another existing PlayStation Compatible Product must not bear (or must not contain any content which, if rated, would attract) a higher age rating than the rating issued to that other PlayStation Compatible Product, and, save in the case of an add-on to a previously-published PlayStation Compatible Product, shall not bear a rating that is lower than the rating issue to that other PlayStation Compatible Product, unless SIE waives these requirements in writing. Publisher shall comply with any other policies of SIE on the age rating, age gating and labeling of PlayStation Compatible Products intended to protect children as may be provided by SIE to Publisher.

7. Development Tools

- 7.1 Acquisition of Development Tools.** For the purposes of this Section 7, "the applicable SIE Company" shall mean the SIE Company in the Territory in which the Development Tools are to be used or, at that SIE Company's direction, another SIE Company. The applicable SIE Company may sell or loan Development Tools to Publisher in its sole discretion, in accordance with this Section 7. For the avoidance of doubt, any Software Tools included with or provided in relation to Hardware Tools are licensed, not sold or loaned, to Publisher pursuant to the terms set forth in Sections 3, 5 and 6. Title to Software Tools does not pass to Publisher upon purchase or loan of the Hardware Tools. The nontransferable license of the Software Tools within the Hardware Tools may act as a restriction or prohibition against the resale of the Hardware Tools. The purchase price or loan fee for Development Tools shall be based on SIE's standard calculation generally applicable to all Licensed Publishers,

and the payment currency, is set forth on the Developer Website, or shall be otherwise notified by the applicable SIE Company to Publisher. Unless otherwise agreed, Publisher shall pay for the Development Tools in full prior to delivery or download, and title to Development Tools shall remain with the applicable SIE Company until it has received full payment (save in the case of the Software Tools where title does not pass to Publisher at any time). If Publisher collects the Development Tools and transfers them outside the country of collection, Publisher agrees to provide the applicable SIE Company with the relevant transport proofs required by the relevant taxation authorities to allow the supply by SIE to be exempt from VAT. The applicable SIE Company reserves the right to charge VAT if those documents are not provided within [***] of collection.

- 7.2 Credit.** If the applicable SIE Company extends credit terms to Publisher or facilitates third-party financing for Publisher, until Publisher makes payment in full for all items so financed, Publisher (i) grants to that SIE Company, or its designee, a first position purchase money security interest in each Hardware Tool and in the proceeds of disposition of any Hardware Tool and (ii) shall not sell, hypothecate or encumber any such Hardware Tool. Publisher shall execute and deliver to the applicable SIE Company or its designee any documents the SIE Company needs to perfect the security interest, and agrees that applicable SIE Company or its designee may file those documents in its discretion.
- 7.3 Orders.** Orders for Development Tools shall be submitted via the Developer Website or as otherwise notified by the applicable SIE Company. The applicable SIE Company may accept or reject, in its reasonable discretion, any Development Tools order, and does not warrant that Development Tools shall be available when ordered.
- 7.4 Publisher Terms.** Any purchase order or other documentation issued by Publisher, purporting in any way to relate to the purchase, loan or license of Development Tools, does not amend or modify this GDPA or any terms presented by the applicable SIE Company in connection with the order of Development Tools, except as expressly agreed in writing by the applicable SIE Company.
- 7.5 Delivery.** Upon acceptance of Publisher's order for Development Tools, and on payment of any applicable purchase or loan fee for the Development Tools, the applicable SIE Company will ship the loaned or purchased Development Tools, when available, to the Development Site. Publisher bears all expenses associated with delivery of the Development Tools, including insurance costs. Risk of loss or damage in transit to the Development Tools vests in Publisher immediately upon the applicable SIE Company's delivery to the carrier of its choice and remains with Publisher until that SIE Company receives return of the Development Tools. Publisher shall provide a signed acknowledgement of receipt in such form as shall be specified by the applicable SIE Company. The applicable SIE Company will make Software Tools, excluding Firmware but including Firmware updates, available at the Developer Website as set forth in Section 6.2, or such other method as chosen by that SIE Company.
- 7.6 Deletion of Publisher Code.** Prior to Publisher shipping any Development Tool to the applicable SIE Company either pursuant to an announced upgrade "swap" program, or pursuant to the warranty provisions set forth below, or for any other reason, Publisher shall (i) securely delete Publisher's applications software from the hard drive and all other storage media contained in the Hardware Tool and (ii) execute any documentation required by the applicable SIE Company certifying such deletion.

- 7.7 No Refunds.** All Development Tool purchases and loans made under this GDPA are final. In no event shall the applicable SIE Company be obligated to refund all or any portion of the purchase price or loan fee for the Development Tools.
- 7.8 Care and Maintenance of Development Tools.** Publisher shall be solely responsible for the installation and administration of Hardware Tools. Publisher shall: (i) keep and use the Development Tools securely and only at the Development Site(s) notified to the applicable SIE Company or specified on the Developer Website, or other location approved in advance in writing by the applicable SIE Company; (ii) allow access to and use of the Development Tools only to persons whose duties justify the need for access and use in the exercise of the license granted under this GDPA, and who are authorized under Section 20.2.2 to have access to the SIE Materials; (iii) designate and authorize an individual to act as the applicable SIE Company's contact with respect to Development Tools and, if Publisher wishes to designate a new designee, provide the applicable SIE Company with written notice according to the procedures set forth on the Developer Website or designated by the applicable SIE Company; (iv) preserve any proprietary rights or other notices placed on the Development Tools by SIE or its Affiliates and place all such notices on any copies made as permitted by this GDPA; (v) keep Development Tools in good and serviceable condition; (vi) ensure full compliance with all instructions relating to the maintenance, security or operation of Development Tools; (vii) maintain and service with all due care the Development Tools at Publisher's expense according to SIE's reasonable, written instructions; (viii) take all necessary further steps to ensure that Publisher does not render Development Tools unsafe or a risk to the health or safety of any person or property; (ix) inform the applicable SIE Company promptly upon becoming aware of any bugs, errors, failure or breakdown in Development Tools, however caused; (x) inform the applicable SIE Company promptly upon becoming aware of any unauthorized access to or use of the Developer Website and cooperate with that SIE Company to take all actions chosen by that SIE Company to address any unauthorized access or use, including taking any actions to prevent the recurrence of unauthorized use of or access to the Developer Website; and (xi) inform the applicable SIE Company promptly upon becoming aware of any suspected or actual loss, theft, breach of security or other similar exposure involving the Development Tools, report any suspected or actual loss or theft to the police and obtain a police incident number, use commercially reasonable efforts to recover such Development Tools and comply with any reasonable corrective action specified by the applicable SIE Company to recover the Development Tools and to prevent any re-occurrence of any loss, theft, breach of security or other similar exposure involving the Development Tools. A breach of Sections 7.8(i) or (ii) constitutes a material breach of this GDPA not capable of remedy.
- 7.9 Inspection.** Upon providing Publisher with reasonable, prior written notice the applicable SIE Company may reasonably inspect the Development Site at any time during Publisher's normal business hours solely to verify Publisher's compliance with this GDPA. In no event shall SIE be entitled to access any parts of the Development Site that are not relevant to the inspection. SIE may only carry out an inspection at the Development Site more than once in any 12 consecutive months in extraordinary circumstances (including, without limitation, if SIE reasonably suspects there to be a security issue at such Development Site). That SIE Company shall not conduct an inspection in a manner that disrupts Publisher's business activities. Publisher shall also provide that SIE Company with an inventory report of Development Tools in its possession within [***] days of SIE's request, including the serial number for each Development Tool and its current physical location.

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

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

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

7.12.1 Term, Termination and Return. The term of each applicable loan commences and ends on the dates specified by the applicable SIE Company for each Hardware Tool unit or component. The SIE Company may terminate the loan immediately if Publisher breaches any obligation in this GDPA. Upon termination: (i) all rights granted to Publisher revert to the applicable SIE Company; (ii) Publisher shall cease and desist from further use of the Development Tools; and (iii) Publisher shall immediately return the loaned Development Tools, including any other SIE Materials, to the applicable SIE Company at Publisher's cost. Publisher shall be responsible for any customs formalities or duties arising in connection with any such returns. If the loaning SIE Company reasonably determines Publisher failed to comply with a provision in this GDPA, it may demand immediate return of the loaned Hardware Tools and all Software Tools, and Publisher shall comply within [***] business days. If Publisher fails to return any Development Tools, and the applicable SIE Company resorts to legal means to recover the same, then Publisher shall pay all of that SIE Company's expenses, including the replacement value of the loaned Development Tools and SIE's reasonable attorney's fees.

7.12.2 Risk of Loss. If any loaned Hardware Tools are lost, stolen, damaged, destroyed or copied, Publisher shall pay the applicable SIE Company the replacement value of the loaned Hardware Tools, as set forth in the Developer Website or as specified by the applicable SIE Company, in addition to any remedy that the applicable SIE Company may have at law or in equity. Publisher shall, at SIE's sole cost and expense, execute any documents and take all actions that SIE reasonably requests to protect SIE's right, title and interest to the Hardware Tools.

7.12.3 SIE Ownership. SIE retains all right, title and interest to any loaned Hardware Tools, including all Intellectual Property Rights. Publisher shall not sell, lease, license, transfer or dispose of the loaned Hardware Tools, or permit any lien or encumbrance. Publisher shall not do or cause

to be done any act or thing in any way impairing or tending to impair SIE's right, title or interest in or to loaned Hardware Tools.

8. Manufacture and Supply of Physical Media Products

- 8.1 Designated Manufacturing Facilities.** To ensure compatibility of Physical Media Products with the System, consistent quality of the Physical Media Products, and incorporation of anti-piracy security measures, each SIE Company shall designate and license at least [***] Designated Manufacturing Facility to reproduce Physical Media Products. Subject to an agreement to the contrary, in no circumstances shall any SIE Company or the Designated Manufacturing Facility treat any of Publisher's Physical Media Products in any way more or less favorably, in terms of production turnaround times or otherwise, than the Physical Media Products of any other similarly situated third party licensee of such SIE Company or than the Physical Media Products published by such SIE Company itself. Publisher shall purchase all of its requirements for Physical Media Products, including demonstration discs and cards, Printed Materials, Packaging and assembly from a Designated Manufacturing Facility in the Territory in which they are to be distributed by Publisher under this GDPA, except as expressly set forth in this Section 8. Any Designated Manufacturing Facility may enforce the terms of this GDPA that relate to the manufacture and delivery of Physical Media Products. If law in a Territory prohibits SIE from requiring Publisher to use only a Designated Manufacturing Facility to manufacture Physical Media Products, Publisher may have Physical Media Products, including demonstration discs and cards, manufactured by a third party other than a Designated Manufacturing Facility, but Publisher may do so only to the extent the law in the Territory requires that Publisher have the right to do so, and only for Physical Media Products distributed in the Territory with such a prohibition. Publisher's use of a third-party manufacturer other than a Designated Manufacturing Facility must otherwise comply with this GDPA, including the obligation to pay a platform charge.
- 8.2 Creation of Master Media.** Using a fully-approved, reproducible file containing final Licensed Product, the applicable SIE Company or the applicable Designated Manufacturing Facility shall create a reproducible master of the Physical Media Product from which all units of the applicable Physical Media Product are to be replicated. Publisher shall be responsible for the costs, as determined by the applicable SIE Company or the applicable Designated Manufacturing Facility, of producing the reproducible masters of Physical Media Products.
- 8.3 Orders.** Publisher shall issue Purchase Orders to the applicable Designated Manufacturing Facility, with a copy to the SIE Company in the Territory where the order is placed. No Purchase Orders will be processed for any Physical Media Product unless that product is approved in accordance with Section 6, and complies with the Guidelines. All Purchase Orders shall be subject to approval by the applicable SIE Company, not to be unreasonably withheld, and to acceptance by the applicable Designated Manufacturing Facility pursuant to the Guidelines. Purchase Orders issued by Publisher to a Designated Manufacturing Facility for each Licensed Product approved by the applicable SIE Company shall be non-cancelable and are subject to the standard terms and conditions of the Designated Manufacturing Facility that are generally applicable to all Licensed Publishers at the time of acceptance of the Purchase Order. Publisher shall not, directly or indirectly, solicit orders for or sell any units of Physical Media Products in any situation where Publisher knows or reasonably should know that any of such Physical Media Products may be exported or resold outside of the Territory in which they are ordered.

- 8.4 Manufacture and supply of units.** Upon approval of a Licensed Product and associated Printed Materials pursuant to Section 6, and subject to Sections 8.5 through 8.7, the applicable Designated Manufacturing Facility will, in accordance with the terms and conditions set forth in this Section 8, and at Publisher's request and sole expense (a) manufacture and supply Physical Media Products for and to Publisher; (b) manufacture and supply Publisher's Packaging and Printed Materials; and (c) assemble the Physical Media Products with the related Printed Materials and Packaging. Publisher shall comply with all Guidelines relating to the production of units of Physical Media Products. The applicable SIE Company reserves the right to insert or require Publisher to make arrangements for the insertion of certain Printed Materials relating to the System into each unit.
- 8.5 Manufacture and supply of Printed Materials by Designated Manufacturing Facility.** Publisher shall deliver the applicable SIE-approved Printed Materials to the applicable Designated Manufacturing Facility, at Publisher's sole risk and expense, and the Designated Manufacturing Facility will manufacture Printed Materials in accordance with this Section 8. Neither SIE nor any Designated Manufacturing Facility is liable for loss of or damage to Printed Materials [***].
- 8.6 Manufacture of Packaging and Printed Materials by Alternate Source.** Subject to the prior, express, written approval (in its sole discretion) of the SIE Company in the Territory in which the Physical Media Products are to be distributed by Publisher under this GDPA and the Guidelines, Publisher may elect to be responsible for manufacturing its own Packaging and Printed Materials (other than artwork which is to be reproduced or displayed on any Physical Media Product, which Publisher will supply to the applicable Designated Manufacturing Facility for incorporation within the Physical Media Product), at Publisher's sole risk and expense. The applicable SIE Company shall have the right to disapprove any Packaging or Printed Materials that do not comply with the applicable Guidelines. If Publisher elects to supply its own Packaging or Printed Materials, neither SIE nor any Designated Manufacturing Facility shall be responsible for any shortage or delays arising from use of Publisher's own Packaging or Printed Materials.
- 8.7 Assembly Services by Alternate Source.** Subject to the prior, express, written approval (in its sole discretion) of the SIE Company in the Territory in which the Physical Media Products are to be distributed by Publisher under this GDPA and the Guidelines, Publisher may procure assembly services from an alternate source. If Publisher elects to be responsible for assembling the Physical Media Products, then the applicable Designated Manufacturing Facility shall ship the component parts of the Physical Media Product to a destination designated by Publisher, at Publisher's sole risk and expense. The applicable SIE Company shall have the right to inspect any assembly facilities that Publisher proposes to use in order to determine if the component parts of the Physical Media Products are being assembled in accordance with SIE's quality standards. The applicable SIE Company may require Publisher to recall any units of any Physical Media Products that fail to comply with the Guidelines. If Publisher elects to use alternate assembly facilities, neither SIE nor any Designated Manufacturing Facility shall be responsible for any shortage or delays or other production issues, including breakage or missing component parts, arising from use of alternate assembly facilities. Publisher shall comply with all applicable labor and employment laws and shall not employ child labor, slave labor or forced labor in connection with the assembly of the Licensed Products, or use any third party that does so.
- 8.8 Delivery of Physical Media Products.** The applicable Designated Manufacturing Facility will deliver Physical Media Products to Publisher at Publisher's sole expense, except where otherwise

stated in the Guidelines [***] or agreed in writing by the applicable SIE Company, but does not guarantee delivery by any delivery date stipulated by Publisher; [***]. Publisher shall have no right to have completed units of Physical Media Products stored at the applicable Designated Manufacturing Facility after manufacture.

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

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

9. Distribution.

(a) Production and distribution of Licensed Products is subject to SIE's assessment, testing and approval pursuant to Section 6.3. Publisher and SIE will distribute Licensed Products in accordance with Sections 9.1 or 9.2, as applicable.

(b) Distribution of any PlayStation Compatible Product other than Licensed Products (including any Peripherals) may be subject to written approval by SIE in its sole discretion and that such approval may require Publisher to submit any PlayStation Compatible Product to SIE for evaluation, assessment, testing and approval pursuant to Section 6.3 and the Guidelines, including evaluation of the commercial aspects of the PlayStation Compatible Product. Publisher's distribution of such PlayStation Compatible Product may be subject to commercial or other conditions required by SIE (following such evaluation or otherwise) pursuant to written agreement, including a requirement that a PlayStation Compatible Product must be distributed through PSN.

9.1 Distribution of Physical Media Products

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

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

9.1.3 Simultaneous Publishing. Except as agreed by an SIE Company in the applicable Territory, any Physical Media Product must be released by Publisher on the same date as the equivalent Digitally Delivered Product, as determined by SIE under Section 9.2 or as otherwise agreed between the parties.

9.2 Distribution of Digitally Delivered Products

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

9.2.2PSN.

(a) Publisher may offer to each SIE Company the right to sell, rent or license Digitally Delivered Products and subscriptions or other services related to Licensed Products to Users via PSN in each relevant Territory in accordance with the terms of this GDPA or, if SIE chooses to make such option available to Publisher, have that SIE Company sell or rent those products on behalf of Publisher via PSN as its exclusive agent, in accordance with the terms of this Section 9, Section 15 and the Guidelines, or other standard terms SIE may communicate to Licensed Publishers. Subject to Publisher and an SIE Company's agreement on applicable Wholesale Price or other consideration, Publisher grants to SIE the right, which may be exercised by SIE directly or through an Affiliate, on or through PSN, throughout the world, to: (i) install, load, host and reproduce Digitally Delivered Products and Product Information on servers; (ii) sell, resell (including by means of a retail voucher or otherwise), deliver and provide access electronically to and use of Digitally Delivered Products (either alone or as part of a bundle) including by means of reproduction, transmission, digital streaming, broadcast, public performance, public display, public communication, digitally wrapping and repackaging (such rights extending to any product (including its offline manual) published exclusively as a Physical Media Product under a Licensed Publisher Agreement which the parties agree shall be digitally wrapped or repackaged by SIE for distribution as a Digitally Delivered Product through PSN subject to the terms of this GDPA); (iii) digitally stream Licensed Products to Users via PlayStation Now, and copy and adapt the Licensed Products solely as necessary for that purpose; (iv) sublicense to Users, for their personal, non-commercial purposes, the right to browse Digitally Delivered Products; and a worldwide, non-transferable and non-exclusive right to access, download, use, play and store Digitally Delivered Products, subject to the terms established by SIE under which Digitally Delivered Products are supplied to Users, including, in exchange for rental, subscription, bundle or time-based usage fees, and subject to any rental, subscriptions or other usage terms established by SIE; (v) sublicense to Users, a worldwide revocable, non-transferable and non-exclusive right to access Online Activity or re-download and use any Digitally Delivered Product previously downloaded to the same PSN account, without further charge or obligation; (vi) market, advertise and promote Digitally Delivered Products in any media; (vii) use Digitally Delivered Products, Advertising Material, and Product Information, as is reasonable in SIE's judgment, to facilitate Digitally Delivered Product resale on or through PSN; and (viii) make, store and use copies of Digitally Delivered Products and Product Information internally for testing, development, evaluation, quality control, User support, support in the operation of PSN (and any services offered thereunder) and for archiving, administrative, legal and rating board and other compliance purposes.

(b) Notwithstanding anything to the contrary contained in this Agreement, SIE acknowledges that, with respect to the [***], as between Publisher and SIE, SIE shall be solely responsible for [***] having jurisdiction in each applicable country in the Territory solely to the extent required under applicable law in connection with [***].

9.2.3License to Product Information. Publisher shall provide SIE with Product Information for each Licensed Product for use by SIE in accordance with this Section 9.2.3 and the Guidelines. Publisher grants to SIE, for the Term, a non-exclusive license to use Product Information to further SIE's resale or other electronic distribution of Digitally Delivered Products. This license includes the following grant of rights to SIE to: (i) use, publish, reproduce, distribute, display, exhibit, transmit and communicate to the public, make available, and publicly perform on or through any media whatsoever Publisher's and its licensors' trademarks, service marks or logos, and Product Information in connection with the marketing or promotion of Digitally Delivered Products on PSN or, with Publisher's prior written approval (such approval not to be unreasonably withheld), in connection with any campaign which is primarily aimed at advertising, marketing or promoting PSN, the PlayStation Store, the Systems or the PlayStation brand generally, and; (ii) subject to Publisher's prior written approval, edit, crop or vignette all such materials as appropriate to comply with technical limitations. The licenses granted in this Section 9.2.3 include a license to use Publisher Intellectual Property Rights as reasonably necessary to exercise the foregoing rights and licenses.

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

9.2.5No Obligation. Each SIE Company reserves the right, in its sole discretion, to do any of the following, at any time, without notice to Publisher: (i) operate and manage PSN; (ii) control the timing, manner, extent and duration of any offer, display, supply, distribution, delivery, marketing, advertising and promotion of Digitally Delivered Products acting reasonably and in good faith; (iii) subject to agreement on applicable Wholesale Price or other consideration, distribute, rent, sell, resell or market any product and service on PSN, including those that compete with Digitally Delivered Products; (iv) use age gates, filters or other restrictions to accessing Digitally Delivered Products and Online Activity; (v) commence or discontinue the marketing, resale, or electronic distribution of any Digitally Delivered Product acting reasonably and in good faith; and (vi) suspend or cease PSN's operation, in whole or in part, or suspend or cancel the offering or supply of any Digitally Delivered Product to a User in accordance with the ToSUA.

9.2.6DRM. SIE has no obligation to use any digital rights management technology in conjunction with its resale or other electronic distribution of Digitally Delivered Products. If SIE, in its sole discretion, elects to use means to limit the improper use of Digitally Delivered Products, SIE will do so without any liability to Publisher, and Publisher shall use commercially reasonable efforts to support any such efforts. SIE shall not remove, alter, deactivate or

otherwise impair any digital rights management technology that Publisher may, in its sole discretion, include with any Digitally Delivered Products or any metadata or information associated therewith, provided this does not conflict with the requirements of the Guidelines.

9.2.7Product Submission. Publisher shall provide Digitally Delivered Products to SIE for supply on or through PSN by submitting to an SIE Company a Digitally Delivered Product pursuant to the process described in the Guidelines or otherwise communicated to Publisher by SIE (each such submission a “**Product Submission**”). Each Product Submission must include a true and accurate description of the Digitally Delivered Product, along with complete metadata for the Digitally Delivered Product as specified in the Guidelines or otherwise communicated to Publisher by SIE. Publisher is liable to SIE and Users for inaccurate or misleading (including by omission) product descriptions. There will be no obligation on SIE to supply any Digitally Delivered Product until SIE has accepted the relevant Product Submission (without prejudice to Section 9.2.5(ii)). Each accepted Product Submission is hereby incorporated into and becomes a part of this GDPA. SIE may amend or change the Product Submission process and requirements at any time and will provide reasonable notice to Publisher of those changes. If a change to the Product Submission process or requirements requires additional information from Publisher, Publisher shall promptly provide that information to SIE on request. Publisher shall follow the Product Submission process that is current at the time Publisher submits Digitally Delivered Products. Any changes that Publisher wishes to make to a Product Submission must be notified to SIE by way of a separate Product Submission.

9.2.8Removal from PSN Storefront. Publisher may cease the sale or other provision of a Digitally Delivered Product to SIE by providing SIE with written notice no less than 21 days prior to cessation, or as required by the Guidelines; provided that SIE shall use its commercially reasonable efforts to remove promptly any Digitally Delivered Product(s) where Publisher deems it is legally necessary. SIE may purchase and resell or license and otherwise make available for electronic distribution via PSN, an unlimited quantity of Digitally Delivered Products until the date of cessation.

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

10. EULAs and Additional Terms

10.1Additional Terms. Publisher may have its own terms describing or limiting use of its Digitally Delivered Products, in accordance with the Guidelines (“**Additional Terms**”). Additional Terms shall be provided to SIE with the relevant Product Submission. SIE reserves the right to review and suggest revisions to the Additional Terms but without liability for them, and Publisher shall consider SIE's suggestions in good faith. Publisher may update the Additional Terms from time to time without submitting them to SIE. SIE is not liable for Publisher's failure to comply with Additional Terms.

The Additional Terms must not be inconsistent with the Software Product License Agreement or the ToSUA as they relate to Licensed Product's or a User's interaction with the System or to SIE's liability.

10.2 Licensed Product Terms. Publisher acknowledges that the Software Product License Agreement shall be a license effective between Publisher, SIE and users of Licensed Products. Publisher shall be entitled to present its own license (a "**Publisher EULA**"), which may be updated by Publisher from time to time, provided that the terms of the Publisher EULA are not inconsistent with the terms and conditions of the Software Product License Agreement or the ToSUA as they relate to a Licensed Product's or User's interaction with the System or SIE's liability, and includes the following terms:

10.2.1 the Publisher EULA is between Publisher and the user, not between any platform provider and the user;

10.2.2 Publisher is solely responsible for the Licensed Product;

10.2.3 a limited license to use the Licensed Product only on a platform that the user owns or controls or other such system to which the Licensed Product is delivered by a platform provider service; and

10.2.4 each SIE Company (or the SIE Company for the Territory where the Licensed Product is being sold if the Publisher EULA is regional) is a third party beneficiary of the Publisher EULA. For the avoidance, of doubt, Publisher need not specifically refer to each SIE Company by name in order to achieve compliance with this Section 10.2.4.

11. Advertising

11.1 Generally. Publisher may advertise PlayStation Compatible Products or related Online Activity, but all advertising must be carried out in accordance with the Guidelines.

11.2 In-Game Advertising. Static or dynamically placed or served advertisements placed in Licensed Products must comply with the Guidelines and Section 15.3. SIE has sole discretion to reject, block placement of, remove or require removal of any advertisement that (i) does not comply with the Guidelines, applicable law, regulations, court decision, other judicial or administrative order, age ratings system, or principles of any applicable age ratings board; or (ii) which may reasonably cause (in light of the PlayStation Compatible Product's rating and other content) SIE or any Affiliate to suffer public disrepute, contempt, scandal or ridicule, or which would insult or offend the relevant community or any substantial organized group thereof or which would adversely affect SIE or any Affiliate's name, reputation or goodwill. SIE shall notify Publisher in writing if it rejects, blocks or removes any advertisement in accordance with this Section 11.2. SIE reserves the right to require Publisher to use commercially reasonable efforts to develop and implement a tracking mechanism to verify the number of users viewing advertisements in a Licensed Product. For the purposes of this Section 11.2, "advertisement" shall be deemed to include promotions, product placements, and references and trademarks relating to sponsorships.

12. Online Activity & Data Collection

12.1 Publisher Obligations. If a Licensed Product allows Users to engage in Online Activity, then, as between Publisher and SIE, Publisher must, at its sole expense for the term in which the User has

rights to use the Licensed Product or the Online Activity (whichever is the shorter), do the following in compliance with the Guidelines and this GDPA:

12.1.1 host and provide Users with access to Online Activity;

12.1.2 provide Users with customer support in a commercially reasonable manner;

12.1.3 Publisher will manage Online Activity in accordance with the terms of its Publisher EULA for the applicable Licensed Product or Online Activity. Where a User makes Publisher aware of any breach or suspected breach by another User of the ToSUA, Publisher will promptly notify the User reporting such breach to SIE's own internal reporting systems or otherwise direct the User concerned to such systems.

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

12.1.5 display a link to any Additional Terms relating to any Online Activity in the PSN metadata for the relevant PlayStation Compatible Product before a User engages in such Online Activity;

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

12.1.7 provide 90 days' notice to SIE in order to enable SIE to notify consumers in a clear and conspicuous manner of any permanent shutdown to a server hosting or supporting Online Activity on PSN and Publisher shall provide Users with such notification at least [***] days prior to the date Online Activity terminates.

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

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

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

12.3.2 Without limiting the obligation to comply with all applicable laws and regulations under this Section 12.4, provide notice to users of its privacy practices, including at least material terms relating to the following:

12.3.2.1 the Personal Information collected;

12.3.2.2 the purposes for which Personal Information will be used;

12.3.2.3 to whom Personal Information will be disclosed;

12.3.2.4 where Personal Information will be transferred; and

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

12.3.3 Publisher shall comply with the practices described in Publisher's privacy notice.

12.4 Personal Information Disclosed to Publisher by SIE. SIE has no obligation to disclose data collected by or on behalf of SIE or its Affiliates to Publisher. If Personal Information is disclosed to Publisher by SIE ("**SIE Personal Information**") in SIE's absolute discretion, Publisher agrees to the following, solely in relation to such SIE Personal Information:

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

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

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

12.4.2.2 inform the individual of Publisher's identity;

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

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

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

12.4.3 to handle SIE Personal Information in accordance with law and: (a) with respect to SIE Personal Information processed by Publisher pursuant to Section 12.4.2 with any terms for handling and use presented by SIE and Publisher's privacy policy, and (b) with respect to SIE Personal Information processed by Publisher pursuant to Section 12.4.1, the Guidelines and with any terms for handling and use presented by SIE;

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

12.4.5 where such SIE Personal Information relates to an end user who is located in a country with, or is a customer of SIE that is subject to, a law, regulation or direction of any competent

authority that restricts the export or transfer of such SIE Personal Information outside of that country (or its region, such as the European Economic Area), if requested by SIE, Publisher shall implement such agreements and take such steps as are required by that law, regulation or direction to ensure SIE is in compliance with the restriction.

12.4.6 For the avoidance of doubt, this Section 12.4 shall not apply to any Personal Information that is collected by Publisher directly from a User, which shall be subject to Publisher's EULA and Section 12.3.

13. Marketing of Licensed Products

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

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

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

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

14. Subcontracting. Publisher may provide a subcontractor with access to the SIE Materials where required to assist with the development, testing, publication and marketing of PlayStation Compatible Products only where Publisher has: (i) made the subcontractor aware of the confidentiality, data protection, and other relevant

provisions of this GDPA; and (ii) received the subcontractor's written commitment to abide by those terms. Publisher shall remain fully liable for Publisher's compliance with all of the provisions of this GDPA, and shall remain fully liable for and hereby unconditionally guarantees all obligations for the compliance of any subcontractor with the confidentiality, data protection, and other provisions of this GDPA. Publisher shall disclose to a subcontractor the SIE Materials only to the extent necessary to allow the subcontractor to assist with the development, publication and marketing of PlayStation Compatible Products. SIE has no obligation to grant any subcontractor access to the Developer Website (and Publisher shall not share its access with a subcontractor). A subcontractor has no right to publish Licensed Products, including any right to order or pay for Publisher's Physical Media Product. SIE may, in the event that it reasonably suspects that: (a) Publisher has, or is likely to breach, this Section 14; or (b) any subcontractor has failed, or is likely to fail, to comply with terms of any agreement with an SIE Company or any of the confidentiality, data protection and/or other relevant provisions of this GDPA, prohibit disclosure of the SIE Materials to a subcontractor under this section at any time, effective immediately upon notice from SIE to Publisher. SIE may subcontract or sublicense any of its rights or obligations under this GDPA, [***].

15. Revenue and Payments

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

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

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

15.1.3 SIE Audit. Publisher shall keep full, complete, and accurate records covering all transactions relating to Physical Media Products ordered and manufactured pursuant to this GDPA including, the Wholesale Price received for Physical Media Products, and all records relating to indirect revenue under Section 15.3. Publisher shall preserve such records, documents, and materials for a period of [***] months after the expiration or termination of this GDPA. SIE's acceptance of any accounting statement, purchase order, or payment will not preclude SIE from challenging or questioning the accuracy thereof at any time up to [***] months after the expiration or termination of this GDPA. If SIE reasonably believes that the pricing or revenue information provided by Publisher is not accurate, SIE is entitled to request additional documentation from Publisher to support the information provided. In addition, during the Term and for a period of [***] thereafter and upon the giving of reasonable prior written notice to publisher (no less than [***] days), at SIE's expense, representatives of SIE shall be given access to, and the right to inspect, audit, and make copies and summaries of, and take extracts from, such portions of all records of Publisher, including those records from Publisher's affiliates and branch offices, as they pertain to the Licensed Products and any payments due or credits received. Any such audit shall take place during normal business hours, be carried out no more than once in any consecutive [***] period, not take place within [***] days of the end of Publisher's fiscal year, and shall, at SIE's sole election, be conducted either by an independent certified accountant or by an appropriately professionally qualified SIE employee. SIE shall require any independent certified accountant performing an audit to execute a non-disclosure agreement with Publisher in a form acceptable to Publisher. If such inspection reveals any under-reporting of any payment due to SIE, Publisher shall promptly pay SIE such amount. If any audit conducted by SIE reveals that Publisher has under-reported any payment due to SIE by [***] or more for the relevant audit period and that is no less than [***], then in addition to the payment of the appropriate amount due to SIE, Publisher shall reimburse SIE for all reasonable audit costs for that audit and all collection costs to recover any unpaid amounts.

15.2 Digitally Delivered Products

15.2.1 Publisher Revenue. In consideration of the rights granted by Publisher under Section 9.2.2, each applicable SIE Company shall pay to Publisher the applicable Wholesale Price and/or agreed revenue share for the Digitally Delivered Products covered by a Product Submission accepted by SIE. SIE has no obligation to pay for any Digitally Delivered Product (and will be entitled to a refund for amounts paid to Publisher): (i) unless and until SIE receives payment from the relevant User; (ii) that is not fully compliant with this GDPA; (iii) that is defective, non-functional or inaccessible through no fault of SIE; or (iv) that is provided by SIE free of charge as a replacement copy or an agreed promotion. Other than the Wholesale Price and/or agreed revenue share or as otherwise set out in this GDPA, Publisher is not entitled to any other fee in connection with any Digitally Delivered Products. No further Wholesale Price or agreed revenue share shall be payable to Publisher where a User exercises an entitlement included with a Licensed Product (whether at purchase or at a later time) to download additional copies to other Systems or other compatible devices, whether by means of emulation or otherwise. Publisher may change a Digitally Delivered Product's Wholesale Price and/or Additional Terms by providing SIE with a revised Product Submission specifying the changes and the desired effective date. SIE shall use commercially reasonable efforts to

meet the effective date of any such changes requested by Publisher. A revised Product Submission shall be subject to the provisions of Section 9.2.7.

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

15.2.3 Refunds. SIE has no obligation to make any payment to Publisher under Section 15.2.1 in respect of any sale where SIE has chosen or is required by applicable law or regulation to refund the price paid by the User for that sale for any reason, other than where such refund becomes due directly as a result of SIE's failure to comply with the terms of this GDPA.

15.2.4 Report and Payment Terms. SIE will provide Publisher with statements identifying the quantity of Digitally Delivered Product sold or licensed by SIE to, or otherwise purchased by, Users (based upon the date SIE receives payment) as well as any refunds for Digitally Delivered Products. Subject to the receipt of Publisher's valid tax invoice which meets the requirements of the relevant taxation authorities (where requested by an SIE Company), SIE will pay Publisher the Wholesale Price and/or agreed revenue share for the net quantity of Digitally Delivered Products sold or licensed on PSN in the currency, at the times, and in the manner stated in the Guidelines but not before the initial commercial release of the applicable Licensed Product in the Territory, or as otherwise communicated to Publisher. Where any amounts that SIE must pay under this GDPA are based on SIE or Affiliate revenue, those amounts are calculated after deduction for consumption taxes (including VAT), duties, charges or assessments which SIE or an Affiliate may have to collect or pay with respect to the sale or licensing of Licensed Products. Applicable currency exchanges will be based on the Sony Corporation official rate, or such other independent third party currency conversion provider as SIE may adopt in its sole discretion, for the period in which the relevant Digitally Delivered Products are sold or licensed on PSN. Subject to Section 15.2.3: (a) if the total amount of refunds issued by the applicable SIE Company for refunded Digitally Delivered Products exceeds the amount owed by that SIE Company to Publisher in the relevant period, Publisher shall pay that SIE Company an amount equal to the difference; (b) SIE may withhold sums equal to refunds it has made from any payments due to Publisher and withhold payment of any other disputed funds until such time as the parties resolve any dispute; and (c) if requested by SIE, Publisher shall issue credit notes to SIE for all refunds shown in SIE's statement in the month following that in which it receives a statement from SIE itemizing the refund in question.

15.2.5 SIE Subscriptions. From time to time, SIE may offer Publisher the opportunity to make certain Digitally Delivered Products available as part of PlayStation Plus or other premium package of products and services offered through PSN to Users paying the relevant subscription fee. The relevant Digitally Delivered Products and the agreed price, if any, to be paid by SIE for the inclusion of such products shall be recorded in a schedule to this GDPA

or otherwise in writing. Failure to provide any such Digitally Delivered Product in the agreed form and at the agreed time shall entitle SIE to a refund of any sums paid for such product as set out in the Guidelines or as agreed in writing. Publisher shall not share under this GDPA in any revenue received by SIE or any Affiliate as a result of the operation of or related to PSN generally, including subscription revenue generated by PlayStation Plus, regardless of whether or not a PlayStation Plus subscription is required to access a Licensed Product or elements of a Licensed Product.

15.2.6 Publisher Audit. SIE shall keep full, complete and accurate records covering all transactions relating to Digitally Delivered Products to verify its calculation of proper payment pursuant to this Section 15.2, and shall preserve these records for a period of 12 months after this GDPA's termination, or two years after presenting the applicable periodic statement to Publisher, whichever is earlier. Publisher's acceptance of any accounting statements, records or payment under this GDPA will not preclude Publisher from challenging or questioning the accuracy of any statement or report during the Term and the 12-month period after this GDPA's termination. Publisher will give SIE specific notice of any objection to a statement provided under Section 15.2 within 36 months following the date on which SIE first sent the statement to Publisher, or the statement will become conclusively binding and Publisher waives any further right to object. If Publisher has a good faith and reasonable belief that SIE has not provided accurate information and owes Publisher payment under this Section 15.2 as a result, then Publisher may, upon describing in detail the basis for its reasonable belief and providing objective evidence indicating that SIE has underpaid, request additional, supporting documentation from SIE to verify the resale of Digitally Delivered Product to Users. If the matter remains unresolved, the parties shall then attempt in good faith, for a period of not less than [***] days to resolve any dispute related to any statement or payment challenged by Publisher. If such dispute remains unresolved, Publisher may then, at its expense, hire a nationally recognized, third-party accounting firm, on a non-contingency fee basis, reasonably acceptable to SIE, to inspect, audit and make copies and summaries of and take extracts from, those portions of SIE's records pertaining to payments due or credits received under this Section 15.2. Publisher shall require an accounting firm performing an audit to execute a non-disclosure agreement with SIE in a form acceptable to SIE. Information provided to or obtained by Publisher or the accounting firm performing an audit is deemed SIE Materials. The right to conduct such an audit shall not confer on Publisher the right to access any systems or equipment which comprise or support PSN or any information contained therein. Publisher shall provide SIE with reasonable prior written notice (in no event less than [***] days) of Publisher's intent to perform an audit, but no audit may take place within [***] days after the end of SIE's fiscal year. Any audit must take place during SIE's normal business hours. An audit may not be performed more than [***], and no record may be audited more than once. If an audit reveals any under-reporting of any payment due to Publisher, SIE shall promptly pay Publisher the under-reported amount. If an audit conducted by Publisher reveals that SIE has under-reported any payment due to Publisher by [***] or more for the relevant audit period and that is no less than [***], then in addition to the payment of the appropriate amount due to Publisher, SIE shall reimburse Publisher for all reasonable third-party audit costs and all collection costs to recover any unpaid amounts. Nothing in this GDPA shall give Publisher the right to challenge or audit any statement or records pertaining to any period prior to the Effective Date.

15.3 Indirect Revenue. If Publisher intends to monetize, or receive any revenue or other monetary benefit derived from the exploitation of, PlayStation Compatible Products (including related Online Activity), other than from the sale of Physical Media Products pursuant to Section 9.1 or Digitally Delivered Products via PSN pursuant to Section 9.2, including from revenue or other monetary benefits derived from any product placement, sponsorships, or advertising (“**Revenue**”), then Publisher shall notify the applicable SIE Company and enter into good faith negotiations regarding the royalty to be paid to the SIE Company (if any) on Revenue received by or credited to Publisher at a rate to be agreed by the parties. If the parties fail to agree on the applicable royalty due to the SIE Company within a reasonable period of time of such good faith negotiations commencing, then the applicable royalty due to the SIE Company will be [***] of the gross Revenue received by or credited to Publisher or any Publisher Affiliate. For the avoidance of doubt, such royalty shall only be assessed on payments or monetary benefit provided by any third party to Publisher and shall in no event include any content licensing or advertisements where Publisher is obligated to pay a third party. Prior to distribution of any PlayStation Compatible Product, Publisher shall advise SIE of any indirect monetization or exploitation other than as permitted in Section 9.1 or 9.2. Publisher shall provide SIE with monthly reports of any Revenue or credits received and shall pay SIE’s invoice within [***] days of the date of the invoice. For the avoidance of doubt, nothing in this Section 15.3 shall derogate from Publisher’s obligation to distribute Licensed Products only in accordance with Sections 9.1 (for Physical Media Products) and 9.2 (for Digitally Delivered Products). For clarity, this Section 15.3 does not apply to any revenue, credit or other monetary value earned or otherwise derived from Publisher’s products, companion apps, services or related websites and networks based on or related to Publisher’s Intellectual Property Rights in PlayStation Compatible Products where such Publisher product, service, website or network (a) does not use or incorporate any SIE Materials (b) does not operate on or interact with any System; (c) does not interact with any Licensed Product operating on a System; or (d) was not published under any agreement with an SIE Company.

15.4 Third Party License Fees. Except as expressly agreed in writing by an SIE Company, if SIE’s exercise of any of the rights granted by Publisher under this GDPA causes SIE or any Affiliate to become legally responsible for the payment of any fees, costs or expenses to any content rights holder or third party collecting payment for the use of voice, music, video, or other content, including unions, guilds, or performing rights organizations, then SIE reserves the right to offset such third party fees, costs or expenses from amounts due to Publisher under this Section 15, or, in SIE’s sole discretion, reimbursement by Publisher to SIE or the applicable Affiliate.

15.5 Service Fees and Charges. Publisher shall pay all fees for services provided by SIE (including format quality assurance) in accordance with terms set forth in the Guidelines. Where a User downloads a Digitally Delivered Product (including Digitally Delivered Products made available to end users for free), SIE reserves the right to charge Publisher for the cost attributable to bandwidth for such downloads at the current, standard rate set by the applicable SIE Company and specified in the Guidelines. Publisher must pay SIE’s current, standard patching fee applicable to all Licensed Publishers in respect of any patch published under this GDPA, where the patch is submitted to SIE within 60 days of the approval of the relevant Licensed Product pursuant to Section 6.3, or as otherwise stated in the Guidelines. SIE reserves the right to change, on reasonable notice, the rate or the basis on which any such service fees are calculated provided that such changes apply to all other Licensed Publishers.

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

15.7 Taxes & Withholding

15.7.1 Taxes. The amounts that the parties must pay under this GDPA are exclusive of taxes (including VAT), duties, charges or assessments which the recipient is required to collect, for which the paying party is solely responsible. Where required by law, each party shall provide the other with a valid VAT registration number and each shall fulfil its obligations relating to VAT under the applicable reverse charge procedure which, in the EU, is stipulated in Article 196 of the EU VAT Directive 2006/112/EC. If the paying party does not provide the appropriate and valid VAT registration number, or applicable documentation in support of an exemption from VAT, then the supplying party will be entitled to charge VAT at the appropriate rate until such a time as an appropriate and valid VAT registration number, or the applicable documentation, is provided, at which time the VAT charged will be refunded or otherwise credited as permissible by law, provided the VAT registration number or other exemption was valid and appropriate at the time the VAT was charged.

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

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

If requested by Publisher, SIE will provide Publisher with a certificate of tax residency and other documentation required to allow, where applicable, a reduction of tax withholding.

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

15.8Server Location. Publisher shall notify SIE in writing of the country location of all servers from which any Online Activity is delivered or made available to Users. Publisher shall use its commercially reasonable efforts to notify SIE of any changes to the location of any these servers or the use of additional servers in writing at least [***] months prior to any change or use of additional servers taking place.

16. Representations and Warranties

16.1Representations and Warranties of SIE

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

16.1.2 The following terms shall apply unless otherwise stated in the Guidelines. SIE represents and warrants that all Physical Media Products manufactured by a Designated Manufacturing Facility for Publisher pursuant to this GDPA during the Term shall be free from defects in materials and workmanship under normal use and service at time of delivery in accordance with this GDPA. For SIEA and SIEE, the sole obligation of SIE under this warranty shall be, for a period of 90 days from the date of delivery of such Physical Media Products, at SIE's election, either (i) to replace defective Physical Media Products; or (ii) to issue credit for, or to refund to Publisher, the charge for defective Physical Media Products and to reimburse Publisher its reasonable return shipping costs. This warranty is the only warranty applicable to Physical Media Products manufactured by the Designated Manufacturing Facility for Publisher pursuant to this GDPA. This warranty shall not apply to damage resulting from accident, fair wear and tear, willful damage, alteration, negligence, abnormal conditions of use, failure to follow directions for use (whether given in instruction manuals or otherwise howsoever) or misuse of Physical Media Products, or to Physical Media Products comprising less than [***] (or, if greater, [***] units) in the aggregate of the total number of Physical Media Products manufactured by the Designated Manufacturing Facility for Publisher per Purchase Order of any Physical Media product. If, during such 90 day period, defects appear as aforesaid, Publisher shall notify SIE and, upon request by SIE (but not otherwise), return such defective Physical Media Products, with a written description of the defect claimed, to such location as SIE shall designate. SIE shall not accept for replacement, credit or refund as aforesaid any Physical Media Products except factory defective Physical Media Products (i.e. Physical Media Products that are not free from defects in materials and workmanship under normal use and service). All returns of Physical Media Products shall be subject to prior written authorization by SIE, not unreasonably to be withheld. If no defect exists or the defect is not such as to be covered under this warranty, Publisher shall reimburse SIE for expenses incurred in processing and analyzing the Physical Media Products. For SIE Inc., any obligation regarding manufacturing Physical Media Products is stated in the Guidelines.

16.2 Representations and Warranties of Publisher. Publisher represents and warrants throughout the Term that:

- 16.2.1** there is, as of the Effective Date, no threatened or pending action, suit, claim or proceeding that SIE is not aware of that alleges that the use or possession by Publisher, or any of the Publisher Affiliates, of all or any part of the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any PlayStation Compatible Product, infringes or violates any Intellectual Property Rights or other right or interest of any kind whatsoever anywhere in the world of any third party, or that contests any right, title or interest of Publisher in or to the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any PlayStation Compatible Product;
- 16.2.2** Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility and their contemplated or actual disclosure or use under this GDPA, do not and shall not infringe the Intellectual Property Rights, right of publicity, right to privacy, or moral rights anywhere in the world of any third party. [***], Publisher has obtained the consent of all holders of Intellectual Property Rights necessary for SIE's or its Affiliates' use of any Licensed Products (apart from the SIE Materials), Product Proposals, Product Information, Printed Materials, Advertising Materials and Packaging not provided by the Designated Manufacturing Facility provided by Publisher, which may be reproduced, published, publicly displayed, publicly performed, marketed, sold and distributed by SIE and any Affiliates in accordance with this GDPA. [***], Publisher has made or will make all payments required to any person having any legal rights arising from such disclosure or use so that SIE will not incur any obligation to pay any royalty, residual, union, guild, collecting society or other fees or expenses;
- 16.2.3** Publisher Property does not contain and is not derived in any manner (in whole or in part), from any software, including without limitation open source software, that would require that any SIE or third party proprietary software or information be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of permitting modifications or derivative works; (iii) reproduced and/or redistributed (with or without charge); (iv) permitted to be reverse engineered; or (v) used only for non-commercial purposes;
- 16.2.4** Publisher has the right, power and authority to enter into this GDPA, to grant SIE the rights granted hereunder and to fully perform its obligations hereunder;
- 16.2.5** the making of this GDPA by Publisher does not violate any separate agreement, rights or obligations existing between Publisher and any other person, and Publisher shall not make any separate agreement with any third party that is inconsistent with any of the provisions of this GDPA;

- 16.2.6** Publisher has not previously taken any action that could be interpreted as having sold, assigned, leased, licensed or in any other way disposed of or encumbered any of the rights granted to Publisher hereunder. Publisher will not sell, assign, lease, license or in any other way dispose of or encumber any of such rights except as permitted by this GDPA;
- 16.2.7** neither Publisher nor its affiliates shall make any representation or give any warranty to any person or entity expressly or on SIE's behalf, or to the effect that the PlayStation Compatible Products are connected in any way with SIE other than that the Licensed Products have been developed, marketed, sold and distributed under license from SIE;
- 16.2.8** if any PlayStation Compatible Product that includes SIE Materials is delivered by Publisher to any other Licensed Publishers or Licensed Developers in source code form, Publisher will take all precautions consistent with the protection of valuable trade secrets by companies in high technology industries to ensure that such third parties protect and maintain the confidentiality of such source code;
- 16.2.9** PlayStation Compatible Products (apart from the SIE Materials), and any Product Information will (i) be in a commercially acceptable form; (ii) correspond with any written description provided by Publisher to SIE; (iii) be free of unauthorized content (including content that is inconsistent with the age rating applicable to the corresponding PlayStation Compatible Product); (iv) be free of bugs, defects, time bombs or viruses or any content which could disrupt, delay, or destroy the PlayStation Compatible Product, PSN, or a System, or render any of such items less than fully useful; (v) be free of any content that could cause SIE to suffer public disrepute, contempt, scandal or ridicule, which insults or offends the community or any substantial organized group thereof, which could tend to adversely affect SIE's name, reputation or goodwill associated with the System or which otherwise breaches any objectionable content criteria set out in the Guidelines; and (vi) shall be fully compatible with the relevant Systems and all Peripherals listed on the Printed Materials as compatible with the PlayStation Compatible Product;
- 16.2.10** PlayStation Compatible Products will be developed, marketed, sold and distributed by or at the direction of Publisher in an ethical and responsible manner with respect to the protection of children in the online environment, and in full compliance with all applicable laws, including federal, state, provincial, local laws, and any rules, regulations and standards promulgated thereunder, including lottery, labor, anti-bribery and corruption laws and will not contain content that violates applicable laws, including those relating to privacy or any obscene or defamatory matter;
- 16.2.11** PlayStation Compatible Products will include adequate and appropriate health and safety warnings that preclude Publisher and SIE liability to third parties;
- 16.2.12** Publisher's policies and practices with respect to the development, publishing, marketing, sale, and distribution of PlayStation Compatible Products will in no manner reflect adversely upon the name, reputation or goodwill of SIE or any Affiliate;
- 16.2.13** Publisher will make no false, misleading or inconsistent representations or claims with respect to SIE, PSN, or any System, PlayStation Compatible Product, or Affiliate; and

16.2.14 neither Publisher nor any director, officer or controlling shareholder is under sanction by the United States Office of Foreign Assets Control.

17. Indemnities

17.1 Indemnification by SIE. Each SIE Company shall indemnify and hold Publisher and its respective officers, directors, employees, agents, representatives, successors and assigns harmless from and against third-party claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, that result from a breach, or alleged breach, of any of that SIE Company's representations or warranties set forth in Section 16.1 or any express representations or warranties offered by SIE in any collateral contract subject to the GDPA (collectively, "**SIE-Indemnified Claim(s)**"); provided that: (a) Publisher shall give prompt written notice to the applicable SIE Company of the assertion of any SIE-Indemnified Claim; (b) the applicable SIE Company shall have the right to select counsel and control the defense and settlement of any SIE-Indemnified Claim except that with respect to any SIE-Indemnified Claims made by a third party which relate exclusively to (or only to the extent that such SIE-Indemnified Claims relate exclusively to) Publisher Property, Publisher shall have the right to select counsel for itself and control the defense and settlement of the SIE-Indemnified Claim against Publisher); and (c) Publisher shall provide the applicable SIE Company reasonable assistance and cooperation concerning any SIE-Indemnified Claim, except that Publisher need not incur any out-of-pocket costs in rendering such assistance and cooperation. The applicable SIE Company has the exclusive right, at its discretion, to commence and prosecute at its own expense any lawsuit or take such other action with respect to SIE-Indemnified Claims as it deems appropriate.

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

Publisher or any data provided to Publisher by SIE pursuant to Section 12.4 (all subsections collectively, “**Publisher-Indemnified Claim(s)**”), provided that (a) SIE shall give prompt written notice to Publisher of the assertion of any Publisher-Indemnified Claim; (b) Publisher shall have the right to select counsel and control the defense and settlement of any Publisher-Indemnified Claim, except that with respect to any Publisher-Indemnified Claims made by a third party against SIE, SIE shall have the right to select counsel for itself and control the defense and settlement of the Publisher-Indemnified Claim against SIE; and (c) SIE shall provide Publisher with reasonable assistance and cooperation concerning any Publisher-Indemnified Claim, except that SIE need not incur any out-of-pocket costs in rendering such assistance and cooperation. Subject to the foregoing, Publisher may, at its discretion, commence and prosecute at its own expense any lawsuit or to take such other action with respect to Publisher-Indemnified Claims as shall be deemed appropriate by Publisher.

18. Limitation of Liability

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

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

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

18.4 SIE Limitation of Liability for SIE Materials and Publisher’s Materials. Except as expressly set forth herein, neither SIE or any Affiliate company, nor the officers, directors, employees, agents, licensors or suppliers of any of such entities, shall bear any risk, or have any responsibility or liability of any kind to Publisher or to any third parties with respect to the quality, functionality, operation or performance of, or the use or inability to use, all or any part of the SIE Materials, the System, PlayStation Compatible Products, or for any software errors or “bugs” in Product Information included on SIE demonstration discs.

18.5SIE Limitation of Financial Liability. In no event shall the liability of each SIE Company or any Affiliate arising under, relating to, or in connection with this GDPA, or any collateral contract, exceed a sum equal to the total amount paid by Publisher under Section 15.1 to that SIE Company or its Designated Manufacturing Facility, and the net amount actually received by that SIE Company from purchases of Digitally Delivered Products by Users pursuant to Section 15.2, within the 48-month period immediately prior to the date of the first occurrence of the event or circumstances giving rise to the claimed liability.

18.6Publisher Limitation of Liability. In no event shall Publisher, its officers, directors, employees, agents, licensors or suppliers be liable to SIE for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation goodwill or market share, loss of, damage to or corruption of data or for any interest or ex gratia payments (whether such loss, damages or payments are direct, indirect, special, incidental or consequential), arising out of or in connection with this GDPA or any collateral contract (including the breach of this GDPA by Publisher), provided that such limitations shall not apply to damages resulting from Publisher's breach of Sections 3 (Conditional License Grant), 5 (Other Limitations on Licensed Rights), 16.2 (Representations and Warranties of Publisher), 17.1 (Indemnification by Publisher) or 20 (Data Security and Confidentiality) of this GDPA, or to any amounts which Publisher may be required to pay pursuant to Sections 7.12.2 (Risk of Loss), or 17.1 (Indemnification by Publisher).

18.7Disclaimer of Warranty. Except as expressly provided in Section 16.1, neither SIE or any Affiliate, nor any of its officers, directors, employees, agents or suppliers, make, nor does Publisher receive, any warranties (express, implied or statutory) regarding all or part of the SIE Materials, the SIE Intellectual Property Rights, the Systems, units manufactured hereunder, PSN, Product Information included on demonstration discs or any services provided by SIE pursuant to this GDPA. SIE disclaims any warranties, conditions or other terms implied by any law (including as to merchantability, satisfactory quality or fitness for a particular purpose and warranties against infringement and the equivalents thereof under the laws of any jurisdiction) to the fullest extent permitted by applicable law. SIE disclaims any duty to determine or ascertain Publisher's authorization, permission or license to sell, supply or distribute any product or service.

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

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

20. Data Security and Confidentiality

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

20.2Preservation of SIE Materials. Publisher shall:

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

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

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

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

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

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

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

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

20.2.5.4 at any SIE Company's request following a material uncured breach of this GDPR by Publisher, destroy or return promptly to that SIE Company any and all portions of the SIE Materials received from such SIE Company, together with all copies thereof (save that this Section 20.2.5.4 shall be subject to Section 7.12 with respect to any Hardware Tools); and

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

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

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

20.3.2 is or legitimately becomes part of the public domain (which shall not include limited disclosures to the public) through no fault of Publisher or any of its employees, directors, officers, consultants, legal counsel, or agents;

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

20.3.4 is required to be disclosed by court, administrative or governmental order; provided that Publisher must use all reasonable efforts prior to issuance of any such order to maintain the confidentiality of the SIE Materials, including asserting in any action or investigation the restrictions set forth in this GDPR, and, immediately after receiving notice of any such action, investigation, or threatened action or investigation, Publisher must notify SIE of such action, investigation, or threatened action or investigation, unless Publisher is ordered by a court not to so notify;

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

20.3.6 is approved for release by written authorization of SIE.

20.4 No Obligation to License. SIE may disclose the SIE Materials to Publisher at such times as it deems necessary or desirable in its sole discretion. Other than as expressly set forth in this GDPR, such disclosure shall not (i) constitute any option, grant or license from SIE to Publisher under any SIE Intellectual Property Rights now or after owned or controlled by SIE; (ii) result in any obligation on the part of SIE to approve any materials of Publisher; (iii) give Publisher any right to, directly or

indirectly, develop, manufacture, sell, market, promote, or distribute any product derived from or which uses or was developed with the use of the SIE Materials (or any portion thereof).

20.5 Publisher's Obligations Upon Unauthorized Disclosure. If at any time Publisher becomes aware of or suspects any actual unauthorized duplication, access, use, possession or knowledge of any of the SIE Materials or any breach of security or exposure involving the SIE Materials, Publisher shall immediately notify SIE Information Security by telephone at +1-855-723-2732, or via email (infosec@playstation.sony.com), or at such other numbers or addresses as may be provided in the Guidelines or notified to Publisher. In the event of such a security breach, Publisher shall:

20.5.1 provide any and all reasonable assistance to SIE to protect SIE's proprietary rights in any of the SIE Materials and collaborate with SIE to implement mitigation and remediation actions and controls to reduce the impact of and prevent further incidents;

20.5.2 notify customers of information breaches or incidents if requested by SIE;

20.5.3 provide a written report by electronic means detailing the incident and corrective and preventive actions; and

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

Where Publisher or its employees, directors, officers, or subcontractors, consultants, legal counsel, or agents may have directly or indirectly disclosed or made available SIE Materials not expressly authorized by this GDPR, Publisher shall cooperate fully with SIE in mitigating the effects of such disclosure, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with SIE) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by SIE to protect its proprietary rights in the SIE Materials.

20.6 Publisher Confidential Information

20.6.1 Definition of Publisher Confidential Information. "**Publisher Confidential Information**" shall mean any Publisher Property provided to SIE pursuant to this GDPR and all documentation and information relating thereto, including Product Proposals, Product Information, Product Submissions, Printed Materials and Advertising Materials (other than documentation and information released to and/or used by end-users, the general public or the trade). Publisher Confidential Information may consist of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to SIE before or during the Term, including information subsequently reduced to tangible or written form.

20.6.2 Term of Protection of Publisher Confidential Information. The term for the protection of Publisher Confidential Information shall commence on the Effective Date and shall continue in full force and effect for as long as any of Publisher Confidential Information continues to be maintained as confidential and proprietary by Publisher. SIE shall have the right to destroy Publisher Confidential Information at any time after the date [***] years after SIE initially received such information.

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

- 20.6.3.1** hold all Publisher Confidential Information in strict confidence and implement reasonable steps to preserve the confidentiality of Publisher Confidential Information, and to avoid disclosure, publication, or dissemination, and to prevent it from falling into the public domain or into the possession of persons other than those persons to whom disclosure is authorized hereunder, but no less than reasonable care and in a manner consistent with the protection of valuable trade secrets by companies in high technology industries;
- 20.6.3.2** not disclose Publisher Confidential Information to any person other than SIE's or a Designated Manufacturing Facility's employees, directors, officers, agents, consultants, subcontractors, legal counsel, and licensors who need to know or have access to Publisher Confidential Information for the purposes of this GDPA, and only to the extent necessary for such purposes, and who have executed a confidentiality agreement with an SIE Company or Affiliate, or in circumstances where such employees, directors, officers, agents, consultants, subcontractors, legal counsel or licensors have a professional obligation to not disclose confidential information and materials inclusive of that of third parties which may be disclosed to them by SIE. Any such employees, directors, officers, agents, consultants, subcontractors, legal counsel, and licensors who obtain access to or copies of the Publisher Confidential Information shall be advised by SIE of the confidential or proprietary nature of the Publisher Confidential Information;
- 20.6.3.3** ensure that all written materials relating to or containing Publisher's Confidential Information be maintained in a secure area and plainly marked to indicate the proprietary and confidential nature thereof;
- 20.6.3.4** at Publisher's request, return promptly to Publisher any and all portions of Publisher Confidential Information, together with all copies thereof (except that SIE may retain Publisher Confidential Information in a secure location solely for archival or backup purposes, or as is needed for legal or internal compliance purposes, provided those copies are subject to this GDPA's terms and will eventually be erased or destroyed in the ordinary course of SIE's data processing procedures); and
- 20.6.3.5** not use Publisher Confidential Information, or any portion thereof, except as provided herein, nor shall SIE remove any proprietary legend set forth on or contained within any of Publisher Confidential Information, and ensure that all written materials containing highly sensitive Publisher Confidential Information be maintained in a reasonably secure manner and marked to indicate the proprietary and confidential nature thereof.

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

- 20.6.4.1** description of any secure user authentication, including unique (non-shared) user accounts and passwords, for persons having access to Publisher Confidential Information;
- 20.6.4.2** description of any current document processes for issuing and revoking user access, including immediate revocation of access for terminated employees and secure communication of user accounts and passwords; or
- 20.6.4.3** description of any encryption or hashing, where such hashing shall include use of a random salt of user account passwords used to access Publisher Confidential Information.

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

- 20.6.5.1** was previously known by SIE without restriction on disclosure or use, as proven by written documentation of SIE;
- 20.6.5.2** comes into the possession of SIE from a third party which is not under any obligation to maintain the confidentiality of such information;
- 20.6.5.3** is or legitimately becomes part of information in the public domain through no fault of SIE, or any of its employees, directors, agents, consultants or subcontractors;
- 20.6.5.4** is independently developed by SIE's or an Affiliate's employees, consultants or subcontractors who have not relied on Publisher Confidential Information (or any portion thereof), as proven by written documentation of SIE;
- 20.6.5.5** is required to be disclosed by court, administrative or governmental order; provided that the applicable SIE Company attempts, prior to the issuance of any such order, to maintain the confidentiality of Publisher Confidential Information, including asserting in any action or investigation the restrictions set forth in this GDPA, and immediately after receiving notice of any such action, investigation, or threatened action or investigation, notifies Publisher of such action, investigation, or threatened action or investigation, unless an SIE Company is ordered by a court not to so notify; or
- 20.6.5.6** is approved for release by written authorization of Publisher.

In addition, SIE shall have the right to disclose the existence of this GDPA, and to make public announcements regarding the GDPA, subject to Publisher's consent, not to be unreasonably withheld or delayed.

20.6.6SIE's Obligations Upon Unauthorized Disclosure. If at any time SIE becomes aware of any unauthorized duplication, access, use, possession or knowledge of Publisher Confidential Information, it shall notify Publisher as soon as is reasonably practicable. The applicable SIE Company shall provide any and all reasonable assistance to Publisher to protect Publisher's proprietary rights in any of Publisher Confidential Information that it or its

employees or permitted subcontractors may have directly or indirectly disclosed or made available and that may be duplicated, accessed, used, possessed or known in a manner or for a purpose not expressly authorized by this GDPA, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with Publisher) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by Publisher to protect Publisher's proprietary rights in Publisher Confidential Information. SIE shall take all reasonable steps requested by Publisher to prevent the recurrence of any unauthorized duplication, access, use, possession or knowledge of Publisher Confidential Information.

21. Term and Termination

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

21.2 Term Renewal. The Initial Term shall be automatically extended for additional 12-month terms, unless either party provides the other with written notice of termination in accordance with this Section 21. The period commencing on the Effective Date and ending upon expiration or termination of the Initial Term and any additional terms is the "**Term**." Notwithstanding any termination or expiration, the term for the protection of the SIE Materials and Publisher Confidential Information shall be as set forth in Section 20.

21.3 Termination by Publisher. Publisher shall have the right to terminate this GDPA at any time after expiration of the Initial Term, for any reason or for no reason, by providing notice to SIE at least [***] days before the effective date of the termination. In addition, Publisher shall have the right to terminate this GDPA for all Territories immediately, at any time, upon written notice to SIE, if SIE is in material breach of any of its obligations under this GDPA, which breach, is either incapable of remedy or, if capable of remedy, shall not have been cured in full within [***] days following notice from Publisher specifying and requiring the cure of such breach, or any repetition of a prior material breach of any such obligation, whether or not capable of remedy.

21.4 Termination for Convenience by SIE. SIE shall have the right to terminate this GDPA at any time after expiration of the Initial Term, for any reason or for no reason, by providing notice to Publisher at least [***] days before the effective date of the termination.

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

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

21.5.2 a statement of intent by Publisher to no longer exercise any of the rights granted by SIE to Publisher hereunder, or Publisher failing to submit any Purchase Orders for Licensed Products under Sections 8.3 or 9.2.7 during any period of twelve consecutive calendar months;

21.5.3 if Publisher:

21.5.3.1 is unable to pay its debts when due;

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

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

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

21.5.3.5 ceases to do business or enters into liquidation; or

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

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

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

21.5.4.2 holds or acquires a controlling interest in a third party which designs or develops any of the core components for an interactive device or product which is directly or indirectly competitive with any System, or itself develops any product that is directly or indirectly competitive with any System; or

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

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

21.5.5.1 enters into a business relationship with a third party related to the design or development of any core components for an interactive device or product which is directly or indirectly competitive with any System; or

21.5.5.2 acquires a controlling interest in or forms a joint venture with any third party which has developed or owns or acquires Intellectual Property Rights in any such device or product;

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

21.5.7 if Publisher fails to pay any sums owed to any SIE Company on the date due and such default is not fully corrected or cured within [***] business days of the date on which such failure is notified to Publisher by SIE;

21.5.8 if Publisher or any of its officers or employees engage in “hacking” of any software for any PlayStation format or in activities which facilitate the same by any third party and in the event of termination under this 21.5.8, each SIE Company shall have the right to terminate any other agreements entered into between that SIE Company and Publisher; or

21.5.9 if any director, officer or controlling shareholder or group of shareholders of Publisher, in their personal capacity, has been, is, or becomes involved in any dispute with SIE or any Affiliate, including being the subject of any allegation of fraud or breach or infringement of the legal rights of SIE or any Affiliate.

As used in this GDPA, “controlling interest” means, with respect to any form of entity, sufficient power to control the decisions of such entity. Publisher shall immediately notify SIE in writing in the event that any of the events or circumstances specified in Section 21.5 occur.

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

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

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

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

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

21.6.5 Publisher fails to materially conform to the Guidelines with respect to any particular PlayStation Compatible Product and or such PlayStation Compatible Product is alleged to

breach Section 16.2 and such failure or breach is not cured within [***] days following notice from Publisher specifying such failure and requiring it to be cured.

21.7 Options in Lieu of Termination. As alternatives to terminating the GDPA or all licensed rights with respect to a particular Licensed Product as set forth in Sections 21.4, 21.5 or 21.6, or where SIE reasonably suspects a breach of the UK Bribery Act 2010 or the US Foreign Corrupt Practices Act, SIE may, at its option and upon written notice to Publisher, suspend this GDPA for all Territories or on a Territory-by-Territory basis, entirely or with respect to a particular Licensed Product, Online Activity, service or program, for a set period of time which shall be specified in writing to Publisher. Election of suspension shall not constitute a waiver of or compromise with respect to any of SIE's rights under this GDPA and SIE may elect to terminate this GDPA with respect to any breach in accordance with this GDPA.

21.8 Extension of this GDPA; Termination Without Prejudice. SIE shall be under no obligation to extend this GDPA notwithstanding any actions taken by either of the parties prior to the expiration of this GDPA.

21.9 No Refunds. In the event that this GDPA expires, is terminated by Publisher for breach under Section 21.3 or is terminated by SIE under Sections 21.5 or 21.6, no portion of any payments of any kind whatsoever previously provided to either party or any of its affiliates under this GDPA shall be owed or be repayable or refunded to the other party.

22. Effect of Expiration or Termination

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

22.2 Inventory Statement. Within [***] of the date of expiration or the effective date of termination with respect to any or all Licensed Products or this GDPA, Publisher shall provide each SIE Company with an itemized statement, certified to be accurate by an officer of Publisher, specifying the number of unsold units of the Physical Media Products as to which such termination applies, on a title-by-title basis, which remain in its inventory or under its control in the relevant Territory at the time of expiration or the effective date of termination. SIE shall, at any time up to [***] after the date of expiration or termination and no more than once, be entitled to conduct at its expense a physical inspection of Publisher's inventory and work in progress upon reasonable prior written notice (no less than [***]) during normal business hours in order to ascertain or verify such inventory and inventory statement.

22.3 Reversion of Rights. Upon expiration or termination and subject to Sections 22.4 and 22.5, the licenses and related rights herein granted to Publisher shall immediately revert to SIE, and Publisher shall cease from any further use of the SIE Materials, Licensed Trademarks, and any SIE Intellectual Property Rights therein, and, subject to the provisions of Sections 22.4 and 22.5, Publisher shall have no further right to continue the development, publication, manufacture, marketing, advertising, sale

or other distribution of any PlayStation Compatible Products, or to continue to use any Licensed Trademarks; provided, however, that for a period of [***] after the effective date of termination, and subject to all the terms of Section 20, and provided this GDPA is not terminated pursuant to Section 21.5 (other than pursuant to Section 21.5.2), Publisher may retain such portions of the SIE Materials as SIE in its sole discretion agrees are required to support end-users who possess Licensed Products but must return all these materials at the end of such [***] period. Upon expiration or termination, the licenses and related rights herein granted to SIE by Publisher shall immediately revert to Publisher, and SIE shall cease from any further use of Product Information and any Publisher Intellectual Property Rights therein; provided that SIE may, unless this GDPA has been terminated pursuant to Section 21.3, continue the manufacture, marketing, advertising, sale and other such distribution by SIE or its designee's demonstration physical media containing Publisher's Product Information which Publisher had previously approved up to [***] after the expiration or earlier termination of this GDPA.

22.4 Disposal of Unsold units upon Termination. In the event of termination of this GDPA under Sections 21.3, 21.4, 21.5.2, 21.5.4 or 21.5.5, Publisher may sell off existing inventories of units of the Physical Media Products, on a non-exclusive basis, and strictly in accordance with this GDPA, for a period of 90 days from the date of expiration or effective date of termination of this GDPA, provided such inventories have not been manufactured in numbers exceeding those which Publisher could reasonably have been expected to have sold during such period had this GDPA not expired or been terminated. Subsequent to the expiration of such 90 day period, or in the event this GDPA is terminated otherwise under Section 21.5, any and all units of the Physical Media Products remaining in Publisher's inventory or under its control shall be destroyed by Publisher within [***] business days of such expiration or termination date. Within [***] business days after such destruction, Publisher shall provide each SIE Company with an itemized statement, certified to be accurate by an officer of Publisher, indicating the number of units of the Licensed Products which have been destroyed (on a title-by-title basis) in that SIE Company's Territory, the location and date of such destruction, and the disposition of the remains of such destroyed materials.

22.5 Disposal of Unsold units upon Non-Renewal. In the event that the Term expires and this GDPA is not renewed, Publisher may continue to publish those PlayStation Compatible Products whose development was completed before or during the Term, and to use the Licensed Trademarks strictly, only and directly in connection with such publication, until the Term expires or, if later, until the second anniversary of the 31 January next following such completion. Upon expiration of the Term or, the extended period for publishing PlayStation Compatible Products, Publisher may sell off existing inventories of such PlayStation Compatible Products on a non-exclusive basis for a period of 180 days from the applicable expiration date; provided that such inventory is not manufactured solely or principally for sale within such sell-off period.

22.6 Rights in Digitally Delivered Products on Termination or Expiry. On termination or expiry of this GDPA pursuant to Sections 21.4 or 21.5, SIE shall have the right to continue to exercise its rights under Section 9.2.2 in respect of Digitally Delivered Products already available on PSN, in accordance with the terms of this GDPA, for a period of [***] from the date of termination or expiry. In addition, upon expiration or earlier termination of the Term: (a) all rights, licenses or other entitlements to Digitally Delivered Products granted to users that purchased such Digitally Delivered Products during the Term shall survive termination and continue for so long as such rights, licenses or entitlements were granted; and (b) SIE shall have the corresponding post-termination rights to store, provide access

to, and otherwise enable the permitted delivery of, such Digitally Delivered Products to such users for the remaining duration of their respective rights, licenses and entitlements.

22.7 Return of the SIE Materials. Upon the expiration or earlier termination of this GDPA or following either the 90 day period or the 180 day period referenced in Sections 22.4 and 22.5, and subject to Section 22.3, Publisher shall immediately deliver to SIE, or if and to the extent requested by SIE, destroy, all SIE Materials (other than this GDPA) and any and all copies thereof, including any SIE Materials disclosed by Publisher to any third party pursuant to this GDPA, and delete any SIE Materials stored in electronic form. Publisher and SIE shall, upon the request of the other party, immediately deliver to the other party, or to the extent requested by such party destroy, all confidential information of the other party, including any and all copies thereof, which the other party previously furnished to it in furtherance of this GDPA. Within [***] business days after any such destruction, Publisher or SIE, as appropriate, shall provide the other party with a certificate of destruction and an itemized statement, each certified to be accurate by an officer of Publisher or SIE, indicating the location and date of such destruction and the disposition of the remains of such destroyed materials. In the event that Publisher fails to return or certify the destruction of the SIE Materials and SIE must resort to legal means (including any use of lawyers) to recover the SIE Materials or the value thereof, all costs, including SIE's reasonable lawyers' fees, shall be borne by Publisher, and SIE may, in addition to SIE's other remedies, withhold such amounts from any payment otherwise due from SIE to Publisher under any agreement between SIE and Publisher.

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

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

23.2 FOR ALL CLAIMS BROUGHT BY OR AGAINST SIEA OR RELATING TO SIEA ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SIEA TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, EXCLUDING THAT BODY OF LAW RELATED TO CHOICE OF LAWS. SUBJECT TO SECTIONS 24.1 AND 24.2, FOR ANY ACTION OR PROCEEDING TO ENFORCE THE TERMS OF THIS GDPA OR TO ADJUDICATE ANY DISPUTE ARISING UNDER THIS

GDPA, THE PARTIES CONSENT TO JURISDICTION AND VENUE IN THE SUPERIOR COURT FOR THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF SAN MATEO, AND THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA. EACH PARTY HEREBY WAIVES ALL DEFENSES OF LACK OF PERSONAL JURISDICTION AND FORUM NON CONVENIENS.

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

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

24.1 Any claim brought against SIEA, or any Dispute relating to SIEA or Development Tools located in the SIEA Territory will be submitted to binding arbitration conducted in accordance with and subject to the Commercial Arbitration Rules of the American Arbitration Association, except to the extent otherwise required under this dispute resolution clause. One arbitrator will be selected by the mutual agreement of SIEA and Publisher or, failing that, by the American Arbitration Association. The arbitrator must have substantial experience in disputes involving technology licensing agreements. The arbitrator will allow such discovery as is appropriate, and impose such restrictions as are appropriate, consistent with the purposes of arbitration in accomplishing fair, speedy and cost-effective resolution of disputes, except that (i) no requests for admissions will be permitted; (ii) interrogatories will be limited to (a) identifying persons with knowledge of relevant facts and (b) identifying expert witnesses and obtaining their opinions and the bases therefor; and (iii) SIEA and Publisher will each be limited to [***] depositions. Judgment upon the award rendered in any such arbitration may be entered in any court having jurisdiction thereof. Any arbitration conducted pursuant to this section will take place within the Northern District of California. SIEA and Publisher will bear their own costs and will share equally in paying the expenses and fees of the arbitrator. The arbitrator may not alter the foregoing allocation of their costs, nor of the arbitrator’s fees and expenses. Other than as set forth below with respect to interim, equitable, or conservatory relief for SIEA or any action necessary to enforce the award of the arbitrator, SIEA and Publisher agree that the

provisions of this section are a complete defense to any suit, action or other proceeding instituted in any court or before any administrative tribunal with respect to any Dispute.

24.2Notwithstanding the foregoing, any SIE Company or Publisher may seek a temporary restraining order, preliminary injunction, or other interim, equitable, or conservatory relief, with respect to the protection of any SIE Intellectual Property Rights or SIE Materials, including Licensed Trademarks, or Publisher Materials, as applicable, subject to Section 23.

25. Miscellaneous Provisions

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

25.1.1If to Publisher, to the address set forth in the first paragraph to this GDPA.

25.1.2If to SIE Inc.:

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

25.1.3If to SIEA:

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

25.1.4If to SIEE:

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

In addition, any notice sent by any SIE Company modifying the Guidelines may be sent by email to the email address set forth in the first paragraph to this GDPA.

25.2**Force Majeure.** Neither SIE nor Publisher shall be liable for any loss or damage or be deemed to be in breach of this GDPA if its failure to perform or failure to cure any of its obligations under this GDPA results from any event or circumstance beyond its reasonable control, including any natural disaster, fire, flood, earthquake or other Act of God; shortage of equipment, materials, supplies or transportation facilities; strike or other industrial dispute; war or rebellion; shutdown or delay in

power, telephone or other essential service due to the failure of computer or communications equipment or otherwise (each of the foregoing a “**Force Majeure Condition**”); provided, however, that the party interfered with gives the other party written notice thereof promptly, and, in any event, within fifteen (15) business days of discovery of any Force Majeure Condition. If notice of the existence of any Force Majeure Condition is provided within such period, the time for performance or cure shall be extended for a period equal to the duration of the Force Majeure Condition described in such notice, except that any such cause shall not excuse the payment of any sums owed by Publisher or any SIE Company prior to, during or after the occurrence of any Force Majeure Condition. In the event that the Force Majeure Condition continues for more than 60 days, SIE or Publisher may terminate this GDPA for cause by providing written notice to the other to such effect.

25.3 Non-Solicitation. Neither Publisher nor any Publisher Affiliate, by itself, its officers, employees or agents, directly or indirectly will, during the Term, induce or seek to induce, on an individually targeted basis, the employment or the engagement of the services of any employee of SIE or any Affiliate, whose services are (a) specifically engaged in product development or directly related functions or (b) otherwise reasonably deemed by his or her employer to be of material importance to the protection of its legitimate business interests, and (c) with whom Publisher or any of its affiliates shall have had contact or dealings during the Term, without first obtaining written permission from SIE. This restriction does not apply to, or limit in any way, recruitment of employees where such employees initiate contact with the other party by, for example, replying to a job posting or contacting a recruiter. These provisions shall continue to apply for a period of 12 months after this GDPA expires or is terminated.

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

25.5 Assignment. SIE has entered into this GDPA based upon the particular reputation, capabilities and experience of Publisher and its officers, directors and employees. Except as provided in this GDPA, Publisher may not assign, sublicense, subcontract, encumber or transfer this GDPA or any of its rights hereunder, nor delegate or transfer any of its obligations hereunder, to any third party unless the prior written consent of SIE shall first be obtained. Any attempted or purported assignment, delegation or other such transfer, directly or indirectly, without the required consent of SIE shall be void and a material breach of this GDPA; provided, however, that Publisher may assign this GDPA to a Publisher Affiliate upon written notice to the SIE. SIE shall have the right to assign, sub-license, encumber or transfer this GDPA or any and all of its rights and obligations hereunder solely to any Affiliate and to any other party with Publisher’s prior written consent not to be unreasonably withheld or delayed. SIE may subcontract to any third party, subject to the terms and conditions of Section 14. Subject to the foregoing, this GDPA shall inure to the benefit of the parties and their respective successors and permitted assigns (other than in connection with any of the events referenced in Section 21.5.4).

25.6 Third Party Rights. Except as expressly provided in this GDPA, and save that SIE Inc. may enforce in any Territory the terms of Sections 3 (Conditional License Grant), 5 (Other Limitations on Licensed Rights, 6.1 (Right to Develop), 6.4 (Authentication), 7.8 (Care and Maintenance of Development

Tools), 18 (Limitation of Liability), 19 (Infringement of SIE Intellectual Property Rights By Third Parties), 20 (Data Security and Confidentiality), 22 (Effect of Expiration or Termination), 23 (Choice of Law and Forum) and 25 (Miscellaneous Provisions), a person who is not a party to this GDPA shall have no right under any applicable law to enforce any of its terms.

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

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

25.9 Remedies. Unless expressly set forth to the contrary, either party's election of any remedies provided for in this GDPA shall not be exclusive of any other remedies at law or equity, and all such remedies shall be deemed to be cumulative. Any material breach of Sections 3, 4, 5, 20, or 22.2 - 22.7 of this GDPA would cause significant and irreparable harm to SIE, the extent of which would be difficult to ascertain and for which damages might not be an adequate remedy and any breach of Sections 20.6 of this GDPA would cause significant and irreparable harm to Publisher, the extent of which would be difficult to ascertain and for which damages might not be an adequate remedy. Accordingly, in addition to any other remedies, including damages to which either party may be entitled, in the event of a breach or threatened breach by the other party or any of its directors, officers, employees, agents or permitted consultants or subcontractors of any such section or sections of this GDPA, each party shall be entitled to the immediate issuance without bond or other security, of ex parte equitable relief, including injunctive relief, or, if a bond is required under applicable law, on the posting of a bond in an amount not to exceed [***] (or the equivalent amount in foreign currency if located outside of the SIEA Territory), enjoining any breach or threatened breach of any or all of such provisions taking place in the applicable Territory or otherwise affecting that Territory.

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

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

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

25.13 Modification and Amendment. SIE reserves the right, on notice and with immediate effect, to amend the provisions of this GDPA or the Guidelines to comply with any decision, order, or objection of any court or governmental or other competition authority of competent jurisdiction, or to comply with any statutory or similar measures that give effect to any such decision (from which this GDPA or the Guidelines are not exempt) or to reflect any undertaking by SIE to any such authority. Any such amendment shall be of prospective application only and shall not be applied to any PlayStation Compatible Products submitted to the applicable SIE Company pursuant to Section 6.3 prior to the date of SIE's notice of amendment. Except as otherwise provided in this GDPA, no modification or amendment of any provision of this GDPA shall be effective unless in writing and signed by both of the parties.

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

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

25.16 Counterparts. This GDPA may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one and the same instrument.

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

SONY INTERACTIVE ENTERTAINMENT TAKE-TWO INTERACTIVE SOFTWARE, INC. AMERICA LLC

By: /s/ Philip L. Rosenberg By: /s/ Daniel Emerson

Print Name: Philip L. Rosenberg Print Name: Daniel Emerson

Title: Senior Vice President Title: EVP & GC

Date: As of March 23, 2017 Date: As of March 23, 2017

TAKE-TWO INTERACTIVE JAPAN G.K. TAKE-TWO INTERACTIVE KOREA LTD.

By: /s/ Sebastian Belcher By: /s/ Sebastian Belcher

Print Name: Sebastian Belcher Print Name: Sebastian Belcher

Title: Director Title: Director

Date: As of March 23, 2017 Date: As of March 23, 2017

TAKE-TWO INTERACTIVE TAKE TWO INTERNATIONAL GMBH
SOFTWARE UK LIMITED

By: /s/ Sebastian Belcher By: /s/ Anouk Dutruit

Print Name: Sebastian Belcher Print Name: Anouk Dutruit

Title: Director Title: Director

Date: As of March 23, 2017 Date: As of March 23, 2017

NOT AN AGREEMENT UNTIL EXECUTED BY AN SIE COMPANY AND PUBLISHER

Sony Computer Entertainment

PLAYSTATION GDPA version 1.01 **CONFIDENTIAL**

SCHEDULE 1

DEFINITIONS

“Additional Terms” has the meaning set forth in Section 10.1.

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

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

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

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

“Development Tools” means the Hardware Tools and Software Tools.

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

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

“Dispute” has the meaning set forth in Section 24.

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

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

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

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

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

“Guidelines” means any standard guidelines, specifications or policies of an SIE Company with respect to the development, manufacture, marketing and publishing of PlayStation Compatible Products, including any requirements regarding the display of Licensed Trademarks, use of Advertising Materials, or the protection of SIE Intellectual Property Rights and that are generally applicable to all Licensed Developers and/or Licensed Publishers. The Guidelines, and any modifications or additions made from time to time in accordance with Section 4, shall be set forth on the Developer Website or at such URL as is provided by SIE to Publisher. The Guidelines shall be comparable to the guidelines applied by SIE to its own software products for the Systems. The Guidelines are incorporated into and form a part of this GDPA.

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

“Initial Term” has the meaning set forth in Section 21.1.

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

“Licensed Developer” means an entity that has in effect a Licensed Developer Agreement with an SIE Company, or that has signed a Global Developer and Publisher Agreement and been accepted as a “Licensed Publisher” as set forth in Section 3.

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

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

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

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

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

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

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

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

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

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

“PlayStation Compatible Product” means any software, content, service, hardware, Peripheral, good, or other item intended for or capable of use on, interaction with, or connection to a System, or which uses or is capable of using any service, aspect, or feature of PSN or PSN data, or which affects the gameplay of Users. PlayStation Compatible Product includes applications (including companion apps), communication features, virtual currency, audio and visual material (including demos, videos, themes, wallpapers, levels, maps, consumable items, skins, virtual items, and avatars), modifications, improvements, additions, upgrades, updates, patches, scripts, player statistics and data, notices, links or other content, intended for or capable of use on, interaction with, or connection to a System.

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

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

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

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

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

“Product Proposal” means a written proposal prepared by Publisher and submitted to SIE under the Guidelines regarding the concept and design for a PlayStation Compatible Product.

“Product Submission” has the meaning given to it in Section 9.2.7

“PSN” means the proprietary online network operated by SIE or Affiliates accessible via the Systems and other devices, including services provided as part of or through that network, such as PlayStation Now and the PlayStation Store. PSN includes new services and features developed and offered after the date of this GDPA, and other online networks launched after the date of this GDPA, as specified by SIE.

“PSN ID” means SIE’s unique User identifier on PSN.

“Publisher” has the meaning set forth in the first paragraph of this GDPA. For the avoidance of doubt, a “Publisher” may be an entity which chooses only to exercise the rights to develop, and not the rights to publish, Licensed Products under this GDPA.

“Publisher Affiliate” means the entities listed in Schedule 2, as updated in writing by the parties from time to time.

“Publisher Confidential Information” has the meaning set forth in Section 20.6.1.

“Publisher EULA” has the meaning set forth in Section 10.2.

“Publisher-Indemnified Claim(s)” has the meaning set forth in Section 17.2.

“Publisher Intellectual Property Rights” means those Intellectual Property Rights that are owned and controlled by Publisher and that relate to the Publisher Property, Packaging, Product Information, Product Proposals, Printed Materials, Advertising Materials or other materials.

“Publisher Property” means that part of a PlayStation Compatible Product developed by or on behalf of Publisher, or controlled by Publisher, or provided by or on behalf of Publisher in connection with any PlayStation Compatible Product, not including any Software Tools or SIE Intellectual Property Rights.

“Purchase Order” means a written purchase order issued by Publisher pursuant to Section 8.3, regarding the purchase of Physical Media Products (or other products or materials that may be ordered under this GDPA), that conforms to the Guidelines and other terms and conditions imposed by the applicable SIE Company or applicable Designated Manufacturing Facility.

“SIE” has the meaning set forth in the first paragraph of this GDPA.

“SIE Company” has the meaning set forth in the first paragraph of this GDPA.

“SIE-Indemnified Claim(s)” has the meaning set forth in Section 17.1.

“SIE Intellectual Property Rights” means those Intellectual Property Rights that relate to a System, the design and development of PlayStation Compatible Products, PSN and any SIE Materials.

“SIE Materials” means the Development Tools, the terms of this GDPA, the Guidelines, all information obtained from a Developer Website; other information, documents and materials developed, owned, licensed or under the control of SIE or any Affiliate, including all those relating to processes, data, hardware, software, network communications and related activities, inventions, trade secrets, ideas, creations, improvements, designs, discoveries, developments, research and know-how, including SIE Intellectual Property Rights relating to the Development Tools; information, documents and other materials regarding SIE’s or any Affiliate’s finances, business and business methods (including commercial relationships, licensing terms, pricing and customers lists), marketing and technical plans, and development and production plans; and third-party information and documents licensed to or under the control of SIE or any Affiliate. SIE Materials consists of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to Publisher before or during the Term, including information subsequently reduced to tangible or written form. In addition, the existence of a relationship between Publisher and SIE shall be deemed to be SIE Materials unless otherwise agreed to in writing by the parties, or until publicly announced by either party upon the other party’s prior written consent.

“SIEA” has the meaning set forth in the first paragraph of this GDPA.

“SIEE” has the meaning set forth in the first paragraph of this GDPA.

“SIE Inc.” has the meaning set forth in the first paragraph of this GDPA.

“SIEA Territory” means the following countries: Canada, Mexico, Brazil, Chile, Argentina, Peru, Ecuador, Colombia, Nicaragua, Honduras, Costa Rica, Guatemala, El Salvador, Panama, Bolivia, Paraguay, United States of America (and its territories and possessions), and Uruguay, or as otherwise provided in the Guidelines.

“SIEE Territory” means the following countries: Albania, Algeria, Andorra, Angola, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belgium, Belorussia, Bosnia Herzegovina, Botswana, Bulgaria, Cameroon, Croatia, Cyprus, Czech Republic, Denmark , Djibouti, Egypt, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Gibraltar, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Jordan, Kazakhstan, Kenya, Kosovo, Kuwait, Kyrgyzstan, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malta & Gozo, Mauritius, Moldova, Monaco, Montenegro, Morocco, Mozambique, Namibia, Netherlands , New Zealand, Nigeria, Norway, Oman, Pakistan, Papua New Guinea, Poland, Portugal, Qatar, Romania, Russian Federation, San Marino, Saudi Arabia, Senegal, Slovakia, Slovenia, Somalia, South Africa, Spain, Swaziland, Sweden, Switzerland, Tajikistan, Tanzania, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, united Arab Emirates, United Kingdom, Uzbekistan, Vatican, Yemen, Zaire, Zambia and Zimbabwe, or as otherwise provided in the Guidelines.

“SIE Inc. Territory” means the following countries: Thailand, Philippines, Malaysia, Vietnam, Singapore, Indonesia, Taiwan, Korea, Hong Kong, People’s Republic of China and Japan, or as otherwise provided in the Guidelines.

“Software Product License Agreement” means the end-user license agreement between Publisher, SIEA and a user found at us.playstation.com/softwarelicense or, for SIEE, the Software Usage Terms (or equivalent) between SIEE and a user found on the packaging or eu.playstation.com/legal.

“Software Tools” means software (including object code, source code and libraries and Firmware that SIE may provide to Licensed Publishers or Licensed Developers) and Documentation relating to the development of PlayStation Compatible Products.

“System” means each of the proprietary PlayStation systems known as the PlayStation, PlayStation 2, PlayStation 3, PlayStation 4, PlayStation Portable (PSP), PlayStation Vita (PS Vita), and PlayStation Vita TV (PS Vita TV), including all iterations and server emulation of each. Collectively, all of the foregoing are referred to as the “Systems.”

“System Bypass Areas” has the meaning set forth in Section 5.1.

“Term” has the meaning set forth in Section 21.2.

“Territory” means any one of the SIEA Territory, the SIEE Territory, or the SIE Inc. Territory.

“ToSUA” means the terms of service for PSN, as amended from time to time.

“User” means an individual with a PSN account.

“User Content” has the meaning given to it in Section 6.7

“VAT” means Value Added Tax as set out in the UK Value Added Tax Act 1994 or, in relation to any member state of the European Union, the equivalent system of Value Added Tax as defined in the EU VAT Directive (2006/112/EC) or, in relation to any non-EU country, the equivalent tax, such as, but not limited to, VAT, sales tax and GST.

“Wholesale Price” means, for Digitally Delivered Products sold by Publisher to SIE for resale, the price that Publisher offers and SIE accepts for each unit of a specified Digitally Delivered Product, as may be stated in a form provided by SIE. For Physical Media Products, “Wholesale Price” means the initial wholesale price or price to trade Publisher offers to retailers, distributors, wholesalers or other intermediaries of Physical Media Products, as evidenced by sell sheets or other trade materials.

Sony Computer Entertainment

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SCHEDULE 2
Publisher Affiliates

Publishers

Take-Two Interactive Software, Inc.
Take-Two Interactive Japan G.K.
Take-Two Interactive Korea Ltd.
Take-Two Interactive Software UK Limited
Take Two International GmbH (publisher of Digitally Delivered Products in Latin America) 2K Games, Inc.
2K Sports, Inc.
Rockstar Games, Inc.

Developers

Rockstar Interactive India LLP
Rockstar Leeds Limited
Rockstar Lincoln Limited
Rockstar London Limited
Rockstar North Limited
Rockstar San Diego, Inc.
Rockstar Games Toronto ULC
Rockstar New England, Inc.
Rockstar Games, Inc. (including the development division known as Rockstar New York)
Visual Concepts Entertainment, Inc.
2K Games, Inc (including the development division known as Hangar 13)
Firaxis Games, Inc.
Cat Daddy Games, LLC
2K Czech s.r.o.
Irrational Games LLC d/b/a Ghost Story Games

Sony Computer Entertainment

Sony Computer Entertainment

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Subsidiaries of the Company

Name	Jurisdiction of Incorporation
2K Australia Pty. Ltd.	Australia
2K Czech, s.r.o.	Czech Republic
2K Games (Chengdu) Co., Ltd.	China
2K Games (Shanghai) Co., Ltd.	China
2K Games, Inc.	Delaware
2K, Inc.	New York
2K Marin, Inc.	Delaware
2K Play, Inc.	Delaware
2K Games Songs LLC	Delaware
2K Games Sounds LLC	Delaware
2K Games Tunes LLC	Delaware
2K Vegas, Inc.	Delaware
2KSports, Inc.	Delaware
A.C.N. 617 406 550 Pty Ltd.	Australia
Cat Daddy Games, L.L.C.	Washington
Digital Productions S.A.	Luxembourg
DMA Design Holdings Limited	United Kingdom
Double Take LLC	Delaware
Firaxis Games, Inc.	Delaware
Frog City Software, Inc.	Delaware
Gathering of Developers, Inc.	Texas
Gearhead Entertainment, Inc.	Pennsylvania
Indie Built, Inc.	Delaware
Inventory Management Systems, Inc.	Delaware
Irrational Games, LLC	Delaware
Jack of All Games Norge A.S.	Norway
Jack of All Games Scandinavia A.S.	Norway
Joytech Europe Limited	United Kingdom
Joytech Ltd.	Hong Kong
Kush Games, Inc.	California
Maxcorp Ltd.	Bermuda
Parrot Games, S.L.U.	Spain
Rockstar Events Inc.	New York
Rockstar Games, Inc.	Delaware
Rockstar Games Songs LLC	Delaware
Rockstar Games Sounds LLC	Delaware
Rockstar Games Toronto ULC	British Columbia
Rockstar Games Tunes LLC	Delaware
Rockstar Games Vancouver ULC	British Columbia
Rockstar Interactive India LLP	India
Rockstar International Limited	United Kingdom
Rockstar Leeds Limited	United Kingdom
Rockstar Lincoln Limited	United Kingdom
Rockstar London Limited	United Kingdom

Name	Jurisdiction of Incorporation
Rockstar New England, Inc.	Delaware
Rockstar North Limited	United Kingdom
Rockstar San Diego, Inc.	Virginia
Social Point, K.K.	Japan
Social Point, S.L.	Spain
T2 Developer, Inc.	Delaware
Take 2 Interactive Software Pty. Ltd.	Australia
Take 2 Productions, Inc.	Delaware
Take-Two Asia Pte. Ltd.	Singapore
Take-Two Chile SpA	Chile
Take-Two Europe (Holdings) Limited	United Kingdom
Take-Two GB Limited.	United Kingdom
Take-Two Holdings III LLC	Delaware
Take-Two Holdings II LLC	Delaware
Take Two Holdings LLC	Delaware
Take-Two Interactive Austria GmbH	Austria
Take-Two Interactive Benelux B.V.	Netherlands
Take-Two Interactive Canada Holdings, Inc.	Ontario
Take-Two Interactive Canada, Inc.	Ontario
Take-Two Interactive Espana S.L.	Spain
Take-Two Interactive France SAS	France
Take-Two Interactive GmbH	Germany
Take-Two Interactive Japan G.K.	Japan
Take-Two Interactive Korea Ltd.	South Korea
Take-Two Interactive Software Europe Limited	United Kingdom
Take-Two Interactive Software UK Limited	United Kingdom
Take-Two International B.V.	Netherlands
Take-Two International Holdings L.P.	Cayman Islands
Take-Two Invest Espana, S.L.	Spain
Take-Two UK Holdings Limited	United Kingdom
Take Two International GmbH	Switzerland
Talonsoft, Inc.	Delaware
Techcorp Ltd.	Hong Kong
Venom Games Limited	United Kingdom
Visual Concepts China Co., Ltd.	China
Visual Concepts Entertainment	California
VLM Entertainment Group, Inc.	Delaware
WC Holdco, Inc.	New York

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements (Form S-8 Nos. 333-158735, 333-177822, 333-191993, 333-198787 and 333-214285 and Form S-3 Nos. 333-189246, 333-204318, 333-204339, 333-211473, 333-211474 and 333-216019) of Take-Two Interactive Software, Inc. of our reports dated May 23, 2017, with respect to the consolidated financial statements of Take-Two Interactive Software, Inc. and the effectiveness of internal control over financial reporting of Take-Two Interactive Software, Inc. included in this Annual Report (Form 10-K) of Take-Two Interactive Software, Inc. for the year ended March 31, 2017.

New York, New York

/s/ ERNST & YOUNG LLP

May 23, 2017

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Strauss Zelnick, certify that:

1. I have reviewed this Annual Report on Form 10-K of Take-Two Interactive Software, Inc. (the “registrant”);
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 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 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.

May 23, 2017

/s/ STRAUSS ZELNICK
Strauss Zelnick
Chairman and Chief Executive Officer

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Lainie Goldstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Take-Two Interactive Software, Inc. (the “registrant”);
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 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 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.

May 23, 2017

/s/ LAINIE GOLDSTEIN
Lainie Goldstein
Chief Financial Officer

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

**CERTIFICATION 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 Annual Report of Take-Two Interactive Software, Inc. (the “Company”) on Form 10-K for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Strauss Zelnick, as Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 the Company.

May 23, 2017

/s/ STRAUSS ZELNICK
Strauss Zelnick
Chairman and Chief Executive Officer

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

**CERTIFICATION 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 Annual Report of Take-Two Interactive Software, Inc. (the “Company”) on Form 10-K for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lainie Goldstein, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 the Company.

May 23, 2017

/s/ LAINIE GOLDSTEIN
Lainie Goldstein
Chief Financial Officer
