



**Electronic Arts Inc.  
Fiscal Year 2018  
Proxy Statement and Annual Report**

**Notice of 2018 Annual Meeting  
and Proxy Statement**



**Electronic Arts Inc. Notice of 2018 Annual Meeting of Stockholders**

DATE: August 2, 2018  
TIME: 2:00 p.m. (Pacific)  
PLACE: ELECTRONIC ARTS' HEADQUARTERS  
Building 250\*  
209 Redwood Shores Parkway  
Redwood City, CA 94065

\* Please note: Building 250 is located on the headquarters' campus at 250 Shoreline Drive

**MATTERS TO BE VOTED UPON:**

<u>Agenda Item</u>	<u>Board of Directors Recommendation</u>
1. The election of nine members of the Board of Directors to hold office for a one-year term.	FOR ALL
2. Advisory vote on the compensation of our named executive officers.	FOR
3. Ratification of the appointment of KPMG LLP as our independent public registered accounting firm for the fiscal year ending March 31, 2019.	FOR
4. Any other matters that may properly come before the meeting.	

Any action on the items of business described above may be considered at the 2018 Annual Meeting of Stockholders (the "Annual Meeting") at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Stockholders of record as of the close of business on June 8, 2018 are entitled to notice of the Annual Meeting and to attend and vote at the Annual Meeting. A live audio webcast of the Annual Meeting will also be made available at <http://investor.ea.com>.

Your vote is important. You do not need to attend the Annual Meeting to vote if you have submitted your proxy in advance of the meeting. Whether or not you plan to attend the Annual Meeting, we encourage you to read this Proxy Statement and submit your proxy or voting instructions as soon as possible, so that your shares may be represented at the Annual Meeting. You may vote on the Internet, in person, by telephone, or, if you requested to receive printed proxy materials, by mailing a proxy card or voting instruction card. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials ("Notice") you received in the mail, the section titled "Commonly Asked Questions and Answers" beginning on page 55 of this Proxy Statement or, if you requested to receive printed proxy materials, your enclosed proxy card. Please note that this Proxy Statement, as well as our Annual Report on Form 10-K (the "Annual Report") for fiscal year ended March 31, 2018, is available at <http://investor.ea.com>.

By Order of the Board of Directors,

Jacob J. Schatz  
*Executive Vice President, General Counsel  
and Corporate Secretary*

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*In this Proxy Statement, we may make forward-looking statements regarding future events or the future financial performance of the Company. Statements including words such as “anticipate,” “believe,” “estimate” or “expect” and statements in the future tense are forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual events or actual future results to differ materially from those set forth in the forward-looking statements. Please refer to the Annual Report for a discussion of important factors that could cause actual events or actual results to differ materially from those discussed in this Proxy Statement. These forward-looking statements speak only as of the date of this Proxy Statement; we assume no obligation to, and do not necessarily intend to, update these forward-looking statements.*

## 2018 PROXY STATEMENT SUMMARY AND HIGHLIGHTS

This summary highlights information contained in this Proxy Statement, and it is qualified in its entirety by the remainder of this Proxy Statement which was distributed and/or made available via the Internet to stockholders on or about June 15, 2018 along with the Electronic Arts Inc. Notice of 2018 Annual Meeting of Stockholders, Annual Report and form of proxy. **You are encouraged to read the entire Proxy Statement carefully before voting.** In this Proxy Statement, the terms “EA,” “we,” “our” and “the Company” refer to Electronic Arts Inc.

### FISCAL 2018 SUMMARY OF EA’S BUSINESS

EA’s core strategies continued to deliver award-winning games and services to our players and deep player engagement. The breadth and depth of EA’s portfolio of games across key platforms, combined with our focus on live services to extend and enhance our games, generated strong financial results for the Company. We exceeded our net revenue and operating income guidance for fiscal 2018, drove higher gross margins, increased our cash provided by operations and invested in products and services for the future.

#### ***Fiscal 2018 GAAP Financial and Operating Highlights***

- We generated \$5,150 million of net revenue and \$3.34 diluted earnings per share.
- Our digital net revenue increased to \$3,450 million and represented 67% of our total net revenue.
- Operating profit margins were 27.8%.
- We delivered net income of \$1,043 million and operating cash flow of \$1,692 million.
- We generated net bookings for a fiscal year of \$5,180 million.
- Titles in our top franchises, including *FIFA 18*, *Battlefield 1*, *Star Wars Battlefront 2*, *The Sims 4*, our live services including *Ultimate Team* in our sports franchises and mobile titles including *Star Wars: Galaxy of Heroes* and *Madden NFL Mobile* delivered hundreds of millions of hours of entertainment.
- We repurchased 5.3 million shares for \$601 million.

The financial performance, operational achievements and other fiscal year events summarized above provide context for the compensation decisions made by the Compensation Committee and Board of Directors in fiscal 2018 as we continue to structure our executive compensation program to align with pay-for-performance considerations. The Company’s executive compensation program is designed to reward our officers for the achievement of specific Company-wide financial objectives and the creation of long-term stockholder value.

## EXECUTIVE COMPENSATION HIGHLIGHTS

### **Compensation Principles — Promoting Pay-for-Performance**

The design of our compensation programs is guided by a compensation philosophy based on three core principles intended to attract and retain high-performing executives and promote a pay-for-performance approach to executive compensation:

- **Principle 1 — Cash Compensation:** A significant portion of each NEO’s cash compensation should be at risk, based on the annual financial and operational performance of the Company, in addition to the NEO’s individual performance;
- **Principle 2 — Equity Compensation:** A significant portion of each NEO’s total compensation should be provided in the form of long-term equity to enhance alignment between the interests of our NEOs and our stockholders and to promote long-term retention of a strong leadership team in an industry and geographic area that are highly competitive for executive talent; and
- **Principle 3 — Target Total Direct Compensation:** The target total direct compensation package for each NEO should be consistent with market practices for executive talent and should reflect each NEO’s individual experience, responsibilities and performance.

Our executive compensation programs are designed to align the interests of our executives with the interests of our stockholders.

What We Do	What We Don't Do
<input checked="" type="checkbox"/> Incorporate both performance-based restricted stock units (“RSUs”) and time-based restricted stock units (“RSUs”)	<input type="checkbox"/> Have a “single-trigger” change in control plan
<input checked="" type="checkbox"/> Require at least 50% of our executive officers’ total equity value to be granted in the form of RSUs	<input type="checkbox"/> Provide excise tax gross-up upon a change in control
<input checked="" type="checkbox"/> Require our executives to satisfy stock ownership guidelines	<input type="checkbox"/> Have executive employment contracts (other than as required by local jurisdictions)
<input checked="" type="checkbox"/> Prohibit all employees from engaging in hedging transactions in EA stock and prohibit executive officers from pledging EA common stock	<input type="checkbox"/> Reprice options without stockholder approval
<input checked="" type="checkbox"/> Conduct annual “say on pay” advisory votes	
<input checked="" type="checkbox"/> Recover (clawback) equity compensation for misconduct in the event of a financial restatement	
<input checked="" type="checkbox"/> Align performance-based equity vesting with stockholder interests	

## BOARD NOMINEES

The following table provides summary information about our director nominees, each of whom is a current director of the Company.

Name	Principal Occupation	Director Since	Independent	Committee Memberships
Mr. Leonard S. Coleman	Former President of The National League of Professional Baseball Clubs	2001	X	NG, C
Mr. Jay C. Hoag	Founding General Partner, Technology Crossover Ventures	2011	X	C (chair)
Mr. Jeffrey T. Huber	Vice Chairman, GRAIL, Inc.	2009	X	A
Mr. Lawrence F. Probst III (Chairman)	Chairman, United States Olympic Committee	1991	X	
Ms. Talbott Roche	President and Chief Executive Officer, Blackhawk Network Holdings, Inc.	2016	X	C
Mr. Richard A. Simonson	Executive Vice President, Chief Financial Officer, Sabre Corporation	2006	X	A (chair)
Mr. Luis A. Ubiñas (Lead Director*)	Former President, Ford Foundation	2010	X	NG (chair)
Ms. Heidi J. Ueberroth	President, Globicon	2017	X	
Mr. Andrew Wilson	Chief Executive Officer, Electronic Arts Inc.	2013		

\* Elected by independent directors

NG: Nominating and Governance Committee

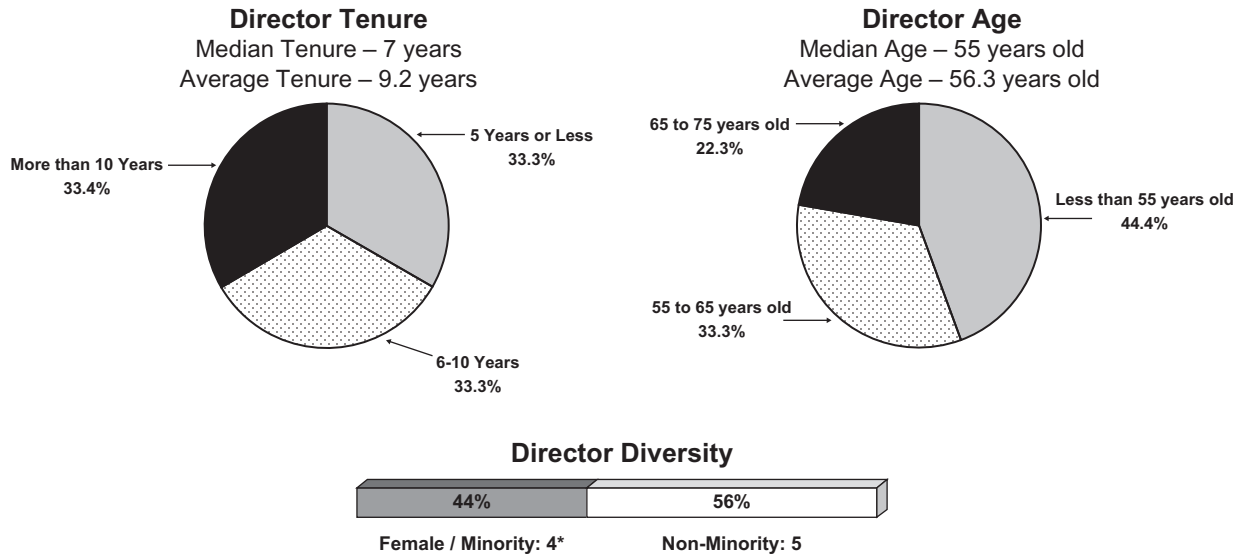
C: Compensation Committee

A: Audit Committee

On May 30, 2018, EA announced that Mr. Vivek Paul and Ms. Denise Warren would retire from the Board of Directors, effective as of the date and time of the Annual Meeting. The Board of Directors has determined to reduce the size of the Board of Directors from eleven members to nine members, effective as of the date and time of the Annual Meeting and thus is nominating nine directors for election or re-election at the Annual Meeting. The Board of Directors will designate a board member to succeed Ms. Warren on the Audit Committee.

## BOARD DIVERSITY AND REFRESHMENT

The Board of Directors routinely assesses its composition and believes that stockholder value can be driven by a board that balances the knowledge and understanding of the Company’s business that results from long-term service with the fresh perspective and ideas driven by the addition of new members. In addition, the Board of Directors believes that complementary and diverse perspectives, whether based on business experience, diversity of gender, ethnicity, culture or other factors, contribute to the Board of Directors’ effectiveness as a whole. The Board of Directors has regularly added new members — three of our nine director nominees have served for five years or less — and the two most recent additions to the Board of Directors, Ms. Talbott Roche and Ms. Heidi Ueberroth, represent an increase in the Board of Directors’ gender diversity.



\* Mr. Coleman, Ms. Roche, Mr. Ubiñas, Ms. Ueberroth



## CORPORATE GOVERNANCE HIGHLIGHTS AND REPORT

<b>Board Independence</b>	
Independent Director Nominees	8 of 9
Independent Lead Director	Luis A. Ubiñas
Independent Board Committees	All
Conflict of Interest Policy	Yes
<b>Director Elections</b>	
Frequency of Board elections	Annual
Voting standard for uncontested elections	Majority of votes cast
Stockholder proxy access	Yes
<b>Board Operations</b>	
Number of incumbent directors that attended 100% of applicable Board and standing committee meetings in fiscal 2018;	8 of 11
Number of incumbent directors that attended at least 80% of all applicable meetings	11 of 11
Board Evaluations	Annual
Committee Evaluations	Annual
Director stock ownership requirement	Yes, 5x retainer
Chairman/CEO role	Split
<b>Stockholder Rights</b>	
Voting rights for all shares	One-share, one-vote
Poison Pill	No
Supermajority Voting Provisions	None

## CORPORATE SOCIAL RESPONSIBILITY

**Diversity and Inclusion.** We believe in creating games and experiences for our global player community that are a reflection of a diverse world. As we aim to inspire the world to play, a diverse and inclusive workforce enables us to deliver the games and experiences that inspire and delight our diverse player community. We are investing in internal and external initiatives that empower our employees, celebrate diversity and foster inclusion within EA and our communities, including employee resource groups and inclusion training courses.

**Equal Pay for Equal Work.** EA believes in equal pay for equal work, and we have made efforts across our global organization to promote equal pay practices. We are committed to continuing to assess pay equity and aim for equal pay for equal work across our global organization.

**Sustainability.** We aim to integrate environmental responsibility and sustainability into our operational and product strategies. We reduce our carbon footprint by the manner through which we bring our games and services to players and by making environmentally-conscious choices in our offices worldwide.

Our business is transforming as players increasingly engage with our games and services digitally instead of purchasing disc-based products through retailers. Delivering digital games to our players does not require the manufacturing, packaging, and distribution of physical discs, which reduces our carbon footprint and the waste generated by our operations. We recognize that reliably delivering digital products and operating our increasingly digital business has increased our reliance on data centers, and the associated energy consumption. As a result, we aim to manage a significant portion of our data center usage through partners that have made a commitment to increasing the amount of renewable energy in their electricity supply.

# BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Each of the following directors has been nominated for election or re-election at the Annual Meeting. As set forth below, we believe each of these directors brings a valuable and unique perspective to the Board of Directors and has the necessary experience, skills and attributes to serve on the Board of Directors and contribute to its overall effectiveness, and the Board of Directors has concluded that each is qualified to serve as a director based on the experiences, qualifications and attributes set forth below.

## **Leonard S. Coleman**

*Director since 2001*

Mr. Coleman, age 69, served as Senior Advisor to Major League Baseball from 1999 until 2005 and, from 2001 to 2002, was the Chairman of ARENACO, a subsidiary of Yankees/Nets. Mr. Coleman was President of The National League of Professional Baseball Clubs from 1994 to 1999. Mr. Coleman also serves on the board of directors of Avis Budget Group, Inc., Hess Corporation and Omnicom Group Inc. and has served as a director of Aramark and Churchill Downs Incorporated during the past five years.

Mr. Coleman brings a wealth of corporate governance, public sector and international experience to the Board of Directors from his years of service on the boards of directors for numerous large, public companies and his involvement in diverse public-service organizations, as well as his extensive knowledge of the sports industry.

## **Jay C. Hoag**

*Director since 2011*

Mr. Hoag, age 60, co-founded Technology Crossover Ventures, a leading provider of growth capital to technology companies, in 1995, and serves as its Founding General Partner. Mr. Hoag serves on the board of directors of Netflix, Inc., TripAdvisor, Inc. and Zillow Group, Inc. and several private companies. Mr. Hoag also serves on the Boards of Trustees of Northwestern University and Vanderbilt University, and on the Investment Advisory Board of the University of Michigan. Mr. Hoag has served as a director of TechTarget, Inc. during the past five years. Mr. Hoag holds a B.A. from Northwestern University and an M.B.A. from the University of Michigan.

As a venture capital investor, Mr. Hoag brings strategic insight and financial experience to the Board of Directors. He has evaluated, invested in and served as a board member and compensation committee member at numerous companies, both public and private, and is familiar with a full range of corporate and board functions. His many years of experience in helping companies shape and implement strategy provide the Board of Directors with useful perspectives on matters such as risk management, compensation program structure and design, corporate governance, talent selection and management.

## **Jeffrey T. Huber**

*Director since 2009*

Mr. Huber, age 50, is the Vice Chairman of GRAIL, Inc., a life sciences company. Previously, Mr. Huber served as Senior Vice President of Alphabet Inc. (formerly Google Inc.), where he worked from 2003 to 2016. From 2001 to 2003, Mr. Huber served as Vice President of Architecture and Systems Development at eBay Inc. Prior to joining eBay, Mr. Huber was Senior Vice President of Engineering at Excite@Home, where he worked from 1996 to 2001. Mr. Huber has served on the board of directors of Illumina, Inc. during the past five years. Mr. Huber holds a B.S. degree in Computer Engineering from the University of Illinois and a Masters degree from Harvard University. Mr. Huber serves as a visiting scholar at Stanford University.

Mr. Huber has extensive operational and management experience at companies that apply rapidly-changing technology. Mr. Huber's experience at Alphabet and eBay, in particular, provide background and experience, including risk management experience with respect to consumer online companies that deploy large-scale technological infrastructure.

**Lawrence F. Probst III**

*Director since 1991, Chairman since 1994*

Mr. Probst, age 68, has been our Chairman of the Board of Directors since July 1994. He was employed by EA from 1984 to 2008, as well as from March 2013 until December 2014, serving as our Chief Executive Officer from 1991 until 2007 and as our interim Chief Executive Officer from March 2013 until September 2013. Mr. Probst serves as the Chairman of the board of directors of the U.S. Olympic Committee and is a member of the International Olympic Committee. Mr. Probst has served as a director of Blackhawk Network Holdings, Inc. during the past five years. Mr. Probst holds a B.S. degree from the University of Delaware.

Mr. Probst served as the Company's Chief Executive Officer for more than 15 years and has served as the Chairman of the Board of Directors for over 20 years. Mr. Probst contributes to the Board of Directors his deep understanding of the Company's operational and strategic business goals and direct experience with Company and industry-specific opportunities and challenges.

**Talbott Roche**

*Director since June 2016*

Ms. Roche, age 51, has served as Chief Executive Officer and a member of the board of directors of Blackhawk Network Holdings, Inc., a leading prepaid payment network, since February 2016, and as President since November 2010. Ms. Roche has held several positions at Blackhawk Network Holdings since joining in 2001, including Senior Vice President, Marketing, Product and Business Development and Assistant Vice President. Prior to joining Blackhawk Network Holdings, Ms. Roche served as a Branding Consultant and Director of New Business Development for Landor Associates, a marketing consulting firm, and held executive positions at News Corporation, a media and marketing services company. Ms. Roche has previously served as a member of the board of directors of the Network Branded Prepaid Card Association, a trade association. Ms. Roche holds a B.A. in economics from Stanford University.

Ms. Roche brings to the Board of Directors her operational and management experience within a global organization. In addition, Ms. Roche's understanding and experience with digital commerce, marketing and consumer trends provide the Board of Directors with valuable perspective.

**Richard A. Simonson**

*Director since 2006*

Mr. Simonson, age 59, has served as Executive Vice President and Chief Financial Officer of Sabre Corporation since March 2013. Previously, Mr. Simonson served as President, Business Operations and Chief Financial Officer of Rearden Commerce from April 2011 through May 2012. From 2001 to 2010, Mr. Simonson held a number of executive positions at Nokia Corporation, including Executive Vice President, Head of Mobile Phones and Sourcing, Chief Financial Officer, and Vice President and Head of Customer Finance. Mr. Simonson also serves on the Board of Trustees of the SMU Lyle School of Engineering. Mr. Simonson served as a director of Silver Spring Networks, Inc. during the past five years. Mr. Simonson holds a B.S. degree from the Colorado School of Mines and an M.B.A. from Wharton School of Business at the University of Pennsylvania.

Mr. Simonson brings to the Board of Directors extensive financial expertise, corporate governance and risk management experience as a public company Chief Financial Officer. He also has extensive experience with the strategic and operational challenges of leading a global company.

**Luis A. Ubiñas**

*Director since 2010, Lead Director since 2015*

Mr. Ubiñas, age 55, served as President of the Ford Foundation from 2008 to 2013. Prior to joining the Ford Foundation, Mr. Ubiñas spent 18 years with McKinsey & Company, where he held various positions, including Managing Director of the firm's west coast media practice working with technology, telecommunications and media companies. Mr. Ubiñas also serves on the board of directors of Boston Private Financial Holdings, Inc. and on the boards of several non-profit organizations. Mr. Ubiñas has served as a director of CommerceHub, Inc. and Valassis Communications, Inc. during the past five years. He holds a B.A. degree from Harvard College and an M.B.A. from Harvard Business School, is a fellow of the American Academy of Arts and Sciences and a member of the Council on Foreign Relations.

Mr. Ubiñas has extensive experience in business management and operations from his years of overseeing more than \$12 billion in assets and over \$500 million in annual giving at the Ford Foundation. In addition, through his prior experience as a Managing Director at McKinsey & Company, he has worked with technology, telecommunications and media companies in understanding the challenges and opportunities presented by digital distribution platforms and applications. Mr. Ubiñas has worked extensively with companies managing the transition from physical to digital distribution and business models.

**Heidi J. Ueberroth**

*Director since 2017*

Ms. Ueberroth, age 52, is the President of Globicon, a private investment and advisory firm focused on the media, sports, entertainment and hospitality industries. Prior to Globicon, Ms. Ueberroth served in several positions at the National Basketball Association between 1994 and 2013, including as President of NBA International from 2009 to 2013 and as President of Global Marketing Partnerships and International Business Operations from 2006 to 2009. Ms. Ueberroth also serves on the board of directors of the privately-held Four Seasons Hotels and Resorts, the privately-held Pebble Beach Company and on the boards of several non-profit organizations. Ms. Ueberroth has served as a director of Santander Consumer USA Holdings Inc. during the past five years. Ms. Ueberroth holds a B.A. degree from Vanderbilt University and serves on its Arts and Science Board of Visitors.

Ms. Ueberroth brings to the Board of Directors extensive global experience in the sports, media and entertainment industries, including with respect to developing and marketing products and services in Asian markets. In addition, Ms. Ueberroth's past and present board service bring the experience of overseeing strategic and operational challenges of a global company.

**Andrew Wilson**

*Director since 2013*

Mr. Wilson, age 43, has served as EA's Chief Executive Officer and as a director of EA since September 2013. Prior to his appointment as our Chief Executive Officer, Mr. Wilson held several positions within the Company since joining EA in May 2000, including Executive Vice President, EA SPORTS from August 2011 to September 2013 and Senior Vice President, EA SPORTS from March 2010 to August 2011. Mr. Wilson also serves as a director of Intel Corporation and is chairman of the board of the privately-held World Surf League.

Mr. Wilson has served as the Company's Chief Executive Officer since September 2013 and has been employed by EA in several roles since 2000. In addition to Mr. Wilson's extensive experience and knowledge of the Company and the industry, we believe it is crucial to have the perspective of the Company's Chief Executive Officer represented on the Board of Directors to provide direct insight into the Company's day-to-day operation and strategic vision.

## DIRECTOR INDEPENDENCE

Our Board of Directors has determined that each of our non-employee directors qualifies as an “independent director” as that term is used in the NASDAQ Stock Market Rules; each member of our standing committees is independent in accordance with those standards. Mr. Wilson, our CEO, does not qualify as independent. The NASDAQ Stock Market Rules have both objective tests and a subjective test for determining independence. The Board of Directors has not established categorical standards or guidelines to make these subjective determinations, but considers all relevant facts and circumstances. In May 2018, the Board of Directors, acting upon the recommendation of the Nominating and Governance Committee, determined that Mr. Probst, our Chairman of the Board, qualified as an independent director. Mr. Probst has not been an employee of the Company for over three years and meets all objective tests for independence. In addition, the Board of Directors determined that Mr. Probst meets the subjective tests of independence.

In addition to the board-level standards for director independence, the directors who serve on the Nominating and Governance, Audit and Compensation Committees each satisfy standards established by the SEC and the NASDAQ Stock Market to qualify as “independent” for the purposes of membership on those committees.

## BOARD OF DIRECTORS, BOARD MEETINGS AND COMMITTEES

In fiscal 2018, the Board of Directors met five times and also acted by written consent. At regularly scheduled meetings, the independent members of the Board of Directors meet in executive session separately without management present.

### ***Board of Directors Leadership Structure***

Mr. Wilson serves as our CEO, and Mr. Probst serves as our Chairman. In addition, Mr. Ubiñas, our Lead Director, was elected by the independent directors and is responsible for chairing executive sessions of the Board of Directors and other meetings of the Board of Directors in the absence of the Chairman, serving as a liaison between the Chairman and the other independent directors, and overseeing the Board of Directors’ stockholder communication policies and procedures (including, under appropriate circumstances, meeting with stockholders). Mr. Ubiñas also may call meetings of the independent directors. Mr. Ubiñas has served as our Lead Director since 2015. Mr. Ubiñas was chosen by the independent directors to serve as Lead Director following the 2017 annual meeting for an additional two-year term, ending with our 2019 annual meeting, subject to Mr. Ubiñas’ re-election to the Board of Directors.

The Board of Directors believes that this leadership structure with Mr. Wilson serving as CEO, Mr. Probst serving as the Chairman and Mr. Ubiñas serving as Lead Director is the appropriate leadership structure for the Company. Mr. Probst, though an independent director, was an employee of the Company for 25 years, more than 15 of which were in service as CEO and Executive Chairman. As a result of his many years of service to the Company, Mr. Probst has invaluable knowledge regarding the Company and the interactive entertainment industry and is uniquely positioned to lead the Board of Directors in its review of management’s strategic plans. Given Mr. Probst’s past service with the Company, the Board of Directors believes that a strong and empowered Lead Director provides an essential mechanism for independent viewpoints, and as the Chairman of the Nominating and Governance Committee, Mr. Ubiñas is well suited for this role because, among other things, he is not affiliated with the Company under any applicable rules or guidelines.

### ***Board Committees***

The Board of Directors currently has a standing Audit Committee, Compensation Committee and Nominating and Governance Committee. Each of these standing committees operates under a written charter adopted by the Board of Directors. These charters are available in the Investor Relations section of our website at <http://investor.ea.com>.

All members of these committees are independent directors. During fiscal 2018, all eleven incumbent directors attended or participated in 80% or more of the aggregate of (1) the number of applicable meetings of the Board or Directors and (2) the number of applicable meetings held by each committee on which such director was a member. The members of our standing committees are set forth below:

Audit Committee:	Richard A. Simonson (Chair), Jeffrey T. Huber and Denise F. Warren
Nominating and Governance Committee:	Luis A. Ubiñas (Chair), Leonard S. Coleman and Vivek Paul
Compensation Committee:	Jay C. Hoag (Chair), Leonard S. Coleman and Talbott Roche

### ***Audit Committee***

The Audit Committee assists the Board of Directors in its oversight of the Company's financial reporting and is directly responsible for the appointment, compensation and oversight of our independent auditors. The Audit Committee also is responsible for establishing and maintaining complaint procedures with respect to internal and external concerns regarding accounting or auditing matters, oversight of tax and treasury policies and practices and oversight of the Company's internal audit function. The Audit Committee has the authority to obtain advice and assistance from outside advisors without seeking approval from the Board of Directors, and the Company will provide appropriate funding for payment of compensation to advisors engaged by the Audit Committee. The Audit Committee currently is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements and the financial literacy standards of the NASDAQ Stock Market Rules, as well as the independence requirements of the SEC. The Board of Directors has determined that Mr. Simonson meets the criteria for an "audit committee financial expert" as set forth in applicable SEC rules. The Audit Committee met ten times and also acted by written consent in fiscal 2018. For further information about the Audit Committee, please see the "Report of the Audit Committee of the Board of Directors" below.

### ***Nominating and Governance Committee***

The Nominating and Governance Committee is responsible for recommending to the Board of Directors nominees for director and committee memberships. The Nominating and Governance Committee also is responsible for reviewing developments in corporate governance, recommending formal governance standards to the Board of Directors, establishing the Board of Directors' criteria for selecting nominees for director and for reviewing from time to time the appropriate skills, characteristics and experience required of the Board of Directors as a whole, as well as its individual members, including such factors as business experience and diversity. In addition, the Nominating and Governance Committee is responsible for reviewing the performance of the CEO. The Nominating and Governance Committee manages the process for emergency planning in the event the CEO is unable to fulfill the responsibilities of the role and also periodically evaluates internal and external CEO candidates for succession planning purposes. The Nominating and Governance Committee also reviews with management diversity, corporate responsibility and sustainability issues affecting the Company. The Nominating and Governance Committee currently is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Stock Market Rules. The Nominating and Governance Committee met four times in fiscal 2018.

### ***Compensation Committee***

The Compensation Committee is responsible for setting the overall compensation strategy for the Company, recommending the compensation of the CEO to the Board of Directors, determining the compensation of our other executive officers and overseeing the Company's bonus and equity incentive plans and other benefit plans. For further information about the role of our executive officers in recommending the amount or form of executive compensation, please see "The Process for Determining our NEOs' Compensation" in the "Compensation Discussion and Analysis" section of this Proxy Statement. In addition, the Compensation Committee is responsible for reviewing and

recommending to the Board of Directors compensation for non-employee directors and compensation for employees that would qualify as a “Related Person Transaction” under our Related Person Transaction Policy. The Compensation Committee currently is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Stock Market Rules and the SEC rules. Each director also qualifies as an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”). The Compensation Committee may delegate any of its authority and duties to subcommittees, individual committee members or management, as it deems appropriate in accordance with applicable laws, rules and regulations. During fiscal 2018, the Compensation Committee met five times and also acted by written consent.

The Compensation Committee has the authority to engage the services of outside advisors, after first conducting an independence assessment in accordance with applicable laws, regulations and exchange listing standards. During fiscal 2018, the Compensation Committee engaged and directly retained Compensia, Inc. (“Compensia”), a national compensation consulting firm, to assist with the Compensation Committee’s analysis and review of the compensation of our executive officers and other aspects of our total compensation strategy. Compensia performed no other services for the Company and its management team during fiscal 2018. The Compensation Committee has reviewed the independence of Compensia and determined that Compensia’s engagement did not raise any conflicts of interest.

### **ANNUAL BOARD AND COMMITTEE SELF-EVALUATIONS**

Our Board of Directors and each of our committees conducts an annual evaluation, which includes a qualitative assessment by each director of the performance of the Board of Directors, as a whole, and the committee or committees on which each director sits. The evaluation is intended to determine whether the Board of Directors and each committee are functioning effectively, and to provide them with an opportunity to reflect upon and improve processes and effectiveness. The evaluations are led by Mr. Ubiñas, our Lead Director and Chairman of the Nominating and Governance Committee. A summary of the results is presented to the Nominating and Governance Committee and the Board of Directors on an aggregated basis, noting any themes or common issues.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During fiscal 2018, no member of the Compensation Committee was an employee or current or former officer of EA, nor did any member of the Compensation Committee have a relationship requiring disclosure by EA under Item 404 of SEC Regulation S-K. No EA officer serves or has served since the beginning of fiscal 2018 as a member of the board of directors or the compensation committee of a company at which a member of EA’s Board of Directors and Compensation Committee is an employee or officer.

### **CONSIDERATION OF DIRECTOR NOMINEES**

In evaluating nominees for director to recommend to the Board of Directors, the Nominating and Governance Committee will take into account many factors within the context of the characteristics and the needs of the Board of Directors as a whole. While the specific needs of the Board of Directors may change from time to time, all nominees for director are considered on the basis of the following minimum qualifications:

- The highest level of personal and professional ethics and integrity, including a commitment to EA’s purpose and beliefs;
- Practical wisdom and mature judgment;
- Broad training and significant leadership experience in business, entertainment, technology, finance, digital commerce, corporate governance, public interest or other disciplines relevant to EA’s long-term success;

- The ability to gain an in-depth understanding of EA's business; and
- A willingness to represent the best interests of all EA stockholders and objectively appraise management's performance.

While there is no formal policy with regard to diversity, when considering candidates as potential members of the Board of Directors, the Nominating and Governance Committee considers the skills, background and experience of each candidate to evaluate his or her ability to contribute diverse perspectives to the Board of Directors. The goal of the Nominating and Governance Committee is to select candidates that have complementary and diverse perspectives, whether based on business experience, diversity of gender, ethnicity, culture, or other factors, which together contribute to the Board of Directors' effectiveness as a whole. The primary consideration is to identify candidates who will best fulfill the Board of Directors' and the Company's needs at the time of the search. Therefore, the Nominating and Governance Committee does not believe it is appropriate to either nominate or exclude from nomination an individual based on gender, ethnicity, race, age, or similar factors.

The Nominating and Governance Committee will evaluate candidates proposed by our stockholders under similar criteria, except that it also may consider as one of the factors in its evaluation the amount of EA voting stock held by the stockholder and the length of time the stockholder has held such stock.

## **GLOBAL CODE OF CONDUCT AND CORPORATE GOVERNANCE GUIDELINES**

We have adopted a Global Code of Conduct that applies to our directors, and all other employees, including our principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers, as well as Corporate Governance Guidelines. These documents, along with our organizational documents and committee charters, form the framework of our corporate governance. Our Global Code of Conduct, Corporate Governance Guidelines and committee charters are available in the Investor Relations section of our website at <http://investor.ea.com>. We post amendments to or waivers from our Global Code of Conduct in the Investor Relations section of our website.

## **OVERSIGHT OF RISK ISSUES**

Our Board of Directors as a whole has responsibility for overseeing our risk management. The Board of Directors exercises this oversight responsibility directly and through its committees. The oversight responsibility of the Board of Directors and its committees is informed by reports from our management team that are designed to provide visibility into our key risks and our risk mitigation strategies. Business and strategic risks, including risks related to cybersecurity, as well as the steps taken by management to monitor and control these risks are reviewed by the full Board of Directors. Risks related to investments, financial reporting, internal controls and procedures, tax and treasury matters and compliance issues are reviewed regularly by the Audit Committee, which oversees the financial reporting, global audit and legal compliance functions. The Audit Committee also oversees our enterprise risk management program, which identifies and prioritizes material risks for the Company and the mitigation steps needed to address them. The Nominating and Governance Committee reviews risks related to director and CEO succession and monitors the effectiveness of our corporate governance policies. Compensation-related risks are reviewed by the Compensation Committee with members of management responsible for structuring the Company's compensation programs. Each of the committees regularly report to the full Board of Directors on matters relating to the specific areas of risk that each committee oversees.

As part of their risk oversight efforts, the Compensation Committee evaluated our compensation programs to determine whether the design and operation of our policies and practices could encourage executives or employees to take excessive or inappropriate risks that would be reasonably likely to have a material adverse effect on the Company and have concluded that they do not.

In making that determination, the Compensation Committee considered the design, size and scope of our cash and equity incentive programs and program features that mitigate against potential risks, such as payout caps, cash and equity award clawbacks, the quality and mix of performance-based and "at



risk” compensation, and, with regard to our equity incentive programs, the stock ownership requirements applicable to our executives. The Compensation Committee reviewed the results of their evaluation with management and Compensia. The Compensation Committee concluded that our compensation policies and practices strike an appropriate balance of risk and reward in relation to our overall business strategy, and do not create risks that are reasonably likely to have a material adverse effect on the Company.

The “Compensation Discussion and Analysis” section below generally describes the compensation policies and practices applicable to our named executive officers.

## **RELATED PERSON TRANSACTIONS POLICY**

Our Board of Directors has adopted a written Related Person Transactions Policy that describes the procedures used to process, evaluate, and, if necessary, disclose transactions between the Company and its directors, officers, director nominees, greater than 5% stockholders, or an immediate family member of any of the foregoing. We review any transaction or series of transactions which exceeds \$120,000 in a single fiscal year and in which any related person has a direct or indirect interest, as well as any transaction for which EA’s Global Code of Conduct or Conflict of Interest Policy would require approval of the Board of Directors.

Once a transaction has been identified, the Audit Committee (if the transaction involves an executive officer) or the Nominating and Governance Committee (if the transaction involves a director) will review the transaction at the next scheduled meeting of such committee. Transactions involving our CEO also will be reviewed by our independent Chairman or independent Lead Director if the Chairman is not independent. If it is not practicable or desirable to wait until the next scheduled meeting, the chairperson of the applicable committee considers the matter and reports back to the relevant committee at the next scheduled meeting. In determining whether to approve or ratify a transaction, the Audit Committee or Nominating and Governance Committee (or the relevant chairperson of such committee) considers all of the relevant facts and circumstances available and transactions are only approved if they are in, or not inconsistent with, the best interests of EA and its stockholders. No member of the Audit Committee or Nominating and Governance Committee may participate in any review, consideration or approval of any transaction if the member or their immediate family member is the related person.

## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

### ***Scott Probst***

Scott Probst, the son of our Chairman, was employed by the Company for a portion of fiscal 2018 in our game development studios prior to leaving the Company in October 2017 to pursue another opportunity. The aggregate value of his total compensation in fiscal 2018 was consistent with compensation provided to other EA employees in similar positions and less than \$400,000. The Compensation Committee reviewed Mr. Probst’s fiscal 2018 compensation in accordance with our Related Person Transactions Policy. Our Board of Directors considered Mr. Probst’s employment in reaching its determination that Mr. Lawrence F. Probst III, our Chairman, is an independent director.

### ***Blackhawk Network Holdings***

We enter into commercial dealings with Blackhawk Network Holdings, Inc., whereby Blackhawk Network Holdings offers EA-branded gift cards. During fiscal 2018, the aggregate amount involved in transactions with Blackhawk Network Holdings totaled approximately \$2.5 million. Ms. Roche, one of our directors, is the Chief Executive Officer of Blackhawk Network Holdings. Ms. Roche has no involvement in Blackhawk Network Holdings’ commercial dealings with EA and has no material direct or indirect interest in these transactions. Therefore, we do not consider these transactions to be “related person transactions” within the meaning of applicable SEC rules. Our Board of Directors considered our dealings with Blackhawk Network Holdings in reaching its determination that Ms. Roche is an independent director.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

We have adopted procedures to assist EA's directors and officers in complying with the requirements of Section 16(a) of the Exchange Act, which include assisting officers and directors in preparing forms for filing. To EA's knowledge, based solely upon review of such reports furnished to us and written representations that no other reports were required, we believe that all Section 16(a) filing requirements applicable to our officers and directors were timely met during fiscal 2018.

## **DIRECTOR ATTENDANCE AT ANNUAL MEETING**

Our directors are expected to make every effort to attend the Annual Meeting. All directors who were elected at the 2017 annual meeting of stockholders attended the meeting.

## **STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

EA stockholders may communicate with the Board of Directors as a whole, with a committee of the Board of Directors, or with an individual director by sending a letter to EA's Corporate Secretary at Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065, or by sending an email to [StockholderCommunications@ea.com](mailto:StockholderCommunications@ea.com). Our Corporate Secretary will forward to the Board of Directors all communications that are not of a commercial or frivolous nature or otherwise inappropriate for their consideration. For further information regarding the submission of stockholder communications, please visit the Investor Relations section of our website at <http://investor.ea.com>.

## **OTHER BUSINESS**

The Board of Directors does not know of any other matter that will be presented for consideration at the Annual Meeting except as specified in the notice of the Annual Meeting. If any other matter does properly come before the Annual Meeting, or at any adjournment or postponement of the Annual Meeting, it is intended that the proxies will be voted in respect thereof in accordance with the judgment of the persons voting the proxies.

## REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

*The following Report of the Audit Committee shall not be deemed to be “soliciting material” or to be “filed” with the SEC nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except to the extent that EA specifically incorporates it by reference into a filing.*

The Audit Committee of the Board of Directors operates under a written charter, which was most recently amended in May 2018. The Audit Committee is currently comprised of three non-employee directors, each of whom in the opinion of the Board of Directors meets the current independence requirements and financial literacy standards of the NASDAQ Stock Market Rules, as well as the independence requirements of the SEC. In fiscal 2018, the Audit Committee consisted of Richard A. Simonson, Jeffrey T. Huber and Denise F. Warren. The Board of Directors has determined that Mr. Simonson meets the criteria for an “audit committee financial expert” as set forth in applicable SEC rules.

The Company’s management is primarily responsible for the preparation, presentation and integrity of the Company’s financial statements. EA’s independent registered public accounting firm, KPMG LLP (the “independent auditors”), is responsible for performing an independent audit of the Company’s (1) financial statements and expressing an opinion as to the conformity of the financial statements with U.S. generally accepted accounting principles, and (2) internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board (the “PCAOB”) and issuing an opinion thereon.

The Audit Committee assists the Board of Directors in its oversight responsibility with respect to the integrity of EA’s accounting policies, internal control function and financial reporting processes. The Audit Committee reviews EA’s quarterly and annual financial statements prior to public earnings releases and submission to the SEC; oversees EA’s internal audit function; consults with the independent auditors and EA’s internal audit function regarding internal controls and the integrity of the Company’s financial statements; oversees tax and treasury matters, oversees EA’s enterprise risk management program; assesses the independence of the independent auditors; and is directly responsible for the appointment, retention, compensation and oversight of the independent auditors. In this context, the Audit Committee has met and held discussions with members of management, EA’s internal audit function and the independent auditors. Company management has represented to the Audit Committee that the Company’s consolidated financial statements for the most recently completed fiscal year were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee has reviewed and discussed the consolidated financial statements with Company management and the independent auditors. Company management also has represented to the Audit Committee that the Company’s internal control over financial reporting was effective as of the end of the Company’s most recently completed fiscal year, and the Audit Committee has reviewed and discussed the Company’s internal control over financial reporting with management and the independent auditors. The Audit Committee also discussed with the independent auditors matters required to be discussed by PCAOB Auditing Standard No. 16, *Communications with Audit Committees*, including the quality and acceptability of the Company’s financial reporting and internal control processes. The Audit Committee also has discussed with the Company’s independent auditors the scope and plans for their annual audit and reviewed the results of that audit with management and the independent auditors.

In addition, the Audit Committee received and reviewed the written disclosures and the letter from the independent auditors required by the applicable requirements of the PCAOB regarding their communications with the Audit Committee concerning independence, and has discussed with the independent auditors the auditors’ independence from the Company and its management. The Audit Committee also has considered whether the provision of any non-audit services (as described on page 53 of this Proxy Statement under the heading “Proposal Three: Ratification of the Appointment of KPMG LLP, Independent Registered Public Accounting Firm” — “Fees of Independent Auditors”) and the employment of former KPMG LLP employees by the Company are compatible with maintaining the independence of KPMG LLP.

The members of the Audit Committee are not engaged in the practice of auditing or accounting. In performing its functions, the Audit Committee necessarily relies on the work and assurances of the Company's management and the independent auditors.

In reliance on the reviews and discussions referred to in this report and in light of its role and responsibilities, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements for fiscal 2018 be included for filing with the SEC in the Company's Annual Report. The Audit Committee has also approved the selection of KPMG LLP as the Company's independent auditors for fiscal 2019.

**AUDIT COMMITTEE**

**Richard A. Simonson (Chairman)**

**Jeffrey T. Huber**

**Denise F. Warren**

# DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Our Compensation Committee is responsible for reviewing and recommending to our Board of Directors the compensation paid to our non-employee directors. Our non-employee directors are paid a mix of cash and equity compensation for their service as directors.

## **Cash Compensation**

The table below reflects the annualized components of cash compensation for non-employee directors that were in place during fiscal 2018. For more information regarding the specific compensation received by each non-employee director during fiscal 2018, see the “Fiscal 2018 Director Compensation Table” table below.

<b>Compensation Component</b>	<b>Amount</b>
Annual Retainer	\$60,000
Service on the Audit Committee	\$15,000
Chair of the Audit Committee	\$15,000
Service on the Compensation Committee	\$12,500
Chair of the Compensation Committee	\$12,500
Service on the Nominating and Governance Committee	\$10,000
Chair of the Nominating and Governance Committee	\$10,000
Chairman of the Board of Directors	\$50,000
Service as Lead Director	\$25,000

In addition, individual directors are eligible to earn up to \$1,000 per day, with the approval of the Board of Directors, for special assignments, which may include providing oversight to management in areas such as sales, marketing, public relations, technology and finance (provided, however, no independent director is eligible for a special assignment if the assignment or payment for the assignment would prevent the director from being considered independent under applicable NASDAQ Stock Market or SEC rules). No directors earned any compensation for special assignments during fiscal 2018.

Our Compensation Committee reviews our non-employee director compensation every two years. Our Compensation Committee reviewed our non-employee director compensation in February 2018 in consultation with the Compensation Committee’s independent consultant, Frederick W. Cook & Co (“FWC”). FWC conducted a competitive analysis of our non-employee director compensation against our peer group (as defined in the “Compensation Discussion and Analysis” section below) and, based on the Compensation Committee’s review, no changes to the compensation paid to our non-employee directors were recommended to our Board of Directors. The Compensation Committee will conduct its next review of non-employee director compensation in 2020.

## **Stock Compensation**

In fiscal 2018, each of our non-employee directors who were re-elected at the 2017 annual meeting of stockholders were granted restricted stock units with time-based vesting (“RSUs”) with a grant date fair value of approximately \$260,000. These RSUs will vest in their entirety on August 2, 2018.

Under the EIP, non-employee directors may elect to receive all or part of their cash compensation in the form of common stock. As an incentive for our non-employee directors to increase their stock ownership in EA, non-employee directors making such an election receive shares of common stock valued at 110% of the cash compensation they would have otherwise received. These shares are awarded via the grant and immediate exercise of a stock option having an exercise price equal to the fair market value of our common stock on the date of grant, which is the first trading day of each quarter of the Board year. Mr. Hoag, Mr. Huber, Ms. Roche, Mr. Simonson, Mr. Ubiñas and Ms. Warren received all or part of their cash compensation in the form of our common stock during fiscal 2018.

### **Other Benefits**

Non-employee directors who are not employed with any other company are offered an opportunity to purchase certain EA health, dental and vision insurance while serving as a director. Participating directors pay 100% of their own insurance premiums.

### **Stock Ownership Guidelines**

Each non-employee director is required, within five years of becoming a director, to own a number of shares of EA common stock having a value of at least five years' annual retainer for service on our Board of Directors.

Non-employee directors are permitted to include the value of vested, but deferred, RSUs toward their ownership requirement. As of March 31, 2018, each of our directors had either fulfilled their ownership requirements or had not yet reached five years of service. Mr. Hoag is eligible to satisfy his ownership requirements through holdings of EA stock by Technology Crossover Ventures, where he serves as the Founding General Partner. Mr. Huber is eligible to satisfy his ownership requirements through holdings of EA stock through certain trusts over which Mr. Huber maintains investment control and pecuniary interest.

### **FISCAL 2018 DIRECTOR COMPENSATION TABLE**

The following table shows compensation information for each of our non-employee directors during fiscal 2018. The compensation paid to Mr. Wilson is shown under "Fiscal 2018 Summary Compensation Table" found on page 36 of this Proxy Statement and the related explanatory tables. Mr. Wilson does not receive any compensation for his service as a member of our Board of Directors.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)<sup>(1)</sup></u>	<u>Option Awards (\$)<sup>(3)</sup></u>	<u>Total (\$)</u>
Leonard S. Coleman .....	82,500	259,925	—	342,425
Jay C. Hoag .....	85,000	259,925	8,511	353,436
Jeffrey T. Huber .....	75,000	259,925	7,503	342,428
Vivek Paul .....	70,000	259,925	—	329,925
Lawrence F. Probst III .....	110,000	259,925	—	369,925
Talbott Roche .....	72,500	259,925	7,185	339,610
Richard A. Simonson .....	90,000	259,925	8,991	358,916
Luis A. Ubiñas .....	105,000	259,925	7,814	372,739
Heidi J. Ueberroth .....	45,000	194,965 <sup>(2)</sup>	—	239,965
Denise F. Warren .....	75,000	259,925	7,484	342,409

(1) For all non-employee directors except for Ms. Ueberroth, represents the aggregate grant date fair value of the annual equity award of RSUs granted to the non-employee directors and is calculated based on the closing price of \$118.85 for our common stock on the date of grant, August 3, 2017. For additional information regarding the valuation methodology for RSUs, see Note 14, "Stock-Based Compensation and Employee Benefit Plans," to the Consolidated Financial Statements in our Annual Report. Except for Ms. Ueberroth, each of our non-employee directors held 2,187 unvested RSUs as of March 31, 2018 (the last day of fiscal 2018).

(2) For Ms. Ueberroth, represents the aggregate grant date fair value of the annual equity award of RSUs granted to Ms. Ueberroth, pro-rated to reflect the beginning of her service in November 2017, and is calculated based on the closing price of \$111.60 for our common stock on the date of grant, November 16, 2017. Ms. Ueberroth held 1,747 unvested RSUs as of March 31, 2018.

(3) Non-employee directors may elect to receive all or part of their cash compensation in the form of common stock, and directors making such an election receive common stock valued at 110% of the cash compensation they would have otherwise received. These shares are awarded via the grant and immediate exercise of a stock option having an exercise price equal to the fair market value of our common stock on the date of grant. The values represent the premium received for shares in lieu of cash compensation. The following table presents information regarding the shares granted to each director during fiscal 2018, who elected to receive all or part of their cash compensation in the form of common stock:

<u>Name</u>	<u>Grant Date</u>	<u>Exercise Price (\$)</u>	<u>Shares Subject to Immediately Exercised Stock Option Grants</u>	<u>Grant Date Fair Value (\$)</u>
Jay C. Hoag .....	5/1/2017	94.79	246	23,318
	8/1/2017	116.92	200	23,384
	11/1/2017	114.47	204	23,352
	2/1/2018	128.18	183	<u>23,457</u>
				93,511
Jeffrey T. Huber .....	5/1/2017	94.79	217	20,569
	8/1/2017	116.92	176	20,578
	11/1/2017	114.47	181	20,719
	2/1/2018	128.18	161	<u>20,637</u>
				82,503
Talbot Roche .....	5/1/2017	94.79	210	19,906
	8/1/2017	116.92	171	19,993
	11/1/2017	114.47	174	19,918
	2/1/2018	128.18	155	<u>19,868</u>
				79,685
Richard A. Simonson .....	5/1/2017	94.79	261	24,740
	8/1/2017	116.92	212	24,787
	11/1/2017	114.47	216	24,726
	2/1/2018	128.18	193	<u>24,739</u>
				98,991
Luis A. Ubiñas .....	8/1/2017	116.92	246	28,762
	11/1/2017	114.47	253	28,961
	2/1/2018	128.18	225	<u>28,841</u>
				86,564
Denise F. Warren .....	5/1/2017	94.79	218	20,664
	8/1/2017	116.92	176	20,578
	11/1/2017	114.47	180	20,605
	2/1/2018	128.18	161	<u>20,637</u>
				82,484

# COMPENSATION DISCUSSION AND ANALYSIS

## OVERVIEW

Our Compensation Discussion and Analysis describes and discusses the fiscal 2018 compensation paid to our named executive officers (“NEOs”) and is organized into six sections:

- Executive Summary
- Compensation Practices, Principles and Say on Pay Vote
- The Process for Determining Our NEOs’ Compensation
- Our Elements of Pay
- Our NEOs’ Fiscal 2018 Compensation
- Other Compensation Information

**For fiscal 2018, EA’s NEOs and their titles were:**

- **Andrew Wilson**, Chief Executive Officer;
- **Blake Jorgensen**, Executive Vice President and Chief Financial Officer;
- **Patrick Söderlund**, Executive Vice President, EA Worldwide Studios;
- **Kenneth Moss**, Executive Vice President and Chief Technology Officer; and
- **Chris Bruzzo**, Chief Marketing Officer

On April 12, 2018, EA announced changes to certain of its NEOs’ roles, which position the Company for continued transformation and leadership. Blake Jorgensen now serves as the Company’s Chief Operating Officer in addition to his role as EA’s Chief Financial Officer; Patrick Söderlund transitioned to the newly established Company-wide leadership role of Chief Design Officer focused on delivering next-generation game designs, driving our marketing teams on creative content and meta-game experiences, and working with our central technology teams to transform gaming; and Chris Bruzzo leads the Company’s integrated marketing, publishing and analytics organization, as Laura Miele, previously head of Global Publishing, has taken over the Chief Studios Officer role.

## EXECUTIVE SUMMARY

### ***Fiscal 2018 Summary of EA’s Business***

EA’s core strategies continued to deliver award-winning games and services to our players and deep player engagement. The breadth and depth of EA’s portfolio of games across key platforms, combined with our focus on live services to extend and enhance our games, generated strong financial results for the Company. We exceeded our net revenue and operating income guidance for fiscal 2018, drove higher gross margins, increased our cash provided by operations and invested in products and services for the future.

### ***Fiscal 2018 GAAP Financial and Operating Highlights***

- We generated \$5,150 million of net revenue and \$3.34 diluted earnings per share.
- Our digital net revenue increased to \$3,450 million and represented 67% of our total net revenue.
- Operating profit margins were 27.8%.
- We delivered net income of \$1,043 million and operating cash flow of \$1,692 million.
- We generated net bookings for a fiscal year of \$5,180 million.



- Titles in our top franchises, including *FIFA 18*, *Battlefield 1*, *Star Wars Battlefront 2*, *The Sims 4*, our live services including *Ultimate Team* in our sports franchises and mobile titles including *Star Wars: Galaxy of Heroes* and *Madden NFL Mobile* delivered hundreds of millions of hours of entertainment.
- We repurchased 5.3 million shares for \$601 million.

The financial performance, operational achievements and other fiscal year events summarized above provide context for the compensation decisions made by the Compensation Committee and Board of Directors in fiscal 2018 as we continue to structure our executive compensation program to align with pay-for-performance considerations. The Company’s executive compensation program is designed to reward our officers for the achievement of specific Company-wide financial objectives and the creation of long-term stockholder value.

## COMPENSATION PRACTICES, PRINCIPLES AND SAY ON PAY VOTE

### Compensation Design

Our executive compensation programs are designed to align the interests of our executives with the interests of our stockholders.

What We Do	What We Don't Do
<input checked="" type="checkbox"/> Incorporate both performance-based restricted stock units (“PRSUs”) and time-based restricted stock units (“RSUs”)	<input type="checkbox"/> Have a “single-trigger” change in control plan
<input checked="" type="checkbox"/> Require at least 50% of our executive officers’ total equity value to be granted in the form of PRSUs	<input type="checkbox"/> Provide excise tax gross-up upon a change in control
<input checked="" type="checkbox"/> Require our executives to satisfy stock ownership guidelines	<input type="checkbox"/> Have executive employment contracts (other than as required by local jurisdictions)
<input checked="" type="checkbox"/> Prohibit all employees from engaging in hedging transactions in EA stock and prohibit executive officers from pledging EA common stock	<input type="checkbox"/> Reprice options without stockholder approval
<input checked="" type="checkbox"/> Conduct annual “say on pay” advisory votes	
<input checked="" type="checkbox"/> Recover (clawback) equity compensation for misconduct in the event of a financial restatement	
<input checked="" type="checkbox"/> Align performance-based equity vesting with stockholder interests	

### Compensation Principles — Promoting Pay-for-Performance

The design of our compensation programs is guided by a compensation philosophy based on three core principles intended to attract and retain high-performing executives and promote a pay-for-performance approach to executive compensation:

- **Principle 1 — Cash Compensation:** A significant portion of each NEO’s cash compensation should be at risk, based on the annual financial and operational performance of the Company, in addition to the NEO’s individual performance;
- **Principle 2 — Equity Compensation:** A significant portion of each NEO’s total compensation should be provided in the form of long-term equity to enhance alignment between the interests

of our NEOs and our stockholders and to promote long-term retention of a strong leadership team in an industry and geographic area that are highly competitive for executive talent; and

- **Principle 3 — Target Total Direct Compensation:** The target total direct compensation package for each NEO should be consistent with market practices for executive talent and reflect each NEO's individual experience, responsibilities and performance.

### ***Fiscal 2017 Say On Pay Vote and Say on Pay Frequency Vote***

We received a favorable 96% of votes cast for our annual say on pay advisory proposal at our 2017 annual meeting. At that meeting, we also presented our stockholders with a proposal on the frequency of our say on pay advisory proposal. Based on the results of this vote, the Compensation Committee and the Board of Directors will continue to present an advisory say on pay proposal on an annual basis.

EA's management, the Compensation Committee and the Board of Directors are committed to maintaining a pay-for-performance alignment in our executive compensation programs and value the opinions of our stockholders regarding our programs.

## **THE PROCESS FOR DETERMINING OUR NEOS' COMPENSATION**

### ***Role of the Board of Directors, Compensation Committee and Management***

Our Board of Directors approves the target total direct compensation and makes compensation decisions for our CEO, in consultation with the Compensation Committee and the Compensation Committee's independent compensation consultant, Compensia. The Compensation Committee approves the target total direct compensation and makes compensation decisions for all other NEOs after input, at the Compensation Committee's request, from our CEO, our Chief People Officer and Compensia.

Compensation decisions made by the Board of Directors and the Compensation Committee are based on several factors, including the Company's financial performance, individual performance, market trends and other factors unique to each individual. The impact of the Company's financial performance and individual considerations in our fiscal 2018 compensation decisions are detailed in the section of this Compensation Discussion and Analysis entitled "Our NEOs' Fiscal 2018 Compensation." The Compensation Committee and the Board of Directors also reference certain market-based considerations, such as peer group data, benchmarking and percentiles when making compensation decisions.

### ***Selection and Use of Peer Group***

To assess market compensation practices, each year the Compensation Committee selects a group of companies ("peer group") comparable to us with respect to several quantitative factors, including revenue, market capitalization, total stockholder return, net income margin and number of employees, as well as qualitative factors including competition for talent.

In the third quarter of fiscal 2017, the Compensation Committee selected the following peer group to use as a reference for fiscal 2018 compensation decisions. This peer group was consistent with the prior year's other than the removal of Yahoo! and LinkedIn Corporation, because each was acquired and thus no longer publicly-traded. As compared to our fiscal 2018 peer group and based on public filings through June 1, 2018, the Company was at the 38<sup>th</sup> percentile with respect to annual revenues and at the 69<sup>th</sup> percentile with respect to market capitalization.

## FISCAL 2018 PEER GROUP

Video Game	Technology/Internet	Entertainment	Toys/Games
Activision Blizzard Zynga	Adobe Systems Autodesk eBay Expedia IAC/Interactive Corp. Intuit Priceline Salesforce.com Symantec	AMC Networks Inc. Discovery Communications Lions Gate Entertainment	Hasbro Mattel

In the third quarter of fiscal 2018, the Compensation Committee assessed this peer group and considered the Company's significant market capitalization growth over the past several fiscal years and its evolving business models. Based on these factors, as well as other commonalities, the Compensation Committee added VMware, Take-Two Interactive Software, Nvidia, CBS and Netflix to our peer group for use in benchmarking fiscal 2019 compensation decisions. These companies were determined by the Committee to be relevant comparable companies in the video game, entertainment and technology sectors. The Compensation Committee also removed Mattel and Lions Gate Entertainment from our peer group for fiscal 2019 due to our diverging business models.

### **Compensation Benchmarking and the Role of Consultants**

In February 2018, Compensia conducted a comprehensive analysis of our executive compensation programs using publicly available compensation information on our peer group. The analysis included a comparison of the base salary, target cash compensation, long-term incentives and target total direct compensation of each of our senior vice-president level positions and above against similar positions in our peer group. Where sufficient market data for our peer group was not available, Compensia used data from a broader group of similarly sized technology companies. Compensia provided the Compensation Committee with its findings in February 2018 to be used as a reference for making bonus decisions for fiscal 2018 and base salary and equity decisions for fiscal 2019.

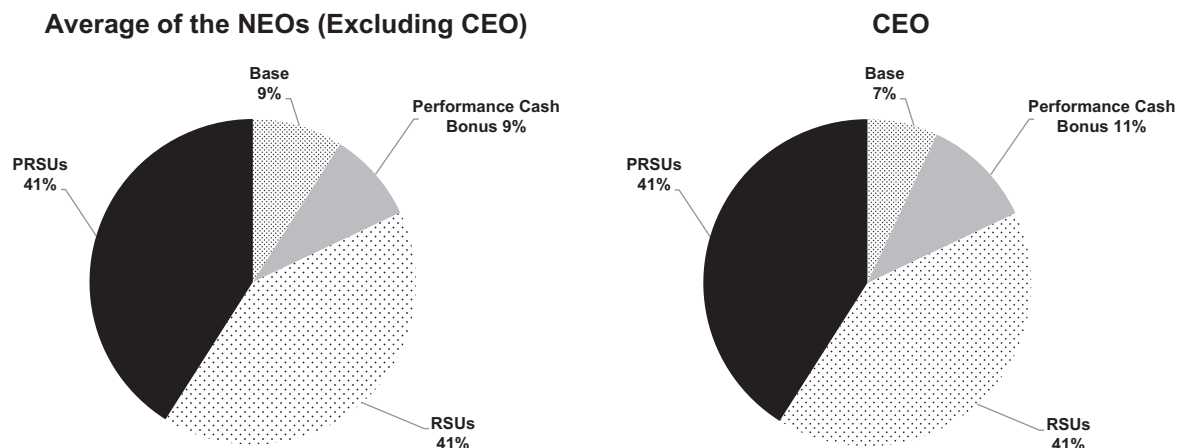
### **Use of Percentiles**

When setting the fiscal 2018 base salaries and bonus targets for our executive officers, the Compensation Committee referenced the 50<sup>th</sup> to 75<sup>th</sup> percentiles of the market range of comparable companies, and for target guidelines for annual equity awards, the Compensation Committee referenced the 75<sup>th</sup> percentile. We believe these percentiles are appropriate to recruit and retain a strong leadership team in an industry and geographic area that are highly competitive for executive talent. Our guidelines for annual equity awards reference a higher percentile because of the important retention value of the awards. While we consider each component, the actual base salary, bonus and equity compensation awarded to an NEO may be above these targets and is determined based on our financial performance, individual performance, market trends and other factors unique to each individual.

The Compensation Committee also considered the aggregate value of the target total direct compensation components (i.e., base salary, bonus and annual equity awards), and referenced the 50<sup>th</sup> to 75<sup>th</sup> percentiles of the market for target total direct compensation. When necessary for new hires, retention, succession planning, or other factors, the Compensation Committee may approve, and did approve for fiscal 2018, compensation for select key executives that could result in target total direct compensation above our referenced range.

## OUR ELEMENTS OF PAY

We believe that our compensation programs reflect our three compensation principles described under the heading “Compensation Principles — Promoting Pay-for-Performance” and are designed to reward achievement of Company-wide financial objectives, individual operational and strategic objectives and the creation of long-term value for our stockholders, while also recognizing the dynamic and highly competitive nature of our business and the market for top executive talent. For fiscal 2018, approximately 93% of our CEO’s target total direct compensation and 91% of the average of our NEOs’ (excluding our CEO) target total direct compensation is performance-based in the form of an annual performance cash bonus, PRSUs and RSUs. Our compensation structure puts at risk a significant portion of our NEOs’ target total direct compensation, as set forth below:



### Base Salary

Base salary is the fixed cash component that is market competitive for the role to attract and retain high-performing executives. On an annual basis, the Compensation Committee reviews and approves any base salary adjustments considering factors such as individual performance, the market for similar positions, level of responsibilities, complexity of role and internal compensation alignment.

### Performance Cash Bonus Awards

Our cash bonus programs motivate our executives to achieve challenging short-term performance goals that are important to the Company’s long-term growth. The Compensation Committee sets the executives’ bonus targets each year as a percentage of base salary based on factors such as individual performance, the market for similar positions, level of responsibilities, complexity of role, and internal compensation alignment.

The performance cash bonus award to each of our NEOs is determined as follows:

Base Salary	X	Bonus Target Percentage (% of Base Salary)	X	Company Bonus Funding Percentage	X	Individual Performance Modifier	=	NEO Bonus Payout
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The annual performance cash bonuses represented approximately 60% of our CEO’s target total cash compensation and 50% of the average of our NEOs’ (excluding our CEO) target total cash compensation.

**Executive Bonus Plan:** At the beginning of each fiscal year, the Compensation Committee selects the Executive Bonus Plan participants, performance period, performance measures, and the formula used to determine maximum bonus funding under each plan. Performance cash bonuses paid under the Executive Bonus Plan for fiscal 2018 were intended to qualify as tax deductible “performance-based

compensation” under Section 162(m) of the Code. In fiscal 2018, all our NEOs, except for Mr. Söderlund, were selected to participate in the Executive Bonus Plan. Mr. Söderlund was excluded from the Executive Bonus Plan in fiscal 2018, because he resides in Sweden and his compensation did not qualify as tax deductible under Section 162(m). Mr. Söderlund participated in the general EA Bonus Plan in fiscal 2018.

For all NEOs, including Mr. Söderlund, the Compensation Committee selected non-GAAP net income as the performance measure, because the level of profitability is a key business focus in any year. The performance period was established as fiscal 2018, and the formula to determine the maximum bonus funding for each NEO was the lower of: (1) 600% of each respective NEO’s annual base salary not to exceed \$5,000,000 or (2) 0.5% of our fiscal 2018 non-GAAP net income for each NEO other than our CEO, for whom the maximum was 1% of our fiscal 2018 non-GAAP net income. For fiscal 2018, the Company’s non-GAAP net income was \$1,368 million, which resulted in a maximum bonus award funding of 600% of each respective NEO’s annual base salary, not to exceed \$5,000,000. The Compensation Committee then exercised its discretion to reduce actual bonus awards for each NEO based on the Company’s overall financial performance, the terms of the Executive Bonus Plan and EA Bonus Plan, target bonus percentages and individual performance against strategic and operational objectives, as discussed in “Our NEOs’ Fiscal 2018 Compensation” below.

When making compensation decisions for our executives, we utilize non-GAAP financial measures to evaluate the Company’s financial performance and the performance of our management team against non-GAAP targets. Appendix A to this Proxy Statement provides a reconciliation between our non-GAAP financial measures and our audited financial statements. For more information regarding our use of non-GAAP financial measures for our compensation programs, please refer to the information provided under the heading “Use of Non-GAAP Financial Measures” below.

### **PRSUs**

The Compensation Committee grants PRSUs to senior vice president level employees and above as part of their annual equity awards. To encourage executive retention and to encourage our executives to focus on long-term stock price performance, the PRSUs generally vest over a three-year performance period; however, the Compensation Committee may consider a different performance measurement period when appropriate for new-hires, retention, succession planning or other factors. The number of shares earned is adjusted based upon changes in our TSR relative to the TSR of the companies in the NASDAQ-100 Index (the “Relative NASDAQ-100 TSR Percentile”) measured over the vesting measurement periods, which are generally 12-month, 24-month cumulative and 36-month cumulative periods (each such period, a “Vesting Measurement Period”). PRSUs generally will vest upon the first, second and third anniversaries of the date of grant (which we call “Vesting Opportunities”). For fiscal 2018, 50% of the total value of our NEOs’ annual equity awards were made in the form of PRSUs.

The illustration below depicts how the number of shares earned is calculated:

$$\boxed{\text{Target PRSUs}} \times \boxed{\begin{array}{c} \text{Relative} \\ \text{NASDAQ-100} \\ \text{TSR Percentile Modifier} \end{array}} = \boxed{\text{Shares Earned}}$$

The Relative NASDAQ-100 TSR Percentile modifier, which can range from 0% to 200%, is based on the change in our stock price during a Vesting Measurement Period (i.e., approximately the 12-month period, 24-month cumulative period and 36-month cumulative period following of the date of grant), using a 90-day trailing average stock price. If the Company’s Relative NASDAQ-100 TSR Percentile is at the 60<sup>th</sup> percentile at the end of a Vesting Measurement Period, 100% of target shares will be earned. Thus, target vesting is tied to above-median performance of the NASDAQ 100. The percentage of shares earned will be adjusted upward by 3% or downward by 2% for each percentile above or below the 60<sup>th</sup> percentile, respectively.

The following table illustrates the percentage of shares that could be earned from our PRSUs based on the Company's Relative NASDAQ-100 TSR Percentile:

Relative NASDAQ-100 TSR Percentile	1 <sup>st</sup> to 10 <sup>th</sup>	25 <sup>th</sup>	40 <sup>th</sup>	<b>60<sup>th</sup></b>	75 <sup>th</sup>	90 <sup>th</sup>	94 <sup>th</sup> to 100 <sup>th</sup>
Relative NASDAQ-100 TSR Multiplier	0%	30%	60%	<b>100%</b>	145%	190%	200%

The following table illustrates the percentage of shares subject to outstanding PRSUs earned at the end of fiscal 2018:

<b>PRSU Grant Date</b>	<b>June 2015</b>	<b>June 2016</b>	<b>June 2017</b>
<b>Measurement Period</b>	<b>Fiscal 16-18</b>	<b>Fiscal 17-19</b>	<b>Fiscal 18-20</b>
<b>90-day average stock price (at start of measurement period)</b>	\$61.26	\$70.55	\$102.99
<b>Length of Vesting Measurement Period</b>	3 Years	2 Years	1 Year
<b>90-day average stock price (at end of measurement period)</b>	\$121.20		
<b>EA's TSR</b>	97.85%	71.80%	17.68%
<b>EA's Relative NASDAQ-100 TSR Percentile</b>	83 <sup>rd</sup>	76 <sup>th</sup>	56 <sup>th</sup>
<b>Percentage of Target Shares Vested in May 2018</b>	<b>169%</b>	<b>148%</b>	<b>92%</b>

The number of shares earned is capped at 200% of the target shares available for vesting at a Vesting Opportunity. If the Company's TSR at any Vesting Opportunity is negative on an absolute basis, the number of shares that can be earned is capped at 100% of the target regardless of the Company's Relative NASDAQ-100 TSR Percentile.

In addition, as an incentive to keep our executives focused on long-term TSR performance, our PRSU program provides an opportunity for our executives to earn shares at the second and third Vesting Opportunities that were not earned at the first and second Vesting Opportunities in an amount up to 100% of the target number of shares unearned from the previous Vesting Opportunities. These shares are earned if the Company's Relative NASDAQ-100 TSR Percentile subsequently improves over the cumulative 24-month and/or 36-month Vesting Measurement Periods. This feature has not been applied to our PRSU program to date.

### **RSUs**

RSUs reward absolute long-term stock price appreciation and promote retention. Annual equity award grants of RSUs to our NEOs vest annually over 35 months from the grant date in approximately equal increments each May. The Compensation Committee may also grant RSUs with different vesting schedules when necessary for new hires, retention, succession planning, or other factors. For fiscal 2018, approximately 50% of the total value of our NEOs' annual equity awards were made in the form of RSUs.

### **Use of Non-GAAP Financial Measures**

The Company uses certain adjusted non-GAAP financial measures when establishing performance-based targets, such as non-GAAP net revenue, non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net income, non-GAAP diluted earnings per share and non-GAAP diluted shares, among others. These measures adjust for certain items that may not be indicative of the Company's core business, operating results or future outlook. We believe that these non-GAAP financial measures provide meaningful supplemental information about the Company's operating results primarily because they exclude amounts that we do not consider part of ongoing operating

results when planning and forecasting for future periods and when assessing the performance of the organization. These non-GAAP financial measures exclude the following items as applicable, in each reporting period: acquisition-related expenses, amortization of debt discount, change in deferred net revenue (online-enabled games), income tax rate adjustments and stock-based compensation, among others. In addition, for purposes of determining the Company bonus funding percentage, we add back bonus expense. Appendix A to this Proxy Statement provides a reconciliation between our non-GAAP financial measures and our audited financial statements.

## OUR NEOS' FISCAL 2018 COMPENSATION

### 2018 Annual Base Salary

To determine an executive's base salary, the Compensation Committee with assistance from Compensia, considers the pay practices of our peer group for comparable positions, experience, tenure and internal equity based on the scale and scope of the role. As part of its May 2017 compensation review, the Compensation Committee (and Board of Directors for Mr. Wilson) approved fiscal 2018 base salaries increases, effective June 1, 2017, of 4.5% for Mr. Wilson to \$1,150,000; 4.58% for Mr. Jorgensen to \$800,000; 28% for Mr. Söderlund to \$800,000; 4% for Mr. Moss to \$650,000; and 4.17% for Mr. Bruzzo to \$625,000. Based on Compensia's analysis, Mr. Wilson's fiscal 2017 base salary was in the 50<sup>th</sup> to 75<sup>th</sup> percentile for the CEOs in our peer group. These increases in base salary for fiscal 2018 were based on the strength of the Company's financial and operating performance in fiscal 2017 and in line with company-wide base salary merit increases for strong performers. In the case of Mr. Söderlund, his increase was driven by the exceptional performance of the worldwide studios organization in fiscal 2017, in particular, the success of *Battlefield I* and the FIFA franchises. In addition, the Committee recognized the unique scope of Mr. Söderlund's role overseeing all game development at the Company across multiple platforms and genres.

### Fiscal 2018 Performance Cash Bonus Awards

The Compensation Committee also sets the values of the annual performance bonus cash awards as a percentage of each executive's base salary ("target bonus") based on factors including the pay practices of our peer group for comparable positions, experience, tenure and internal equity based on the scale and scope of the role.

The Board of Directors did not increase Mr. Wilson's target bonus percentage for fiscal 2018. The Compensation Committee increased Mr. Söderlund's target bonus percentage from 100% to 150%, effective June 1, 2017, due to the same considerations outlined above with respect to Mr. Söderlund's base salary increase. The Compensation Committee did not increase our other NEOs' target bonus percentage for fiscal 2018.

	Base Salary in Fiscal 2018	Target Bonus Percentage
Mr. Wilson .....	\$1,141,667	175%
Mr. Jorgensen .....	\$ 794,167	100%
Mr. Söderlund <sup>(1)</sup> .....	\$ 821,537	150%
Mr. Moss .....	\$ 645,833	75%
Mr. Bruzzo .....	\$ 620,833	75%

(1) Mr. Söderlund resides in Stockholm, Sweden and is paid in Swedish krona ("SEK"). Mr. Söderlund's fiscal 2018 base salary was derived from an average of the SEK to USD exchange rates on the last day of each month during fiscal 2018 of 0.120427.

Performance cash bonus awards represented approximately one-half of our average NEO's target total cash compensation, thus putting at risk a significant portion of our NEOs' cash compensation.

**Fiscal 2018 Company Bonus Funding Percentage:** In order to align our NEOs' bonus payouts to the performance of the Company, each NEO's performance cash bonus award is tied to the bonus funding percentage applied to our overall Company bonus pool. This pool is based on the Company's financial performance with equal weighting given to our non-GAAP net revenue and non-GAAP diluted earnings

per share. In addition, our Executive Bonus Plan and EA Bonus Plan permit the Compensation Committee to exercise discretion (upwards, subject to the maximum payouts under the applicable plan, or downwards) to adjust the bonus funding percentage based on the Company's business and operating performance.

In fiscal 2018, our non-GAAP net revenue of \$5.18 billion was approximately 102% of our \$5.10 billion target and reflected a 5% increase from our fiscal 2017 non-GAAP net revenue of \$4.94 billion. Our non-GAAP diluted earnings per share of \$4.38 for fiscal 2018 was approximately 107% of our \$4.10 target and reflected a 12% increase from our fiscal 2017 non-GAAP earnings per share of \$3.92. The Company's financial performance resulted in a bonus funding percentage of 103.6% of aggregate employee target bonuses based on the equal weighting of non-GAAP net revenue and non-GAAP diluted earnings per share.

Appendix A to this Proxy Statement provides a reconciliation between our non-GAAP financial measures and our audited financial statements.

**Fiscal 2018 Performance:** The Board of Directors (in the case of Mr. Wilson) and the Compensation Committee, in consultation with Mr. Wilson and our Chief People Officer (in the case of all other NEOs), assessed the individual performance of our NEOs in determining the final bonus payouts as set forth below:

#### FISCAL 2018 PERFORMANCE CASH BONUSES

	Target Annual Bonus Award	Company Bonus Funding Percentage (103.6%)	Fiscal 2018 Cash Bonus
Mr. Wilson .....	\$ 1,997,917	\$ 2,069,842	\$ 2,500,000
Mr. Jorgensen .....	\$ 794,167	\$ 822,757	\$ 1,100,000
Mr. Söderlund <sup>(1)</sup> .....	\$ 1,178,788	\$ 1,221,224	\$ 1,212,319
Mr. Moss .....	\$ 484,375	\$ 501,813	\$ 630,000
Mr. Bruzzo .....	\$ 465,625	\$ 482,388	\$ 530,000

(1) Mr. Söderlund resides in Stockholm, Sweden and is paid in Swedish krona ("SEK"). The amounts set forth in this table (except for Mr. Söderlund's fiscal 2018 cash bonus) were derived from an average of the SEK to USD exchange rates on the last day of each month during fiscal 2018 of 0.120427. The amount set forth as Mr. Söderlund's fiscal 2018 cash bonus, which was paid on June 1, 2018, is based on the exchange rate as of May 23, 2018 of 0.113856.



**Performance Cash Bonus Award for the CEO:** In determining Mr. Wilson's final cash bonus payout, the Board of Directors considered the weighting and achievement of Mr. Wilson's fiscal 2018 objectives set forth below.

<b>Fiscal 2018 CEO Objectives</b>	<b>Target</b>	<b>Actual<sup>(1)</sup></b>
<b>Non-GAAP Financial Objectives (60% weight):</b>		
(In millions, except earnings per share and percentages)		
Net Revenue . . . . .	\$ 5,100	\$ 5,180
Gross Profit . . . . .	\$ 3,825	\$ 3,908
Operating Expenses . . . . .	\$ 2,171	\$ 2,191
Diluted Earnings Per Share (based on share count of 315 million shares <sup>(2)</sup> ) . .	\$ 4.10	\$ 4.34
Operating Cash Flow . . . . .	\$ 1,581	\$ 1,692

**Strategic and Operative Objectives (40% weight):**

- Execution of fiscal 2018 objectives, including metrics related to title launches, growth in live services and players
- Future business growth, including targets relating to EA's strategic plan, new intellectual properties, live services, competitive gaming and the Player Network
- Organizational health, including metrics relating to voluntary attrition, employee engagement, and increasing diversity within EA's workforce

- (1) Appendix A to this Proxy Statement provides a reconciliation between our non-GAAP financial measures and our audited financial statements.
- (2) For purpose of measuring achievement of Mr. Wilson's diluted earnings per share objective, a share count of 315 million was used to be consistent with the fiscal 2018 financial plan approved by the Board of Directors.

Factors that the Board of Directors considered in determining Mr. Wilson's individual performance included: his leadership of the Company's fiscal 2018 game portfolio, including continued success in top franchises with growing player bases for *FIFA 18* and *Battlefield 1*; record-breaking engagement in *The Sims 4*; the scope and innovation in *Star Wars Battlefront II*; expanding reach and engagement in live services including *Ultimate Team* and competitive gaming; and the continued growth and success of EA's mobile game portfolio. In addition, Mr. Wilson's leadership drove the Company's ongoing development of new IP; development and implementation of technological infrastructure related to the EA Player Network; and the acquisition of Respawn Entertainment LLC ("Respawn"). Mr. Wilson's focus on fostering diverse and inclusive talent within the Company, and the implementation of his strategy and direction for the Company for fiscal 2019, also were considered.

**Fiscal 2018 Performance Cash Bonus Award Determination for the Other NEOs**

**Mr. Jorgensen, Executive Vice President and Chief Financial Officer**

To determine Mr. Jorgensen's final cash bonus payout, the Compensation Committee took into account that the Company exceeded its non-GAAP net revenue target and its non-GAAP earnings per share target in fiscal 2018, as well as Mr. Jorgensen's individual performance, including: his role helping the Company achieve record cash flow provided by operations in fiscal 2018 while continuing to efficiently manage the Company's operating expenses; his leadership growing sales across EA's broad portfolio and diverse business models, including live services and subscriptions; his focus on implementing changes in the Company's tax policies, including as a result of the U.S. tax reform; and effectively managing communications with investors and stockholders.

**Mr. Söderlund, Executive Vice President, EA Worldwide Studios**

To determine Mr. Söderlund's final cash bonus payout, the Compensation Committee took into account that the Company exceeded its non-GAAP net revenue target and its non-GAAP earnings per share target in fiscal 2018, as well as Mr. Söderlund's individual performance, including: the technical and creative quality of our EA SPORTS portfolio in fiscal 2018 (including *FIFA 18* and *Madden NFL 18*), the breadth and depth of *Star Wars Battlefront II*, as well as management of the studios' key changes to

the game; the continued expansion and success of *Battlefield 1* and *The Sims 4*; improved performance for EA's mobile portfolio, including top-performing titles *Star Wars: Galaxy of Heroes*, *Madden NFL Mobile* and *FIFA Mobile*; improved player engagement with our products and the increase in digital revenue driven by live service engagement. In addition, our development of new games for launch in fiscal 2019 was considered, including *Anthem*, the next and new mobile titles; our creation of new IP for both console and PC; attracting and retaining talent; spearheading the acquisition of Respawn; Mr. Söderlund's leadership of the EA Originals program to partner with independent studios to publish creative and innovative games such as *A Way Out*; and his overall leadership of our EA Worldwide Studios organization.

#### **Mr. Moss, Executive Vice President and Chief Technology Officer**

To determine Mr. Moss' final cash bonus payout, the Compensation Committee took into account that the Company exceeded its non-GAAP net revenue target and its non-GAAP earnings per share target in fiscal 2018, as well as Mr. Moss' individual performance, including: the successful scaling and enhancement of EA's digital platform, the technology supporting our growing digital business, as well as the development of the EA Player Network; his leadership of EA's proprietary game engine technology, Frostbite; his team's support of the Company's products and services, such as ensuring the platform performance, stability and timely delivery of the Company's fiscal 2018 games including *FIFA 18*, *Star Wars Battlefront II* and *Madden NFL 18*; and leading development of EA's new technological innovations, including investments in streaming technology and artificial intelligence.

#### **Mr. Bruzzo, Chief Marketing Officer**

To determine Mr. Bruzzo's final cash bonus payout, the Compensation Committee took into account that the Company exceeded its non-GAAP net revenue target and its non-GAAP earnings per share target in fiscal 2018, as well as Mr. Bruzzo's individual performance, including: successful multichannel global marketing campaigns for EA's major titles, including the *FIFA 18* campaign across social platforms; continued subscriber base growth in EA's subscription services EA Access and Origin Access; the expansion and execution of EA PLAY, the company's independent event in June for players, media and community influencers; ongoing leadership of the EA Player Network; and deepening EA's player relationships with a focus on engagement and retention.

#### ***Fiscal 2018 Annual Equity Awards***

Equity compensation is used as a tool to hire, retain and motivate the Company's top talent. In fiscal 2018, the NEOs' annual equity awards were targeted to be comprised of 50% PRSUs with vesting tied to the Company's TSR and 50% RSUs with a three-year pro rata vesting schedule. The number of PRSUs and RSUs awarded to each NEO was determined based upon an assessment of various individual factors, including each NEO's role and tenure with the Company, individual performance, the value of unvested equity for retention considerations, the grant date fair-value of the award, competitive market practices, including benchmarking data for the position, and internal compensation alignment among our executive officers. In determining the size of each NEO's annual equity award, the Compensation Committee or Board of Directors, in the case of Mr. Wilson, considered the available market data for the NEO, the NEO's current unvested equity holdings and the NEO's individual performance during fiscal 2018, including the individual performance factors in fiscal 2018 highlighted above that factored into the individual NEO's cash bonus.

The following table shows the value of the annual equity awards granted to our NEOs in fiscal 2018:

	Target PRSUs <sup>(1)(2)</sup>	RSUs <sup>(1)(2)</sup>
Mr. Wilson . . . . .	\$ 7,500,000	\$ 7,500,000
Mr. Jorgensen . . . . .	\$ 3,250,000	\$ 3,250,000
Mr. Söderlund . . . . .	\$ 5,000,000	\$ 5,000,000
Mr. Moss . . . . .	\$ 2,750,000	\$ 2,750,000
Mr. Bruzzo . . . . .	\$ 2,000,000	\$ 2,000,000

(1) Represents the value of the awards approved by the Compensation Committee on May 18, 2017 and the Board of Directors on May 19, 2017, in the case of Mr. Wilson. On the date of grant, the value was converted into PRSUs and RSUs over an equivalent number of shares rounded down to the nearest whole share.

(2) Awards granted on June 16, 2017.

Approximately 85% of the aggregate compensation granted to our NEOs for fiscal 2018 was in the form of long-term equity, excluding the special equity awards discussed below.

**Fiscal 2018 PIRSU Awards**

During fiscal 2018, the Compensation Committee, and the Board of Directors in the case of Mr. Wilson, granted special equity awards comprised of performance-based incremental RSUs (“PIRSUs”) to Mr. Wilson, Mr. Jorgensen, Mr. Söderlund and Mr. Moss, exclusively. At the time the grant was approved in the summer of 2017, the Compensation Committee and the Board of Directors noted the significant growth in Company’s performance under the leadership of these executives. In particular, from fiscal 2014 to fiscal 2017, the Company grew net revenue from \$3,575 million to \$4,845 million and nearly doubled operating cash flow from \$712 million to \$1,383 million. Fiscal 2017 net revenue and operating cash flow were records for the Company. Looking ahead to the next several years, the Board of Directors and the Compensation Committee determined that incentivizing and retaining these key executives was critical to the Company’s continued strong growth and success.

These PIRSU awards are entirely performance-based and depend on achieving aggressive growth targets, which support the Company’s plan to build on the same level of exceptional performance that it achieved in fiscal 2017. If these targets are not met, these awards do not pay out. The number of PIRSUs that ultimately vest depends on the growth in the Company’s non-GAAP net revenue and free cash flow (“FCF”) over a four-year performance period beginning in fiscal 2018 and ending with fiscal 2021. These awards have one long-term cliff vesting, beyond the duration of the Company’s annual equity grants to our NEOs. The non-GAAP net revenue and FCF performance measures were chosen because they align with stockholders’ interest in the goal of achieving long-term, sustained and profitable growth for the Company. In addition, the Compensation Committee and the Board of Directors believe that the FCF metric reflects the cash generation capability of the business necessary to finance its continued growth and investment requirements and to return value to stockholders.

The PIRSUs, or a portion thereof, will cliff vest on May 26, 2021, provided one or both of the non-GAAP net revenue and FCF performance targets are achieved and that the NEO remains employed on the vesting date. The metrics are weighted evenly where 50% of the total PIRSUs that vest will be determined by our four-year cumulative non-GAAP net revenue achievement and the other 50% will be determined by our four-year cumulative FCF achievement. The payout for each metric is independent from the other.

The following chart shows vesting based on the threshold, target and maximum levels for non-GAAP net revenue and FCF (with linear interpolation applying to performance between threshold, target and maximum, with no funding for performance below threshold):

	Threshold	Target	Maximum
<b>Non-GAAP Net Revenue (50% weighting)</b>	50% Payout	100% Payout	200% Payout
<b>FCF (50% weighting)</b>	50% Payout	100% Payout	200% Payout

We do not disclose the non-GAAP net revenue and FCF targets because of competitive concerns. The threshold performance levels were determined using a multiple of the Company's record non-GAAP net revenue and FCF performance in fiscal 2017 and cannot be earned without sustaining the same level of exceptional performance. The target performance levels were based on the Company's current long-term strategic plan reviewed by the Board of Directors. They are intended to be challenging based on anticipated growth over the performance period and to provide appropriate incentives for management to continue to grow our business from the baseline of record financial and operating achievements in fiscal 2017. The Board of Directors and Compensation Committee believe that achievement of the maximum performance levels would require sustained exceptional performance over the performance period, as the targets are significantly above the long-term strategic plan. The non-GAAP net revenue and FCF targets for the PIRSUs, combined with the relative TSR targets for the PRSUs, provide our NEOs with a set of financial goals geared towards achieving exceptional performance for the Company on a long-term basis with the objective of returning significant value to stockholders.

The Compensation Committee, and the Board of Directors for Mr. Wilson, determined the size of the awards to be meaningful to the participants and provide significant retention and incentive motivation.

The following table shows the value of the PIRSUs granted to Mr. Wilson, Mr. Jorgensen, Mr. Söderlund and Mr. Moss in fiscal 2018:

	<u>Target PIRSUs<sup>(1)(2)</sup></u>
Mr. Wilson . . . . .	\$ 15,000,000
Mr. Jorgensen . . . . .	\$ 10,000,000
Mr. Söderlund . . . . .	\$ 12,000,000
Mr. Moss . . . . .	\$ 7,000,000

(1) Represents the value of the awards approved by the Compensation Committee on June 1, 2017 and the Board of Directors on June 1, 2017, in the case of Mr. Wilson. On the date of grant, the value was converted into PIRSUs over an equivalent number of shares rounded down to the nearest whole share.

(2) Awards granted on June 16, 2017.

***Fiscal 2018 Supplemental Equity Compensation Award to Mr. Söderlund***

In fiscal 2018, the Compensation Committee granted a special supplemental equity award to Mr. Söderlund. This supplemental equity award is comprised of 50% PRSUs and 50% RSUs with a grant date award value of \$20,000,000. The Compensation Committee granted Mr. Söderlund the supplemental equity award in recognition of Mr. Söderlund's key role in leading our worldwide studios, following the completion of a record fiscal 2017 and in particular, the highly acclaimed success of the *Battlefield 1* game. They also noted his creative leadership for all of EA's game development, his valuable design input across the Company, including in EA's marketing campaigns and technology innovations (which has now been formalized into his new role as Chief Design Officer), the delivery of award-winning games and services and deepening player engagement. The special equity award also was intended to support the longer-term retention of Mr. Söderlund, given that his creative successes, executive experience and high profile in the industry make him a highly desirable candidate for executive positions at other companies, including our competitors in the gaming industry, as well as broader technology companies pursuing interactive entertainment.

The supplemental equity award has a 47-month vesting schedule with 50% of the earned PRSUs and RSUs available to vest in May 2019 and the remaining 50% available to vest in May 2021.

The terms of the PRSUs are substantially the same as the PRSUs granted as part of the Company's annual equity awards detailed in "Our Elements of Pay" on page 24 of this Proxy Statement (e.g., the PRSUs vest based on the Company's TSR relative to the TSR of companies in the NASDAQ-100 Index), with the exception of the vesting schedule and the Vesting Measurement Periods, which are 24 months and 48 months, respectively.

The terms of the RSUs are substantially the same as the terms of the annual equity award RSUs, as detailed in “Our Elements of Pay” on page 24 of this Proxy Statement with the exception of the vesting schedule.

The Compensation Committee determined the size of the award to be meaningful relative to the size of Mr. Söderlund’s annual equity grants to provide significant retention and incentive motivation.

The following table shows the value of the supplemental equity awards granted to Mr. Söderlund in fiscal 2018:

	Target Supplemental PRSUs <sup>(1)(2)</sup>	Supplemental RSUs <sup>(1)(2)</sup>
Mr. Söderlund .....	\$ 10,000,000	\$ 10,000,000

(1) Represents the value of the awards approved by the Compensation Committee on June 1, 2017. On the date of grant, the value was converted into PRSUs and RSUs over an equivalent number of shares rounded down to the nearest whole share.

(2) Awards granted on June 16, 2017.

## OTHER COMPENSATION INFORMATION

### *Benefits and Retirement Plans*

We provide a wide array of significant employee benefit programs to all of our regular, full-time employees, including our NEOs, including medical, dental, prescription drug, vision care, disability insurance, life insurance, accidental death and dismemberment (“AD&D”) insurance, a flexible spending plan, business travel accident insurance, an educational reimbursement program, an adoption assistance program, an employee assistance program, an employee stock purchase plan, paid time off, and relocation assistance.

We offer retirement plans to our employees based upon country of employment. In the United States, our employees, including our U.S.-based NEOs, are eligible to participate in a tax-qualified section 401(k) plan, with a Company discretionary matching contribution of up to 6% of eligible compensation. The amount of the total matching contribution is determined based on the Company’s fiscal year performance. We also maintain a nonqualified deferred compensation plan in which executive-level employees, including our NEOs and our directors, are eligible to participate. None of our NEOs participated in the deferred compensation plan during fiscal 2018. In Sweden, where Mr. Söderlund resides, the Company contributes to supplementary ITP occupational pension plans (the “ITP Plans”) for eligible employees, which provide retirement, life insurance and disability benefits. Eligible employees above certain income thresholds also may elect to participate in an alternative ITP Plan. The ITP Plans are offered pursuant to the terms of a collective agreement between the Confederation of Swedish Enterprise and the Council for Negotiation and Cooperation.

### *Perquisites and Other Personal Benefits*

While our NEOs generally receive the same benefits that are available to our other regular, full-time employees, they also receive certain additional benefits, including access to a Company-paid physical examination program, and greater maximum benefit levels for life insurance, AD&D and long-term disability coverage. We consider these benefits to be standard components of a competitive executive compensation package. Our officers with a ranking of vice president and above and certain worldwide studio organization employees also are eligible to participate in the EA Executive and Studio Leadership Digital Game Benefit program. Company reimbursed air and ground transportation generally is limited to business travel. Pursuant to his employment agreement, Mr. Söderlund was provided with the use of a company car through December 31, 2017.

### *Change in Control Arrangements and Severance*

Our executive officers with a ranking of senior vice presidents and above, including our NEOs, are eligible to participate in the Electronic Arts Inc. Change in Control Plan (the “CiC Plan”), which is a

“double-trigger” change in control plan that provides our executive officers with payments and benefits if their employment is terminated in connection with a change in control. For more information on the CiC Plan, please refer to the information included under the heading “Potential Payments Upon Termination or Change in Control” beginning on page 44 of this Proxy Statement.

We also maintain an ERISA-regulated severance plan (the “Severance Plan”) that applies generally to all our U.S.-based employees. Under the Severance Plan, eligible employees may receive a cash severance payment and premiums for continued health benefits, if such benefits are continued pursuant to COBRA. Any severance arrangements with our NEOs, whether paid pursuant to the Severance Plan or otherwise, require the prior approval of the Compensation Committee. In the event of a change in control of the Company, the cash severance payment payable under the Severance Plan may be reduced, in whole or in part, by any amount paid under the CiC Plan.

### ***Stock Ownership Holding Requirements***

We maintain stock ownership holding requirements for our Section 16 officers. Our Section 16 officers who hold the title of senior vice president must maintain stock ownership equal to at least 1x their base salary. The stock ownership multiple increases to 2x base salary for Section 16 officers, who are executive vice presidents and 5x base salary for our CEO. We test the stock ownership holding requirement on an annual basis, and any Section 16 officer not in compliance with these guidelines must hold 50% of any net after-tax shares vesting from equity awards until the applicable requirement is met.

As of March 31, 2018, each of our executive officers, either had met his or her then-applicable stock ownership holding requirement or had not yet reached the date on which he or she must to meet his or her ownership requirement, which is generally 50 months from the date of hire or appointment.

### ***Insider Trading, Anti-Hedging and Anti-Pledging Policies***

We maintain an insider trading policy designed to promote compliance by our employees and directors with both federal and state insider trading laws. In addition, our insider trading policy prohibits our directors, executive officers and other employees from engaging in any hedging transaction or short sale of our stock or trading in any derivatives of our stock. Our directors and Section 16 officers also are prohibited from pledging our stock as collateral for any loan.

### ***Compensation Recovery (Clawbacks)***

Our equity award agreements contain a provision providing that if an employee engages in fraud or other misconduct that contributes to an obligation to restate the Company’s financial statements, the Compensation Committee may terminate the equity award and recapture any equity award proceeds received by the employee within the 12-month period following the public issuance or filing of the financial statements required to be restated.

### ***Risk Considerations***

The Compensation Committee considers, in establishing and reviewing our compensation program, whether the program encourages unnecessary or excessive risk taking and has concluded that it does not. See the section of this Proxy Statement entitled “Oversight of Risk Issues” above for an additional discussion of risk considerations.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

*The following Compensation Committee Report on Executive Compensation shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall this information be incorporated by reference into any future filing under the Securities Act or the Exchange Act except to the extent that EA specifically incorporates it by reference into a filing.*

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

### **COMPENSATION COMMITTEE MEMBERS**

**Jay C. Hoag (Chair)**

**Leonard S. Coleman**

**Talbott Roche**

# EXECUTIVE COMPENSATION

## FISCAL 2018 SUMMARY COMPENSATION TABLE

The following table shows information concerning the compensation earned by or awarded to our Chief Executive Officer, our Chief Financial Officer and our next three most highly compensated executive officers for fiscal 2018, fiscal 2017 and where applicable fiscal 2016. For purposes of the compensation tables that follow, we refer to these individuals collectively as the “Named Executive Officers” or “NEOs.”

Name and Principal Position for Fiscal 2018 <sup>(1)</sup>	Fiscal Year	Salary (\$)	Stock Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Andrew Wilson Chief Executive Officer	2018	1,141,731	32,025,759 <sup>(5)</sup>	2,500,000	61,274	35,728,764
	2017	1,083,846	16,150,342	2,690,860	47,670	19,972,718
	2016	1,019,231	13,617,852	2,076,653	16,971	16,730,707
Blake Jorgensen Executive Vice President, Chief Financial Officer	2018	794,211	17,377,775 <sup>(6)</sup>	1,100,000	14,055	19,286,041
	2017	762,981	7,498,342	1,100,000	17,427	9,378,750
	2016	756,538	6,808,926	1,100,000	17,287	8,682,751
Patrick Söderlund <sup>(7)</sup> Executive Vice President, EA Worldwide Studios	2018	821,539	46,253,078 <sup>(8)</sup>	1,212,319	98,901	48,385,837
	2017	611,291	9,805,485	1,094,161	84,720	11,595,657
	2016	588,702	9,078,520	1,085,526	108,118	10,860,866
Kenneth Moss Executive Vice President, Chief Technology Officer	2018	645,865	13,242,574 <sup>(9)</sup>	630,000	14,327	14,532,766
	2017	619,104	5,767,942	615,000	17,738	7,019,784
	2016	603,731	3,971,790	615,000	152,767	5,343,288
Chris Bruzzo Chief Marketing Officer	2018	620,865	4,539,994 <sup>(10)</sup>	530,000	22,433	5,713,292
	2017	596,365	4,614,285	500,000	17,427	5,728,077

- (1) As discussed in the “Compensation Discussion and Analysis” above, EA announced changes to certain of its NEOs’ roles on April 12, 2018. Blake Jorgensen serves as the Company’s Chief Operating Officer in addition to his role as EA’s Chief Financial Officer; Patrick Söderlund transitioned to the newly established Company-wide leadership role of Chief Design Officer; and Chris Bruzzo leads the Company’s integrated marketing, publishing and analytics organization.
- (2) Represents the aggregate grant date fair value of RSUs, PRSUs, and, with respect to fiscal 2018, PIRSUs. Grant date fair value is determined for financial statement reporting purposes in accordance with FASB ASC Topic 718 and the amounts shown may not reflect the actual value realized by the recipient. For RSUs and PIRSUs, grant date fair value is calculated using the closing price of our common stock on the grant date with the PIRSUs being valued at target. For PRSUs, the grant date fair value is determined using a Monte-Carlo simulation model. For additional information regarding the valuation methodology for RSUs, PRSUs and PIRSUs, see Note 14, “Stock-Based Compensation and Employee Benefit Plans,” to the Consolidated Financial Statements in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on May 23, 2018 (the “Annual Report”). The PRSUs granted to our NEOs in fiscal 2018 are referred to as “Market-Based Restricted Stock Units” and the PIRSUs granted to our NEOs in fiscal 2018 are referred to as “Performance-Based Restricted Stock Units” in Note 14 “Stock-Based Compensation and Employee Benefit Plans.” For additional information regarding the specific terms of the RSUs, PRSUs and PIRSUs granted to our NEOs in fiscal 2018, see the “Fiscal 2018 Grants of Plan-Based Awards Table” below.
- (3) Represents amounts awarded under the Executive Bonus Plan to Messrs. Wilson, Jorgensen, Moss and Bruzzo and amounts awarded to Mr. Söderlund under the EA Bonus Plan. For additional information about the bonuses paid to our NEOs in fiscal 2018, see “Our NEOs’ Fiscal 2018 Compensation” under the heading “Fiscal 2018 Performance Cash Bonus Awards” in the “Compensation Discussion and Analysis” above.



(4)

### All Other Compensation Table

Name	Fiscal Year	Insurance Premiums (\$) <sup>(A)</sup>	Retirement Benefits (\$) <sup>(B)</sup>	Other (\$)	Tax Gross-Up (\$)	Total (\$)
Andrew Wilson	2018	928	12,150	36,105 <sup>(C)</sup>	12,091 <sup>(D)</sup>	61,274
	2017	928	15,900	30,099	793	47,720
	2016	1,071	15,900	—	—	16,971
Blake Jorgensen	2018	928	12,150	—	977 <sup>(E)</sup>	14,055
	2017	928	15,900	—	599	17,427
	2016	1,071	15,900	—	316	17,287
Patrick Söderlund	2018	936	61,169	35,992 <sup>(F)</sup>	804 <sup>(G)</sup>	98,901
	2017	768	56,448	27,476	28	84,720
	2016	783	55,957	51,378	—	108,118
Kenneth Moss	2018	928	12,150	—	1,249 <sup>(H)</sup>	14,327
	2017	928	15,900	—	910	17,738
	2016	1,071	15,900	98,002	37,794	152,767
Chris Bruzzo	2018	928	12,150	—	9,355 <sup>(I)</sup>	22,433
	2017	928	15,900	—	599	17,427

(A) Amounts shown represent premiums paid on behalf of our NEOs under Company sponsored group life insurance, AD&D and disability programs.

(B) Amounts shown for Messrs. Wilson, Jorgensen and Moss reflect Company-matching 401(k) contributions for fiscal years 2018, 2017 and 2016, paid during each subsequent fiscal year. The amount shown for Mr. Söderlund reflects Company contributions during fiscal 2018, 2017 and 2016 to a Swedish ITP2 occupational pension plan, which includes a defined contribution component, as well as life and disability coverage, and an alternative ITP plan.

(C) Amounts shown represent membership dues for executive leadership organizations (\$35,025) and the leadership digital game code benefit under the EA Executive and Studio Leadership Digital Game Benefit program.

(D) Represents the aggregate value of taxes paid on behalf of Mr. Wilson resulting from Company paid executive leadership organization membership fees, the leadership digital game code benefit and video game merchandise from the Company store.

(E) Represents the aggregate value of taxes paid on behalf of Mr. Jorgensen for the leadership digital game benefit.

(F) Amounts shown represent car payments, paid time off, expired time off, leadership digital game code benefit, console reimbursements and incidental expenses paid on behalf of Mr. Söderlund.

(G) Represents the aggregate value of taxes paid on behalf of Mr. Söderlund for costs incurred in connection with his executive physical, the leadership digital game code benefit and business meals.

(H) Represents the aggregate value of taxes paid on behalf of Mr. Moss for digital game reimbursement, the leadership digital game code benefit and video game merchandise from Company store.

(I) Represents the aggregate value of taxes paid on behalf of Mr. Bruzzo for the leadership digital game code benefit, video game merchandise from the Company store and costs incurred in connection with attending the Super Bowl with business partners.

(5) Represents the aggregate grant date fair value of 67,867 RSUs granted to Mr. Wilson in fiscal 2018 of \$7,499,982, the target payout of 67,867 PRSUs granted to Mr. Wilson in fiscal 2018 of \$9,525,812 and the target payout of 135,734 PIRSUs granted to Mr. Wilson in fiscal 2018 of \$14,999,964. The actual vesting of the PRSUs and PIRSUs will be between zero and 200% of the target number of PRSUs and PIRSUs, respectively. The value of the PRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$14,999,964, which is based on the maximum vesting of 135,734 PRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51. The value of the PIRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$29,999,929, which is based on the maximum vesting of 271,468 PIRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51.

(6) Represents the aggregate grant date fair value of 29,409 RSUs granted to Mr. Jorgensen in fiscal 2018 of \$3,249,989, the target payout of 29,409 PRSUs granted to Mr. Jorgensen in fiscal 2018 of \$4,127,847 and the target payout of 90,489 PIRSUs granted to Mr. Jorgensen in fiscal 2018 of \$9,999,939. The actual vesting of the PRSUs and PIRSUs will be between zero and 200% of the target number of PRSUs and PIRSUs, respectively. The value of the PRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$6,499,977, which is based on the maximum vesting of 58,818 PRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51. The value of the PIRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$19,999,879, which is based on the maximum vesting of 180,978 PIRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51.

(7) Mr. Söderlund is based in Stockholm, Sweden and was paid in Swedish krona. The amounts reported as salary and all other compensation for Mr. Söderlund in fiscal 2016, fiscal 2017 and fiscal 2018 were derived from an average of the Swedish krona to U.S. dollar exchange rates on the last day of each month during fiscal 2016, fiscal 2017 and fiscal 2018, respectively. The amount reported as non-equity incentive plan compensation for Mr. Söderlund in fiscal 2018 is based on the Swedish krona to U.S. dollar exchange rate as of May 23, 2018 of 0.113856.

(8) Represents the aggregate grant date fair value of equity awards granted to Mr. Söderlund in fiscal 2018, including supplemental RSUs and supplemental PRSUs. This includes 135,733 RSUs granted to Mr. Söderlund in fiscal 2018 of \$14,999,854, the target payout of 135,733 PRSUs granted to Mr. Söderlund in fiscal 2018 of \$19,253,275 and the target payout of 108,587 PIRSUs granted to Mr. Söderlund in fiscal

2018 of \$11,999,949. The actual vesting of the PRSUs and PIRSUs will be between zero and 200% of the target number of PRSUs and PIRSUs, respectively. The value of the PRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$29,999,708, which is based on the maximum vesting of 271,466 PRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51. The value of the PIRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$23,999,899, which is based on the maximum vesting of 217,174 PIRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51.

- (9) Represents the aggregate grant date fair value of 24,884 RSUs granted to Mr. Moss in fiscal 2018 of \$2,749,931, the target payout of 24,884 PRSUs granted to Mr. Moss in fiscal 2018 of \$3,492,718 and the target payout of 63,342 PIRSUs granted to Mr. Moss in fiscal 2018 of \$6,999,924. The actual vesting of the PRSUs and PIRSUs will be between zero and 200% of the target number of PRSUs and PIRSUs, respectively. The value of the PRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$5,499,862, which is based on the maximum vesting of 49,768 PRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51. The value of the PIRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$13,999,849, which is based on the maximum vesting of 126,684 PIRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51.
- (10) Represents the aggregate grant date fair value of 18,097 RSUs granted to Mr. Bruzzo in fiscal 2018 of \$1,999,899 and the target payout of 18,097 PRSUs granted to Mr. Bruzzo in fiscal 2018 of \$2,540,095. The actual vesting of the PRSUs will be between zero and 200% of the target number of PRSUs. The value of the PRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$3,999,799, which is based on the maximum vesting of 36,194 PRSUs multiplied by the closing price of our common stock on the date of grant of \$110.51.

## FISCAL 2018 GRANTS OF PLAN-BASED AWARDS TABLE

The following table shows information regarding non-equity incentive and equity plan-based awards granted to our NEOs during fiscal 2018.

Name	Grant Date	Approval Date <sup>(1)</sup>	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(2)</sup>		Threshold (\$)	Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>		All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(4)</sup>	Grant Date Fair Value of Stock Awards (\$) <sup>(5)</sup>
			Target (\$)	Maximum (\$)		Target (\$)	Maximum (\$)		
Andrew Wilson									
Annual Bonus Opportunity	—	—	1,997,917	5,000,000	—	—	—	—	—
PRsUs	6/16/2017	5/18/2017	—	—	—	67,867	135,734	—	9,525,812
PIRSUs	6/16/2017	6/1/2017	—	—	67,867	135,734	271,468	—	14,999,964
RSUs	6/16/2017	5/18/2017	—	—	—	—	—	67,867 <sup>(6)</sup>	7,499,982
Blake Jorgensen									
Annual Bonus Opportunity	—	—	794,167	2,382,501	—	—	—	—	—
PRsUs	6/16/2017	5/17/2017	—	—	—	29,409	58,818	—	4,127,847
PIRSUs	6/16/2017	6/1/2017	—	—	45,244	90,489	180,978	—	9,999,939
RSUs	6/16/2017	5/17/2017	—	—	—	—	—	29,409 <sup>(6)</sup>	3,249,989
Patrick Söderlund									
Annual Bonus Opportunity	—	—	1,178,788	3,536,364	—	—	—	—	—
PRsUs	6/16/2017	5/17/2017	—	—	—	45,244	90,488	—	6,350,448
Supplemental PRsUs <sup>(7)</sup>	6/16/2017	6/1/2017	—	—	—	90,489	180,978	—	12,902,827
PIRSUs	6/16/2017	6/1/2017	—	—	54,293	108,587	217,174	—	11,999,949
RSUs	6/16/2017	5/17/2017	—	—	—	—	—	45,244 <sup>(6)</sup>	4,999,914
Supplemental RSUs	6/16/2017	6/1/2017	—	—	—	—	—	90,489 <sup>(8)</sup>	9,999,939
Kenneth Moss									
Annual Bonus Opportunity	—	—	484,375	1,453,125	—	—	—	—	—
PRsUs	6/16/2017	5/17/2017	—	—	—	24,884	49,768	—	3,492,718
PIRSUs	6/16/2017	6/1/2017	—	—	31,671	63,342	126,684	—	6,999,924
RSUs	6/16/2017	5/17/2017	—	—	—	—	—	24,884 <sup>(6)</sup>	2,749,931
Chris Bruzzo									
Annual Bonus Opportunity	—	—	465,625	1,396,875	—	—	—	—	—
PRsUs	6/16/2017	5/17/2017	—	—	—	18,097	36,194	—	2,540,095
RSUs	6/16/2017	5/17/2017	—	—	—	—	—	18,097 <sup>(6)</sup>	1,999,899

- (1) Each grant was approved on the approval date indicated above by our Compensation Committee or the Board of Directors, in the case of our CEO, for grant on the specific grant date indicated above.
- (2) The amounts shown represent the target and maximum amount of cash bonus plan awards provided for under the Executive Bonus Plan for all NEOs other than Mr. Söderlund who participated in the EA Bonus Plan. The target amounts are pre-established as a percentage of salary and the maximum amounts represent the greatest payout that could be made under the Executive Bonus Plan or the EA Bonus Plan, as applicable. For Mr. Söderlund, the target cash bonus amounts were converted to U.S. dollars derived from an average of the Swedish krona to U.S. dollar exchange rates on the last day of each month during fiscal 2018. For more information regarding the bonuses paid to our NEOs in fiscal 2018 and an explanation of the amount of salary and bonus in proportion to total compensation, see the sections titled "Our NEOs' Fiscal 2018 Compensation" and "Our Elements of Pay" in the "Compensation Discussion and Analysis" above.
- (3) Represents awards of PRsUs and PIRSUs granted to our NEOs. Other than Mr. Söderlund's supplemental PRsUs (which are described in footnote 7), the PRsUs vest over a full three-year period. The number of PRsUs that vest is adjusted based on EA's Relative NASDAQ-100 TSR Percentile measured over 12-month, 24-month cumulative and 36-month cumulative periods. Earned PIRSUs will cliff vest on May 26, 2021 based on the interpolated growth in the Company's non-GAAP net revenue and FCF performance targets over a full four-year performance period. For additional information regarding the specific terms of the PRsUs and PIRSUs granted to our NEOs in fiscal 2018, see the discussion in the "Compensation Discussion and Analysis" above. Upon vesting, each earned PRSU or PIRSU automatically converts into one share of EA common stock and does not have an exercise price or expiration date. The PRsUs and PIRSUs are not entitled to receive dividends, if any, paid by EA on its common stock.
- (4) Represents awards of RSUs granted to our NEOs. Upon vesting, each RSU automatically converts into one share of EA common stock. RSUs are granted for no consideration and do not expire. The RSUs do not have voting rights and are not entitled to receive dividends, if any, paid by EA on its common stock.
- (5) For grants of RSUs and PIRSUs, represents the aggregate grant date fair value of RSUs and PIRSUs calculated using the closing price of our common stock on the date of grant. For grants of PRsUs (including Mr. Söderlund's supplemental PRsUs), represents the aggregate grant

date fair value of the award using the Monte-Carlo simulation method assuming target payout. For a more detailed discussion of the valuation methodology and assumptions used to calculate fair value, see Note 14 "Stock-Based Compensation and Employee Benefit Plans," of the Consolidated Financial Statements in our Annual Report.

- (6) RSUs vested as to one-third of the units on May 16, 2018 and will vest as to one-third of the units on each of May 16, 2019 and May 16, 2020.
- (7) Represents awards of supplemental PRSUs granted Mr. Söderlund. The PRSUs vest over a four-year period. The number of supplemental PRSUs that vest is adjusted based on EA's Relative NASDAQ-100 TSR Percentile measured over 24-month and 48-month cumulative periods. Upon vesting, each earned supplemental PRSU automatically converts into one share of EA common stock and does not have an exercise price or expiration date. The supplemental PRSUs are not entitled to receive dividends, if any, paid by EA on its common stock.
- (8) Supplemental RSUs granted to Mr. Söderlund will vest as to one half of the units on each of May 16, 2019 and May 16, 2021.

## OUTSTANDING EQUITY AWARDS AT FISCAL 2018 YEAR-END

The following tables show information regarding outstanding stock options, RSUs, PRSUs and PIRSUs held by our NEOs as of the end of fiscal 2018.

All stock options, RSUs, PRSUs and PIRSUs were granted pursuant to our EIP. The market value of the unvested RSUs, PRSUs and PIRSUs is determined by multiplying the number of unvested RSUs by \$121.24, the closing price of the Company's common stock on March 29, 2018, the last trading day of fiscal 2018. For the PRSUs and PIRSUs, as described in the footnotes to the Outstanding Stock Awards table below, the number of shares and their value assumes the achievement of maximum performance goals, unless otherwise noted.

Name	Option Grant Date	Outstanding Option Awards <sup>(1)</sup>		Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#)			
		Exercisable	Unexercisable		
Andrew Wilson	10/31/2013	750,000	—	26.25	10/31/2023
	6/16/2014	166,389	—	35.70	6/16/2024
Blake Jorgensen	6/16/2014	24,275	—	35.70	6/16/2024
Patrick Söderlund	6/16/2014	41,598	—	35.70	6/16/2024
Kenneth Moss	7/16/2014	122,850	—	37.12	7/16/2024
Chris Bruzzo	9/16/2014	83,402	—	37.02	9/16/2024

(1) All outstanding options were vested and exercisable as of March 31, 2018.

Name	Grant Date	Outstanding Stock Awards			
		Time-Based Vesting Awards		Performance-Based Vesting Awards	
		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Andrew Wilson	6/16/2015	—	—	63,634 <sup>(1)</sup>	7,714,986
	6/16/2016	—	—	124,444 <sup>(1)</sup>	15,087,591
	6/16/2017	—	—	67,867 <sup>(1)</sup>	8,228,195
	6/16/2017	—	—	271,468 <sup>(2)</sup>	32,912,780
	6/16/2015	31,817 <sup>(4)</sup>	3,857,493	—	—
	6/16/2016	62,222 <sup>(4)</sup>	7,543,795	—	—
	6/16/2017	67,867 <sup>(4)</sup>	8,228,195	—	—
Blake Jorgensen	6/16/2015	—	—	31,817 <sup>(1)</sup>	3,857,493
	6/16/2016	—	—	57,778 <sup>(1)</sup>	7,005,005
	6/16/2017	—	—	29,409 <sup>(1)</sup>	3,565,547
	6/16/2017	—	—	180,978 <sup>(2)</sup>	21,941,773
	6/16/2015	15,909 <sup>(4)</sup>	1,928,807	—	—
	6/16/2016	28,889 <sup>(4)</sup>	3,502,502	—	—
	6/16/2017	29,409 <sup>(4)</sup>	3,565,547	—	—
Patrick Söderlund	6/16/2015	—	—	42,422 <sup>(1)</sup>	5,143,243
	6/16/2016	—	—	75,556 <sup>(1)</sup>	9,160,409
	6/16/2017	—	—	45,244 <sup>(1)</sup>	5,485,383
	6/16/2017	—	—	180,978 <sup>(3)</sup>	21,941,773
	6/16/2017	—	—	217,174 <sup>(2)</sup>	26,330,176
	6/16/2015	21,211 <sup>(4)</sup>	2,571,622	—	—
	6/16/2016	37,778 <sup>(4)</sup>	4,580,205	—	—
	6/16/2017	45,244 <sup>(4)</sup>	5,485,383	—	—
	6/16/2017	90,489 <sup>(5)</sup>	10,970,886	—	—
Kenneth Moss	6/16/2015	—	—	18,560 <sup>(1)</sup>	2,250,214
	6/16/2016	—	—	44,444 <sup>(1)</sup>	5,388,391
	6/16/2017	—	—	24,884 <sup>(1)</sup>	3,016,936
	6/16/2017	—	—	126,684 <sup>(2)</sup>	15,359,168
	6/16/2015	9,280 <sup>(4)</sup>	1,125,107	—	—
	6/16/2016	22,222 <sup>(4)</sup>	2,694,195	—	—
	6/16/2017	24,884 <sup>(4)</sup>	3,016,936	—	—
Chris Bruzzo	6/16/2015	—	—	18,560 <sup>(1)</sup>	2,250,214
	6/16/2016	—	—	35,556 <sup>(1)</sup>	4,310,809
	6/16/2017	—	—	18,097 <sup>(1)</sup>	2,194,080
	6/16/2015	9,280 <sup>(4)</sup>	1,125,107	—	—
	6/16/2016	17,778 <sup>(4)</sup>	2,155,405	—	—
	6/16/2017	18,097 <sup>(4)</sup>	2,194,080	—	—

(1) Represents PRSUs at the maximum achievement level of 200% of target for the June 2015 and June 2016 grants and the target level of 100% for the June 2017 PRSU grants. Earned PRSUs vested or will vest as to one-third of the earned units one month prior to each of the first three anniversaries of the grant date. The number of PRSUs that vest is based on EA's Relative NASDAQ-100 TSR Percentile. For additional information regarding the specific terms of the PRSUs granted to our NEOs, see the discussion of "PRSUs" in the "Compensation Discussion and Analysis" above.

(2) Represents PIRSUs at the maximum achievement level of 200% of target for the June 2017 PIRSUs granted to certain of our NEOs. The number of PIRSUs that vest is based on the achievement of one or both of the non-GAAP net revenue and FCF goals over the four-year performance period. For additional information regarding the specific terms of the PIRSUs granted to certain of our NEOs, see the discussion of "PIRSUs" in the "Compensation Discussion and Analysis" above. Any earned PIRSUs will vest in full on May 26, 2021.

(3) Represents an award of RSUs that vested or will vest as to one-third of the units one month prior to each of the first three anniversaries of the grant date.

- (4) Represents PRSUs at the maximum achievement level of 200% for Mr. Söderlund's supplemental June 2017 PRSU grants. Earned supplemental PRSUs will vest as to one-half of the earned units one month prior to each of the second and fourth anniversaries of the grant date. The number of PRSUs that vest is based on EA's Relative NASDAQ-100 TSR Percentile. For additional information regarding Mr. Söderlund's supplemental equity award including the supplemental PRSUs, see the discussion of "Fiscal 2018 Supplemental Equity Compensation Award to Mr. Söderlund" in the "Compensation Discussion and Analysis" above.
- (5) Represents an award of RSUs that will vest as to one-half of the units one month prior to each of the second and fourth anniversaries of the grant date.

## FISCAL 2018 OPTION EXERCISES AND STOCK VESTED TABLE

The following table shows all stock options exercised and value realized upon exercise, as well as all RSUs and PRSUs vested and value realized upon vesting by our NEOs during fiscal 2018.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#) <sup>(2)</sup>	Value Realized on Vesting (\$) <sup>(3)</sup>
Andrew Wilson . . . . .	200,000	15,280,000	219,301	24,320,481
Blake Jorgensen . . . . .	12,130	649,925	102,726	11,392,313
Patrick Söderlund . . . . .	—	—	148,664	16,614,689
Kenneth Moss . . . . .	—	—	73,251	8,072,081
Chris Bruzzo . . . . .	—	—	68,811	7,861,291

(1) The value realized upon the exercise of stock options is calculated by: (a) subtracting the option exercise price from the market value per share of EA common stock on the date of exercise to determine the realized value per share, and (b) multiplying the realized value per share by the number of shares underlying the options exercised.

(2) Represents shares of EA common stock released upon vesting of RSUs and PRSUs during fiscal 2018.

(3) The value realized upon vesting of RSUs and PRSUs is calculated by multiplying the number of RSUs and PRSUs vested by the prior day's closing price of EA common stock on the vest date.

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

### *Termination of Employment*

With the exception of Mr. Söderlund, our NEOs have not entered into employment agreements with the Company. Mr. Söderlund's employment agreement is filed as Exhibit 10.18 to the Company's Form 10-Q, dated August 3, 2004. Our NEOs, other than Mr. Söderlund, will have a right to any accrued paid time off as of the date of the NEO's termination. Pursuant to Mr. Söderlund's employment agreement, Mr. Söderlund will have a right to any benefits, accrued paid time off and bonus payments during the termination notice period applicable to him under Swedish law. All outstanding equity awards held by our NEOs will be forfeited upon termination unless the applicable NEOs' employment is terminated for reasons due to death, disability or change in control.

### *Electronic Arts Change in Control Plan*

Our NEOs participate in the Electronic Arts Inc. Change in Control Plan (the "CiC Plan"). The CiC Plan is filed as Exhibit 10.4 on the Company's Form 8-K dated May 18, 2018. The CiC Plan is a "double-trigger" plan, which provides those serving as Senior Vice Presidents and above with payments and benefits if their employment is terminated without "cause" or if they resign for "good reason" during the three-month period preceding or 18-month period following a change in control of the Company (and the Compensation Committee determines the termination was made in connection with the change in control). The CiC Plan payments and benefits include a cash severance payment, continued health benefits or equivalent payments for up to 18 months (24 months for our CEO) and full vesting of all outstanding and unvested equity awards (other than performance-based awards, the vesting of which is described below).

The CiC Plan does not provide for any additional payments or benefits (for example, tax gross-ups or reimbursements) in the event that the payments under the CiC Plan and other arrangements offered by the Company or its affiliates cause an executive officer to owe an excise tax under Section 280G of the Code ("Section 280G"). However, the CiC Plan provides that, if an executive officer would receive a greater net after-tax benefit by having his or her CiC Plan payments reduced to an amount that would avoid the imposition of the Section 280G excise tax, his or her payment will be reduced accordingly.

As a condition to our NEOs' right to receive the payments and benefits provided under the CiC Plan, the NEO is required to execute a waiver of claims against the Company and will be bound by the terms



of a non-solicitation agreement prohibiting the executive for a one-year period following his or her termination of employment from soliciting employees to leave the Company.

### **PRSUs**

Pursuant to the terms of the PRSUs, if the NEO remains employed by the Company, or the Company's successor entity, PRSUs may vest on their scheduled vest date following a change in control of the Company. The Company's Relative NASDAQ-100 TSR Percentile as of the effective date of the change in control will be applied to determine the number of shares that could vest at each remaining Vesting Opportunity in the applicable Vesting Measurement Period. If the NEO is terminated without "cause" or resigns for "good reason" prior to the eighteen-month anniversary of the change in control or within three months preceding the change in control, and the Compensation Committee determines the termination was made in connection with the change in control, the PRSUs will accelerate upon the date on which the NEO is terminated or resigns, subject to the timely execution of a severance agreement and release. The Company's Relative NASDAQ-100 TSR Percentile as of the effective date of the change in control will be applied to the aggregate number of unvested PRSUs to determine the number of shares that could vest. The reduction of the recipient's awards in respect of Section 280G is applied in the same manner with respect to the PRSUs as under the CiC Plan.

### **PIRSUs**

In the event of a change in control, the Compensation Committee will proportionally adjust the FCF and non-GAAP net revenue targets based on the length of the performance period between April 2, 2017 and the most recently completed fiscal quarter to determine the number of PIRSUs that can be earned on a pro rata basis. The Compensation Committee shall determine and certify in writing, as of the effective date of the change in control, the extent to which the adjusted FCF and non-GAAP net revenue performance measures have been achieved. In the unlikely scenario where the achievement of the performance targets cannot be ascertained as of the effective date of the change in control, the NEO will be eligible to vest in the amount of the adjusted target PIRSUs. If the NEO remains employed by the Company, or the Company's successor entity, the PIRSUs will vest on their scheduled vest date. If the NEO is terminated without "cause" or resigns for "good reason" prior to the 18 month anniversary of the change in control or the three months preceding the change in control (and the Compensation Committee determines the termination was made in connection with the change in control), the PIRSUs will accelerate and vest upon the date on which the NEO is terminated or resigns, subject to the timely execution of a severance agreement and release.

The following table sets forth potential payments under the CiC Plan and the terms of the PRSUs and PIRSUs, as described above, to our NEOs (upon termination of employment without "cause" or for "good reason") in connection with a change in control of the Company. For purposes of the table below, we have assumed a termination date of March 31, 2018, the last day of fiscal 2018. The closing price of our common stock on March 29, 2018 (the last trading day of fiscal 2018) was \$121.24.

<b>Name</b>	<b>Cash Severance Award (\$)<sup>(1)</sup></b>	<b>RSUs (\$)<sup>(2)</sup></b>	<b>PRSUs (\$)<sup>(3)</sup></b>	<b>PIRSUs (\$)<sup>(4)</sup></b>	<b>Other (\$)<sup>(5)</sup></b>	<b>Total (\$)</b>
Andrew Wilson	6,295,834	19,629,483	25,253,686	4,114,037	107,601	55,400,641
Blake Jorgensen	2,391,251	8,996,857	11,723,544	2,742,691	117,945	25,972,288
Patrick Söderlund	2,968,182	23,608,095	26,264,221	3,291,181	7,431	56,139,110
Kenneth Moss	1,701,563	6,836,239	8,664,295	1,919,835	103,522	19,225,454
Chris Bruzzo	1,635,938	5,474,592	7,109,877	—	62,563	14,282,970

(1) Represents the sum of each NEO's annual base salary as of March 31, 2018 and target cash bonus for fiscal 2018, respectively, multiplied by 2 with respect to Mr. Wilson and by 1.5 with respect to Messrs. Jorgensen, Söderlund, Moss and Bruzzo.

(2) Represents the value of unvested RSUs that would accelerate and vest on a qualifying termination of employment in connection with a change in control occurring on March 31, 2018 as calculated by multiplying the number of RSUs that would accelerate by the closing price of our common stock on March 29, 2018.

- (3) Represents the value of unvested PRSUs that would accelerate and vest on a qualifying termination of employment in connection with a change in control occurring on March 31, 2018. For purposes of the table, we have used EA's Relative NASDAQ-100 TSR Percentiles as of March 31, 2018, which was in the 83rd percentile with respect to PRSUs granted in June 2015, the 76th percentile with respect to PRSUs granted in June 2016 and the 56th percentile with respect to PRSUs granted in June 2017. Based on these percentiles, the PRSUs granted to Messrs. Wilson, Jorgensen, Söderlund, Moss and Bruzzo in June 2015 would accelerate and vest as to 169% of the target number of shares for the remaining vest date in the performance period, the PRSUs granted to Messrs. Wilson, Jorgensen, Söderlund, Moss and Bruzzo in June 2016, would each accelerate and vest as to 148% of the target number of shares for the remaining vest dates in their respective performance periods, and the PRSUs granted to Messrs. Wilson, Jorgensen, Söderlund, Moss and Bruzzo in June 2017, including Mr. Söderlund's supplemental PRSUs, would each accelerate and vest as to 92% of the target number of shares for the remaining vest dates in their respective performance periods.
- (4) Represents the estimated value of unvested PIRSUs that would accelerate and vest at target on a qualifying termination of employment in connection with a change in control occurring on March 31, 2018. For purposes of the table, we have used the estimated target number of PIRSUs that would accelerate and vest on a qualifying termination of employment in connection with a change in control occurring on March 31, 2018 based on the completion of 25% of the four-year performance period. If we estimated the value of the unvested PIRSUs at maximum based on the completion of 25% of the four-year performance-period, the value of the PIRSUs would be \$8,228,195 for Mr. Wilson; \$5,485,383 for Mr. Jorgensen; \$6,582,483 for Mr. Söderlund; and \$3,839,792 for Mr. Moss.
- (5) Includes 24 months of post-termination health benefits for Mr. Wilson and accrued paid time off or vacation benefits and 18 months of post-termination health benefits for Messrs. Jorgensen, Söderlund, Bruzzo and Moss and accrued paid time off or vacation benefits.

## FISCAL 2018 PAY RATIO

For fiscal 2018:

- the median of the annual total compensation of all our employees (other than Mr. Wilson) was **\$96,336**; and
- the annual total compensation of Mr. Wilson, was **\$35,728,764**, as reported in the Fiscal 2018 Summary Compensation Table.

Based on this information, for fiscal 2018 the ratio of Mr. Wilson's annual total compensation to the median of the annual total compensation of all employees was **371:1**.

This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K under the Securities Exchange Act of 1934.

Mr. Wilson's annual total compensation for fiscal 2018 included the grant date fair market value of a special performance-based incremental RSU ("PIRSU") award granted to Mr. Wilson and certain other NEOs in fiscal 2018. The PIRSUs cliff vest after four years subject to the achievement of pre-established performance conditions based on non-GAAP net revenue and free cash flow targets. The Compensation Committee granted the PIRSUs in order to retain and incentivize Mr. Wilson and certain other key executives, and aligned the vesting of the PIRSUs to measures that are critical to the achievement of EA's long-term strategic plan. Additional information regarding the PIRSUs can be found under the heading "Our Elements of Pay" in the "Compensation Discussion and Analysis" beginning on page 20 of the Proxy Statement.

If we annualized the PIRSUs over the four-year vesting period, the ratio of Mr. Wilson's annual total compensation to the median of the annual total compensation of all employees would be **254:1**.

We identified our median employee by applying a consistently applied compensation measure ("CACM") to all employees on the Company's worldwide payroll as of January 1, 2018, including but not limited to, full time, part-time, regular and temporary employees. Our CACM aggregated the following elements of compensation which we obtained from our internal payroll systems:

- base salary as of December 31, 2017 (annualized for permanent employees on leave of absence or not employed for the full year);
- discretionary bonuses (performance or other bonuses) paid to employees in calendar year 2017; and
- the grant date fair market value of equity awards granted to employees in calendar year 2017.

We did not exclude any employees or, other than annualizing base salary for permanent employees, make any compensation adjustments whether for cost of living or otherwise when identifying our median employee.

Our median employee was identified to be a software engineer employed in Canada (the "Median Employee").

The Median Employee's fiscal 2018 compensation was calculated in Canadian dollars and determined using the same methodology as used to determine Mr. Wilson's annual total compensation set forth in the Fiscal 2018 Summary Compensation Table. The Median Employee's annual total compensation was then converted to U.S. dollars based on the exchange rate of the Canadian dollar to the U.S. dollar as of March 31, 2018 of 0.776036.

## EQUITY COMPENSATION PLAN INFORMATION

We have two equity incentive plans that have been approved by our stockholders and under which our common stock is or has been authorized for issuance to employees and directors under the EIP and to employees only under the Company's 2000 Employee Stock Purchase Plan, as amended (the "ESPP").

The following table and related footnotes gives aggregate information regarding grants under the EIP and the ESPP as of the end of fiscal 2018:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders . . . .	9,702,120 <sup>(1)</sup>	\$30.28 <sup>(2)</sup>	19,161,586 <sup>(3)</sup>
<b>Total</b> . . . . .	<b>9,702,120</b>		<b>19,161,586</b>

(1) Includes (a) 1,615,481 shares of common stock issuable upon exercise of outstanding options under the EIP with a weighted-average exercise price of \$30.28 and (b) 8,086,639 unvested restricted stock awards outstanding under the EIP.

(2) RSUs, PRSUs and PIRSUs do not have an exercise price and therefore are not included in the calculation of the weighted-average exercise price.

(3) Each full value award (i.e. RSUs, PRSUs and PIRSUs) granted under the EIP reduces the number of shares available for issuance under our EIP by 1.43 shares and each stock option granted reduces the number of shares available for issuance by 1 share. The 19,161,586 shares remaining available for future issuance under our EIP and ESPP includes (a) 12,343,030 shares available for issuance under the EIP based on the 1.43 reduction for full-value awards and (b) 6,818,556 shares available for purchase by our employees under the ESPP.

# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows, as of June 4, 2018, the number of shares of our common stock owned by our directors, NEOs, our directors and executive officers as a group, and beneficial owners known to us holding more than 5% of our common stock. As of June 4, 2018, there were 306,329,755 shares of our common stock outstanding. Except as otherwise indicated, the address for each of our directors and executive officers is c/o Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065.

<u>Stockholder Name</u>	<u>Shares Owned<sup>(1)</sup></u>	<u>Right to Acquire<sup>(2)</sup></u>	<u>Percent of Outstanding Shares<sup>(3)</sup></u>
FMR LLC <sup>(4)</sup> . . . . .	24,253,308	—	7.92%
Blackrock, Inc. <sup>(5)</sup> . . . . .	22,724,888	—	7.42%
Vanguard Group Inc. <sup>(6)</sup> . . . . .	22,198,438	—	7.25%
T. Rowe Price Associates, Inc. <sup>(7)</sup> . . . . .	18,412,964	—	6.01%
Jay C. Hoag <sup>(8)</sup> . . . . .	3,744,235	14,059	1.23%
Lawrence F. Probst III <sup>(9)</sup> . . . . .	596,798	95,148	*
Andrew Wilson <sup>(10)</sup> . . . . .	243,928	916,389	*
Blake Jorgensen . . . . .	167,391	24,275	*
Patrick Söderlund . . . . .	98,300	41,598	*
Kenneth Moss . . . . .	125,400	122,850	*
Jeffrey T. Huber <sup>(11)</sup> . . . . .	76,729	33,659	*
Chris Bruzzo . . . . .	60,464	83,402	*
Richard A. Simonson . . . . .	32,542	68,506	*
Leonard S. Coleman . . . . .	27,371	33,034	*
Denise F. Warren . . . . .	12,762	14,059	*
Talbot Roche . . . . .	5,329	2,187	*
Vivek Paul . . . . .	1,615	57,334	*
Luis A. Ubiñas . . . . .	965	62,406	*
Heidi J. Ueberroth . . . . .	—	1,747	*
All executive officers and directors as a group (21) persons <sup>(12)</sup> . . . . .	5,276,616	1,599,610	2.24%

\* Less than 1%

- (1) Unless otherwise indicated in the footnotes, includes shares of common stock for which the named person has sole or shared voting and investment power. This column excludes shares of common stock that may be acquired through stock option exercises, which are included in the column "Right to Acquire."
- (2) Includes (a) shares of common stock that may be acquired through stock option exercises and releases of RSUs within 60 days of June 4, 2018, (b) in the case of Mr. Simonson, reflects 54,447 RSUs that have vested but have been deferred, (c) in the case of Mr. Coleman, reflects 30,847 RSUs that have vested but have been deferred, (d) in the case of Mr. Paul, reflects 55,147 RSUs that have vested but have been deferred and (e) in the case of Mr. Ubiñas, reflects 48,347 RSUs that have vested but have been deferred.
- (3) Calculated based on the total number of shares owned plus the number of shares that may be acquired through stock option exercises and the release of vested RSUs within 60 days of June 4, 2018.
- (4) As of March 31, 2018, based on information contained in a report on Form 13F-HR filed with the SEC on May 14, 2018 by FMR LLC. The address for FMR LLC is 245 Summer Street, Boston, MA 02210.
- (5) As of March 31, 2018, based on information contained in a report on Form 13F-HR filed with the SEC on May 9, 2018 by Blackrock, Inc. The address for Blackrock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (6) As of March 31, 2018, based on information contained in a report on Form 13F-HR filed with the SEC on May 15, 2018 by Vanguard Group Inc. The address for Vanguard Group Inc. is PO Box 2600, V26, Valley Forge, PA 19482-2600.
- (7) As of March 31, 2018, based on information contained in a report on Form 13F-HR filed with the SEC on May 14, 2018 by T. Rowe Price Associates, Inc. The address for T. Rowe Price Associates, Inc. is PO Box 8900, Baltimore, MD 21289.

- (8) Represents 3,744,235 shares of common stock held by entities affiliated with Mr. Hoag, including Technology Crossover Ventures as follows: (i) 3,820 shares of common stock held by TCV Management 2004, L.L.C. ("TCV Management 2004"), (ii) 3,820 shares of common stock held by TCV VI Management, L.L.C. ("TCV VI Management"), (iii) 12,710 shares of common stock held by TCV VII Management, L.L.C. ("TCV VII Management," and together with TCV Management 2004 and TCV VI Management, the "Management Companies"), (iv) 597,499 shares of common stock held by TCV V, L.P., (v) 604,369 shares of common stock held by TCV VI, L.P., (vi) 1,473,923 shares of common stock held by TCV VII, L.P., (vii) 765,443 shares of common stock held by TCV VII (A), L.P., (viii) 29,022 shares of common stock held by TCV Member Fund, L.P. (together with TCV V, L.P., TCV VI, L.P., TCV VII, L.P. and TCV VII (A), L.P., the "TCV Funds"), (ix) 163,757 shares held by the Hoag Family Trust U/A Dtd 8/2/94 (the "Hoag Family Trust"), (x) 89,677 shares held by Hamilton Investments Limited Partnership and (xi) 195 shares held directly by Mr. Hoag. Mr. Hoag, a director of the Company, is a member of each of the Management Companies but disclaims beneficial ownership of the shares held or beneficially owned by such entities except to the extent of his pecuniary interest therein. Mr. Hoag is a trustee of Hoag Family Trust and a general partner and limited partner of Hamilton Investments Limited Partnership, but disclaims beneficial ownership of the shares held or beneficially owned by such entities except to the extent of his pecuniary interest therein.

Technology Crossover Management V, L.L.C. ("TCM V") is the general partner of TCV V, L.P. Technology Crossover Management VI, L.L.C. ("TCM VI") is the general partner of TCV VI, L.P. Technology Crossover Management VII, Ltd. ("Management VII") is the general partner of Technology Crossover Management VII, L.P. ("TCM VII"), which, in turn, is the general partner of each of TCV VII, L.P. and TCV VII (A), L.P. Each of TCM V, TCM VI and Management VII is a general partner of TCV Member Fund, L.P. Mr. Hoag is a Class A Member of each of TCM V and TCM VI and a Class A Director of Management VII as well as a limited partner of each of TCM VII and TCV Member Fund, L.P. Together with the other Class A Members or Class A Directors, as applicable, Mr. Hoag shares voting and dispositive power with respect to the TCV Funds. Mr. Hoag, TCM V, TCM VI and Management VII disclaim beneficial ownership of any shares held by the TCV Funds except to the extent of their respective pecuniary interests therein. The address for each of Mr. Hoag, the Management Companies and the TCV Funds is c/o Technology Crossover Ventures, 250 Middlefield Road, Menlo Park, CA 94025.

- (9) Includes 102,451 shares of common stock held directly by Mr. Probst, 58,590 shares of common stock held by Mr. Probst's grantor's retained annuity trust, in which 29,295 shares are held in trust for Lawrence F. Probst IV and 29,295 shares are held in trust for Scott Probst; 11,444 shares of common stock held by Mr. Probst's spouse; 424,313 shares of common stock held by the Probst Family L.P. of which Mr. Probst is a partner.
- (10) Includes 243,928 shares of common stock held by Mr. Wilson's family trust.
- (11) Includes 4,315 shares of common stock held directly by Mr. Huber, 67,412 shares of common stock held by Mr. Huber's family trust and 5,002 shares of common stock and 31,472 vested options held by the Maywood Trust U/A/D 9/19/2012 of which Mr. Huber is the sole trustee.
- (12) Includes all executive officers and directors of EA as of the date of this filing.

# PROPOSALS TO BE VOTED ON

## PROPOSAL ONE

### ELECTION OF DIRECTORS

At the Annual Meeting, stockholders will elect nine directors to hold office for a one-year term until the next annual meeting (or until their respective successors are elected and qualified). All nominees have consented to serve a one-year term, if elected. For additional information regarding the nominees and our corporate governance practices, including our director resignation policies, please see the sections of this Proxy Statement entitled “2018 Proxy Statement Summary and Highlights,” “Commonly Asked Questions and Answers” and “Board of Directors and Corporate Governance.”

The 2018 election of directors will be uncontested. Accordingly, EA’s Amended and Restated Bylaws provide that in an uncontested election of directors each nominee must receive more votes cast “for” than “against” his or her election or re-election in order to be re-elected to the Board of Directors.

The Board of Directors has nominated **Ms. Heidi J. Ueberroth**, who was appointed to the Board of Directors in November 2017 to stand for election, and the following directors to stand for re-election, at the Annual Meeting:

- **Leonard S. Coleman**
- **Jay C. Hoag**
- **Jeffrey T. Huber**
- **Lawrence F. Probst III**
- **Richard A. Simonson**
- **Talbott Roche**
- **Luis A. Ubiñas**
- **Andrew Wilson**

***The Board of Directors recommends a vote FOR each of the nominees.***

## **PROPOSAL TWO**

### **ADVISORY VOTE ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**

In accordance with the SEC's proxy rules, we seek an advisory, non-binding stockholder vote with respect to the compensation of our NEOs for fiscal 2018. This vote, which is undertaken by us annually, is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the compensation philosophy, policies and practices, as disclosed in this Proxy Statement.

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the Annual Meeting in person or by proxy and voting for or against the proposal.

We previously have submitted advisory say on pay proposals for each fiscal year beginning with fiscal 2011 and have received majority stockholder support for the compensation of our NEOs for each of these years.

EA's management, the Compensation Committee and the Board of Directors are committed to maintaining a pay-for-performance alignment in our executive compensation programs and continue to solicit feedback from our stockholders regarding our programs and practices. We received a favorable 96% of votes cast for our annual say on pay advisory proposal at our 2017 annual meeting.

We encourage you to read the "Compensation Discussion and Analysis" at pages 20 through 35 for additional details on our executive compensation programs and the fiscal 2018 compensation of our NEOs.

We believe our compensation programs and policies for fiscal 2018 were consistent with our core compensation principles, supported by strong compensation governance practices and are worthy of continued stockholder support. Accordingly, we ask for our stockholders to indicate their support for the compensation paid to our NEOs, by voting "FOR" the following resolution at the Annual Meeting:

**"RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the named executive officers for fiscal 2018, as disclosed in the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosures in this Proxy Statement."**

Although the vote is advisory and non-binding, our Board of Directors and Compensation Committee value the opinions of our stockholders and will consider the outcome of the vote, along with other relevant factors, in evaluating the future compensation of our NEOs.

**The Board of Directors recommends a vote FOR the approval of the foregoing resolution.**



## PROPOSAL THREE

### RATIFICATION OF THE APPOINTMENT OF KPMG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, retention, compensation and oversight of the Company's independent registered public accounting firm. The Audit Committee has appointed KPMG LLP as the Company's independent auditors for the fiscal year ending March 31, 2019. KPMG LLP has audited the financial statements of the Company and its consolidated subsidiaries since fiscal 1987. The Audit Committee and the Board of Directors believe that KPMG LLP's long-term knowledge of EA and its subsidiaries is valuable to the Company as discussed further below. Representatives of KPMG LLP have direct access to members of the Audit Committee and the Board of Directors. We expect one or more representatives of KPMG LLP to attend the Annual Meeting in order to respond to appropriate questions from stockholders and make a statement if they desire to do so.

Ratification of the appointment of KPMG LLP as our independent auditors is not required by our Amended and Restated Bylaws or otherwise. The Board of Directors has determined to submit this proposal to the stockholders as a matter of good corporate practice. Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting for or against the proposal. If the stockholders do not ratify the appointment, the Audit Committee will review its future selection of auditors. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and the stockholders.

#### Fees of Independent Auditors

The aggregate fees billed for the last two fiscal years for each of the following categories of services are set forth below:

<u>Description of Fees</u>	<u>Year Ended March 31, 2018</u>	<u>Year Ended March 31, 2017</u>
Audit Fees <sup>(1)</sup> . . . . .	\$4,990,000	\$4,563,000
Audit-Related Fees <sup>(2)</sup> . . . . .	254,000	115,000
Tax Fees — Compliance <sup>(3)</sup> . . . . .	329,000	367,000
Total All Fees . . . . .	<u>\$5,573,000</u>	<u>\$5,045,000</u>

- (1) Audit Fees: This category includes the annual audit of the Company's financial statements and internal controls over financial reporting (including quarterly reviews of financial statements included in the Company's quarterly reports on Form 10-Q), and services normally provided by the independent auditors in connection with regulatory filings. This category also includes consultation on matters that arose during, or as a result of the audit or review of financial statements, statutory audits required for our non-US subsidiaries, and services associated with our periodic reports and other documents filed with the SEC, as well as Sarbanes-Oxley Section 404 compliance consultation.
- (2) Audit-Related Fees: This category consists of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees." In fiscal 2018, these fees were for accounting consultations and services in the U.S. and in connection with other regulatory filings in our international jurisdictions.
- (3) Tax Fees: This category includes compliance services rendered for U.S. and foreign tax compliance and returns and transfer pricing documentation.

#### Services Provided by the Independent Auditor

KPMG LLP audits our consolidated operations and provides statutory audits for legal entities within our international corporate structure. Having one audit firm with a strong global presence responsible for these audits ensures that a coordinated approach is used to address issues that may impact our businesses across multiple geographies and legal entities. Few audit firms have the knowledge of our sector and the capability of servicing our global audit requirements. KPMG LLP has the geographical scope that our operations require and the accounting expertise in the matters relevant to our sector. In addition, KPMG LLP's experience working with the Company gives them the institutional knowledge to understand our operations and processes, which we believe helps them address the relevant issues and improves the quality of the audit.

In appointing KPMG LLP as our independent auditors for fiscal 2019, the Audit Committee and the Board of Directors have considered the performance of KPMG LLP in fiscal 2018, as well as in prior years, and have taken into account the alternative options available to the Company. The Audit Committee and the Board of Directors have determined that it is in the best interest of the Company to continue KPMG LLP's engagement.

We believe the experience and expertise held by the members of the Audit Committee give them the necessary skills to evaluate the relationship between the Company and its independent auditors and to oversee auditor independence. The Audit Committee periodically considers whether there should be rotation of our independent external audit firm. The Audit Committee is empowered under its charter to obtain advice and assistance from outside legal, accounting and other advisors as it deems appropriate.

At each meeting of the Audit Committee, Company management is provided the opportunity to meet in private session with the Audit Committee to discuss any issues relating to KPMG LLP's engagement. Similarly, KPMG LLP regularly meets in private session with the Audit Committee with no members of Company management present.

### ***Audit Partner Rotation***

Our KPMG LLP lead and concurring audit partner have been working on the Company's audit since the first quarter of fiscal 2016 and the first quarter of fiscal 2015, respectively. Each audit partner may serve a maximum of five years on the Company's audit. Candidates are proposed by KPMG LLP based on their expertise and experience and are vetted by Company management and a recommendation is made to the Audit Committee. The Audit Committee has final approval of the lead audit partner and the concurring audit partner.

### ***Pre-approval Procedures***

The Audit Committee is required to pre-approve the engagement of, and fees incurred by, KPMG LLP to perform audit and other services for the Company and its subsidiaries. The Company's procedures for the pre-approval by the Audit Committee of all services provided by KPMG LLP and the related fees comply with SEC regulations regarding pre-approval of services. Services subject to these SEC requirements include audit services, audit-related services, tax services and other services. In some cases, pre-approval for a particular category or group of services and the related fees are provided by the Audit Committee for up to a year, subject to a specific budget and to regular management reporting. In other cases, the Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve additional services and the related fees up to a specified dollar limit, and such pre-approvals are then communicated to the full Audit Committee. The Audit Committee reviews quarterly the status of all pre-approved services and the related fees to date and approves any new services and the related fees to be provided.

In determining whether to grant a pre-approval, the Audit Committee considers the level of non-audit fees incurred to date as a percentage of the total annual fees paid to KPMG LLP. In addition, the Audit Committee considers additional factors to assess the potential impact on auditor independence of KPMG LLP performing such services, including whether the services are permitted under the rules and recommendations of the Public Company Accounting Oversight Board, the American Institute of Certified Public Accountants, and the NASDAQ Stock Market, whether the proposed services are permitted under EA's policies, and whether the proposed services are consistent with the principles of the SEC's auditor independence rules. The Company also annually confirms with each of its directors and executive officers whether there are any relationships that they are aware of with KPMG LLP that may impact the auditor independence evaluation. The Audit Committee considered and determined that fees for services other than audit and audit-related services paid to KPMG LLP during fiscal 2018 are compatible with maintaining KPMG LLP's independence.

**The Board of Directors recommends a vote FOR the ratification of KPMG LLP as our independent auditors for the fiscal year ending March 31, 2019.**

# COMMONLY ASKED QUESTIONS AND ANSWERS

## 1. Why am I receiving these materials?

You are receiving these materials in connection with the Company's solicitation of proxies for use at our Annual Meeting, which will take place on Thursday, August 2, 2018 at 2:00 p.m. local time, at our corporate headquarters in Redwood City, California. This Proxy Statement describes proposals on which you, as a stockholder, are being asked to vote. It also gives you information on the proposals that will be considered at the Annual Meeting, as well as other information so that you can make an informed decision. As a stockholder, you are invited to attend the Annual Meeting and are requested to vote on the items of business described in this Proxy Statement.

## 2. Why did I receive a Notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

In accordance with rules adopted by the Securities and Exchange Commission (the "SEC"), we may furnish proxy materials, including this Proxy Statement and our Annual Report, to our stockholders by providing access on the Internet instead of mailing printed copies. Stockholders will receive only printed copies of the proxy materials if they request them. Instead, the Notice, which was mailed to our stockholders, provides instructions on how to access and review all of the proxy materials on the Internet. The Notice also describes how you may submit your proxy on the Internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting those materials in the Notice or you may contact the Company directly. The Company will provide you without charge, upon request, a paper or email copy of our proxy materials (paper copies will be sent by first class mail). Any such request should be directed as follows: Corporate Secretary, Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065 or call (650) 628-1500.

## 3. How can I get electronic access to the proxy materials?

The proxy card provides instructions on how to inform us to send future proxy materials to you electronically by email. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to our proxy website. Your election to receive proxy materials by email will remain in effect until you terminate it. ***We encourage you to receive future proxy materials by email. Doing so will allow us to provide you with the information you need in a more timely manner, will save us the cost of printing and mailing documents to you, and will help conserve natural resources.***

## 4. Can I vote my shares by filling out and returning the Notice?

No. However, the Notice provides instructions on how to vote on the Internet, by telephone, by mail or by submitting a ballot in person at the Annual Meeting.

## **5. Who can vote at the Annual Meeting?**

Stockholders who owned common stock as of the close of business on June 8, 2018 may attend and vote at the Annual Meeting. If your shares are registered directly in your name with our transfer agent, Computershare, you are considered, with respect to those shares, the stockholder of record. As the stockholder of record, you have the right to vote in person at the Annual Meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in "street name." As the beneficial owner, you are also invited to attend the Annual Meeting. As a beneficial owner, you are not the stockholder of record and may not vote these shares in person at the Annual Meeting unless you obtain a "legal proxy" from your broker, nominee, or trustee that holds your shares, giving you the right to vote the shares at the meeting. Each share of common stock is entitled to one vote. There were 306,111,943 shares of common stock outstanding on the record date, June 8, 2018.

A quorum is required to conduct business at the Annual Meeting. A quorum exists if a majority of EA's outstanding voting shares, or at least 153,055,972 shares, as of June 8, 2018 is present or represented by proxies at the Annual Meeting. On June 8, 2018, a total of 306,111,943 shares of common stock were outstanding and entitled to vote.

Shares are counted as present or represented at the Annual Meeting if:

- They are entitled to vote at the Annual Meeting and are present at the Annual Meeting in person, or
- The stockholder has voted on the Internet, by telephone or a properly submitted proxy card prior to 11:59 p.m. Eastern Time on August 1, 2018.

## **6. What am I voting on?**

We are asking you to

- Elect Leonard S. Coleman, Jay C. Hoag, Jeffrey T. Huber, Lawrence F. Probst III, Talbott Roche, Richard A. Simonson, Luis A. Ubiñas, Heidi J. Ueberroth and Andrew Wilson to the Board of Directors to hold office for a one-year term (Proposal 1);
- Cast an advisory vote on the compensation of the Company's named executive officers (Proposal 2); and
- Ratify the appointment of KPMG LLP as the Company's independent public registered accounting firm for the fiscal year ending March 31, 2019 (Proposal 3).

## 7. How do I vote my shares if I won't be able to attend the Annual Meeting in person?

You do not need to attend the Annual Meeting in person in order to vote. You may, instead, vote on the Internet, by telephone or by mail (if you have received printed proxy materials) prior to 11:59 p.m. Eastern Time on August 1, 2018. By doing so, you are giving a proxy appointing Andrew Wilson (the Company's Chief Executive Officer), Blake Jorgensen (the Company's Chief Operating Officer and Chief Financial Officer) and Jacob Schatz (the Company's General Counsel and Corporate Secretary) or any of them, each with power of substitution, to vote your shares at the Annual Meeting, or any adjournment thereof, as you have instructed. If a proposal comes up for a vote at the Annual Meeting for which you have not indicated an instruction, Mr. Wilson, Mr. Jorgensen and Mr. Schatz, or any one of them, will vote your shares according to their best judgment. Even if you currently plan to attend the Annual Meeting, it is a good idea to vote on the Internet, by telephone or, if you received printed proxy materials, to complete and return your proxy card before the meeting date, in case your plans change.

- **On the Internet or by Telephone** — If you have Internet access, you may submit your proxy online by following the instructions provided in the Notice or, if you receive printed proxy materials, the proxy card. You may also vote by telephone by following the instructions provided on your proxy card or voting instruction card.
- **By Mail** — If you receive printed proxy materials, you may submit your proxy by mail by signing your proxy card or, for shares held in street name, by following the voting instructions included by your broker, trustee or nominee, and mailing it in the enclosed, postage-paid envelope. If you provide specific voting instructions, your shares will be voted as you have instructed.

## 8. What does it mean if I receive more than one Notice or proxy card?

It means that you have multiple accounts at the transfer agent or with brokers. Please complete and return all proxy cards, or follow the instructions on each proxy card to vote on the Internet or by telephone, to ensure that all your shares are voted.

## 9. I share an address with another stockholder, and we received only one paper copy of the proxy materials. How can I obtain an additional copy of the proxy materials?

The Company has adopted an SEC-approved procedure called "householding." Under this procedure, the Company may deliver a single copy of the Notice, Annual Report and this Proxy Statement to multiple stockholders who share the same last name and address and who have consented to householding, unless the Company has received contrary instructions from one or more of those stockholders. This procedure reduces the environmental impact of the Company's annual meetings and reduces the Company's printing and mailing costs. Stockholders who participate in householding will continue to receive separate proxy cards. Upon written or oral request, the Company will deliver promptly a separate copy of the Notice, Annual Report and this Proxy Statement to any stockholder at a shared address to which the Company delivered a single copy of any of these documents.

To receive free of charge a separate copy of the Notice, Annual Report and this Proxy Statement, or separate copies of these documents in the future, stockholders may write our Corporate Secretary at 209 Redwood Shores Parkway, Redwood City, CA 94065 or call (650) 628-1500.

If you are receiving more than one copy of the proxy materials at a single address and would like to participate in householding, please contact the Company using the mailing address or phone number above. Stockholders who hold shares in street name may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

## **10. What if I change my mind after I give my proxy?**

You may revoke your proxy and change your vote at any time before the polls close at the Annual Meeting. You may do this by:

- Sending a signed statement to the Company that the proxy is revoked (you may send such a statement to the Corporate Secretary at our corporate headquarters address listed above);
- Signing and returning another proxy with a later date;
- Voting on the Internet or by telephone at any time prior to 11:59 p.m. Eastern Time on August 1, 2018 (your latest vote is counted); or
- Voting in person at the Annual Meeting.

Your proxy will not be revoked if you attend the Annual Meeting but do not vote.

## **11. Who will count the votes?**

A representative of Broadridge Financial Solutions will tabulate the votes and act as the inspector of election.

## **12. How are votes counted?**

You may vote “for,” “against” or “abstain” with respect to each of the nominees for election to the Board of Directors and on each of the proposals. A share voted “abstain” with respect to any proposal is considered present at the Annual Meeting for purposes of establishing a quorum and entitled to vote with respect to that proposal, but is not considered a vote cast with respect to that proposal. Thus, abstentions will not affect the outcome of any matter being voted on at the Annual Meeting. If you sign and return your proxy without voting instructions, your shares will be voted as recommended by the Board of Directors.

## **13. What is the effect of a “broker non-vote” on the proposals to be voted on at the Annual Meeting?**

If your shares are held by a broker, bank or other nominee or trustee and you do not provide your broker, bank or other nominee or trustee with voting instructions, your shares may constitute “broker non-votes.” Broker non-votes occur on a matter when a broker is not permitted to vote on that matter without instructions from the beneficial owners and instructions are not given. These matters are referred to as “non-routine” matters. Proposals 1 and 2 are “non-routine”. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered votes cast on that proposal. Thus, broker non-votes will not affect the outcome of Proposals 1 and 2. Proposal 3, the ratification of KPMG LLP as our independent auditor for fiscal 2019, is a “routine” proposal and no broker-non votes are expected in connection with Proposal 3. If your shares are held of record by a bank, broker, or other nominee, we urge you to give instructions to your bank, broker or other nominee as to how you wish your shares to be voted.

**14. How many votes must the nominees receive to be elected as directors?**

In an uncontested election, our Amended and Restated Bylaws require each nominee to receive more votes cast “for” than “against” his or her election or re-election in order to be elected or re-elected to the Board of Directors. Since we are not aware of any intention by any stockholder to nominate one or more candidates to compete with the Board of Directors’ nominees for election at the Annual Meeting, the 2018 election will be uncontested.

In accordance with our Corporate Governance Guidelines, the Board of Directors expects an incumbent director to tender his or her resignation if he or she fails to receive the required number of votes for election or re-election in an uncontested election. In such an event, the Nominating and Governance Committee will act on an expedited basis to determine whether to accept the director’s resignation and will submit such recommendation for prompt consideration by the Board of Directors. The director whose resignation is under consideration will abstain from participating in any decision regarding his or her resignation. The Nominating and Governance Committee and the Board of Directors may consider any factors they deem relevant in deciding whether to accept and recommend a director’s resignation. The Board of Directors will act on the Nominating and Governance Committee’s recommendation within 90 days from the date of the certification of election results and will publicly disclose its decision promptly thereafter.

Shares represented by your proxy will be voted by EA’s management “for” the election of the nine nominees recommended by EA’s Board of Directors unless you vote against any or all of such nominees or you mark your proxy to “abstain” from so voting. Abstentions and broker non-votes will have no effect on the outcome of the director elections.

**15. What happens if one or more of the nominees is unable to serve or for good cause will not serve?**

If, prior to the Annual Meeting, one or more of the nominees notifies us that he or she is unable to serve, or for good cause will not serve, as a member of the Board of Directors, the Board of Directors may reduce the number of directors or select a substitute nominee or substitute nominees, as the case may be. In the latter case, if you have completed and returned your proxy card, Mr. Wilson, Mr. Jorgensen and Mr. Schatz, or any of them, may vote for any nominee designated by the incumbent Board of Directors to fill the vacancy. They cannot vote for more than nine nominees.

**16. How many votes are required to approve each of the other proposals?**

The advisory vote on the compensation of our named executive officers (Proposal 2) and the ratification of KPMG LLP (Proposal 3) must receive a “for” vote from a majority of the voting shares present at the Annual Meeting in person or by proxy and voting for or against these proposals. As an advisory vote, the result of voting on Proposal 2 is non-binding. Although this vote is non-binding, the Board of Directors and the Compensation Committee value the opinions of our stockholders and will consider the outcome of this vote, along with other relevant factors, in evaluating the compensation program for our named executive officers.

Shares represented by your proxy will be voted by EA’s management in accordance with the Board of Directors’ recommendation unless you vote otherwise on your proxy or you mark your proxy to “abstain” from voting. Abstentions and broker non-votes will have no effect on the outcome of these proposals.

**17. What is the deadline to propose matters for consideration at the 2019 Annual Meeting of stockholders?**

**Proposals to be considered for inclusion in our proxy materials:** No later than February 15, 2019. All proposals must comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

**Other proposals to be brought at our 2019 Annual Meeting:** No earlier than April 4, 2019 and no later than May 4, 2019. The submission must include certain information concerning the stockholder and the proposal, as specified in the Company’s Amended and Restated Bylaws.

**18. What is the deadline to nominate individuals for election as directors at the 2019 Annual Meeting of stockholders?**

**Director nominations for inclusion in our proxy materials (proxy access nominees):** No earlier than March 5, 2019 and no later than April 4, 2019. The nomination must include certain information concerning the stockholder or stockholder group and the nominee, as specified in Section 1.6 of the Company’s Amended and Restated Bylaws.

**Director brought pursuant to our advance notice bylaws:** No earlier than April 4, 2019 and no later than May 4, 2019. The nomination must include certain information concerning the stockholder and the nominee, as specified in Section 1.5 of the Company’s Amended and Restated Bylaws.

**19. Where should I send proposals and director nominations for the 2019 Annual Meeting of stockholders?**

Stockholder proposals and director nominations should be sent in writing to Jacob Schatz, Corporate Secretary at Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065.

**20. How can I obtain a copy of the Company’s Amended and Restated Bylaws?**

Our Amended and Restated Bylaws are included as an exhibit to a Current Report on Form 8-K/A we filed with the SEC on May 27, 2016, which you may access through the SEC’s electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov). You may also request a copy of our Amended and Restated Bylaws by contacting our Corporate Secretary at the address above.

**21. How can I listen to the live audio webcast of the Annual Meeting?**

You can listen to the live audio webcast of the Annual Meeting by going to the Investor Relations section of our website at <http://investor.ea.com>. An archived copy of the webcast will also be available on our website for one year following the Annual Meeting. Please note that participation in the question and answer portion of the Annual Meeting will be limited to those attending in person.

**22. Where do I find the voting results of the meeting?**

We expect to announce preliminary voting results at the Annual Meeting. We will also publish the final results on Form 8-K, which we will file with the SEC within four business days after the Annual Meeting. Once filed, you can request a copy of the Form 8-K by contacting our Investor Relations department at (650) 628-0406 or the SEC at (800) SEC-0330 for the location of its nearest public reference room. You can also get a copy on the Internet at <http://investor.ea.com> or through the SEC’s electronic data system called EDGAR at [www.sec.gov](http://www.sec.gov).



**23. Who will pay for this proxy solicitation?**

We will bear the costs of soliciting proxies from our stockholders. These costs include preparing, assembling, printing, mailing and distributing the notices, proxy statements, proxy cards and annual reports. If you choose to access the proxy materials and/or vote on the Internet, you are responsible for the Internet access charges you may incur. If you choose to vote by telephone, you are responsible for the telephone charges you may incur. In addition, some of our officers, directors, employees and other agents may also solicit proxies personally, by telephone and by electronic and regular mail, and we will pay these costs. EA will also reimburse brokerage houses and other custodians for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the beneficial owners of the Company's common stock.

**24. How is the Company's fiscal year calculated?**

The Company's fiscal year is reported on a 52- or 53-week period that ends on the Saturday nearest March 31. Our results of operations for fiscal 2018 contained 52 weeks and ended on March 31, 2018. For simplicity of disclosure, fiscal periods are referred to as ending on a calendar month end, even if the technical end of a fiscal period was not the last day of a calendar month. Thus, in this Proxy Statement, "fiscal 2019," "fiscal 2018," "fiscal 2017," and "fiscal 2016," refer to our fiscal years ending or ended (as the case may be) on March 31, 2019, 2018, 2017 and 2016 respectively.

**25. Who can I call with any questions about my shares?**

If you hold shares in street name, you may contact your broker. If you are a stockholder of record, you may call our transfer agent, Computershare, at (800) 736-3001 or (781) 575-3100 for international callers or visit their website at [www.computershare.com/investor](http://www.computershare.com/investor).

## Appendix A

### Supplemental Information for the 2018 Compensation Discussion and Analysis

The 2018 Compensation Discussion and Analysis beginning on page 20 contains certain non-GAAP financial measures, which are used internally by our management and Board of Directors in our compensation programs. The table below reconciles these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with Generally Accepted Accounting Principles (“GAAP”).

#### CALCULATION OF NON-GAAP FINANCIAL MEASURES

	Fiscal Year Ended March 31, 2018
<b>GAAP net revenue</b> .....	<b>\$5,150</b>
Change in deferred net revenue (online-enabled games) .....	30
<b>Non-GAAP net revenue</b> .....	<b>\$5,180</b>
<b>GAAP gross profit</b> .....	<b>\$3,873</b>
Acquisition-related expenses .....	2
Change in deferred net revenue (online-enabled games) .....	30
Stock-based compensation .....	3
<b>Non-GAAP gross profit</b> .....	<b>\$3,908</b>
<b>GAAP operating expenses</b> .....	<b>\$2,439</b>
Acquisition-related expenses .....	(9)
Stock-based compensation .....	(239)
<b>Non-GAAP operating expenses</b> .....	<b>\$2,191</b>
<b>GAAP net income</b> .....	<b>\$1,043</b>
Acquisition-related expenses .....	11
Change in deferred net revenue (online-enabled games) .....	30
Stock-based compensation .....	242
Income tax rate adjustments .....	42
<b>Non-GAAP net income</b> .....	<b>\$1,368</b>
<b>GAAP diluted earnings per share</b> .....	<b>\$ 3.34</b>
<b>Non-GAAP diluted earnings per share</b> .....	<b>\$ 4.38</b>
<b>Number of diluted shares used in computation</b> .....	<b>312</b>
<b>Non-GAAP diluted shares</b> .....	<b>312</b>

#### **About Non-GAAP Financial Measures**

Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. These non-GAAP financial measures do not reflect a comprehensive system of accounting, differ from GAAP measures with the same names and may differ from non-GAAP financial measures with the same or similar names that are used by other companies.

We compute non-GAAP financial measures using the same consistent method. We may consider whether other significant items that arise in the future should be excluded from our non-GAAP financial measures. The Company uses certain non-GAAP financial measures when establishing performance-based targets. These measures adjust for certain items that may not be indicative of the Company’s core business, operating results or future outlook. We believe that these non-GAAP financial measures provide meaningful supplemental information about the Company’s operating results primarily because they exclude amounts that we do not consider part of ongoing operating results when planning and forecasting for future periods and when assessing the performance of the organization. When making compensation decisions for our executives, we utilize non-GAAP financial measures to evaluate the Company’s financial performance and the performance of our management team.

The Company's target and actual non-GAAP financial measures are calculated with reference to adjustments to GAAP financial measures. These adjustments exclude the following items:

- Acquisition-related expenses
- Change in deferred net revenue (online-enabled games)
- Income tax rate adjustments
- Stock-based compensation

We believe it is appropriate to exclude these items for the following reasons:

*Acquisition-Related Expenses.* GAAP requires expenses to be recognized for various types of events associated with a business acquisition. These events include expensing acquired intangible assets, including acquired in-process technology, post-closing adjustments associated with changes in the estimated amount of contingent consideration to be paid in an acquisition, and the impairment of accounting goodwill created as a result of an acquisition when future events indicate there has been a decline in its value. When analyzing the operating performance of an acquired entity, our management focuses on the total return provided by the investment (i.e., operating profit generated from the acquired entity as compared to the purchase price paid including the final amounts paid for contingent consideration) without taking into consideration any allocations made for accounting purposes. When analyzing the operating performance of an acquisition in subsequent periods, the Company's management excludes the GAAP impact of any adjustments to the fair value of these acquisition-related balances to its financial results.

*Change in Deferred Net Revenue (Online-enabled Games).* The majority of our software games and related content have online connectivity whereby a consumer may be able to download unspecified content or updates on a when-and-if-available basis ("unspecified updates") for use with the original game software. In addition, we may also offer a service of online activities, such as online playability, that permits consumers to play against each other without a separate fee. GAAP requires us to account for the consumer's right to receive unspecified updates or the service of online activities for no additional fee as a "bundled" sale, or multiple-element arrangement. We are not able to objectively determine the fair value of these unspecified updates or online service included in certain of its online-enabled games. As a result, the Company recognizes the revenue from the sale of these online-enabled games on a straight-line basis over the estimated offering period. Our management excludes the impact of the change in deferred net revenue related to online-enabled games in its non-GAAP financial measures for the reasons stated above and also to facilitate an understanding of our operations because all related costs of revenue are expensed as incurred instead of deferred and recognized ratably.

*Income Tax Rate Adjustments.* The Company uses a fixed, long term projected tax rate internally to evaluate its operating performance, to forecast, plan and analyze future periods, and to assess the performance of its management team. Accordingly, the Company applies the same tax rate to its non-GAAP financial results. During the fiscal 2018, the Company applied a tax rate of 21% to its non-GAAP financial results.

*Stock-Based Compensation.* When evaluating the performance of its individual business units, the Company does not consider stock-based compensation charges. Likewise, the Company's management teams exclude stock-based compensation expense from their short and long-term operating plans. In contrast, the Company's management teams are held accountable for cash-based compensation and such amounts are included in their operating plans. Further, when considering the impact of equity award grants, we place a greater emphasis on overall stockholder dilution rather than the accounting charges associated with such grants.

## 2018 Annual Report on Form 10-K

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, 2018

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-17948

**ELECTRONIC ARTS INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

94-2838567

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

209 Redwood Shores Parkway  
Redwood City, California

(Address of principal executive offices)

94065

(Zip Code)

Registrant's telephone number, including area code:

(650) 628-1500

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

Title of Each Class	Name of Each Exchange on Which Registered
---------------------	---

Common Stock, \$0.01 par value	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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

The aggregate market value of the registrant's common stock, \$0.01 par value, held by non-affiliates of the registrant as of September 30, 2017, the last business day of our second fiscal quarter, was \$35,692 million.

As of May 21, 2018, there were 306,832,936 shares of the registrant's common stock, \$0.01 par value, outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for its 2018 Annual Meeting of Stockholders (the "2018 Proxy") are incorporated by reference into Part III hereof. The 2018 Proxy is expected to be filed not later than 120 days after the registrant's fiscal year end. Except with respect to information specifically incorporated by reference into this Form 10-K, the 2018 Proxy is not deemed to be filed as part hereof.

**ELECTRONIC ARTS INC.  
2018 FORM 10-K ANNUAL REPORT**

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## CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, made in this Report are forward looking. Examples of forward-looking statements include statements related to industry prospects, our future economic performance including anticipated revenues and expenditures, results of operations or financial position, and other financial items, trends in our business, our business plans and objectives, including our intended product releases, and may include certain assumptions that underlie the forward-looking statements. We use words such as “anticipate,” “believe,” “expect,” “intend,” “estimate” (and the negative of any of these terms), “future” and similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk and reflect management’s current expectations, and involve subjects that are inherently uncertain and difficult to predict. Our actual results could differ materially from those in the forward-looking statements. We will not necessarily update information if any forward-looking statement later turns out to be inaccurate. Risks and uncertainties that may affect our future results include, but are not limited to, those discussed under the heading “Risk Factors,” beginning on page 8.

## PART I

### Item 1: *Business*

#### Overview

We are a global leader in digital interactive entertainment, with a mission to inspire the world to play. We develop, market, publish and distribute games, content and services that can be played on a variety of platforms, including game consoles, PCs, mobile phones and tablets.

#### Our Strategic Pillars

There are three core pillars to our strategy:

- Players First
- Commitment to Digital
- One EA

These strategic pillars are built on our focus of delivering a broad and deep portfolio of games and services that engages players across a wide range of geographies, platforms and business models.

#### *Players First*

Players are the foundation of our success, and we are committed to thinking about players first in everything we do. Our goal is to build deep, on-going and meaningful relationships with our players. We aim to build these relationships by creating amazing games and services that deliver long-lasting fun and enduring value, by connecting with our players across platforms and social channels, and by delivering flexibility and innovation in our business models.

Our games and services are based on a portfolio of intellectual property that includes established brands such as FIFA, Madden NFL, Star Wars, Battlefield, the Sims and Need for Speed. We develop and publish a broad and deep portfolio of games and services that engage players across geographies, platforms and business models.

#### *Commitment to Digital*

Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs, and engage with the live services that we provide on an ongoing basis. Our live services provide additional depth and engagement opportunities for our players and include microtransactions, extra content, subscriptions, and esports. For example, the *Ultimate Team* mode associated with our sports franchises and live services provided for our Star Wars, Battlefield and Sims franchises, have extended the life of those games by engaging players over

longer periods of time. The digital transformation also is creating opportunities in platforms, content models and the way in which players engage with our games and services. For example, we have leveraged brands and assets from franchises historically associated with consoles and traditional PC gaming, such as FIFA, Madden NFL, The Sims, SimCity, and Star Wars, to create successful mobile games that are monetized through live services provided with the game. We also offer subscription services, such as EA Access and Origin Access, as we look to build deeper relationships with our players.

We have significantly increased our digital net revenue from \$2.409 billion in fiscal year 2016 to \$2.874 billion in fiscal year 2017 and \$3.450 billion during fiscal year 2018. It now comprises 67% of our total net revenue. We believe that our digital revenue, which generally has a higher gross margin relative to packaged goods revenue, will continue to increase during fiscal year 2019, both relative to packaged goods revenue and in absolute terms as we continue to focus on developing and monetizing products and services that can be delivered digitally.

### ***One EA***

As a global leader in digital interactive entertainment, we have an opportunity to leverage our scale to deliver engaging games and services to more players across more platforms. Our “One EA” model provides strategic advantages. For example, we have moved substantially all of our PC and console development to one game engine and are working to do the same for the development of our mobile games and services. This transition has created operational flexibility as our development teams now code on a consistent engine and can work across titles. In addition, it has accelerated the pace of our development as content and technological advances are leveraged across franchises. We also can transition our products and services to new platforms quickly and cost-effectively.

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

### **Our Games and Services**

We develop, market, publish and deliver games and services that can be played on a variety of platforms, including consoles, PCs, mobile phones and tablets. We market and sell our games and services through digital distribution channels and through retail channels. We believe that flexibility across platforms, distribution channels and business models is critical to maintaining and growing our player base, as well as increasing engagement with our games and services. New platforms, engagement models and business models are expected to continue to emerge in the future, and we intend to evaluate these opportunities on a case-by-case basis.

Digitally, our console games and services can be purchased through third-party storefronts, such as the digital stores of our console platform partners Sony, Microsoft and Nintendo. Our direct sales to Sony and Microsoft represented approximately 27 percent and 16 percent of total net revenue, respectively, in fiscal 2018; approximately 19 percent and 17 percent of total net revenue, respectively, in fiscal 2017; and approximately 16 percent and 14 percent of total net revenue, respectively, in fiscal 2016. Our mobile and tablet games and services are available through third-party application storefronts such as the Apple App Store and Google Play. Our PC games and services can be downloaded directly through our Origin platform, as well as through third-party online download stores. We also partner with third parties to publish our mobile and PC games and services on their platforms in certain Asian territories, such as our partnerships with Tencent Holdings Limited and Nexon Co. Ltd. for *FIFA Online* in China and Korea, respectively. Players also can access a selection of our console and PC games and services through our EA Access and Origin Access subscription services. Our packaged goods games are sold directly to mass market retailers, electronics specialty stores and game software specialty stores or through distribution arrangements.



In our games and services, we use brands that we either wholly own (such as Battlefield, Mass Effect, Need for Speed, The Sims and Plants v. Zombies) or license from others (such as FIFA, Madden NFL and Star Wars). We develop and publish games and services across diverse genres such as sports, first-person shooter, action, role-playing and simulation. We believe that the breadth and depth of our portfolio gives us the opportunity to engage an increasing number of players across more platforms and geographies and through more business models.

Our largest and most popular game is FIFA, the annualized version of which is consistently one of the best-selling games in the marketplace. Net revenue from *FIFA 18*, *FIFA 17*, and *FIFA 16* represented approximately 11 percent of our total net revenue in fiscal years 2018, 2017, and 2016, respectively.

Within our games, we offer live services, including microtransactions, downloadable content, subscriptions, and esports, that provide additional depth and engagement opportunities for our players. Our live services net revenue comprised 40% of our total net revenue during fiscal year 2018 and we expect that live services net revenue will continue to be material to our business. Our most popular live service is the *Ultimate Team* mode associated with our sports franchises. *Ultimate Team* allows players to collect and trade current and former professional players in order to build, and compete as, a personalized team. Net revenue from *Ultimate Team* represented approximately 21 percent, 16 percent and 15 percent of our total net revenue during fiscal year 2018, 2017 and 2016, respectively, a substantial portion of which was derived from *FIFA Ultimate Team*.

We also are investing in a number of long-term initiatives that we believe will allow us to better serve and deepen our engagement with our players, such as our focus on esports through our Competitive Gaming Division. We believe that the interest and enthusiasm that surrounds esports will drive sales of our games and engagement with our live services in addition to providing revenue through partnerships with sponsors and broadcasters.

### **Significant Relationships**

*Sony & Microsoft.* Under the terms of agreements we have entered into with Sony Computer Entertainment Inc. and its affiliates and with Microsoft Corporation and its affiliates, we are authorized to develop and distribute disc-based and digitally-delivered software products and services compatible with PlayStation and Xbox consoles, respectively. Under these agreements with Sony and Microsoft, we are provided with the non-exclusive right to use, for a fixed term and in a designated territory, technology that is owned or licensed by them to publish our games on their respective platform. With respect to our digitally-delivered products and services, the console manufacturers pay us either a wholesale price or a “royalty” percentage on the revenue they derive from their sales of our products and services. Our transactions for packaged goods products are made pursuant to individual purchase orders, which are accepted on a case-by case basis by Sony or Microsoft (or their designated replicators), as the case may be. For packaged goods products, we pay the console manufacturers a per-unit royalty for each unit manufactured. Many key commercial terms of our relationships with Sony and Microsoft — such as manufacturing terms, delivery times, platform policies and approval conditions — are determined unilaterally, and are subject to change by the console manufacturers.

The platform license agreements also require us to indemnify the console manufacturers for any loss, liability and expense resulting from any claim against the console manufacturer regarding our games and services, including any claims for patent, copyright or trademark infringement brought against the console manufacturer. Each platform license may be terminated by the console manufacturer if a breach or default by us is not cured after we receive written notice from the console manufacturer, or if we become insolvent. The console manufacturers are not obligated to enter into platform license agreements with us for any future consoles, products or services.

*Apple, Google and Other App Stores.* We have agreements to distribute our mobile applications and additional content through distributors such as Apple and Google. Our applications are downloaded for mobile devices from third party application storefronts. The distributor charges consumers for content purchased within the application or charges consumers a one-time fee to download the application. Our distribution agreements establish the amounts that are retained by the distributor and the amounts passed through to us. These arrangements are typically terminable on short notice. The agreements generally do not obligate the distributors to market or distribute any of our applications.

*Publishing Partners in Asia.* We have entered into agreements whereby we partner with certain companies, including Tencent Holdings Limited and Nexon Co., Ltd. or their respective affiliates, pursuant to which these companies publish our mobile and PC free-to-download games in certain Asian territories, including China and Korea. Our players access games from the publishers' platforms and are charged for additional content purchased within our game environment. The agreements generally establish the amounts that are retained by the publisher, and the amounts passed through to us.

## **Competition**

The market for interactive entertainment is intensely competitive and changes rapidly as new products and platforms are introduced. We also face competition for the right to use certain intellectual property included in our products. We face significant competition from companies such as Activision Blizzard, Take-Two Interactive, Ubisoft, Bethesda, Epic Games Tencent, Sony and Microsoft, primarily with respect to developing games and services that operate on consoles, PCs and/or mobile devices.

More broadly, we compete against providers of different sources of entertainment, such as motion pictures, television, social networking, online casual entertainment and music that our players could enjoy in their free time. Important competitive factors in our industry include game quality and ease of use, innovation, compatibility of products with certain platforms, brand recognition, publisher reputation, reliability, security, price, marketing, and quality of customer service.

## **Intellectual Property**

To establish and protect our intellectual property, we rely on a combination of copyrights, trademarks, patents, patent applications, trade secrets, know-how, license agreements, confidentiality provisions and procedures and other contractual provisions. We actively engage in enforcement and other activities to protect our intellectual property. In addition, we engage in activities designed to limit the impact of abuse of our digital products and services, including monitoring our games for evidence of exploitation and re-balancing our game environments in the event that such abuse is discovered.

## **Governmental Regulation**

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. In addition, laws and regulations that may have an impact on our business relating to user privacy, data collection, retention, electronic commerce, virtual items and currency, consumer protection, content, advertising, localization and information security have been adopted or are being considered for adoption by many countries throughout the world.

## **Seasonality**

We have historically experienced the highest percentage of our sales in our third fiscal quarter due to seasonal holiday demand and the launch timing of our games. While we expect this trend to continue in fiscal year 2019, there is no assurance that it will. In addition, we have historically deferred the recognition of a significant amount of net revenue over an extended period of time. As a result, the quarter in which we generated the highest net bookings has been different from the quarter in which we recognized the highest amount of net revenue. ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is effective for us at the beginning of fiscal year 2019, will decrease the amount of net revenue that we defer as compared to our historical practices. As a result, we expect our net revenue and net bookings to align more closely during fiscal year 2019 and beyond.

## **Employees**

As of March 31, 2018, we had approximately 9,300 regular, full-time employees, over 5,800 of whom were outside the United States. We believe that our ability to attract and retain qualified employees is a critical factor in the successful development of our products and services and that our future success will depend, in large measure, on our ability to continue to attract and retain qualified employees. Approximately 9 percent of our employees, all of whom work for our DICE development studio in Sweden, are represented by a union.

## Investor Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act, as amended, are available free of charge on the Investor Relations section of our website at <http://ir.ea.com> as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission (“SEC”). Except as expressly set forth in this Form 10-K annual report, the contents of our website are not incorporated into, or otherwise to be regarded as part of this report.

## Company Information

We were incorporated originally in California in 1982. In September 1991, we were reincorporated under the laws of Delaware. Our principal executive offices are located at 209 Redwood Shores Parkway, Redwood City, California 94065 and our telephone number is (650) 628-1500.

## Information about Geographic Areas and Research & Development Expense

Information regarding financial data by geographic area is set forth in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 17, “Segment Information”. Information regarding financial data is set forth in Part II, Item 6 of this Form 10-K under the heading “Selected Financial Data” and information regarding certain risks attendant to our foreign operations is set forth in Part I, Item 1A of this Form 10-K under the heading “Risk Factors”. For the fiscal years ended March 31, 2018, 2017 and 2016, research and development expenses were \$1,320 million, \$1,205 million and \$1,109 million, respectively.

## Executive Officers

The following table sets forth information regarding our executive officers as of May 23, 2018:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Andrew Wilson .....	43	Chief Executive Officer
Blake Jorgensen .....	58	Chief Operating Officer and Chief Financial Officer
Patrick Söderlund .....	44	Chief Design Officer
Laura Miele .....	48	Chief Studios Officer
Kenneth Moss .....	52	Chief Technology Officer
Christopher Bruzzo .....	48	Chief Marketing Officer
Joel Linzner .....	66	Executive Vice President, Worldwide Business Affairs
Mala Singh .....	46	Chief People Officer
Matthew Bilbey .....	42	Executive Vice President of Strategic Growth
Kenneth A. Barker .....	51	Senior Vice President, Chief Accounting Officer
Jacob J. Schatz .....	49	Executive Vice President, General Counsel and Corporate Secretary

**Mr. Wilson** has served as EA’s Chief Executive Officer and as a director of EA since September 2013. Prior to his appointment as our Chief Executive Officer, Mr. Wilson held several positions within the Company since joining EA in May 2000, including Executive Vice President, EA SPORTS from August 2011 to September 2013. Mr. Wilson serves as a director of Intel Corporation and is chairman of the board of the privately-held World Surf League.

**Mr. Jorgensen** has served as EA’s Chief Financial Officer since September 2012 and, in addition, became EA’s Chief Operating Officer in April 2018. Prior to joining EA, he served as Executive Vice President, Chief Financial Officer of Levi Strauss & Co. from July 2009 to August 2012. From June 2007 to June 2009, Mr. Jorgensen served as Executive Vice President, Chief Financial Officer of Yahoo! Inc. Mr. Jorgensen earned his M.B.A. from Harvard Business School and his undergraduate degree from Stanford University.

**Mr. Söderlund** has served as EA's Chief Design Officer since April 2018. From September 2013 to April 2018, he was Executive Vice President, EA Worldwide Studios. Prior to that time, he served as Executive Vice President, EA Games Label from August 2011 to September 2013. Mr. Söderlund joined EA in October 2006 when EA purchased DICE studios where he was the Chief Executive Officer.

**Ms. Miele** has served as EA's Chief Studios Officer since April 2018. Ms. Miele joined the Company in March 1996 and has held several positions at the Company, including Executive Vice President, Global Publishing from April 2016 to April 2018, Senior Vice President of Americas Publishing from June 2014 to April 2016, General Manager of the Company's Star Wars business from June 2013 to June 2014, and several senior roles in the Company's marketing organization. Ms. Miele serves on the board of Silicon Valley Community Foundation.

**Mr. Moss** has served as EA's Chief Technology Officer since July 2014. He served as Vice President of Market Places Technology, Science and Data at eBay Inc. from November 2011 to July 2014. Prior to joining eBay, he co-founded CrowdEye, Inc. and served as its Chief Executive Officer from October 2008 to November 2011. Mr. Moss graduated from Princeton University.

**Mr. Bruzzo** has served as EA's Chief Marketing Officer since September 2014. Prior to joining EA, he served as Senior Vice President at Starbucks Corporation from June 2011 to August 2014. Mr. Bruzzo graduated from Whitworth University.

**Mr. Linzner** has served as EA's Executive Vice President, Worldwide Business Affairs since April 2016. From March 2005 until April 2016, Mr. Linzner was EA's Executive Vice President, Business and Legal Affairs. Prior to joining EA in July 1999, Mr. Linzner served as outside litigation counsel to EA and several other companies in the video game industry. Mr. Linzner earned his J.D. from Boalt Hall at the University of California, Berkeley, after graduating from Brandeis University.

**Ms. Singh** has served as EA's Chief People Officer since October 2016. Ms. Singh was previously employed by EA from 2009 to 2013, serving as Vice President, Human Resources, EA Labels from 2011 to 2013. Prior to rejoining EA, Ms. Singh served as the Chief People Officer of Minted, LLC from January 2014 to October 2016. Ms. Singh earned both her undergraduate and graduate degrees from Rutgers University — New Brunswick.

**Mr. Bilbey** has served as EA's Executive Vice President of Strategic Growth since April 2018. Mr. Bilbey joined EA in 1995 and has held several positions within the Company, including Chief Operating Officer, Worldwide Studios from August 2016 to April 2018, Senior Vice President, Group General Manager from November 2013 to January 2017, and Vice President, General Manager Development and Marketing, Soccer from January 2009 to November 2013.

**Mr. Barker** has served as Senior Vice President, Chief Accounting Officer since April 2006. From February 2012 to September 2012, he also served as Interim Chief Financial Officer. From June 2003 to April 2006, Mr. Barker held the position of Vice President, Chief Accounting Officer. Prior to joining EA, Mr. Barker was at Sun Microsystems, Inc., as their Vice President and Corporate Controller from October 2002 to June 2003 and Assistant Corporate Controller from April 2000 to September 2002. Prior to that, he was an audit partner at Deloitte & Touche. Mr. Barker serves on the Board of Directors of Gatepath, a non-profit organization, and on the Accounting Advisory Board for the University of Notre Dame. Mr. Barker graduated from the University of Notre Dame.

**Mr. Schatz** has served as EA's General Counsel and Corporate Secretary since June 2014. Mr. Schatz joined EA in 1999, and prior to his current role, he served as Deputy General Counsel and as Vice President from 2006 to 2014. Mr. Schatz earned his J.D. from Georgetown University Law Center, and received his undergraduate degree from Pomona College. Mr. Schatz is a member of the Bar of the State of California and is admitted to practice in the United States Supreme Court, the Ninth Circuit Court of Appeals and several United States District Courts.

## **Item 1A. Risk Factors**

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

### **Our business is intensely competitive and “hit” driven. We may not deliver “hit” products and services, or consumers may prefer our competitors’ products or services over our own.**

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

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

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

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

Rapid technology changes in our industry require us to anticipate, sometimes years in advance, which technologies we must develop, implement and take advantage of in order to make our products and services competitive in the market. We have invested, and in the future may invest, in new business strategies, technologies, products, and services. For example, we are investing in the infrastructure for our EA Player

Network which we expect will allow us to market and deliver content and services for our franchises more efficiently as well as enable new player-centric ways to discover and try new experiences. Such endeavors may involve significant risks and uncertainties, and no assurance can be given that the technology we choose to adopt and the products and services that we pursue will be successful. If we do not successfully implement these new technologies, our reputation and brand may be materially adversely affected and our financial condition and operating results may be impacted. We also may miss opportunities to adopt technology or develop products, services or new ways to engage with our games that become popular with consumers, which could adversely affect our financial results. It may take significant time and resources to shift our focus to such technologies, putting us at a competitive disadvantage.

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

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

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

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

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

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

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

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

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

The reliable performance of our products and services increasingly depends on the continuing operation and availability of our information technology systems and those of our external service providers, including third-party “cloud” computing services. Our games and services are complex software products, and maintaining the sophisticated technological infrastructure required to reliably deliver these games and services is expensive and complex. The reliable delivery and stability of our products and services could be adversely impacted by outages, disruptions, failures or degradations in our network and related infrastructure, as well as in the online platforms or services of key business partners who offer or support our products and services. Possible causes of these outages, disruptions, failures or degradations include natural disasters, power loss, terrorism, cyber-attacks,

computer viruses, bugs or other malware or ransomware that may harm our systems. In addition, we occasionally migrate data among data centers and to third-party hosted environments and perform upgrades and maintenance on our systems.

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

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

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

Expectations regarding the quality, performance and integrity of our products and services are high. Players may be critical of our brands, products, services, business models and/or business practices for a wide variety of reasons, including perceptions about gameplay fun, fairness, game content, features or services, or objections to certain of our business practices. These negative responses may not be foreseeable. We also may not effectively manage these responses because of reasons within or outside of our control. For example, we have included in certain games the ability for players to purchase digital items, including in some instances virtual “packs”, “boxes” or “crates” that contain variable digital items. The inclusion of variable digital items in certain of our games has attracted the attention of our community and if the future implementation of these features creates a negative perception of gameplay fairness or other negative perceptions, our reputation and brand could be harmed and our revenue could be negatively impacted. In addition, we have taken actions, including delaying the release of our games and delaying or discontinuing features and services for our games, after taking into consideration, among other things, feedback from our community even if those decisions negatively impacted our operating results in the short term. We expect to continue to take actions to address concerns as appropriate, including actions that may result in additional expenditures and the loss of revenue. Negative sentiment about gameplay fairness, our business practices, business models or game content also can lead to investigations or increased scrutiny from governmental bodies and consumer groups, as well as litigation, which, regardless of their outcome, may be costly, damaging to our reputation and harm our business.

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

The success of our business is driven in part by the commercial success and adequate supply of third party platforms for which we develop our products and services or through which our products and services are distributed. Our success also depends on our ability to accurately predict which platforms will be successful in the marketplace, our ability to develop commercially successful products and services for these platforms, our ability to simultaneously manage products and services on multiple platforms and our ability to effectively transition our products and services to new platforms. We must make product development decisions and commit significant resources well in advance of the commercial availability of new platforms, and we may incur significant expense to adjust our product portfolio and development efforts in response to changing consumer platform preferences. Additionally, we may enter into certain exclusive licensing arrangements that affect our ability to deliver or market products or services on certain platforms. A platform for which we are developing products and services may not succeed as expected or new platforms may take market share and interactive



entertainment consumers away from platforms for which we have devoted significant resources. If consumer demand for the platforms for which we are developing products and services is lower than our expectations, we may be unable to fully recover the investments we have made in developing our products and services, and our financial performance will be harmed. Alternatively, a platform for which we have not devoted significant resources could be more successful than we initially anticipated, causing us to not be able to take advantage of meaningful revenue opportunities.

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

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

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

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

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

Our ability to meet product development schedules is affected by a number of factors both within and outside our control, including feedback from our players, the creative processes involved, the coordination of large and sometimes geographically dispersed development teams, the complexity of our products and the platforms for which they are developed, the need to fine-tune our products prior to their release and, in certain cases, approvals from third parties. We have experienced development delays for our products in the past, which caused us to delay or cancel release dates. We also seek to release certain products in conjunction with key events, such as the beginning of a sports season, major sporting event, or the release of a related movie. If such a key event were delayed, cancelled or poorly received, our sales likely would suffer materially. Any failure to meet anticipated production or release schedules likely would result in a delay of revenue and/or possibly a significant shortfall in our revenue, increase our development and/or marketing expenses, harm our profitability, and cause our operating results to be materially different than anticipated.

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

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

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

**We may not attract and retain key personnel.**

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

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

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

**We could fail to successfully adopt new business models.**

From time to time we seek to establish and implement new business models. Forecasting the success of any new business model is inherently uncertain and depends on a number of factors both within and outside of our control. Our actual revenue and profit for these businesses may be significantly greater or less than our forecasts. In addition, these new business models could fail, resulting in the loss of our investment in the development and infrastructure needed to support these new business models, as well as the opportunity cost of diverting management and financial resources away from more successful and established businesses. For example, we

have devoted financial and operational resources to our subscription offerings without any assurance that these businesses will be financially successful. While we anticipate growth in this area of our business, consumer demand is difficult to predict as a result of a number of factors, including satisfaction with our products and services, our ability to provide engaging products and services, products and services offered by our competitors, reliability of our infrastructure, pricing, the actual or perceived security of our information technology systems and reductions in consumer spending levels. In addition, if our subscription offerings are successful, sales could be diverted from established business models. If we do not select a target price that is optimal for our subscription services, maintain our target pricing structure or correctly project renewal rates, our financial results may be harmed.

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

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

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

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

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

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

In addition, our license agreements with our channel partners typically give them significant control over the approval, manufacturing and distribution of the products and services that we develop for their platform. In

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

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

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

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

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

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

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

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

service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results.

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

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

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

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

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

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

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

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

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

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

We may experience outages, disruptions and/or degradations of our infrastructure, including information technology system failures and network disruptions. These may be caused by natural disasters, cyber-incidents, weather events, power disruptions, telecommunications failures, failed upgrades of existing systems or migrations to new systems, acts of terrorism or other events, including cyber-attacks or malicious software

programs that exploit vulnerabilities. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to our products, services or online stores selling our products and services or interruption in our ability to conduct critical business functions. Our corporate headquarters in Redwood City, CA and our studios in Los Angeles, California, Seattle, Washington and in Burnaby, British Columbia are located in seismically active regions, and certain of our game development activities and other essential business operations are conducted at these locations. An event that results in the disruption or degradation of any of our critical business or information technology systems could harm our ability to conduct normal business operations and materially impact our reputation and brand, financial condition and operating results.

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

We derive a significant percentage of our net revenue attributable to sales of our packaged goods products to our top retail and distribution partners. The concentration of a significant percentage of these sales through a few large partners could lead to a short-term disruption to our business if certain of these partners significantly reduced their purchases or ceased to offer our products. We also could be more vulnerable to collection risk if one or more of these partners experienced a deterioration of their business or declared bankruptcy. Additionally, receivables from these partners generally increase in our December fiscal quarter as sales of our products generally increase in anticipation of the holiday season. Having a significant portion of our packaged goods sales concentrated in a few partners could reduce our negotiating leverage with them. If one or more of these partners experience deterioration in their business, or become unable to obtain sufficient financing to maintain their operations, our business could be harmed.

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

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

**Our financial results are subject to currency fluctuations.**

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

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

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

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

- Requiring the dedication of a substantial portion of any cash flow from operations to the payment of principal of, and interest on, our indebtedness, thereby reducing the availability of such cash flow to fund our growth strategy, working capital, capital expenditures and other general corporate purposes;
- Limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- Increasing our vulnerability to adverse changes in general economic and industry conditions.

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

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

We are subject to taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax provision, tax assets, and accruals for other taxes, and there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective income tax rate is based in part on our corporate operating structure and the manner in which we operate our business and develop, value and use our intellectual property. Taxing authorities in jurisdictions in which we operate may challenge our methodologies for calculating our income tax provision or its underlying assumptions, which could increase our effective income tax rate and have an adverse impact on our results of operations and cash flows. In addition, our provision for income taxes could be adversely affected by our profit levels, changes in our business, changes in the mix of earnings in countries with differing statutory tax rates, changes in the elections we make, changes in applicable tax laws or interpretations of existing tax laws, or changes in the valuation allowance for deferred tax assets, as well as other factors.

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

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

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

Our reported financial results are impacted by the accounting standards promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. These methods, estimates, and judgments are subject to risks, uncertainties, assumptions and changes that could adversely affect our reported financial position and financial results. In addition, changes to applicable financial accounting standards could adversely affect our reported financial position and financial results. For example, ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is effective for us at the beginning of fiscal 2019, will materially change the way in which we recognize revenue and will require us to change how we report mobile platform fees. For more information on ASU 2014-09 and other accounting standards, see Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 1 — Description of Business and Basis of Presentation under the subheading “Impact of Recently Issued Accounting Standards”.

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

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

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



**Item 1B: *Unresolved Staff Comments***

None.

**Item 2: *Properties***

We own our 660,000-square-foot Redwood Shores headquarters facilities located in Redwood City, California, which includes development studios, administrative, sales and marketing functions. We also own a 418,000-square-foot development studio facility in Burnaby, Canada and a 76,000-square-foot development studio facility in Chatsworth, California. In addition to the properties we own, we lease approximately 740,000 square feet in North America and 866,000 square feet in Europe and Asia at various locations at which we conduct research and development, sales and administration functions, including leases for our development studios in Orlando, Florida, Stockholm, Sweden and Austin, Texas.

While we continually evaluate our facility requirements, we believe that suitable additional or substitute space will be available as needed to accommodate our future needs. For information regarding our lease commitments, see Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 12, "Commitments and Contingencies".

**Item 3: *Legal Proceedings***

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

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

**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**

Our common stock is traded on the NASDAQ Global Select Market under the symbol “EA”. The following table sets forth the quarterly high and low closing sales price per share of our common stock from April 1, 2016 through March 31, 2018.

	Prices	
	High	Low
Fiscal Year Ended March 31, 2017:		
First Quarter .....	\$ 77.25	\$ 61.85
Second Quarter .....	85.40	75.38
Third Quarter .....	85.56	75.58
Fourth Quarter .....	91.51	78.64
Fiscal Year Ended March 31, 2018:		
First Quarter .....	115.37	88.40
Second Quarter .....	121.97	105.42
Third Quarter .....	120.09	100.83
Fourth Quarter .....	129.12	107.19

#### **Holders**

There were approximately 1,159 holders of record of our common stock as of May 21, 2018, and the closing price of our common stock was \$132.91 per share as reported by the NASDAQ Global Select Market. In addition, a significant number of beneficial owners of our common stock hold their shares in street name.

#### **Dividends**

We have not paid any cash dividends and do not anticipate paying cash dividends in the foreseeable future.

#### **Issuer Purchases of Equity Securities**

In May 2015, our Board of Directors authorized a program to repurchase up to \$1 billion of our common stock. We repurchased approximately 0.3 million, 6.5 million and 6.9 million shares for approximately \$31 million, \$508 million and \$461 million under this program, respectively, during the fiscal years ended March 31, 2018, 2017 and 2016. We completed repurchases under the May 2015 program in April 2017.

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$1.2 billion of our common stock. During the fiscal year ended March 31, 2018, we repurchased approximately 5.0 million shares for approximately \$570 million under this program. This program was superseded and replaced by the stock repurchase program approved in May 2018.

The following table summarizes the number of shares repurchased in the fourth quarter of the fiscal year ended March 31, 2018:

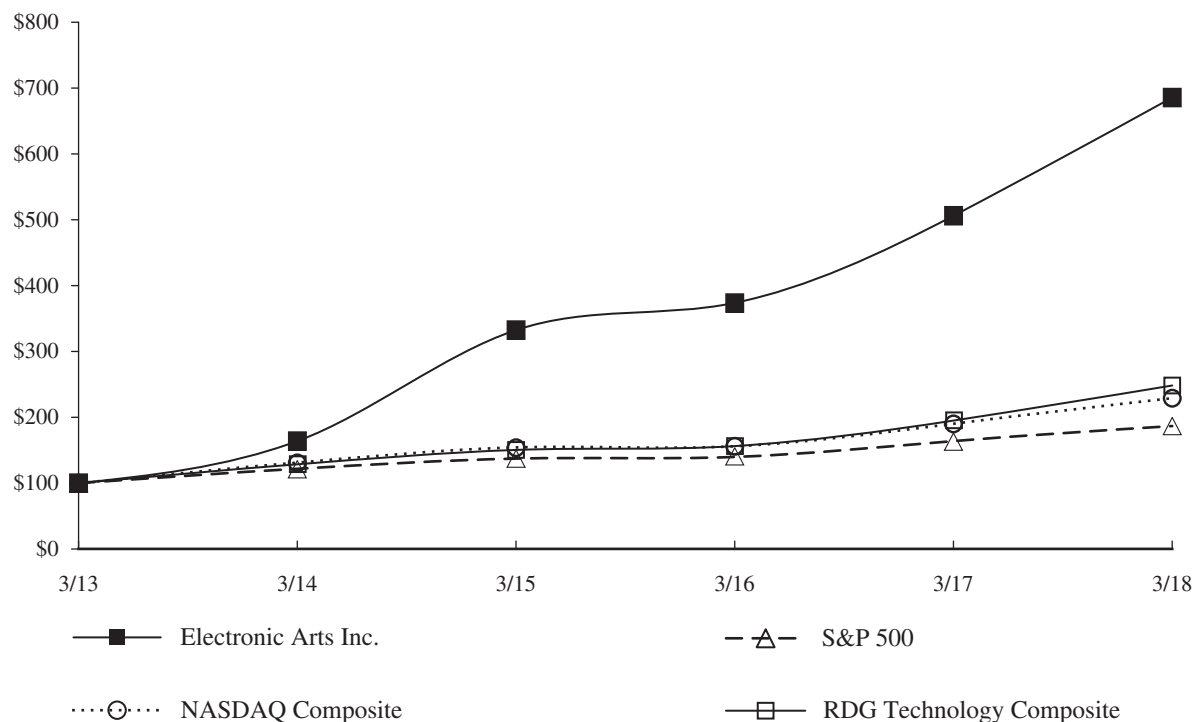
Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Programs	Maximum Dollar Value that May Still Be Purchased Under the Programs (in millions)
December 31, 2017 — January 27, 2018 . . .	383,359	\$111.99	383,359	\$735
January 28 — February 24, 2018 . . . . .	378,509	\$122.48	378,509	\$688
February 25 — March 31, 2018 . . . . .	468,110	\$126.11	468,110	\$629
	1,229,978	\$120.59	1,229,978	

## Stock Performance Graph

The following information shall not be deemed to be “filed” with the SEC nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, as amended, except to the extent that we specifically incorporate it by reference into a filing.

The following graph shows a five-year comparison of cumulative total returns during the period from March 31, 2013 through March 31, 2018, for our common stock, the S&P 500 Index (to which EA was added in July 2002), the NASDAQ Composite Index, and the RDG Technology Composite Index, each of which assumes an initial value of \$100. Each measurement point is as of the end of each fiscal year. The performance of our stock depicted in the following graph is not necessarily indicative of the future performance of our stock.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Electronic Arts Inc., the S&P 500 Index, the NASDAQ Composite Index,  
and the RDG Technology Composite Index



\* Based on \$100 invested on March 31, 2013 in stock or index, including reinvestment of dividends.

	March 31,					
	2013	2014	2015	2016	2017	2018
Electronic Arts Inc. . . . .	\$100	\$164	\$332	\$374	\$506	\$685
S&P 500 Index . . . . .	100	122	137	140	164	187
NASDAQ Composite Index . . . . .	100	131	154	156	190	229
RDG Technology Composite Index . . . . .	100	129	151	156	195	248

**Item 6: Selected Financial Data**

**ELECTRONIC ARTS INC. AND SUBSIDIARIES**

**SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA**

(In millions, except per share data)

<u>STATEMENTS OF OPERATIONS DATA</u>	<u>Year Ended March 31,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net revenue .....	\$5,150	\$4,845	\$4,396	\$4,515	\$3,575
Cost of revenue .....	1,277	1,298	1,354	1,429	1,347
Gross profit .....	3,873	3,547	3,042	3,086	2,228
Total operating expenses .....	2,439	2,323	2,144	2,138	2,195
Operating income .....	1,434	1,224	898	948	33
Interest and other income (expense), net .....	15	(14)	(21)	(23)	(26)
Income before provision for (benefit from) income taxes .....	1,449	1,210	877	925	7
Provision for (benefit from) income taxes .....	406	243	(279)	50	(1)
Net income .....	<u>\$1,043</u>	<u>\$ 967</u>	<u>\$1,156</u>	<u>\$ 875</u>	<u>\$ 8</u>
Earnings per share:					
Basic .....	\$ 3.39	\$ 3.19	\$ 3.73	\$ 2.81	\$ 0.03
Diluted .....	\$ 3.34	\$ 3.08	\$ 3.50	\$ 2.69	\$ 0.03
Number of shares used in computation:					
Basic .....	308	303	310	311	308
Diluted .....	312	314	330	325	316

<u>BALANCE SHEETS DATA</u>	<u>As of March 31,</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents .....	\$4,258	\$2,565	\$2,493	\$2,068	\$1,782
Short-term investments .....	1,073	1,967	1,341	953	583
Working capital .....	3,513	2,784	1,936	973	748
Total assets .....	8,584	7,718	7,050	6,147	5,716
0.75% convertible senior notes due 2016, net .....	—	—	163	633	580
Senior notes, net .....	992	990	989	—	—
Other long-term liabilities .....	506	253	245	333	324
Total liabilities .....	3,989	3,658	3,652	3,080	3,294
Total stockholders' equity .....	4,595	4,060	3,396	3,036	2,422

## **Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **OVERVIEW**

The following overview is a high-level discussion of our operating results, as well as some of the trends and drivers that affect our business. Management believes that an understanding of these trends and drivers provides important context for our results for the fiscal year ended March 31, 2018, as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Form 10-K, including in the "Business" section and the "Risk Factors" above, the remainder of this "Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")", and the Consolidated Financial Statements and related Notes.

#### ***About Electronic Arts***

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

#### ***Financial Results***

Our key financial results for our fiscal year ended March 31, 2018 were as follows:

- Total net revenue was \$5,150 million, up 6 percent year-over-year. On a constant currency basis, net of hedges, we estimate that total net revenue would have been \$5,187 million, up 7 percent year over year.
- Digital revenue was \$3,450 million, up 20 percent year-over-year.
- International net revenue was \$3,060 million, up 12 percent year-over-year. On a constant currency basis, net of hedges, we estimate that international net revenue would have been \$3,096 million, up 14 percent year over year.
- Gross margin was 75.2 percent, up 2 percentage points year-over-year.
- Operating expenses were \$2,439 million, up 5 percent year-over-year. On a constant currency basis, net of hedges, we estimate that total operating expenses would have been \$2,421 million, up 4 percent year over year.
- Operating income was \$1,434 million, up 17 percent year-over-year.
- Net income was \$1,043 million, up 8 percent year-over-year.
- Diluted earnings per share was \$3.34, up 8 percent year-over-year.
- Operating cash flow was \$1,692 million, up 7 percent year-over-year.
- Total cash, cash equivalents and short-term investments were \$5,331 million.

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

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

**Digital Business.** Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs, and engage with the live services we provide on an ongoing basis. Our live services provide

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

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

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

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

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

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

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

digital transformation in our industry and incorporate new content models and modalities of play into our games, our goal is to continue to look for opportunities to expand the recurring portion of our business.

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

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

<u>(In millions)</u>	<u>Year Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Total net revenue .....	\$5,150	\$4,845
Change in deferred net revenue (online-enabled games) .....	30	97
Net bookings .....	<u>\$5,180</u>	<u>\$4,942</u>

Net bookings were \$5,180 million for the fiscal year ended March 31, 2018, driven by *FIFA 18*, *FIFA Ultimate Team*, *Star Wars Battlefront II*, and *Madden NFL 18*. Net bookings increased \$238 million or 5 percent as compared to the fiscal year ended March 31, 2017 due primarily to growth in bookings associated with the *Ultimate Team* game mode. Digital net bookings were \$3,538 million for the fiscal year ended March 31, 2018, an increase of \$504 million or 17 percent as compared to the fiscal year ended March 31, 2017. The increase in digital net bookings was driven by growth in live services which grew \$514 million or 31 percent year-over-year, primarily due to growth in bookings associated with the *Ultimate Team* game mode and sales of *The Sims 4*; and our mobile business which grew \$31 million or 5 percent year-over-year, primarily due to *FIFA Mobile*. These increases were offset by a decrease of \$41 million or 6 percent in our full game downloads. Full game downloads of *FIFA 18* showed strength in fiscal 2018, but were offset by the success of *Battlefield 1* in fiscal 2017.

### ***Recent Developments***

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

*Acquisition of Respawn LLC.* On December 1, 2017, we completed the acquisition of Respawn. Respawn is a leading game development studio and creators of games including the critically-acclaimed Titanfall franchise. In connection with the acquisition, we paid \$151 million in cash. In addition, we granted long-term equity awards in the form of restricted stock units to employees with a grant date fair value of \$167 million. Furthermore, we may be required to pay variable cash consideration that is contingent upon the achievement of certain performance milestones relating to the development of future titles, through the end of calendar 2022. The additional consideration is limited to a maximum of \$140 million.

*U.S. Tax Act.* On December 22, 2017, the Tax Cuts and Jobs Act (the “U.S. Tax Act”) was enacted which significantly revised the U.S. corporate income tax system by, among other things, lowering the U.S. corporate income tax rates to 21 percent, generally implementing a territorial tax system, and imposing a one-time transition tax on the deemed repatriation of undistributed earnings of foreign subsidiaries (the “Transition Tax”). We recorded a provisional \$235 million tax charge during the year ended March 31, 2018 as a result of the application of the U.S. Tax Act; \$192 million of which relates to the Transition Tax.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

### *Revenue Recognition, and Sales Returns and Allowances*

We derive revenue principally from sales of interactive software games, and related content and services on game consoles, PCs, mobile phones and tablets. We evaluate revenue recognition based on the criteria set forth in FASB Accounting Standards Codification (“ASC”) 605, *Revenue Recognition* and ASC 985-605, *Software: Revenue Recognition*. We classify our revenue as either product revenue or service and other revenue.

**Product revenue.** Our product revenue includes revenue associated with the sale of software games or related product content or updates, whether delivered digitally (*e.g.*, full-game downloads, extra-content) or via a physical disc (*e.g.*, packaged goods), and licensing of game software to third-parties. Product revenue also includes revenue from mobile full game downloads that do not require our hosting support (*e.g.*, premium mobile games) in order to utilize the game or related content (*i.e.* can be played with or without an Internet connection), and sales of tangible products such as hardware, peripherals, or collectors’ items.

**Service and other revenue.** Our service revenue includes revenue recognized from time-based subscriptions, games, content or updates that requires our hosting support in order to utilize the game or related content (*i.e.*, can only be played with an Internet connection). This includes (1) entitlements to content that are accessed through hosting services (*e.g.*, microtransactions for Internet-based, social network and free-to-download mobile games), (2) massively multi-player online (“MMO”) games (both software game and subscription sales), (3) subscriptions for our Battlefield Premium, EA and Origin Access, and Pogo-branded online game services, and (4) allocated service revenue from sales of software games with a service of online activities (*e.g.*, online playability). Our other revenue includes advertising and non-software licensing revenue.

With respect to the allocated service revenue from sales of software games with a service of online activities (“online services”) mentioned above, our allocation of proceeds between product and service revenue for presentation purposes is based on management’s best estimate of the selling price of the online services with the residual value allocated to product revenue. Our estimate of the selling price of the online services are comprised of several factors including, but not limited to, prior selling prices for the online services, prices charged separately by other third-party vendors for similar service offerings, and a cost-plus-margin approach. We review the estimated selling price of the online services on a regular basis and use this methodology consistently to allocate revenue between product and service for software game sales with online services.

We evaluate and recognize revenue when all four of the following criteria are met:

- **Evidence of an arrangement.** Evidence of an agreement with the customer that reflects the terms and conditions to deliver the related products or services must be present.
- **Fixed or determinable fee.** If a portion of the arrangement fee is not fixed or determinable, we recognize revenue as the amount becomes fixed or determinable.
- **Collection is deemed probable.** Collection is deemed probable if we expect the customer to be able to pay amounts under the arrangement as those amounts become due. If we determine that collection is not probable as the amounts become due, we generally conclude that collection becomes probable upon cash collection.
- **Delivery.** For packaged goods, delivery is considered to occur when a product is shipped and the risk of loss and rewards of ownership have transferred to the customer. For digital downloads, delivery is



considered to occur when the software is made available to the customer for download. For services and other, delivery is generally considered to occur as the service is delivered, which is determined based on the underlying service obligation. If there is significant uncertainty of acceptance, revenue is recognized once acceptance is reasonably assured.

### *Online-Enabled Games*

The majority of our software games and related content have online connectivity whereby a consumer may be able to download unspecified content or updates on a when-and-if-available basis (“unspecified updates”) for use with the original game software. In addition, we may also offer a service of online activities (e.g., online playability) without a separate fee. U.S. GAAP requires us to account for the consumer’s right to receive unspecified updates or the service of online activities for no additional fee as a “bundled” sale, or multiple-element arrangement.

We have an established historical pattern of providing unspecified updates (e.g., player roster updates to *Madden NFL 18*) to online-enabled games and related content at no additional charge to the consumer. Because we do not have vendor-specific objective evidence of fair value (“VSOE”) for these unspecified updates, we are required by current U.S. GAAP to recognize as revenue the entire sales price of these online-enabled games and related content over the period we expect to offer the unspecified updates to the consumer (“estimated offering period”).

### *Estimated Offering Period*

Because the offering period is not an explicitly defined period, we must make an estimate of the offering period. Determining the estimated offering period is inherently subjective and is subject to regular revision based on historical online usage. For example, in determining the estimated offering period for unspecified updates associated with our online-enabled games, we consider the period of time consumers are online as online connectivity is required. On an annual basis, we review consumers’ online gameplay of all online-enabled games that have been released 12 to 24 months prior to the evaluation date. For example, if our evaluation date is April 1, 2017, we evaluate all online-enabled games released between April 1, 2015 and March 31, 2016. Based on this population of games, for all players that register the game online within the first six months of release of the game to the general public, we compute the weighted-average number of days for each online-enabled game, based on when a player initially registers the game online to when that player last plays the game online. We then compute the weighted-average number of days for all online-enabled games by multiplying the weighted-average number of days for each online-enabled game by its relative percentage of total units sold from these online-enabled games (i.e., a game with more units sold will have a higher weighting to the overall computation than a game with fewer units sold). Under a similar computation, we also consider the estimated period of time between the date a game unit is sold to a reseller and the date the reseller sells the game unit to an end consumer (i.e., time in channel). Based on these two calculations we then consider the method of distribution. For example, physical software games sold at retail would have a composite offering period equal to the online gameplay plus time in channel as opposed to digitally distributed software games which are delivered immediately via digital download and thus have no concept of channel. Additionally, we consider results from prior analyses, known and expected online gameplay trends, as well as disclosed service periods for competitors’ games in determining the estimated offering period for future sales.

While we consistently apply this methodology, inherent assumptions used in this methodology include which online-enabled games to sample, whether to use only units that have registered online, whether to weight the number of days for each game, whether to weight the days based on the units sold of each game, determining the period of time between the date of sale to reseller and the date of sale to the consumer and assessing online gameplay trends.

We recognize revenue from the sale of online-enabled games for which we do not have VSOE for the unspecified updates on a straight-line basis, generally over an estimated nine-month period beginning in the month after shipment for physical games sold through retail and an estimated six-month period for digitally-distributed games.

### *Deferred Net Revenue (online-enabled games)*

Because the majority of our sales are subject to a deferral period of generally six to nine months, our deferred net revenue (online-enabled games) balance is material. This balance increases from period to period by the revenue being deferred for current sales and is reduced by the recognition of revenue from prior sales that were deferred (i.e., the “net change” in the deferred balance). However, given the seasonal sales nature of our business, the net change in the deferred balance may be material from period to period. For example, because our sales have historically been highest in the fiscal third quarter, the deferred net revenue (online-enabled games) balance generally increases significantly in the third fiscal quarter. Similarly, because sales have historically been lowest in the first fiscal quarter, the deferred net revenue (online-enabled games) balance generally decreases significantly in the first fiscal quarter of a fiscal year.

### *Other Multiple-Element Arrangements*

In some of our multiple-element arrangements, we sell non-software products with software and/or software-related offerings. These non-software products are generally music soundtracks, peripherals or ancillary collectors’ items, such as figurines and comic books. Revenue for these arrangements is allocated to each separate unit of accounting for each deliverable using the relative selling prices of each deliverable in the arrangement based on the selling price hierarchy described below. If the arrangement contains more than one software deliverable, the arrangement consideration is allocated to the software deliverables as a group and then allocated to each software deliverable.

We determine the selling price for a non-software product deliverable based on the following selling price hierarchy: VSOE (i.e., the price we charge when the non-software product is sold separately) if available, third-party evidence (“TPE”) of fair value (i.e., the price charged by others for similar non-software products) if VSOE is not available, or our best estimate of selling price (“BESP”) if neither VSOE nor TPE is available. Determining the BESP is a subjective process that is based on multiple factors including, but not limited to, recent selling prices and related discounts, market conditions, customer classes, sales channels and other factors. Provided the other three revenue recognition criteria other than delivery have been met, we recognize revenue upon delivery to the customer as we have no further obligations.

We must make assumptions and judgments in order to (1) determine whether and when each element is delivered, (2) determine whether VSOE exists for each undelivered element, and (3) allocate the total price among the various elements, as applicable. Changes to any of these assumptions and judgments, or changes to the elements in the arrangement, could cause a material increase or decrease in the amount of revenue that we report in a particular period.

### *Principal Agent Considerations*

We evaluate sales of our interactive software games, extra-content, and services from our subscription offerings via third party storefronts, including digital channel storefronts from Microsoft, Sony, Apple, and Google, in order to determine whether or not we are acting as the primary obligor in the sale to the end consumer, which we consider in determining if revenue should be reported gross or net of fees retained by the storefront. Key indicators that we evaluate in determining gross versus net treatment include but are not limited to the following:

- The party responsible for delivery/fulfillment of the product or service to the end consumer
- The party responsible for the billing, collection of fees and refunds to the end consumer
- The storefront and Terms of Sale that govern the end consumer’s purchase of the product or service
- The party that sets the pricing with the end consumer and has credit risk

Based on evaluation of the above indicators, we have determined that generally the third party is considered the primary obligor to end consumers for the sale of our interactive software games. We therefore report revenue related to these arrangements net of the fees retained by the storefront.

### *Sales Returns and Allowances*

We reduce revenue for estimated future returns and price protection which may occur with our distributors and retailers (“channel partners”). Price protection represents our practice to provide our channel partners with a credit allowance to lower their wholesale price on a particular product that they have not resold to end consumers. The amount of the price protection is generally the difference between the old wholesale price and the new reduced wholesale price. In certain countries for our PC and console packaged goods software products, we also have a practice of allowing channel partners to return older software products in the channel in exchange for a credit allowance. As a general practice, we do not give cash refunds.

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

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

### *Fair Value Estimates*

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

### *Royalties and Licenses*

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

Royalty-based obligations with content licensors and distribution affiliates are either paid in advance and capitalized as prepaid royalties or are accrued as incurred and subsequently paid. These royalty-based obligations

are generally expensed to cost of revenue generally at the greater of the contractual rate or an effective royalty rate based on the total projected net revenue for contracts with guaranteed minimums. Significant judgment is required to estimate the effective royalty rate for a particular contract. Because the computation of effective royalty rates requires us to project future revenue, it is inherently subjective as our future revenue projections must anticipate a number of factors, including (1) the total number of titles subject to the contract, (2) the timing of the release of these titles, (3) the number of software units and amount of extra content that we expect to sell, which can be impacted by a number of variables, including product quality, number of platforms we release on, the timing of the title's release and competition, and (4) future pricing. Determining the effective royalty rate for our titles is particularly challenging due to the inherent difficulty in predicting the popularity of entertainment products. Furthermore, if we conclude that we are unable to make a reasonably reliable forecast of projected net revenue, we recognize royalty expense at the greater of contract rate or on a straight-line basis over the term of the contract. Accordingly, if our future revenue projections change, our effective royalty rates would change, which could impact the amount and timing of royalty expense we recognize.

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

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

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

### ***Income Taxes***

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

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

In the fourth quarter of fiscal year 2016, we realized significant U.S. pre-tax income for both the fourth quarter and the fiscal year ended March 31, 2016. As a result, we released the valuation allowance against all of the U.S. federal deferred tax assets and a portion of the U.S. state deferred tax assets during the fourth quarter of fiscal year 2016. We continue to maintain a valuation allowance related to specific U.S. state deferred tax assets and foreign capital loss carryovers, due to uncertainty about the future realization of these assets.

Our effective tax rate and resulting provision for income taxes for the year ended March 31, 2018 were significantly impacted by the U.S. Tax Act enacted on December 22, 2017. The U.S. Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering the U.S. corporate income tax rate to 21 percent, generally implementing a territorial tax system and imposing the Transition Tax.

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

The final calculations of tax expenses and tax benefits resulting from the U.S. Tax Act may differ from our estimates, potentially materially, due to, among other things, changes in interpretations of the U.S. Tax Act, our further analysis of the U.S. Tax Act, or any updates or changes to estimates that we have utilized to calculate the transition impacts.

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

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

## **IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

The information under the subheading “Impact of Recently Issued Accounting Standards” in Note 1 — Description of Business and Basis of Presentation to the Consolidated Financial Statements in this Form 10-K is incorporated by reference into this Item 7.

## **RESULTS OF OPERATIONS**

Our fiscal year is reported on a 52- or 53-week period that ends on the Saturday nearest March 31. Our results of operations for the fiscal year ended March 31, 2018 and 2017 contained 52 weeks each and ended on March 31, 2018 and April 1, 2017, respectively. Our results of operations for the fiscal year ended March 31, 2016 contained 53 weeks and ended on April 2, 2016. For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

### **Net Revenue**

Net revenue consists of sales generated from (1) video games sold as digital downloads or as packaged goods and designed for play on game consoles and PCs, (2) video games for mobile phones and tablets, (3) separate software products and extra-content and online game services associated with these products, (4) licensing our

game software to third parties, (5) allowing other companies to manufacture and sell our products in conjunction with other products, and (6) advertisements on our online web pages and in our games. We recognize revenue from the sale of online-enabled games for which we do not have VSOE for the unspecified updates on a straight-line basis, generally over an estimated six-month period for digitally-delivered games and content and an estimated nine-month period beginning in the month after shipment for physical games sold through retail.

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

## **Comparison of Fiscal Year 2018 to Fiscal Year 2017**

### ***Net Revenue***

For fiscal year 2018, net revenue was \$5,150 million, an increase of \$305 million, or 6 percent, as compared to fiscal year 2017. This increase was driven by a \$681 million increase in revenue primarily from the FIFA and Mass Effect franchises. This increase was partially offset by a \$376 million decrease in revenue primarily from the Star Wars, Plants vs. Zombies, and UFC franchises.

### **Net Revenue by Product Revenue and Service and Other Revenue**

Our Net Revenue by Product revenue and Service and other revenue for fiscal years 2018 and 2017 was as follows (in millions):

	<b>Year Ended March 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>\$ Change</b>	<b>% Change</b>
Net revenue:				
Product . . . . .	\$2,586	\$2,640	\$ (54)	(2)%
Service and other . . . . .	<u>2,564</u>	<u>2,205</u>	<u>359</u>	16%
Total net revenue . . . . .	<u>\$5,150</u>	<u>\$4,845</u>	<u>\$305</u>	6%

### ***Product Revenue***

For fiscal year 2018, Product net revenue was \$2,586 million, primarily driven by *FIFA 18*, *Battlefield 1*, and *FIFA 17*. Product net revenue decreased \$54 million, or 2 percent, as compared to fiscal year 2017. This decrease was driven by a \$450 million decrease primarily from the Star Wars, Battlefield, and UFC franchises. This decrease was partially offset by a \$396 million increase primarily from the Mass Effect, The Sims, and Need for Speed franchises.

### ***Service and Other Revenue***

For fiscal year 2018, Service and other net revenue was \$2,564 million, primarily driven by *FIFA Ultimate Team*, *Star Wars: Galaxy of Heroes*, and *Battlefield 1 Premium*. Service and other net revenue for fiscal year 2018 increased \$359 million, or 16 percent, as compared to fiscal year 2017. This increase was driven by a \$538 million increase primarily from *FIFA Ultimate Team* and *Battlefield 1 Premium*, partially offset by a \$179 million decrease primarily from *Need for Speed 2015* and the *Plants vs. Zombies* franchise.

### ***Supplemental Net Revenue by Type***

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

Our net revenue by type for fiscal years 2018 and 2017 was as follows (in millions):

	Year Ended March 31,			
	2018	2017	\$ Change	% Change
Full game downloads	\$ 707	\$ 659	48	7%
Live services <sup>(a)</sup>	2,083	1,589	494	31%
Mobile	660	626	34	5%
Total Digital	\$3,450	\$2,874	\$ 576	20%
Packaged goods and other	\$1,700	\$1,971	(271)	(14)%
Net revenue	\$5,150	\$4,845	\$ 305	6%

<sup>(a)</sup> Live services net revenue is comprised of net revenue previously presented as “Extra content” and “Subscription, advertising, and other” through the fourth quarter of fiscal 2017.

#### *Digital Net Revenue*

Digital net revenue includes full game downloads, live services, and mobile revenue. Digital net revenue includes game software distributed through our direct-to-consumer PC platform Origin, distributed wirelessly through mobile carriers, or licensed to our third-party publishing partners who distribute our games digitally.

For fiscal year 2018, digital net revenue was \$3,450 million primarily driven by our digital business, particularly continued success with live services, including *Ultimate Team* and live services associated with *Battlefield 1*. Digital net revenue for fiscal year 2018 increased \$576 million, or 20 percent, as compared to fiscal year 2017. This increase was due to (1) a \$48 million or 7 percent increase in full-game download net revenue primarily driven by *FIFA 18* and *Mass Effect: Andromeda*, partially offset by *Battlefield 1* and *Star Wars Battlefront*, (2) a \$494 million or 31 percent increase in live services net revenue primarily driven by our *Ultimate Team* game mode and *Battlefield 1 Premium*, (3) a \$34 million or 5 percent increase in mobile net revenue primarily driven by *Star Wars: Galaxy of Heroes* and *FIFA Mobile*.

#### *Packaged Goods and Other Net Revenue*

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

For fiscal year 2018, packaged goods and other net revenue was \$1,700 million, primarily driven by *FIFA 18*, *FIFA 17*, and *Battlefield 1*. Packaged goods and other net revenue for fiscal year 2018 decreased \$271 million, or 14 percent, as compared to fiscal year 2017, primarily driven by consumers increasingly purchasing our games digitally, as opposed to purchasing physical discs. This decrease was driven by a \$400 million decrease in net revenue primarily from the Star Wars, Plants vs. Zombies, and UFC franchises. This decrease was partially offset by a \$129 million increase primarily from the Mass Effect and Battlefield franchises.

#### Cost of Revenue

Cost of revenue for fiscal years 2018 and 2017 was as follows (in millions):

	March 31, 2018	% of Related Net Revenue	March 31, 2017	% of Related Net Revenue	% Change	Change as a % of Related Net Revenue
Cost of revenue:						
Product	\$ 822	31.8%	\$ 893	33.8%	(8)%	(2.0)%
Service and other	455	17.7%	405	18.4%	12%	(0.7)%
Total cost of revenue	\$1,277	24.8%	\$1,298	26.8%	(2)%	(2.0)%

### ***Cost of Product Revenue***

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

Cost of product revenue decreased by \$71 million, or 8 percent in fiscal year 2018, as compared to fiscal year 2017. This decrease was primarily due to a decrease in inventory costs associated with *Battlefield 1* and *Titanfall 2* which were launched during the fiscal year 2017, a decrease in inventory and warehouse operations costs as a result of the closure of our Switzerland distribution business in fiscal year 2017, and a \$25 million decrease in intangible amortization primarily due to the recognition of a \$15 million impairment charge on an acquisition-related intangible asset during the fiscal year 2017. These decreases were partially offset by an increase in the royalty costs associated with our product launches during the fiscal year 2018, as compared to fiscal year 2017.

### ***Cost of Service and Other Revenue***

Cost of service and other revenue consists primarily of (1) royalty costs, (2) data center, bandwidth and server costs associated with hosting our online games and websites, (3) inventory costs, (4) platform processing fees from operating our website-based games on third party platforms, and (5) credit card fees associated with our service revenue.

Cost of service and other revenue increased by \$50 million, or 12 percent in fiscal year 2018, as compared to fiscal year 2017. This increase was primarily due to an increase in royalty costs associated with higher sales associated with *FIFA Ultimate Team* and *Madden Ultimate Team*, offset by a \$16 million decrease in intangible amortization.

### ***Total Cost of Revenue as a Percentage of Total Net Revenue***

During fiscal year 2018, total cost of revenue as a percentage of total net revenue decreased by \$21 million, or 2.0 percent as compared to the fiscal year ended March 31, 2017. This decrease was primarily due to a decrease in inventory and warehouse operations costs as a result of the closure of our Switzerland distribution business in fiscal year 2017, and an increase in the proportion of our digital net revenues to packaged goods and other net revenues, which generally have higher costs than our digital products and services.

### **Research and Development**

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

Research and development expenses for fiscal years 2018 and 2017 were as follows (in millions):

<u>March 31, 2018</u>	<u>% of Net Revenue</u>	<u>March 31, 2017</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$1,320	26%	\$1,205	25%	\$115	10%



Research and development expenses increased by \$115 million, or 10 percent, in fiscal year 2018, as compared to fiscal year 2017. This \$115 million increase was primarily due to a (1) a \$78 million increase in personnel-related costs primarily resulting from an increase in headcount and an increase in salary costs, (2) a \$37 million increase in stock-based compensation primarily resulting from an increase in equity award issuances to employees, and (3) a \$21 million increase in facilities-related costs. These increases were partially offset by a \$32 million decrease primarily due to a loss on a royalty-based commitment and impairment on a royalty based asset during fiscal year 2017.

### **Marketing and Sales**

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

Marketing and sales expenses for fiscal years 2018 and 2017 were as follows (in millions):

<u>March 31, 2018</u>	<u>% of Net Revenue</u>	<u>March 31, 2017</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$641	12%	\$673	14%	\$(32)	(5)%

Marketing and sales expenses decreased by \$32 million, or 5 percent, in fiscal year 2018, as compared to fiscal year 2017. This \$32 million decrease was primarily due to a decrease in advertising and promotional spending associated with our 2018 game launches as compared to our fiscal 2017 game launches, particularly *Battlefield 1* and *Titanfall 2*, which were launched during fiscal 2017.

### **General and Administrative**

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

General and administrative expenses for fiscal years 2018 and 2017 were as follows (in millions):

<u>March 31, 2018</u>	<u>% of Net Revenue</u>	<u>March 31, 2017</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$469	9%	\$439	9%	\$30	7%

General and administrative expenses increased by \$30 million, or 7 percent, in fiscal year 2018, as compared to fiscal year 2017. This \$30 million increase was primarily due to (1) a \$20 million increase in contracted services primarily due to higher legal expenses, (2) a \$13 million increase in personnel-related costs primarily resulting from an increase in headcount, and (3) an \$8 million increase in stock-based compensation. These increases were partially offset by an \$8 million decrease in facility-related costs.

### **Income Taxes**

Provision for income taxes for fiscal years 2018 and 2017 was as follows (in millions):

<u>March 31, 2018</u>	<u>Effective Tax Rate</u>	<u>March 31, 2017</u>	<u>Effective Tax Rate</u>
\$406	28.0%	\$243	20.1%

Our effective tax rate for the year ended March 31, 2018 was 28.0 percent as compared 20.1 percent for the same period in fiscal year 2017. Our effective tax rate and resulting provision for income taxes for the fiscal year ended March 31, 2018 was significantly impacted by the U.S. Tax Act. The U.S. Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering the U.S. corporate income tax rate to 21 percent, generally implementing a territorial tax system and imposing the Transition Tax. These impacts were offset by earnings realized in countries that have lower statutory tax rates and the recognition of excess tax benefits from stock-based compensation.

Our effective tax rates for fiscal year 2019 and future periods will continue to depend on a variety of factors, including changes in our business such as acquisitions and intercompany transactions, changes in our international structure, changes in the geographic location of business functions or assets, changes in the geographic mix of income, changes in or termination of our agreements with tax authorities, applicable accounting rules, applicable tax laws and regulations, rulings and interpretations thereof, developments in tax audit and other matters, and variations in our annual pre-tax income or loss. We anticipate that the impact of excess tax benefits and tax deficiencies may result in significant fluctuations to our effective tax rate in the future.

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

We recorded a provisional tax expense of \$235 million related to the U.S. Tax Act for the year ended March 31, 2018, \$192 million of which relates to the Transition Tax. During the three months ended March 31, 2018, we adjusted the provisional amount initially recorded for the Transition Tax by recognizing an additional \$41 million charge. We also recorded immaterial adjustments to certain other tax items. These adjustments were based on our further analysis of the U.S. Tax Act and certain changes to current year earnings estimates and assertions. These amounts remain provisional. The final calculation of taxes attributable to the U.S. Tax Act may differ from our estimates, potentially materially, due to, among other things, changes in interpretations of the U.S. Tax Act, our further analysis of the U.S. Tax Act, or any updates or changes to estimates that we have utilized to calculate the transition impacts.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. Our provision for income taxes for the year ended March 31, 2018 provisionally does not reflect any deferred tax impacts of the U.S. taxes on foreign earnings. Because of the complexity of the rules regarding the new tax on foreign earnings, we are continuing to evaluate this accounting policy election.

## **Comparison of Fiscal Year 2017 to Fiscal Year 2016**

### ***Net Revenue***

For fiscal year 2017, net revenue was \$4,845 million and increased \$449 million, or 10 percent, as compared to fiscal year 2016. This increase was driven by an \$809 million increase in revenue primarily from the Star Wars, Battlefield, and FIFA franchises. This increase was partially offset by a \$360 million decrease in revenue primarily from the Dragon Age, The Sims, and NHL franchises, and *The Simpsons Tapped Out*.

### **Net Revenue by Product Revenue and Service and Other Revenue**

Our Net Revenue by Product revenue and Service and other revenue for fiscal years 2017 and 2016 was as follows (in millions):

	<b>Year Ended March 31,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Net revenue:				
Product .....	\$2,640	\$2,497	\$143	6%
Service and other .....	2,205	1,899	306	16%
Total net revenue .....	<u>\$4,845</u>	<u>\$4,396</u>	<u>\$449</u>	10%

### ***Product Revenue***

For fiscal year 2017, Product net revenue was \$2,640 million, primarily driven by *FIFA 17*, *Battlefield 1*, and *Star Wars Battlefront*. Product net revenue increased \$143 million, or 6 percent, as compared to fiscal year 2016. This increase was driven by a \$526 million increase primarily from the Battlefield and Star Wars franchises, and

*Titanfall 2*. This increase was partially offset by a \$383 million decrease primarily from the Dragon Age, FIFA, The Sims, and Need for Speed franchises.

### ***Service and Other Revenue***

For fiscal year 2017, Service and other net revenue was \$2,205 million, primarily driven by *FIFA Ultimate Team*, *Star Wars: Galaxy of Heroes*, and *Need for Speed 2015*. Service and other net revenue for fiscal year 2017 increased \$306 million, or 16 percent, as compared to fiscal year 2016. This increase was driven by a \$404 million increase primarily from *FIFA Ultimate Team* and the Star Wars and Need for Speed franchises. This increase was partially offset by a \$98 million decrease primarily from *The Simpsons Tapped Out*, *Titanfall*, *The Sims FreePlay*, and *Battlefield 4 Premium*.

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

Our net revenue by composition for fiscal years 2017 and 2016 was as follows (in millions):

	Year Ended March 31,			
	2017	2016	\$ Change	% Change
Full game downloads . . . . .	\$ 659	\$ 465	\$194	42%
Live services . . . . .	1,589	1,400	189	14%
Mobile . . . . .	626	544	82	15%
Total Digital . . . . .	<u>\$2,874</u>	<u>\$2,409</u>	<u>\$465</u>	19%
Packaged goods and other . . . . .	<u>\$1,971</u>	<u>\$1,987</u>	<u>\$ (16)</u>	(1)%
Net revenue . . . . .	<u><u>\$4,845</u></u>	<u><u>\$4,396</u></u>	<u><u>\$449</u></u>	10%

### ***Digital Net Revenue***

For fiscal year 2017, digital net revenue was \$2,874 million primarily driven by *FIFA Ultimate Team*, *FIFA Online 3* in Asia, *Battlefield 1*, and *Star Wars: Galaxy of Heroes*. Digital net revenue for fiscal year 2017 increased \$465 million, or 19 percent, as compared to fiscal year 2016. This increase is due to (1) a \$194 million or 42 percent increase in full-game download net revenue primarily driven by *Battlefield 1* and *FIFA 17*, partially offset by *Battlefield Hardline*, (2) a \$189 million or 14 percent increase in live services net revenue primarily driven by our *Ultimate Team* game mode and *Star Wars Battlefront*, and (3) an \$82 million or 15 percent increase in mobile net revenue primarily driven by *Star Wars: Galaxy of Heroes*.

### ***Packaged Goods and Other Net Revenue***

For fiscal year 2017, packaged goods and other net revenue was \$1,971 million, primarily driven by *FIFA 17*, *FIFA 16*, *Star Wars Battlefront*, and *Battlefield 1*. Packaged goods and other net revenue for fiscal year 2017 decreased \$16 million, or 1 percent, as compared to fiscal year 2016.

### **Cost of Revenue**

Cost of revenue for fiscal years 2017 and 2016 was as follows (in millions):

	March 31, 2017	% of Related Net Revenue	March 31, 2016	% of Related Net Revenue	% Change	Change as a % of Related Net Revenue
Cost of revenue:						
Product . . . . .	\$ 893	33.8%	\$ 938	37.6%	(4.8)%	(3.8)%
Service and other . . . . .	405	18.4%	416	21.9%	(2.6)%	(3.5)%
Total cost of revenue . . . . .	<u><u>\$1,298</u></u>	26.8%	<u><u>\$1,354</u></u>	30.8%	(4.1)%	(4.0)%

### ***Cost of Product Revenue***

Cost of product revenue decreased by \$45 million, or 4.8 percent in fiscal year 2017, as compared to fiscal year 2016. This decrease was driven primarily by a reduction in licensing costs as a result of a change in mix of our titles (i.e. *Star Wars Battlefront* was a fiscal 2016 title that had royalties associated with it while *Battlefield 1* was a fiscal 2017 title that does not bear royalties). This was partially offset by the recognition of a \$15 million impairment charge on an acquisition-related intangible asset, as well an increase in royalty costs associated with *FIFA 17* and *Titanfall 2*.

### ***Cost of Service and Other Revenue***

Cost of service and other revenue decreased by \$11 million, or 2.6 percent in fiscal year 2017, as compared to fiscal year 2016. The decrease was primarily due to a decrease in inventory costs due to the launch of *Need for Speed 2015* during fiscal year 2016 without a comparable service game launch during fiscal year 2017, partially offset by the recognition of a \$10 million impairment charge on a royalty-based asset, and an increase in royalty costs associated with *FIFA Ultimate Team* and *Star Wars: Galaxy of Heroes* during fiscal year 2017.

### ***Total Cost of Revenue as a Percentage of Total Net Revenue***

During fiscal year 2017, total cost of revenue as a percentage of total net revenue decreased by 4.0 percent as compared to the fiscal year ended March 31, 2016. This decrease was primarily due to an increase in the proportion of our digital net revenues to packaged goods and other net revenues, as well as lower royalties expense associated with our current year title mix as compared to fiscal year 2016.

### **Research and Development**

Research and development expenses for fiscal years 2017 and 2016 were as follows (in millions):

<u>March 31, 2017</u>	<u>% of Net Revenue</u>	<u>March 31, 2016</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$1,205	25%	\$1,109	25%	\$96	9%

Research and development expenses increased by \$96 million, or 9 percent, in fiscal year 2017, as compared to fiscal year 2016. This \$96 million increase was primarily due to a (1) \$41 million increase in contracted services primarily driven by an increase in development advances to third-party developers associated with the Star Wars franchise, (2) an aggregate \$32 million pre-launch loss on previously unrecognized minimum royalty-based commitments and impairment on royalty-based assets, and (3) a \$23 million increase in personnel-related costs primarily resulting from an increase in headcount. These increases were partially offset by the quarter ended June 30, 2016 containing 13 weeks of personnel costs as compared to 14 weeks in the prior fiscal year, as well as a reduction in losses of \$10 million from our cash flow hedging program in fiscal 2017 as compared to fiscal 2016. We use hedges to protect against currency exchange rate movements in our research and development expenses.

### **Marketing and Sales**

Marketing and sales expenses for fiscal years 2017 and 2016 were as follows (in millions):

<u>March 31, 2017</u>	<u>% of Net Revenue</u>	<u>March 31, 2016</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$673	14%	\$622	14%	\$51	8%

Marketing and sales expenses increased by \$51 million, or 8 percent, in fiscal year 2017, as compared to fiscal year 2016. This \$51 million increase was driven by higher advertising expenses associated with our fiscal year 2017 game launches, primarily *Battlefield 1* and *Titanfall 2*, as compared to advertising expenses associated with our fiscal year 2016 game launches.

## General and Administrative

General and administrative expenses for fiscal years 2017 and 2016 were as follows (in millions):

<u>March 31, 2017</u>	<u>% of Net Revenue</u>	<u>March 31, 2016</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$439	9%	\$406	9%	\$33	8%

General and administrative expenses increased by \$33 million, or 8 percent, in fiscal year 2017, as compared to fiscal year 2016. This \$33 million increase was primarily due to (1) a \$12 million increase in facility-related expense primarily due to office expansions, (2) a \$7 million increase in contracted services primarily due to higher legal expenses, and (3) a \$6 million increase in personnel-related costs resulting from an increase in headcount.

## Income Taxes

Provision for (benefit from) income taxes for fiscal years 2017 and 2016 was as follows (in millions):

<u>March 31, 2017</u>	<u>Effective Tax Rate</u>	<u>March 31, 2016</u>	<u>Effective Tax Rate</u>
\$243	20.1%	\$(279)	(31.8)%

Our effective tax rate for fiscal year 2017 was 20.1 percent. Our effective tax rate for the fiscal year 2017 differs from the statutory rate of 35.0 percent primarily due to non-U.S. profits subject to a reduced or zero tax rates. The effective tax rate for fiscal year 2017 differs from fiscal year 2016 primarily due to the reversal of a significant portion of our deferred tax valuation allowance recorded in fiscal year 2016. Excluding the impact of the reversal of the valuation allowance, our effective tax rate for fiscal year 2016 would have been 19.8 percent, which differs from the statutory rate of 35.0 percent primarily due to non-U.S. profits subject to a reduced or zero tax rates.

In the fourth quarter of fiscal year 2016, we realized significant U.S. pre-tax income for both the fourth quarter and the fiscal year ended March 31, 2016. As a result, we released the valuation allowance against all of the U.S. federal deferred tax assets and a portion of the U.S. state deferred tax assets during the fourth quarter of fiscal year 2016. Accordingly, we recorded a \$453 million income tax benefit in fiscal year 2016 for the reversal of a significant portion of our deferred tax valuation allowance.

## LIQUIDITY AND CAPITAL RESOURCES

(In millions)	As of March 31,		
	2018	2017	2016
Cash and cash equivalents	\$4,258	\$2,565	\$2,493
Short-term investments	1,073	1,967	1,341
Total	<u>\$5,331</u>	<u>\$4,532</u>	<u>\$3,834</u>
Percentage of total assets	62%	59%	54%

(In millions)	Year Ended March 31,		
	2018	2017	2016
Cash provided by operating activities	\$1,692	\$1,578	\$1,465
Cash provided by (used in) investing activities	622	(759)	(484)
Cash used in financing activities	(643)	(729)	(548)
Effect of foreign exchange on cash and cash equivalents	22	(18)	(8)
Net increase in cash and cash equivalents	<u>\$1,693</u>	<u>\$ 72</u>	<u>\$ 425</u>

### Changes in Cash Flow

#### Comparison of Fiscal Year 2018 to Fiscal Year 2017

*Operating Activities.* In fiscal 2018, we delivered net revenue of \$5.2 billion, cost of revenue of \$1.3 billion, and operating income of \$1.4 billion, which enabled us to record operating cash flow of \$1.692 billion. Cash provided by operating activities increased \$114 million during fiscal year 2018 as compared to fiscal year 2017. The increase is primarily driven by a \$111 million increase in accounts receivable collections due to growth in sales associated with the *Ultimate Team* game mode and the collections from *Mass Effect: Andromeda* that was launched at the end of fiscal year 2017, partially offset by the live services sales at the end of fiscal year 2018 that will be collected in the beginning of fiscal year 2019.

*Investing Activities.* Cash provided by investing activities increased \$1,381 million during fiscal year 2018 as compared to fiscal year 2017 primarily driven by a \$1,885 million increase in proceeds from the sales and maturities of short-term investments as a result of repositioning such investments in order to make offshore funds available for repatriation. This was partially offset by a \$370 million decrease in the purchase of short-term investments and a payment of \$150 million in connection with the acquisition of Respawn.

*Financing Activities.* Cash used in financing activities decreased \$86 million during fiscal year 2018 as compared to fiscal year 2017 primarily due to the repayment of \$163 million of our formerly outstanding convertible notes in fiscal year 2017 without a corresponding transaction in fiscal year 2018, offset by a \$93 million increase in the repurchase and retirement of our common stock in the current year.

#### Comparison of Fiscal Year 2017 to Fiscal Year 2016

*Operating Activities.* Cash provided by operating activities increased \$113 million during fiscal year 2017 as compared to fiscal year 2016. The increase is primarily driven by a \$385 million increase in sales related to *FIFA 17*, *Battlefield 1*, and *Titanfall 2*. This was partially offset by a \$263 million decrease associated with a net increase in accounts receivable balances as of March 31, 2017 as compared to March 31, 2016 primarily due to the timing of game launches and higher digital sales during the three months ended March 31, 2017.

*Investing Activities.* Cash used in investing activities increased \$275 million during fiscal year 2017 as compared to fiscal year 2016 primarily driven by a \$585 million increase in the purchase of short-term investments and a \$30 million increase in capital expenditures. This was partially offset by a \$340 million increase in proceeds from the sales and maturities of short-term investments.

*Financing Activities.* Cash used in financing activities increased \$181 million during fiscal year 2017 as compared to fiscal year 2016 primarily due to the issuance of Senior Notes for \$989 million offset by the repurchases of our common stock for \$510 million, both of which occurred during fiscal 2016. Also, we had a \$35 million decrease in proceeds from the exercise of stock options and a \$26 million decrease in taxes paid for shares withheld from employees, which were offset by a \$307 million decrease in repayments related to our Convertible Notes during fiscal year 2017 as compared to fiscal year 2016.

### ***Short-term Investments***

Due to our mix of fixed and variable rate securities, our short-term investment portfolio is susceptible to changes in short-term interest rates. As of March 31, 2018, our short-term investments had gross unrealized losses of \$9 million, or less than 1 percent of the total in short-term investments, and gross unrealized gains of less than \$1 million, or less than 1 percent of the total in short-term investments. From time to time, we may liquidate some or all of our short-term investments to fund operational needs or other activities, such as capital expenditures, business acquisitions or stock repurchase programs.

### ***Senior Notes***

In February 2016, we issued \$600 million aggregate principal amount of the 2021 Notes and \$400 million aggregate principal amount of the 2026 Notes. We used the net proceeds of \$989 million for general corporate purposes, including the payment of our formerly outstanding convertible notes and repurchases of our common stock. The effective interest rate is 3.94% for the 2021 Notes and 4.97% for the 2026 Notes. Interest is payable semiannually in arrears, on March 1 and September 1 of each year. See Note 11 — Financing Arrangements to the Consolidated Financial Statements in this Form 10-K as it relates to our Senior Notes, which is incorporated by reference into this Item 7.

### ***Credit Facility***

In March 2015, we entered into a \$500 million senior unsecured revolving credit facility with a syndicate of banks. As of March 31, 2018, no amounts were outstanding under the credit facility. See Note 11 — Financing Arrangements to the Consolidated Financial Statements in this Form 10-K as it relates to our credit facility, which is incorporated by reference into this Item 7.

### ***Financial Condition***

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

As of March 31, 2018, approximately \$3.7 billion of our cash, cash equivalents, and short-term investments were domiciled in foreign tax jurisdictions. As a result of the U.S. Tax Act, which generally implemented a territorial tax system, a substantial portion of this amount is available for repatriation.

In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program described below, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately-negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements,

alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. We are actively repurchasing shares under this program.

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$1.2 billion of our common stock. During the fiscal year ended March 31, 2018, we repurchased approximately 5.0 million shares for approximately \$570 million under this program. This program was superseded and replaced by the May 2018 program.

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

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

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

### **Contractual Obligations and Commercial Commitments**

Note 12 — Commitments and Contingencies to the Consolidated Financial Statements in this Form 10-K as it relates to our contractual obligations and commercial commitments is incorporated by reference into this Item 7.

### **OFF-BALANCE SHEET ARRANGEMENTS**

As of March 31, 2018, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues and expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

### **INFLATION**

We believe the impact of inflation on our results of operations has not been significant in any of the past three fiscal years.



## **Item 7A: Quantitative and Qualitative Disclosures About Market Risk**

### **MARKET RISK**

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

#### ***Foreign Currency Exchange Risk***

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

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

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

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

Notwithstanding our efforts to mitigate some foreign currency exchange risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. As of March 31, 2018, a hypothetical adverse foreign currency exchange rate movement of 10 percent or 20 percent would have resulted in potential declines in the fair value on our foreign currency forward contracts used in cash flow hedging of \$193 million or \$386 million, respectively. As of March 31, 2018, a hypothetical adverse foreign currency exchange rate movement of 10 percent or 20 percent would have resulted in potential losses on our foreign currency forward contracts used in balance sheet hedging of \$47 million or \$93 million, respectively. This sensitivity analysis assumes an adverse shift of all foreign currency exchange rates; however, all foreign currency exchange rates do not always move in such manner and actual results may differ materially. See Note 4 — Derivative Financial Instruments to the Consolidated Financial Statements in this Form 10-K as it relates to our derivative financial instruments, which is incorporated by reference into this Item 7A.

#### ***Interest Rate Risk***

Our exposure to market risk for changes in interest rates relates primarily to our short-term investment portfolio. We manage our interest rate risk by maintaining an investment portfolio generally consisting of debt instruments

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

As of March 31, 2018, our short-term investments were classified as available-for-sale securities and, consequently, were recorded at fair value with unrealized gains or losses resulting from changes in fair value reported as a separate component of accumulated other comprehensive income (loss), net of tax, in stockholders' equity.

Notwithstanding our efforts to manage interest rate risks, there can be no assurance that we will be adequately protected against risks associated with interest rate fluctuations. Fluctuations in interest rates could have a significant impact on the fair value of our investment portfolio. The following table presents the hypothetical changes in the fair value of our short-term investment portfolio as of March 31, 2018, arising from potential changes in interest rates. The modeling technique estimates the change in fair value from immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS.

(In millions)	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of March 31, 2018	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
Corporate bonds . . . . .	\$ 634	\$ 631	\$ 627	\$ 624	\$ 621	\$ 617	\$ 614
U.S. Treasury securities . . . . .	213	212	211	210	209	208	206
U.S. agency securities . . . . .	80	79	79	78	78	77	77
Commercial paper . . . . .	109	109	109	109	109	108	108
Foreign government securities . . . . .	53	53	53	52	52	51	51
Total short-term investments . . . . .	<u>\$1,089</u>	<u>\$1,084</u>	<u>\$1,079</u>	<u>\$1,073</u>	<u>\$1,069</u>	<u>\$1,061</u>	<u>\$1,056</u>

**Item 8: *Financial Statements and Supplementary Data***

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Financial Statement Schedule:	
The following financial statement schedule of Electronic Arts Inc. and Subsidiaries for the years ended March 31, 2018, 2017 and 2016 is filed as part of this report and should be read in conjunction with the Consolidated Financial Statements of Electronic Arts Inc. and Subsidiaries:	
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Other financial statement schedules have been omitted because the information called for in them is not required or has already been included in either the Consolidated Financial Statements or the Notes thereto.

**ELECTRONIC ARTS INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(In millions, except par value data)	<u>March 31, 2018</u>	<u>March 31, 2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$4,258	\$2,565
Short-term investments .....	1,073	1,967
Receivables, net of allowances of \$165 and \$145, respectively .....	385	359
Other current assets .....	288	308
Total current assets .....	6,004	5,199
Property and equipment, net .....	453	434
Goodwill .....	1,883	1,707
Acquisition-related intangibles, net .....	71	8
Deferred income taxes, net .....	84	286
Other assets .....	89	84
<b>TOTAL ASSETS</b> .....	<u>\$8,584</u>	<u>\$7,718</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 48	\$ 87
Accrued and other current liabilities .....	821	789
Deferred net revenue (online-enabled games) .....	1,622	1,539
Total current liabilities .....	2,491	2,415
Senior notes, net .....	992	990
Income tax obligations .....	250	104
Deferred income taxes, net .....	1	1
Other liabilities .....	255	148
Total liabilities .....	3,989	3,658
Commitments and contingencies (See Note 12)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. 10 shares authorized .....	—	—
Common stock, \$0.01 par value. 1,000 shares authorized; 306 and 308 shares issued and outstanding, respectively .....	3	3
Additional paid-in capital .....	657	1,049
Retained earnings .....	4,062	3,027
Accumulated other comprehensive loss .....	(127)	(19)
Total stockholders' equity .....	4,595	4,060
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> .....	<u>\$8,584</u>	<u>\$7,718</u>

See accompanying Notes to Consolidated Financial Statements.

**ELECTRONIC ARTS INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
(In millions, except per share data)			
Net revenue:			
Product .....	\$2,586	\$2,640	\$2,497
Service and other .....	<u>2,564</u>	<u>2,205</u>	<u>1,899</u>
Total net revenue .....	<u>5,150</u>	<u>4,845</u>	<u>4,396</u>
Cost of revenue:			
Product .....	822	893	938
Service and other .....	<u>455</u>	<u>405</u>	<u>416</u>
Total cost of revenue .....	<u>1,277</u>	<u>1,298</u>	<u>1,354</u>
Gross profit .....	<u>3,873</u>	<u>3,547</u>	<u>3,042</u>
Operating expenses:			
Research and development .....	1,320	1,205	1,109
Marketing and sales .....	641	673	622
General and administrative .....	469	439	406
Amortization of intangibles .....	<u>9</u>	<u>6</u>	<u>7</u>
Total operating expenses .....	<u>2,439</u>	<u>2,323</u>	<u>2,144</u>
Operating income .....	1,434	1,224	898
Interest and other income (expense), net .....	<u>15</u>	<u>(14)</u>	<u>(21)</u>
Income before provision for (benefit from) income taxes .....	1,449	1,210	877
Provision for (benefit from) income taxes .....	<u>406</u>	<u>243</u>	<u>(279)</u>
Net income .....	<u>\$1,043</u>	<u>\$ 967</u>	<u>\$1,156</u>
Earnings per share:			
Basic .....	\$ 3.39	\$ 3.19	\$ 3.73
Diluted .....	\$ 3.34	\$ 3.08	\$ 3.50
Number of shares used in computation:			
Basic .....	308	303	310
Diluted .....	312	314	330

See accompanying Notes to Consolidated Financial Statements.

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

(In millions)	Year Ended March 31,		
	2018	2017	2016
Net income .....	\$1,043	\$967	\$1,156
Other comprehensive loss, net of tax:			
Net gains (losses) on available-for-sale securities .....	(5)	(4)	4
Net gains (losses) on derivative instruments .....	(121)	18	(7)
Foreign currency translation adjustments .....	18	(17)	(15)
Total other comprehensive loss, net of tax .....	(108)	(3)	(18)
Total comprehensive income .....	\$ 935	\$964	\$1,138

See accompanying Notes to Consolidated Financial Statements.

**ELECTRONIC ARTS INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(In millions, share data in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
<b>Balances as of March 31, 2015</b> . . . . .	309,681	\$ 3	\$ 2,127	\$ 904	\$ 2	\$ 3,036
Total comprehensive income (loss) . . .	—	—	—	1,156	(18)	1,138
Issuance of common stock . . . . .	6,645	—	(49)	—	—	(49)
Reclassification of equity component of convertible notes . . . . .	—	—	29	—	—	29
Settlement of convertible notes . . . . .	7,823	—	(1)	—	—	(1)
Exercise of convertible note hedge . . .	(7,823)	—	—	—	—	—
Repurchase and retirement of common stock . . . . .	(15,724)	—	(1,018)	—	—	(1,018)
Stock-based compensation . . . . .	—	—	178	—	—	178
Tax benefit from stock-based compensation . . . . .	—	—	83	—	—	83
<b>Balances as of March 31, 2016</b> . . . . .	300,602	3	1,349	2,060	(16)	3,396
Total comprehensive income (loss) . . .	—	—	—	967	(3)	964
Issuance of common stock . . . . .	4,626	—	(55)	—	—	(55)
Reclassification of equity component of convertible notes . . . . .	—	—	2	—	—	2
Settlement of convertible notes . . . . .	2,917	—	—	—	—	—
Exercise of convertible note hedge . . .	(2,917)	—	—	—	—	—
Repurchase and retirement of common stock . . . . .	(6,506)	—	(508)	—	—	(508)
Settlement of warrants . . . . .	9,645	—	—	—	—	—
Stock-based compensation . . . . .	—	—	196	—	—	196
Tax benefit from stock-based compensation . . . . .	—	—	65	—	—	65
<b>Balances as of March 31, 2017</b> . . . . .	308,367	3	1,049	3,027	(19)	4,060
Cumulative-effect adjustment from the adoption of ASU 2016-09 . . . . .	—	—	9	(8)	—	1
Total comprehensive income (loss) . . .	—	—	—	1,043	(108)	935
Issuance of common stock . . . . .	3,332	—	(42)	—	—	(42)
Repurchase and retirement of common stock . . . . .	(5,329)	—	(601)	—	—	(601)
Stock-based compensation . . . . .	—	—	242	—	—	242
<b>Balances as of March 31, 2018</b> . . . . .	<u>306,370</u>	<u>\$ 3</u>	<u>\$ 657</u>	<u>\$4,062</u>	<u>\$(127)</u>	<u>\$ 4,595</u>

See accompanying Notes to Consolidated Financial Statements.

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

(In millions)	Year Ended March 31,		
	2018	2017	2016
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 1,043	\$ 967	\$ 1,156
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	136	172	197
Stock-based compensation	242	196	178
Loss on conversion of convertible notes	—	—	10
Change in assets and liabilities:			
Receivables, net	(25)	(136)	127
Other assets	10	3	22
Accounts payable	(44)	5	13
Accrued and other liabilities	43	190	(10)
Deferred income taxes, net	204	100	(403)
Deferred net revenue (online-enabled games)	83	81	175
Net cash provided by operating activities	<u>1,692</u>	<u>1,578</u>	<u>1,465</u>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(107)	(123)	(93)
Proceeds from maturities and sales of short-term investments	3,166	1,281	941
Purchase of short-term investments	(2,287)	(1,917)	(1,332)
Acquisition, net of cash acquired	(150)	—	—
Net cash provided by (used in) investing activities	<u>622</u>	<u>(759)</u>	<u>(484)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of senior notes, net of issuance costs	—	—	989
Payment of convertible notes	—	(163)	(470)
Proceeds from issuance of common stock	78	72	107
Cash paid to taxing authorities for shares withheld from employees	(120)	(130)	(156)
Repurchase and retirement of common stock	(601)	(508)	(1,018)
Net cash used in financing activities	<u>(643)</u>	<u>(729)</u>	<u>(548)</u>
Effect of foreign exchange on cash and cash equivalents	22	(18)	(8)
Increase in cash and cash equivalents	1,693	72	425
Beginning cash and cash equivalents	2,565	2,493	2,068
Ending cash and cash equivalents	<u>\$ 4,258</u>	<u>\$ 2,565</u>	<u>\$ 2,493</u>
<b>Supplemental cash flow information:</b>			
Cash paid during the year for income taxes, net	<u>\$ 57</u>	<u>\$ 51</u>	<u>\$ 35</u>
Cash paid during the year for interest	<u>\$ 42</u>	<u>\$ 43</u>	<u>\$ 4</u>

See accompanying Notes to Consolidated Financial Statements.



## **ELECTRONIC ARTS INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A summary of our significant accounting policies applied in the preparation of our Consolidated Financial Statements follows:

##### ***Consolidation***

The accompanying Consolidated Financial Statements include the accounts of Electronic Arts Inc. and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

##### ***Fiscal Year***

Our fiscal year is reported on a 52- or 53-week period that ends on the Saturday nearest March 31. Our results of operations for the fiscal year ended March 31, 2018 and 2017 contained 52 weeks each and ended on March 31, 2018 and April 1, 2017, respectively. Our results of operations for the fiscal year ended March 31, 2016 contained 53 weeks and ended on April 2, 2016. For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

##### ***Reclassifications***

Certain prior year amounts were reclassified to conform to current year presentation.

##### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and the accompanying notes. Such estimates include sales returns and allowances, provisions for doubtful accounts, accrued liabilities, offering periods for deferred net revenue, multiple-element arrangements, income taxes, losses on royalty commitments, estimates regarding the recoverability of prepaid royalties, inventories, long-lived assets, assets acquired and liabilities assumed in business combinations, certain estimates related to the measurement and recognition of costs resulting from our stock-based payment awards, unrecognized tax benefits, deferred income tax assets and associated valuation allowances, as well as estimates used in our goodwill, intangibles and short-term investment impairment tests. These estimates generally involve complex issues and require us to make judgments, involve analysis of historical and future trends, can require extended periods of time to resolve, and are subject to change from period to period. In all cases, actual results could differ materially from our estimates.

##### ***Cash, Cash Equivalents, and Short-Term Investments***

Cash equivalents consist of highly liquid investments with insignificant interest rate risk and original or remaining maturities of three months or less at the time of purchase.

Short-term investments consist of securities with original or remaining maturities of greater than three months at the time of purchase, and are accounted for as available-for-sale securities and are recorded at fair value. Cash, cash equivalents and short-term investments are available for use in current operations or other activities such as capital expenditures, business combinations and share repurchases.

Unrealized gains and losses on our short-term investments are recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity, net of tax, until either (1) the security is sold, (2) the security has matured, or (3) we determine 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 our short-term investments are calculated based on the specific identification method and are reclassified from accumulated other comprehensive income (loss) to interest and other income (expense), net. Determining whether a 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.

Our short-term investments are evaluated for impairment quarterly. We consider various factors in determining whether we 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, severity of the impairment, reason for the decline in value and potential recovery period, the financial condition and near-term prospects of the investees, 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, and any contractual terms impacting the prepayment or settlement process. If we conclude that an investment is other-than-temporarily impaired, we recognize an impairment charge at that time in our Consolidated Statements of Operations. Based on our evaluation, we did not consider any of our investments to be other-than-temporarily impaired as of March 31, 2018 and 2017.

### ***Inventories***

Inventories consist of materials (including manufacturing royalties paid to console manufacturers), labor and freight-in and are stated at the lower of cost (using the weighted average costing method) or net realizable value. We regularly review inventory quantities on-hand. 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. At the point of a loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established basis. Inventories are included in other current assets in the Consolidated Balance Sheets.

### ***Property and Equipment, Net***

Property and equipment, net, are stated at cost. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings	20 to 25 years
Computer equipment and software	3 to 6 years
Equipment, furniture and fixtures, and other	3 to 5 years
Leasehold improvements	Lesser of the lease term or the estimated useful lives of the improvements, generally 1 to 10 years

We capitalize costs associated with internal-use software development once a project has reached the application development stage. Such capitalized costs include external direct costs utilized in developing or obtaining the software, and payroll and payroll-related expenses for employees who are directly associated with the development of the software. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Once the internal-use software is ready for its intended use, the assets are depreciated on a straight-line basis over each asset's estimated useful life, which is generally three years. The net book value of capitalized costs associated with internal-use software was \$35 million and \$41 million as of March 31, 2018 and 2017, respectively.

### ***Acquisition-Related Intangibles and Other Long-Lived Assets***

We record acquisition-related intangible assets, such as developed and core technology, in connection with business combinations. We amortize the cost of acquisition-related intangible assets that have finite useful lives on a straight-line basis over the lesser of their estimated useful lives or the agreement terms, currently from one to nine years. We evaluate acquisition-related intangibles and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset group. This includes assumptions about future prospects for the business that the asset relates to and typically involves computations of the estimated future cash flows to be generated by these businesses. Based on these judgments and assumptions, we determine whether we need to take an impairment charge to reduce the value of the asset stated on our Consolidated Balance Sheets to reflect its estimated fair value. When we consider such assets to be impaired, the amount of impairment we recognize is measured by the amount by which the carrying amount of the asset exceeds its fair value.

### ***Goodwill Impairment***

In assessing impairment on our goodwill, we first analyze qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a goodwill impairment test. The qualitative factors we assess include long-term prospects of our performance, share price trends and market capitalization, and Company specific events. If we conclude it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, we do not need to perform an impairment test. If based on that assessment, we believe it is more likely than not that the fair value of the reporting unit is less than its carrying value we will measure goodwill for impairment by applying fair value-based tests at the reporting unit level. Reporting units are determined by the components of operating segments that constitute a business for which (1) discrete financial information is available, (2) segment management regularly reviews the operating results of that component, and (3) whether the component has dissimilar economic characteristics to other components. As of March 31, 2018, we have only one reportable segment, which represents our only operating segment.

### ***Revenue Recognition, Sales Returns and Allowances, and Bad Debt Reserves***

We derive revenue principally from sales of interactive software games, and related content and services on game consoles, PCs, mobile phones and tablets. We evaluate revenue recognition based on the criteria set forth in FASB Accounting Standards Codification (“ASC”) 605, *Revenue Recognition* and ASC 985-605, *Software: Revenue Recognition*. We classify our revenue as either product revenue or service and other revenue.

***Product revenue.*** Our product revenue includes revenue associated with the sale of software games or related product content or updates, whether delivered digitally (*e.g.*, full-game downloads, extra-content) or via a physical disc (*e.g.*, packaged goods), and licensing of game software to third-parties. Product revenue also includes revenue from mobile full game downloads that do not require our hosting support (*e.g.*, premium mobile games) in order to utilize the game or related content (*i.e.* can be played with or without an Internet connection), and sales of tangible products such as hardware, peripherals, or collectors’ items.

***Service and other revenue.*** Our service revenue includes revenue recognized from time-based subscriptions, games, content or updates that requires our hosting support in order to utilize the game or related content (*i.e.*, can only be played with an Internet connection). This includes (1) entitlements to content that are accessed through hosting services (*e.g.*, microtransactions for Internet-based, social network and free-to-download mobile games), (2) massively multi-player online (“MMO”) games (both software game and subscription sales), (3) subscriptions for our Battlefield Premium, EA and Origin Access, and Pogo-branded online game services, and (4) allocated service revenue from sales of software games with a service of online activities (*e.g.*, online playability). Our other revenue includes advertising and non-software licensing revenue.

With respect to the allocated service revenue from sales of software games with a service of online activities (“online services”) mentioned above, our allocation of proceeds between product and service revenue for

presentation purposes is based on management's best estimate of the selling price of the online services with the residual value allocated to product revenue. Our estimate of the selling price of the online services are comprised of several factors including, but not limited to, prior selling prices for the online services, prices charged separately by other third-party vendors for similar service offerings, and a cost-plus-margin approach. We review the estimated selling price of the online services on a regular basis and use this methodology consistently to allocate revenue between product and service for software game sales with online services.

We evaluate and recognize revenue when all four of the following criteria are met:

- *Evidence of an arrangement.* Evidence of an agreement with the customer that reflects the terms and conditions to deliver the related products or services must be present.
- *Fixed or determinable fee.* If a portion of the arrangement fee is not fixed or determinable, we recognize revenue as the amount becomes fixed or determinable.
- *Collection is deemed probable.* Collection is deemed probable if we expect the customer to be able to pay amounts under the arrangement as those amounts become due. If we determine that collection is not probable as the amounts become due, we generally conclude that collection becomes probable upon cash collection.
- *Delivery.* For packaged goods, delivery is considered to occur when a product is shipped and the risk of loss and rewards of ownership have transferred to the customer. For digital downloads, delivery is considered to occur when the software is made available to the customer for download. For services and other, delivery is generally considered to occur as the service is delivered, which is determined based on the underlying service obligation. If there is significant uncertainty of acceptance, revenue is recognized once acceptance is reasonably assured.

#### *Online-Enabled Games*

The majority of our software games and related content have online connectivity whereby a consumer may be able to download unspecified content or updates on a when-and-if-available basis ("unspecified updates") for use with the original game software. In addition, we may also offer a service of online activities (e.g., online playability) without a separate fee. U.S. GAAP requires us to account for the consumer's right to receive unspecified updates or the service of online activities for no additional fee as a "bundled" sale, or multiple-element arrangement.

We have an established historical pattern of providing unspecified updates (e.g., player roster updates to *Madden NFL 18*) to online-enabled games and related content at no additional charge to the consumer. Because we do not have vendor-specific objective evidence of fair value ("VSOE") for these unspecified updates, we are required by current U.S. GAAP to recognize as revenue the entire sales price of these online-enabled games and related content over the period we expect to offer the unspecified updates to the consumer ("estimated offering period").

#### *Other Multiple-Element Arrangements*

In some of our multiple-element arrangements, we sell non-software products with software and/or software-related offerings. These non-software products are generally music soundtracks, peripherals or ancillary collectors' items, such as figurines and comic books. Revenue for these arrangements is allocated to each separate unit of accounting for each deliverable using the relative selling prices of each deliverable in the arrangement based on the selling price hierarchy described below. If the arrangement contains more than one software deliverable, the arrangement consideration is allocated to the software deliverables as a group and then allocated to each software deliverable.

We determine the selling price for a non-software product deliverable based on the following selling price hierarchy: VSOE (i.e., the price we charge when the non-software product is sold separately) if available, third-party evidence ("TPE") of fair value (i.e., the price charged by others for similar non-software products) if VSOE is not available, or our best estimate of selling price ("BESP") if neither VSOE nor TPE is available.

Determining the BEP is a subjective process that is based on multiple factors including, but not limited to, recent selling prices and related discounts, market conditions, customer classes, sales channels and other factors. Provided the other three revenue recognition criteria other than delivery have been met, we recognize revenue upon delivery to the customer as we have no further obligations.

#### *Principal Agent Considerations*

We evaluate sales of our interactive software games, extra-content, and services from our subscription offerings via third party storefronts, including digital channel storefronts from Microsoft, Sony, Apple, and Google, in order to determine whether or not we are acting as the primary obligor in the sale to the end consumer, which we consider in determining if revenue should be reported gross or net of fees retained by the storefront. Key indicators that we evaluate in determining gross versus net treatment include but are not limited to the following:

- The party responsible for delivery/fulfillment of the product or service to the end consumer
- The party responsible for the billing, collection of fees and refunds to the end consumer
- The storefront and Terms of Sale that govern the end consumer's purchase of the product or service
- The party that sets the pricing with the end consumer and has credit risk

Based on evaluation of the above indicators, we have determined that generally the third party is considered the primary obligor to end consumers for the sale of our interactive software games. We therefore report revenue related to these arrangements net of the fees retained by the storefront.

#### *Sales Returns and Allowances and Bad Debt Reserves*

We reduce revenue for estimated future returns and price protection which may occur with our distributors and retailers ("channel partners"). Price protection represents our practice to provide our channel partners with a credit allowance to lower their wholesale price on a particular product that they have not resold to end consumers. The amount of the price protection is generally the difference between the old wholesale price and the new reduced wholesale price. In certain countries for our PC and console packaged goods software products, we also have a practice of allowing channel partners to return older software products in the channel in exchange for a credit allowance. As a general practice, we do not give cash refunds.

We determine our allowance for doubtful accounts by evaluating the following: customer creditworthiness, current economic trends, historical experience, age of current accounts receivable balances, and changes in financial condition or payment terms of our customers. Significant management judgment is required to estimate our allowance for doubtful accounts in any accounting period. The amount and timing of our bad debt expense and cash collection could change significantly as a result of a change in any of the evaluation factors mentioned above.

#### *Taxes Collected from Customers and Remitted to Governmental Authorities*

Taxes assessed by a government authority that are both imposed on and concurrent with specific revenue transactions between us and our customers are presented on a net basis in our Consolidated Statements of Operations.

#### *Concentration of Credit Risk, Significant Customers, and Platform Partners*

We extend credit to various digital resellers and channel partners. Collection of trade receivables may be affected by changes in economic or other industry conditions and may, accordingly, impact our overall credit risk. Although we generally do not require collateral, we perform ongoing credit evaluations of our customers and maintain reserves for potential credit losses. Invoices are aged based on contractual terms with our customers. The provision for doubtful accounts is recorded as a charge to general and administrative expense when a potential loss is identified. Losses are written off against the allowance when the receivable is determined to be

uncollectible. At March 31, 2018, we had three customers who accounted for approximately 39 percent, 21 percent, and 10 percent of our consolidated gross receivables, respectively. At March 31, 2017, we had three customers who accounted for 27 percent, 22 percent, and 11 percent of our consolidated gross receivables, respectively.

A majority of our sales are made via digital resellers and channel partners. During the fiscal years 2018, 2017, and 2016, approximately 67 percent, 64 percent, and 62 percent, respectively, of our net revenue was derived from our top ten customers. Though our products and services are available to consumers through a variety of retailers, digital resellers and directly through us, the concentration of our sales in one, or a few, large customers could lead to a short-term disruption in our sales if one or more digital resellers and channel partners significantly reduced their purchases or ceased to carry our products and services, and could make us more vulnerable to collection risk if one or more of these large customers became unable to pay for our products or declared bankruptcy.

Currently, a majority of our revenue is derived through sales of products and services playable on hardware consoles from Sony and Microsoft. For the fiscal years ended March 31, 2018, 2017 and 2016, our net revenue for products and services on Sony's PlayStation 3 and 4, and Microsoft's Xbox 360 and One consoles (combined across all four platforms) was 70 percent, 70 percent, and 67 percent, respectively. These platform partners have significant influence over the products and services that we offer on their platforms. Our agreements with Sony and Microsoft typically give significant control to them over the approval, manufacturing and distribution of our products and services that are distributed through their platform, which could, in certain circumstances, leave us unable to get our products and services approved, manufactured or distributed to customers.

Short-term investments are placed with high quality financial institutions or in short-duration, investment-grade securities. We limit the amount of credit exposure in any one financial institution or type of investment instrument.

### *Royalties and Licenses*

Royalty-based obligations with content licensors and distribution affiliates are either paid in advance and capitalized as prepaid royalties or are accrued as incurred and subsequently paid. These royalty-based obligations are generally expensed to cost of revenue generally at the greater of the contractual rate or an effective royalty rate based on the total projected net revenue for contracts with guaranteed minimums. Prepayments made to thinly capitalized independent software developers and co-publishing affiliates are generally made in connection with the development of a particular product, and therefore, we are generally subject to development risk prior to the release of the product. Accordingly, payments that are due prior to completion of a product are generally expensed to research and development over the development period as the services are incurred. Payments due after completion of the product (primarily royalty-based in nature) are generally expensed as cost of revenue.

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

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

### ***Advertising Costs***

We generally expense advertising costs as incurred, except for production costs associated with media campaigns, which are recognized as prepaid assets (to the extent paid in advance) and expensed at the first run of the advertisement. Cooperative advertising costs are recognized when incurred and are classified as marketing and sales expense if there is a separate identifiable benefit for which we can reasonably estimate the fair value of the benefit identified. Otherwise, they are classified as a reduction of revenue and are generally accrued when revenue is recognized. We then reimburse the channel partner when qualifying claims are submitted.

We are also reimbursed by our vendors for certain advertising costs incurred by us that benefit our vendors. Such amounts are recognized as a reduction of marketing and sales expense if the advertising (1) is specific to the vendor, (2) represents an identifiable benefit to us, and (3) represents an incremental cost to us. Otherwise, vendor reimbursements are recognized as a reduction of the cost incurred with the same vendor. Vendor reimbursements of advertising costs of \$45 million, \$53 million, and \$51 million reduced marketing and sales expense for the fiscal years ended March 31, 2018, 2017 and 2016, respectively. For the fiscal years ended March 31, 2018, 2017 and 2016, advertising expense, net of vendor reimbursements, totaled approximately \$261 million, \$281 million, and \$240 million, respectively.

### ***Software Development Costs***

Research and development costs, which consist primarily of software development costs, are expensed as incurred. We are required to capitalize software development costs incurred for computer software to be sold, leased or otherwise marketed after technological feasibility of the software is established or for development costs that have alternative future uses. Under our current practice of developing new games, the technological feasibility of the underlying software is not established until substantially all product development and testing is complete, which generally includes the development of a working model. Software development costs that have been capitalized to date have been insignificant.

### ***Foreign Currency Translation***

Generally, the functional currency for our foreign operating subsidiaries is its local currency. Assets and liabilities of foreign operations are translated into U.S. dollars using month-end exchange rates, and revenue and expenses are translated into U.S. dollars using average exchange rates. The effects of foreign currency translation adjustments are included as a component of accumulated other comprehensive income (loss) in stockholders' equity.

Foreign currency transaction gains and losses are a result of the effect of exchange rate changes on transactions denominated in currencies other than the functional currency. Net foreign currency transaction gains (losses) of \$18 million, \$(40) million, and \$(14) million for the fiscal years ended March 31, 2018, 2017 and 2016, respectively, are included in interest and other income (expense), net, in our Consolidated Statements of Operations. These net foreign currency transaction gains (losses) are partially offset by net gains (losses) on our foreign currency forward contracts of \$(16) million, \$46 million, and \$15 million for the fiscal years ended March 31, 2018, 2017 and 2016, respectively. See Note 4 for additional information on our foreign currency forward contracts.

### ***Income Taxes***

We recognize deferred tax assets and liabilities for both the expected impact of differences between the financial statement amount and the tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax losses and tax credit carryforwards. We record a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of our deferred tax assets will not be realized. In making this determination, we are required to give significant weight to evidence that can be objectively verified. It is generally difficult to conclude that a valuation allowance is not needed when there is significant negative evidence, such as cumulative losses in recent years. Forecasts of future taxable income are considered to be less objective than past results. Therefore, cumulative losses weigh heavily in the overall assessment.

In addition to considering forecasts of future taxable income, we are also required to evaluate and quantify other possible sources of taxable income in order to assess the realization of our deferred tax assets, namely the reversal of existing deferred tax liabilities, the carry back of losses and credits as allowed under current tax law, and the implementation of tax planning strategies. Evaluating and quantifying these amounts involves significant judgments. Each source of income must be evaluated based on all positive and negative evidence; this evaluation involves assumptions about future activity. Certain taxable temporary differences that are not expected to reverse during the carry forward periods permitted by tax law cannot be considered as a source of future taxable income that may be available to realize the benefit of deferred tax assets.

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

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, related to simplifications of employee share-based payment accounting. This pronouncement eliminated the APIC pool concept and requires that excess tax benefits and tax deficiencies be recorded in the income statement when awards are settled. As a result, reflected excess tax benefits of \$43 million for the fiscal year ended March 31, 2018 in the Consolidated Statement of Income as a component of the provision for income taxes, whereas for the fiscal year ended March 31, 2017, they were recognized in additional paid-in-capital in the Consolidated Balance Sheets. The pronouncement also addressed simplifications related to statement of cash flows classification, accounting for forfeitures, and minimum statutory tax withholding requirements. We adopted ASU 2016-09 at the beginning of fiscal year 2018. Upon adoption of ASU 2016-09, excess tax benefits and tax deficiencies from employee share-based award activity are reflected in the Consolidated Statements of Income as a component of the provision for income taxes, whereas they previously were recognized in additional paid-in-capital. We now account for forfeitures as they occur, rather than estimate expected forfeitures. The adoption resulted in a cumulative-effect adjustment of \$8 million, net of tax, decrease to retained earnings as a result of the change in recognition for forfeitures. The adoption of ASU 2016-09 also resulted in two changes to our cash flow presentation, which we applied retrospectively for comparability. Excess tax benefits are now presented as operating activities rather than financing activities, and cash payments to tax authorities in connection with shares withheld to meet statutory tax withholding requirements are now presented as a financing activity. The net increase to our reported net cash provided by operating activities and corresponding increase to cash used in financing activities resulting from the adoption of ASU 2016-09 for the fiscal years ended March 31, 2017 and 2016, and for comparability, the fiscal year ended March 31, 2018, are as follows:

(In millions):	Year Ended March 31,		
	2018	2017	2016
Excess tax benefits from stock-based compensation . . . . .	\$ 43	\$ 65	\$ 86
Cash paid to taxing authorities for shares withheld from employees . . . . .	120	130	156
Increase to net cash provided by operating activities and net cash used in financing activities . . . . .	<u>\$163</u>	<u>\$195</u>	<u>\$242</u>

In May 2017, the FASB issued ASU 2017-09, *Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting*, which clarified when to account for a change to the terms or conditions of a share-based payment award as a modification. Modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or condition. We early adopted ASU 2017-09 in the first quarter of fiscal year 2018. The adoption did not have an impact on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles — Goodwill and Other (Topic 350)*. The standard simplifies the goodwill impairment test. This update removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We early adopted ASU 2017-04 during the fourth quarter of fiscal year 2018. The adoption did not have an impact on our Consolidated Financial Statements.



### ***Impact of Recently Issued Accounting Standards***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), (the “New Revenue Standard”), which will replace existing guidance under U.S. GAAP, including industry-specific requirements, and will provide companies with a single principles-based revenue recognition model for recognizing revenue from contracts with customers. The core principle of the New Revenue Standard is that a company should recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. In addition, the FASB has issued several amendments to the New Revenue Standard, including principal versus agent considerations, clarifications on identification of performance obligations, and accounting for licenses of intellectual property.

The New Revenue Standard is effective for us beginning in the first quarter of fiscal year 2019. We are adopting the New Revenue Standard using the modified retrospective method, which recognizes the cumulative effect of initially applying the New Revenue Standard as an adjustment to retained earnings at the adoption date. We have concluded on several key accounting assessments related to the New Revenue Standard.

The New Revenue Standard will have a significant impact on our Consolidated Financial Statements and related disclosures as it relates to the accounting for substantially all of our transactions with multiple elements or “bundled” arrangements. For example, for sales of online-enabled games, as currently reported we do not have vendor-specific objective evidence of fair value (“VSOE”) for unspecified future updates, and thus, revenue from the entire sales price is recognized ratably over the estimated offering period. However, under the New Revenue Standard, the VSOE requirement for undelivered elements is eliminated, allowing us to essentially “break-apart” our online-enabled games and account for the various promised goods or services identified as separate performance obligations.

For example, for the sale of an online-enabled game, we usually have multiple distinct performance obligations such as software, future update rights, and an online service. The software performance obligation represents the initial game delivered digitally or via physical disc. The future update rights performance obligation may include software patches or updates, maintenance, and/or additional free content to be delivered in the future. And lastly, the online service performance obligation consists of providing the customer with a service of online activities (e.g., online playability). Under current software revenue recognition rules, we recognize as revenue the entire sales price over the estimated offering period. However, under the New Revenue Standard, we currently estimate that a significant portion of the sales price will be allocated to the software performance obligation and recognized upon delivery, and the remaining portion will be allocated to the future update rights and the online service performance obligations and recognized ratably over the estimated offering period. As a result, we expect a significant portion of our annual revenue, and thereby annual profit, will shift from the first and fourth fiscal quarters to the second and third fiscal quarters which is historically when a significant portion of our annual bookings and software deliveries have been made.

The adoption of the New Revenue Standard will also change how we present mobile revenue. Currently, mobile platform fees retained by third-party application storefronts such as the Apple App Store and Google Play, are reported on a net basis within net revenue. Upon adoption, we will report mobile platform fees within cost of revenue. As a result, both mobile revenue and cost of revenue will increase by the amount of the mobile platform fees. This change will also decrease our gross margin percentage but will not have a material impact on our annual total gross profit or profitability.

In addition, both portions of sales price allocated to future update rights and online services will be classified as service revenue under the New Revenue Standard (currently, future update rights are generally presented as product revenue). Therefore, upon adoption, an increased portion of our sales from online-enabled games will be presented as service revenue than is currently reported today. Also, upon adoption of the New Revenue Standard, a substantial majority of our sales returns and price protection reserves will be classified as liabilities (currently, these allowances are classified as contra-assets within receivables on our Consolidated Balance Sheets). Additionally, the adoption of the New Revenue Standard requires us to modify our systems, processes, and internal controls, including the internal controls over financial reporting, to reflect the changes to the way in which we recognize revenue.

We expect the net cumulative effect adjustment upon adoption to result in an increase to retained earnings in the range of \$550 million to \$650 million, net of tax. The finalized impact to our consolidated financial statements will be included in our Form 10-Q for the first quarter of fiscal year 2019. We will continue to monitor additional changes, modifications, clarifications or interpretations of the New Revenue Standard, which may impact current expectations. It is possible that during the first quarter of fiscal year 2019, we could identify items that result in additional material changes to our Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments* (Topic 825-10), which requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. The ASU also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The requirements will be effective for us beginning in the first quarter of fiscal year 2019. We do not expect the adoption to have a material impact on our Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-04, *Liabilities — Extinguishments of Liabilities* (Subtopic 405-20): *Recognition of Breakage for Certain Prepaid Stored-Value Products*. The amendments in the ASU are designed to provide guidance and eliminate diversity in the accounting for derecognition of prepaid stored-value product liabilities. Typically, a prepaid stored-value product liability is to be derecognized when it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. This is when the likelihood of the product holder exercising its remaining rights becomes remote. This estimate shall be updated at the end of each period. The amendments in this ASU are effective for us beginning in the first quarter of fiscal year 2019. Early adoption is permitted. We do not expect the adoption to have a material impact on our Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This update is intended to reduce the existing diversity in practice in how certain transactions are classified in the statement of cash flows. This update is effective for us beginning in the first quarter of fiscal year 2019. Early adoption is permitted, provided that all of the amendments are adopted in the same period. We do not expect the adoption to have a material impact on our Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. This update is effective for us beginning in the first quarter of fiscal year 2019. Early adoption is permitted. We do not expect the adoption to have a material impact on our Consolidated Financial Statements.

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

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

In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income* (Topic 220): *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update gives

the option to reclassify to retained earnings tax effects related to items in accumulated other comprehensive income that the FASB refers to as having been stranded in accumulated other comprehensive income as a result of the U.S. Tax Act. This update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this new standard on our Consolidated Financial Statements.

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

## **(2) FAIR VALUE MEASUREMENTS**

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

### ***Fair Value Hierarchy***

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

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

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

As of March 31, 2018 and 2017, our assets and liabilities that were measured and recorded at fair value on a recurring basis were as follows (in millions):

	Fair Value Measurements at Reporting Date Using				Balance Sheet Classification
	As of March 31, 2018	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>					
Bank and time deposits	\$ 286	\$ 286	\$ —	\$ —	Cash equivalents
Money market funds	1,876	1,876	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	624	—	624	—	Short-term investments
U.S. Treasury securities	210	210	—	—	Short-term investments
U.S. agency securities	78	—	78	—	Short-term investments
Commercial paper	150	—	150	—	Short-term investments and cash equivalents
Foreign government securities	52	—	52	—	Short-term investments
Certificates of Deposit	2	—	2	—	Cash equivalents
Foreign currency derivatives	4	—	4	—	Other current assets and other assets
Deferred compensation plan assets <sup>(a)</sup>	10	10	—	—	Other assets
Total assets at fair value	<u>\$3,292</u>	<u>\$2,382</u>	<u>\$910</u>	<u>\$ —</u>	
<b>Liabilities</b>					
Contingent consideration <sup>(b)</sup>	\$ 122	\$ —	\$ —	\$122	Other Liabilities
Foreign currency derivatives	56	—	56	—	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities <sup>(a)</sup>	11	11	—	—	Other liabilities
Total liabilities at fair value	<u>\$ 189</u>	<u>\$ 11</u>	<u>\$ 56</u>	<u>\$122</u>	
					<b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>
					<b>Contingent Consideration</b>
Balance as of March 31, 2017					\$ —
Additions					122
Change in fair value					—
Balance as of March 31, 2018					<u>\$122</u>

	Fair Value Measurements at Reporting Date Using				Balance Sheet Classification
	As of March 31, 2017	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>					
Bank and time deposits	\$ 233	\$ 233	\$ —	\$—	Cash equivalents
Money market funds	405	405	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	963	—	963	—	Short-term investments and cash equivalents
U.S. Treasury securities	460	460	—	—	Short-term investments and cash equivalents
U.S. agency securities	172	—	172	—	Short-term investments and cash equivalents
Commercial paper	270	—	270	—	Short-term investments and cash equivalents
Foreign government securities	113	—	113	—	Short-term investments
Asset-backed securities	135	—	135	—	Short-term investments
Foreign currency derivatives	19	—	19	—	Other current assets and other assets
Deferred compensation plan assets <sup>(a)</sup>	8	8	—	—	Other assets
Total assets at fair value	<u>\$2,778</u>	<u>\$1,106</u>	<u>\$1,672</u>	<u>\$—</u>	
<b>Liabilities</b>					
Foreign currency derivatives	8	—	8	—	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities <sup>(a)</sup>	9	9	—	—	Other liabilities
Total liabilities at fair value	<u>\$ 17</u>	<u>\$ 9</u>	<u>\$ 8</u>	<u>\$—</u>	

(a) The Deferred Compensation Plan assets consist of various mutual funds. See Note 14 for additional information regarding our Deferred Compensation Plan.

(b) The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with our acquisition of Respawn Entertainment, LLC (“Respawn”) that is contingent upon the achievement of certain performance milestones. We estimated fair value using a probability-weighted income approach combined with a real options methodology and applied a discount rate that appropriately captures the risk associated with the obligation. The discount rates used ranged from 3.25 percent to 3.56 percent. See Note 6 for additional information regarding the Respawn acquisition.

### (3) FINANCIAL INSTRUMENTS

#### *Cash and Cash Equivalents*

As of March 31, 2018 and 2017, our cash and cash equivalents were \$4,258 million and \$2,565 million, respectively. Cash equivalents were valued using quoted market prices or other readily available market information.

### Short-Term Investments

Short-term investments consisted of the following as of March 31, 2018 and 2017 (in millions):

	As of March 31, 2018				As of March 31, 2017			
	Cost or Amortized Cost	Gross Unrealized		Fair Value	Cost or Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses			Gains	Losses	
Corporate bonds	\$ 629	\$—	\$ (5)	\$ 624	\$ 944	\$—	\$ (1)	\$ 943
U.S. Treasury securities	212	—	(2)	210	414	—	(1)	413
U.S. agency securities	79	—	(1)	78	152	—	(1)	151
Commercial paper	109	—	—	109	212	—	—	212
Foreign government securities	53	—	(1)	52	113	—	—	113
Asset-backed securities	—	—	—	—	135	—	—	135
Short-term investments	<u>\$1,082</u>	<u>\$—</u>	<u>\$ (9)</u>	<u>\$1,073</u>	<u>\$1,970</u>	<u>\$—</u>	<u>\$ (3)</u>	<u>\$1,967</u>

The following table summarizes the amortized cost and fair value of our short-term investments, classified by stated maturity as of March 31, 2018 and 2017 (in millions):

	As of March 31, 2018		As of March 31, 2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments				
Due within 1 year	\$ 521	\$ 520	\$1,237	\$1,236
Due 1 year through 5 years	561	553	721	719
Due after 5 years	—	—	12	12
Short-term investments	<u>\$1,082</u>	<u>\$1,073</u>	<u>\$1,970</u>	<u>\$1,967</u>

#### (4) DERIVATIVE FINANCIAL INSTRUMENTS

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

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

#### Cash Flow Hedging Activities

Certain of our forward contracts are designated and qualify as cash flow hedges. The effectiveness of the cash flow hedge contracts, including time value, is assessed monthly using regression analysis, as well as other timing and probability criteria. To qualify for hedge accounting treatment, all hedging relationships are formally

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

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

	As of March 31, 2018			As of March 31, 2017		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
Forward contracts to purchase . . . . .	\$ 329	\$2	\$ 4	\$185	\$—	\$5
Forward contracts to sell . . . . .	\$1,575	\$1	\$48	\$840	\$19	\$3

The net impact of the effective portion of gains and losses from our cash flow hedging activities in our Consolidated Statements of Operations was a loss of \$5 million for the fiscal year ended March 31, 2018 and a gain of \$36 million and \$12 million for the fiscal years ended March 31, 2017 and 2016, respectively.

During fiscal years ended March 31, 2018, 2017 and 2016, we reclassified an immaterial amount of the ineffective portion of gains or losses resulting from changes in fair value into interest and other income (expense), net.

The amount excluded from the assessment of hedge effectiveness was a gain of \$10 million during fiscal year ended March 31, 2018. The amount excluded from the assessment of hedge effectiveness during fiscal years ended fiscal years ended March 31, 2017 and 2016 and recognized in interest and other income (expense), net, was immaterial.

***Balance Sheet Hedging Activities***

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

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

	As of March 31, 2018			As of March 31, 2017		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
Forward contracts to purchase . . . . .	\$210	\$ 1	\$1	\$ 87	\$—	\$—
Forward contracts to sell . . . . .	\$257	\$—	\$3	\$166	\$—	\$—

The effect of foreign currency forward contracts not designated as hedging instruments in our Consolidated Statements of Operations for the fiscal years ended March 31, 2018, 2017 and 2016, was as follows (in millions):

	Statement of Operations Classification	Amount of Gain (Loss) Recognized in the Statement of Operations		
		Year Ended March 31,		
		2018	2017	2016
Foreign currency forward contracts not designated as hedging instruments . . . . .	Interest and other income (expense), net	\$(26)	\$43	\$16

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

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the fiscal years ended March 31, 2018, 2017 and 2016 are as follows (in millions):

	Unrealized Net Gains (Losses) on Available-for-Sale Securities	Unrealized Net Gains (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Balances as of March 31, 2015 . . . . .	\$ (3)	\$ 21	\$(16)	\$ 2
Other comprehensive income (loss) before reclassifications . . . . .	4	5	(15)	(6)
Amounts reclassified from accumulated other comprehensive income (loss) . . . . .	—	(12)	—	(12)
Total other comprehensive income (loss), net of tax . . . . .	4	(7)	(15)	(18)
Balances as of March 31, 2016 . . . . .	\$ 1	\$ 14	\$(31)	\$ (16)
Other comprehensive income (loss) before reclassifications . . . . .	(3)	54	(17)	34
Amounts reclassified from accumulated other comprehensive income (loss) . . . . .	(1)	(36)	—	(37)
Total other comprehensive income (loss), net of tax . . . . .	(4)	18	(17)	(3)
Balances as of March 31, 2017 . . . . .	\$ (3)	\$ 32	\$(48)	\$ (19)
Other comprehensive income (loss) before reclassifications . . . . .	(9)	(126)	28	(107)
Amounts reclassified from accumulated other comprehensive income (loss) . . . . .	4	5	(10)	(1)
Total other comprehensive income (loss), net of tax . . . . .	(5)	(121)	18	(108)
Balances as of March 31, 2018 . . . . .	\$ (8)	\$ (89)	\$(30)	\$(127)



The effects on net income of amounts reclassified from accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2018, 2017 and 2016 were as follows (in millions):

Statement of Operations Classification	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)		
	Year Ended March 31,		
	2018	2017	2016
(Gains) losses on available-for-sale securities			
Interest and other income (expense), net	\$ 4	\$ (1)	\$ —
Total, net of tax	4	(1)	—
(Gains) losses on cash flow hedges from forward contracts			
Net revenue	10	(37)	(23)
Research and development	(5)	1	11
Total, net of tax	5	(36)	(12)
(Gains) losses on foreign currency translation			
Interest and other income (expense), net	(10)	—	—
Total, net of tax	(10)	—	—
Total net (gain) loss reclassified, net of tax	\$ (1)	\$ (37)	\$ (12)

## (6) BUSINESS COMBINATIONS

### *Respawn Entertainment, LLC*

On December 1, 2017, we completed our acquisition of Respawn Entertainment, LLC (“Respawn”), a leading game development studio and creators of games including the critically-acclaimed Titanfall franchise. The total purchase price was \$273 million, which consisted of \$151 million in cash and the acquisition date fair value of contingent consideration of \$122 million. The purchase price was allocated to Respawn’s net tangible and intangible assets based upon their estimated fair values as of December 1, 2017, resulting in \$171 million being allocated to goodwill that consists largely of workforce and synergies with our existing business, all of which is expected to be deductible for tax purposes; \$74 million being allocated to intangible assets acquired; and \$28 million being allocated to net tangible assets acquired. During the fourth quarter of fiscal 2018, we finalized the fair values assigned to the Respawn assets acquired and liabilities assumed. The difference between the preliminary estimates recognized during the third quarter of fiscal 2018 and the final amounts were not material.

The payment of the contingent consideration is based on the achievement of certain performance milestones through the end of calendar year 2022 at the latest. The maximum amount of contingent consideration we may be required to pay is \$140 million. The fair value of the contingent consideration is included in other liabilities on our Consolidated Balance Sheet. As of March 31, 2018, there were no significant changes in the range of expected outcomes for the contingent consideration from the acquisition date.

Subsequent to the acquisition, we also granted an aggregate of \$167 million of restricted stock unit awards of our common stock to Respawn employees that will be recognized over a four year period as stock-based compensation expense in research and development in our Consolidated Statements of Operations. The fair value of these equity awards was based on the quoted market price of our common stock on the date of grant.

The results of operations of Respawn and the fair value of the assets acquired and liabilities assumed have been included in our Consolidated Financial Statements since the date of acquisition. Pro forma results of operations have not been presented because the effect of the acquisition was not material to our Consolidated Statements of Operations.

During the fiscal years ended March 31, 2017 and 2016, there were no acquisitions.

Subsequent to the fiscal year ended March 31, 2018, we acquired cloud gaming technology assets and personnel from a wholly-owned subsidiary of Gamefly, Inc. based in Israel for total cash consideration of approximately \$50 million and up to \$4 million in long-term equity in the form of restricted stock units to certain employees.

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

The changes in the carrying amount of goodwill for the fiscal year ended March 31, 2018 are as follows (in millions):

	As of March 31, 2017	Activity	Effects of Foreign Currency Translation	As of March 31, 2018
Goodwill .....	\$2,075	\$171	\$ 5	\$2,251
Accumulated impairment .....	(368)	—	—	(368)
Total .....	<u>\$1,707</u>	<u>\$171</u>	<u>\$ 5</u>	<u>\$1,883</u>

The changes in the carrying amount of goodwill for the fiscal year ended March 31, 2017 are as follows (in millions):

	As of March 31, 2016	Activity	Effects of Foreign Currency Translation	As of March 31, 2017
Goodwill .....	\$2,078	\$—	\$ (3)	\$2,075
Accumulated impairment .....	(368)	—	—	(368)
Total .....	<u>\$1,710</u>	<u>\$—</u>	<u>\$ (3)</u>	<u>\$1,707</u>

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

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

	As of March 31, 2018			As of March 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Acquisition- Related Intangibles, Net	Gross Carrying Amount	Accumulated Amortization	Acquisition- Related Intangibles, Net
Developed and core technology .....	\$417	\$(414)	\$ 3	\$412	\$(412)	\$—
Trade names and trademarks .....	161	(107)	54	106	(98)	8
Registered user base and other intangibles ..	5	(5)	—	5	(5)	—
Carrier contracts and related .....	85	(85)	—	85	(85)	—
In-process research and development .....	14	—	14	—	—	—
Total .....	<u>\$682</u>	<u>\$(611)</u>	<u>\$71</u>	<u>\$608</u>	<u>\$(600)</u>	<u>\$ 8</u>

The fair value of acquisition-related intangible assets acquired in the Respawn acquisition was \$74 million, of which \$55 million was allocated to trade names and trademarks, \$14 million was allocated to in-process research and development, and \$5 million was allocated to developed and core technology. In-process research and development assets are considered indefinite-lived until complete. Excluding the in-process research and development assets, the weighted-average useful life of the Respawn acquired intangible assets was approximately 4.7 years.

Amortization of intangibles for the fiscal years ended March 31, 2018, 2017 and 2016 are classified in the Consolidated Statement of Operations as follows (in millions):

	Year Ended March 31,		
	2018	2017	2016
Cost of service and other .....	\$—	\$16	\$33
Cost of product .....	2	27	14
Operating expenses .....	9	6	7
Total .....	<u>\$11</u>	<u>\$49</u>	<u>\$54</u>

There were no impairment charges for acquisition-related intangible assets during fiscal years 2018 and 2016. During fiscal year 2017, we determined that the carrying value of one of our acquisition-related intangible assets was not recoverable. The acquisition-related intangible asset was measured using Level 3 inputs and was written down to a fair value of zero. We recognized an impairment charge of \$15 million in cost of product revenue in our Consolidated Statements of Operations.

Finite-lived acquisition-related intangible assets are amortized using the straight-line method over the lesser of their estimated useful lives or the agreement terms, currently from 1 to 9 years. As of March 31, 2018 and 2017, the weighted-average remaining useful life for acquisition-related intangible assets was approximately 4.3 years and 1.4 years, respectively.

As of March 31, 2018, future amortization of finite-lived acquisition-related intangibles that will be recorded in the Consolidated Statement of Operations is estimated as follows (in millions):

**Fiscal Year Ending March 31,**

2019 .....	\$16
2020 .....	11
2021 .....	11
2022 .....	11
2023 .....	8
Thereafter .....	—
Total .....	<u>\$57</u>

**(8) ROYALTIES AND LICENSES**

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

During fiscal years 2018 and 2016, we did not recognize any material losses or impairment charges on royalty-based assets or royalty-based commitments. During fiscal year 2017, we determined that the carrying value of certain of our royalty-based assets and certain previously unrecognized minimum royalty-based commitments were not recoverable. We recognized impairment charges of \$23 million on the assets and a loss of \$19 million on the commitments. Of the total \$42 million loss, \$10 million was included in cost of service revenue and \$32 million was included in research and development expenses in our Consolidated Statements of Operations.

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

	<u>As of March 31,</u>	
	<u>2018</u>	<u>2017</u>
Other current assets .....	\$ 68	\$ 79
Other assets .....	<u>34</u>	<u>39</u>
Royalty-related assets .....	<u>\$102</u>	<u>\$118</u>

At any given time, depending on the timing of our payments to our co-publishing and/or distribution affiliates, content licensors, and/or independent software developers, we classify any recognized unpaid royalty amounts

due to these parties as accrued liabilities. The current and long-term portions of accrued royalties, included in accrued and other current liabilities and other liabilities, consisted of (in millions):

	As of March 31,	
	2018	2017
Accrued royalties .....	\$171	\$165
Other liabilities .....	74	97
Royalty-related liabilities .....	<u>\$245</u>	<u>\$262</u>

As of March 31, 2018, we were committed to pay approximately \$899 million to content licensors, independent software developers, and co-publishing and/or distribution affiliates, but performance remained with the counterparty (*i.e.*, delivery of the product or content or other factors) and such commitments were therefore not recorded in our Consolidated Financial Statements. See Note 12 for further information on our developer and licensor commitments.

## (9) BALANCE SHEET DETAILS

### *Property and Equipment, Net*

Property and equipment, net, as of March 31, 2018 and 2017 consisted of (in millions):

	As of March 31,	
	2018	2017
Computer, equipment and software .....	\$ 744	\$ 723
Buildings .....	336	316
Leasehold improvements .....	139	126
Equipment, furniture and fixtures, and other .....	84	82
Land .....	66	61
Construction in progress .....	7	7
	1,376	1,315
Less: accumulated depreciation .....	(923)	(881)
Property and equipment, net .....	<u>\$ 453</u>	<u>\$ 434</u>

Depreciation expense associated with property and equipment was \$120 million, \$115 million and \$119 million for the fiscal years ended March 31, 2018, 2017 and 2016, respectively.

### *Accrued and Other Current Liabilities*

Accrued and other current liabilities as of March 31, 2018 and 2017 consisted of (in millions):

	As of March 31,	
	2018	2017
Accrued compensation and benefits .....	\$282	\$267
Other accrued expenses .....	260	210
Accrued royalties .....	171	165
Deferred net revenue (other) .....	108	147
Accrued and other current liabilities .....	<u>\$821</u>	<u>\$789</u>

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

### *Deferred Net Revenue (Online-Enabled Games)*

Deferred net revenue (online-enabled games) was \$1,622 million and \$1,539 million as of March 31, 2018 and 2017, respectively. Deferred net revenue (online-enabled games) generally includes the unrecognized revenue from bundled sales of online-enabled games for which we do not have VSOE for the obligation to provide unspecified updates. We recognize revenue from the sale of online-enabled games for which we do not have vendor-specific objective evidence of fair value (“VSOE”) for the unspecified updates on a straight-line basis, generally over an estimated nine-month period beginning in the month after shipment for physical games sold through retail and an estimated six-month period for digitally-distributed games. However, we expense the cost of revenue related to these transactions generally during the period in which the product is delivered (rather than on a deferred basis).

### **(10) INCOME TAXES**

The components of our income before provision for (benefit from) income taxes for the fiscal years ended March 31, 2018, 2017 and 2016 are as follows (in millions):

	<b>Year Ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Domestic .....	\$ 440	\$ 382	\$133
Foreign .....	<u>1,009</u>	<u>828</u>	<u>744</u>
Income before provision for (benefit from) income taxes .....	<u>\$1,449</u>	<u>\$1,210</u>	<u>\$877</u>

Provision for (benefit from) income taxes for the fiscal years ended March 31, 2018, 2017 and 2016 consisted of (in millions):

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
<b>Year Ended March 31, 2018</b>			
Federal .....	\$138	\$ 197	\$ 335
State .....	4	9	13
Foreign .....	<u>61</u>	<u>(3)</u>	<u>58</u>
	<u>\$203</u>	<u>\$ 203</u>	<u>\$ 406</u>
<b>Year Ended March 31, 2017</b>			
Federal .....	\$ 86	\$ 96	\$ 182
State .....	3	9	12
Foreign .....	<u>51</u>	<u>(2)</u>	<u>49</u>
	<u>\$140</u>	<u>\$ 103</u>	<u>\$ 243</u>
<b>Year Ended March 31, 2016</b>			
Federal .....	\$ 69	\$(376)	\$(307)
State .....	5	(14)	(9)
Foreign .....	<u>36</u>	<u>1</u>	<u>37</u>
	<u>\$110</u>	<u>\$(389)</u>	<u>\$(279)</u>

Our effective tax rate and resulting provision for income taxes for the year ended March 31, 2018 was significantly impacted by the U.S. Tax Cuts and Jobs Act (the “U.S. Tax Act”), enacted on December 22, 2017. The U.S. Tax Act significantly revised the U.S. corporate income tax system by, among other things, lowering U.S. corporate income tax rate to 21 percent, generally implementing a territorial tax system and imposing a one-time transition tax on the deemed repatriation of undistributed earnings of foreign subsidiaries (the “Transition Tax”).

Reasonable estimates of the impacts of the U.S. Tax Act are provided in accordance with SEC guidance that allows for a measurement period of up to one year after the enactment date of the U.S. Tax Act to finalize the

recording of the related tax impacts. We expect to complete the accounting under the U.S. Tax Act as soon as practicable, but in no event later than one year from the enactment date of the U.S. Tax Act.

We recorded a provisional tax expense of \$235 million related to the U.S. Tax Act for the year ended March 31, 2018, \$192 million of which relates to the Transition Tax. During the three months ended March 31, 2018, we adjusted the provisional amount initially recorded for the Transition Tax by recognizing an additional \$41 million charge. We also recorded immaterial adjustments to certain other tax items. These adjustments were based on our further analysis of the U.S. Tax Act and certain changes to current year earnings estimates and assertions. These amounts remain provisional. The final calculation of taxes attributable to the U.S. Tax Act may differ from our estimates, potentially materially, due to, among other things, changes in interpretations of the U.S. Tax Act, our further analysis of the U.S. Tax Act, or any updates or changes to estimates that we have utilized to calculate the transition impacts.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. Our provision for income taxes for the year ended March 31, 2018 provisionally does not reflect any deferred tax impacts of the U.S. taxes on foreign earnings. Because of the complexity of the rules regarding the new tax on foreign earnings, we are continuing to evaluate this accounting policy election.

Upon adoption of ASU 2016-09 at the beginning of fiscal year 2018, we reflected excess tax benefits of \$43 million for the year ended March 31, 2018 in the Consolidated Statement of Income as a component of the provision for income taxes. For fiscal years 2017 and 2016, excess tax benefits of \$65 million and \$83 million, respectively, were recognized in additional paid-in-capital in the Condensed Consolidated Balance Sheets.

The differences between the statutory tax expense rate and our effective tax expense (benefit) rate, expressed as a percentage of income before provision for (benefit from) income taxes, for the fiscal years ended March 31, 2018, 2017 and 2016 were as follows:

	Year Ended March 31,		
	2018	2017	2016
Statutory federal tax expense rate	31.5%	35.0%	35.0%
State taxes, net of federal benefit	0.8%	1.0%	0.5%
Differences between statutory rate and foreign effective tax rate	(19.1)%	(19.3)%	(22.1)%
Valuation allowance	—%	—%	(51.7)%
Tax reform	16.2%	—%	—%
Excess tax benefit	(3.0)%	—%	—%
Research and development credits	(1.4)%	(0.7)%	(0.6)%
Unremitted earnings of foreign subsidiaries	—%	2.2%	4.9%
Non-deductible stock-based compensation	2.7%	2.3%	3.1%
Other	0.3%	(0.4)%	(0.9)%
Effective tax expense (benefit) rate	<u>28.0%</u>	<u>20.1%</u>	<u>(31.8)%</u>

We generated income in lower tax jurisdictions primarily related to our European and Asia Pacific businesses that are headquartered in Switzerland.

In the fourth quarter of fiscal year 2016, we realized significant U.S. pre-tax income for both the fourth quarter and the fiscal year ended March 31, 2016. As a result, we released the valuation allowance against all of the U.S. federal deferred tax assets and a portion of the U.S. state deferred tax assets during the fourth quarter of fiscal year 2016.

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

The components of net deferred tax assets, as of March 31, 2018 and 2017 consisted of (in millions):

	<u>As of March 31,</u>	
	<u>2018</u>	<u>2017</u>
Deferred tax assets:		
Accruals, reserves and other expenses	\$ 81	\$ 151
Tax credit carryforwards	121	276
Stock-based compensation	24	37
Net operating loss & capital loss carryforwards	23	25
Total	<u>249</u>	<u>489</u>
Valuation allowance	<u>(138)</u>	<u>(114)</u>
Deferred tax assets, net of valuation allowance	<u>111</u>	<u>375</u>
Deferred tax liabilities:		
Amortization and depreciation	(27)	(19)
Unremitted earnings of foreign subsidiaries	—	(70)
Prepays and other liabilities	<u>(2)</u>	<u>(1)</u>
Total	<u>(29)</u>	<u>(90)</u>
Deferred tax assets, net of valuation allowance and deferred tax liabilities	<u>\$ 82</u>	<u>\$ 285</u>

As of March 31, 2018, we maintained a valuation allowance of \$138 million, primarily related to certain U.S. state deferred tax assets and foreign capital loss carryovers, due to uncertainty about the future realization of these assets. In determining the amount of deferred tax assets that are more likely than not to be realized, we evaluated the potential to realize the assets through the utilization of tax loss and credit carrybacks, the reversal of existing taxable temporary differences, future taxable income exclusive of the reversal of existing taxable temporary differences, and certain tax planning strategies.

As of March 31, 2018, we have state net operating loss carry forwards of approximately \$639 million of which approximately \$10 million is attributable to various acquired companies. These carryforwards, if not fully realized, will begin to expire in 2019. We also have U.S. federal, California and Canada tax credit carryforwards of \$8 million, \$107 million and \$6 million, respectively. The U.S. federal tax credit carryforwards will begin to expire in 2027. The California and Canada tax credit carryforwards can be carried forward indefinitely.

The total unrecognized tax benefits as of March 31, 2018, 2017 and 2016 were \$457 million, \$389 million and \$331 million, respectively. A reconciliation of the beginning and ending balance of unrecognized tax benefits is summarized as follows (in millions):

Balance as of March 31, 2015	\$254
Increases in unrecognized tax benefits related to prior year tax positions	33
Decreases in unrecognized tax benefits related to prior year tax positions	(4)
Increases in unrecognized tax benefits related to current year tax positions	63
Decreases in unrecognized tax benefits related to settlements with taxing authorities	(10)
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations	(4)
Changes in unrecognized tax benefits due to foreign currency translation	(1)
Balance as of March 31, 2016	<u>331</u>
Increases in unrecognized tax benefits related to prior year tax positions	3
Decreases in unrecognized tax benefits related to prior year tax positions	(3)
Increases in unrecognized tax benefits related to current year tax positions	64
Decreases in unrecognized tax benefits related to settlements with taxing authorities	—
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations	(3)
Changes in unrecognized tax benefits due to foreign currency translation	(3)
Balance as of March 31, 2017	<u>389</u>
Increases in unrecognized tax benefits related to prior year tax positions	10
Decreases in unrecognized tax benefits related to prior year tax positions	(12)
Increases in unrecognized tax benefits related to current year tax positions	75
Decreases in unrecognized tax benefits related to settlements with taxing authorities	(7)
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations	(2)
Changes in unrecognized tax benefits due to foreign currency translation	4
Balance as of March 31, 2018	<u>\$457</u>

As of March 31, 2018, approximately \$248 million of the unrecognized tax benefits would affect our effective tax rate.

Interest and penalties related to estimated obligations for tax positions taken in our tax returns are recognized in income tax expense in our Consolidated Statements of Operations. The combined amount of accrued interest and penalties related to tax positions taken on our tax returns and included in non-current other liabilities was approximately \$18 million as of March 31, 2018 and \$14 million as of March 31, 2017.

We file income tax returns in the United States, including various state and local jurisdictions. Our subsidiaries file tax returns in various foreign jurisdictions, including Canada, France, Germany, Switzerland and the United Kingdom. The IRS is currently examining our returns for fiscal years 2009 through 2011, and we remain subject to income tax examination by the IRS for fiscal years after 2014.

We are also currently under income tax examination in the United Kingdom for fiscal years 2010 through 2015, Spain for fiscal years 2014 through 2015, and India for fiscal years 2009 through 2013. We remain subject to income tax examination for several other jurisdictions including in Germany for fiscal years after 2012, France for fiscal years after 2016, the United Kingdom for fiscal years after 2015, Canada for fiscal year after 2010, and Switzerland for fiscal years after 2008.

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 involves multiple tax periods and jurisdictions, it is reasonably possible that a reduction of up to \$60 million 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.

## (11) FINANCING ARRANGEMENTS

### *Senior Notes*

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

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

	<u>As of March 31, 2018</u>	<u>As of March 31, 2017</u>
Senior Notes:		
3.70% Senior Notes due 2021 . . . . .	\$ 600	\$ 600
4.80% Senior Notes due 2026 . . . . .	400	400
Total principal amount . . . . .	<u>\$1,000</u>	<u>\$1,000</u>
Unaccreted discount . . . . .	(2)	(2)
Unamortized debt issuance costs . . . . .	<u>(6)</u>	<u>(8)</u>
Net carrying value of Senior Notes . . . . .	<u>\$ 992</u>	<u>\$ 990</u>
Fair value of Senior Notes (Level 2) . . . . .	<u>\$1,038</u>	<u>\$1,054</u>

As of March 31, 2018, the remaining life of the 2021 Notes and 2026 Notes is approximately 2.9 years and 7.9 years, respectively.

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

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

### *Credit Facility*

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

The loans bear interest, at our option, at the base rate plus an applicable spread or an adjusted LIBOR rate plus an applicable spread, in each case with such spread being determined based on our consolidated leverage ratio for

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

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

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

As of March 31, 2018 and 2017, no amounts were outstanding under the Credit Facility. \$2 million of debt issuance costs that were paid in connection with obtaining this credit facility are being amortized to interest expense over the 5-year term of the Credit Facility.

### *Interest Expense*

The following table summarizes our interest expense recognized for fiscal years 2018, 2017, and 2016 that is included in interest and other income (expense), net on our Consolidated Statements of Operations (in millions):

	Year Ended March 31,		
	2018	2017	2016
Amortization of debt discount . . . . .	—	(2)	(17)
Amortization of debt issuance costs . . . . .	(2)	(2)	(3)
Coupon interest expense . . . . .	(42)	(42)	(7)
Other interest expense . . . . .	—	(1)	(1)
Total interest expense . . . . .	<u>\$(44)</u>	<u>\$(47)</u>	<u>\$(28)</u>

## **(12) COMMITMENTS AND CONTINGENCIES**

### *Lease Commitments*

As of March 31, 2018, we leased certain facilities, furniture and equipment under non-cancelable operating lease agreements. We were required to pay property taxes, insurance and normal maintenance costs for certain of these facilities and any increases over the base year of these expenses on the remainder of our facilities.

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

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

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

The following table summarizes our minimum contractual obligations as of March 31, 2018 (in millions):

	Total	Fiscal Year Ending March 31,					Thereafter
		2019	2020	2021	2022	2023	
Unrecognized commitments							
Developer/licensor commitments . . . . .	\$ 899	\$174	\$227	\$ 206	\$211	\$ 80	\$ 1
Marketing commitments . . . . .	358	89	87	79	75	28	—
Operating leases . . . . .	240	40	40	40	33	26	61
Senior Notes interest . . . . .	217	38	41	41	20	19	58
Other purchase obligations . . . . .	110	32	35	14	9	6	14
Total unrecognized commitments . . . . .	<u>1,824</u>	<u>373</u>	<u>430</u>	<u>380</u>	<u>348</u>	<u>159</u>	<u>134</u>
Recognized commitments							
Senior Notes principal and interest . . . . .	1,003	3	—	600	—	—	400
Transition Tax . . . . .	50	5	4	4	4	4	29
Licensing and lease obligations . . . . .	102	24	25	26	27	—	—
Total recognized commitments . . . . .	<u>1,155</u>	<u>32</u>	<u>29</u>	<u>630</u>	<u>31</u>	<u>4</u>	<u>429</u>
Total Commitments . . . . .	<u>\$2,979</u>	<u>\$405</u>	<u>\$459</u>	<u>\$1,010</u>	<u>\$379</u>	<u>\$163</u>	<u>\$563</u>

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

In addition, the amounts in the table above are presented based on the dates the amounts are contractually due as of March 31, 2018; however, certain payment obligations may be accelerated depending on the performance of our operating results. Furthermore, up to \$32 million of the unrecognized amounts in the table above may be payable, at the licensor's election, in shares of our common stock, subject to a \$10 million maximum during any fiscal year. The number of shares to be issued will be based on their fair market value at the time of issuance.

In addition to what is included in the table above, as of March 31, 2018, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling \$205 million, of which we are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

In addition to what is included in the table above, as of March 31, 2018, we may be required to pay up to \$140 million of cash consideration in connection with the Respawn acquisition based on the achievement of certain performance milestones through the end of calendar year 2022. As of March 31, 2018, we have recorded \$122 million of contingent consideration on our Consolidated Balance Sheet representing the estimated fair value.

Total rent expense for our operating leases was \$92 million, \$91 million and \$89 million for the fiscal years ended March 31, 2018, 2017 and 2016, respectively.

### ***Legal Proceedings***

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

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

### **(13) PREFERRED STOCK**

As of March 31, 2018 and 2017, we had 10,000,000 shares of preferred stock authorized but unissued. The rights, preferences, and restrictions of the preferred stock may be designated by our Board of Directors without further action by our stockholders.

### **(14) STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS**

#### ***Valuation Assumptions***

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

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

- *Restricted Stock Units and Performance-Based Restricted Stock Units.* The fair value of restricted stock units and performance-based restricted stock units (other than market-based restricted stock units) is determined based on the quoted market price of our common stock on the date of grant.
- *Market-Based Restricted Stock Units.* Market-based restricted stock units consist of grants of performance-based restricted stock units to certain members of executive management that vest contingent upon the achievement of pre-determined market and service conditions (referred to herein as "market-based restricted stock units"). The fair value of our market-based restricted stock units is determined using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model are the risk-free interest rate, expected volatility, expected dividends and correlation coefficient.
- *Stock Options and Employee Stock Purchase Plan.* The fair value of stock options and stock purchase rights granted pursuant to our equity incentive plans and our 2000 Employee Stock Purchase Plan, as amended ("ESPP"), respectively, is determined using the Black-Scholes valuation model based on the multiple-award valuation method. Key assumptions of the Black-Scholes valuation model are the risk-free interest rate, expected volatility, expected term and expected dividends. The risk-free interest rate is based on U.S. Treasury yields in effect at the time of grant for the expected term of the option. Expected volatility is based on a combination of historical stock price volatility and implied volatility of publicly-traded options on our common stock. Expected term is determined based on historical exercise behavior, post-vesting termination patterns, options outstanding and future expected exercise behavior.

There were an insignificant number of stock options granted during fiscal years 2018 and 2017.

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

	<b>ESPP Purchase Rights</b>		
	<b>Year Ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Risk-free interest rate	1.1 - 2.0%	0.5 - 0.8%	0.3 - 0.6%
Expected volatility	28 - 30%	25 - 32%	32 - 36%
Weighted-average volatility	29%	27%	33%
Expected term	6 - 12 months	6 - 12 months	6 - 12 months
Expected dividends	None	None	None

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

	<b>Year Ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Risk-free interest rate	1.5 - 1.6%	0.8%	1.0%
Expected volatility	17 - 46%	16 - 57%	14 - 53%
Weighted-average volatility	28%	29%	26%
Expected dividends	None	None	None

### ***Stock-Based Compensation Expense***

Employee stock-based compensation expense recognized during the fiscal years ended March 31, 2017 and 2016 was calculated based on awards ultimately expected to vest and was reduced for estimated forfeitures. We adopted ASU 2016-09 at the beginning of fiscal year 2018 and elected to account for forfeitures as they occur. The adoption resulted in a cumulative-effect adjustment of \$8 million, net of tax, decrease to retained earnings.

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

	<b>Year Ended March 31,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
Cost of revenue	\$ 3	\$ 3	\$ 2
Research and development	146	109	103
Marketing and sales	32	31	24
General and administrative	61	53	49
Stock-based compensation expense	<u>\$242</u>	<u>\$196</u>	<u>\$178</u>

During the fiscal years ended March 31, 2018, 2017 and 2016, we recognized \$29 million, \$43 million and \$38 million, respectively, of deferred income tax benefit related to our stock-based compensation expense.

As of March 31, 2018, our total unrecognized compensation cost related to restricted stock units, market-based restricted stock units, and performance-based restricted stock units was \$504 million and is expected to be recognized over a weighted-average service period of 2.2 years. Of the \$504 million of unrecognized compensation cost, \$418 million relates to restricted stock units, \$49 million relates to market-based restricted stock units, and \$37 million relates to performance-based restricted stock units at a 104 percent average vesting target. As of March 31, 2018, there were no unrecognized compensation cost related to stock options as they were fully vested.

## Summary of Plans and Plan Activity

### Equity Incentive Plans

Our 2000 Equity Incentive Plan, as amended, (the “Equity Plan”) allows us to grant options to purchase our common stock and to grant restricted stock, restricted stock units and stock appreciation rights to our employees, officers, and directors. Pursuant to the Equity Plan, incentive stock options may be granted to employees and officers and non-qualified options may be granted to employees, officers, and directors, at not less than 100 percent of the fair market value on the date of grant.

Approximately 17.7 million options or 12.3 million restricted stock units were available for grant under our Equity Plan as of March 31, 2018.

### Stock Options

Options granted under the Equity Plan generally expire ten years from the date of grant and generally vest according to one of the following schedules:

- 35 month vesting with 1/3 vesting after 11, 23 and 35 months;
- Three-year vesting with 1/3 vesting at the end of each year;
- 50 month vesting with 24% of the shares vesting after 12 months and 2% vesting monthly over the following 38 months.

The following table summarizes our stock option activity for the fiscal year ended March 31, 2018:

	Options (in thousands)	Weighted- Average Exercise Prices	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2017	2,377	\$ 33.35		
Granted	5	113.39		
Exercised	(764)	40.30		
Forfeited, cancelled or expired	(3)	41.71		
Outstanding as of March 31, 2018	<u>1,615</u>	\$ 30.28	5.44	\$147
Vested and expected to vest	<u>1,615</u>	\$ 30.28	5.44	\$147
Exercisable as of March 31, 2018	<u>1,615</u>	\$ 30.28	5.44	\$147

The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price as of March 31, 2018, which would have been received by the option holders had all the option holders exercised their options as of that date. The total intrinsic values of stock options exercised during fiscal years 2018, 2017, and 2016 were \$43 million, \$39 million and \$38 million, respectively. We issue new common stock from our authorized shares upon the exercise of stock options.

The following table summarizes outstanding and exercisable stock options as of March 31, 2018:

Range of Exercise Prices	Options Outstanding				Options Exercisable		
	Number of Shares (in thousands)	Weighted- Average Remaining Contractual Term (in years)	Weighted- Average Exercise Prices	Potential Dilution	Number of Shares (in thousands)	Weighted- Average Exercise Prices	Potential Dilution
\$11.53-\$22.42	119	1.41	\$19.80	—%	119	\$19.80	0.1%
26.25-26.25	750	5.59	26.25	0.3%	750	26.25	0.2%
33.60-47.06	746	5.94	36.01	0.2%	746	36.01	0.2%
\$11.53-\$47.06	<u>1,615</u>	5.44	\$30.28	<u>0.5%</u>	<u>1,615</u>	\$30.28	<u>0.5%</u>

Potential dilution is computed by dividing the options in the related range of exercise prices by 306 million shares of common stock, which were issued and outstanding as of March 31, 2018.

### ***Restricted Stock Units***

We grant restricted stock units under our Equity Plan to employees worldwide. Restricted stock units are unfunded, unsecured rights to receive common stock upon the satisfaction of certain vesting criteria. Upon vesting, a number of shares of common stock equivalent the number of restricted stock units is typically issued net of required tax withholding requirements, if any. Restricted stock units are subject to forfeiture and transfer restrictions. Vesting for restricted stock units is based on the holders' continued employment with us through each applicable vest date. If the vesting conditions are not met, unvested restricted stock units will be forfeited.

Generally, our restricted stock units vest according to one of the following vesting schedules:

- One-year vesting with 100% cliff vesting at the end of one year;
- 35 month vesting with 1/3 vesting after 11, 23 and 35 months;
- Three-year vesting with 1/3 vesting at the end of each year;
- Four-year vesting with 1/2 and 1/2 vesting after 24 and 48 months or;
- Four-year vesting with 1/4 vesting at the end of each year.

Each restricted stock unit granted reduces the number of shares available for grant by 1.43 shares under our Equity Plan. The following table summarizes our restricted stock units activity, excluding market-based restricted stock unit activity which is discussed below, for the fiscal year ended March 31, 2018:

	<b>Restricted Stock Units (in thousands)</b>	<b>Weighted- Average Grant Date Fair Values</b>
Outstanding as of March 31, 2017 .....	5,153	\$ 65.03
Granted .....	3,841	110.05
Vested .....	(2,581)	59.49
Forfeited or cancelled .....	(465)	80.97
Outstanding as of March 31, 2018 .....	<u>5,948</u>	<u>\$ 94.57</u>

The grant date fair value of restricted stock units is based on the quoted market price of our common stock on the date of grant. The weighted-average grant date fair values of restricted stock units granted during fiscal years 2018, 2017, and 2016 were \$110.05, \$76.60 and \$64.40 respectively. The fair values of restricted stock units that vested during fiscal years 2018, 2017, and 2016 were \$289 million, \$320 million and \$372 million, respectively.

### ***Performance-Based Restricted Stock Units***

Our performance-based restricted stock units cliff vest after a four-year performance period contingent upon the achievement of pre-determined performance-based milestones based on our non-GAAP net revenue and free cash flow as well as service conditions. If these performance-based milestones are not met but service conditions are met, the performance-based restricted stock units will not vest, in which case any compensation expense we have recognized to date will be reversed. Each quarter, we update our assessment of the probability that the non-GAAP net revenue and free cash flow performance milestones will be achieved. We amortize the fair values of performance-based restricted stock units over the requisite service period. The performance-based restricted stock units contain threshold, target and maximum milestones for each of non-GAAP net revenue and free cash flow. The number of shares of common stock to be issued at vesting will range from zero percent to 200 percent of the target number of performance-based restricted stock units attributable to each performance-based milestone based on the company's performance as compared to these threshold, target and maximum performance-based milestones. Each performance-based milestone is weighted evenly where 50 percent of the total performance-based restricted stock units that vest will be determined based on non-GAAP net revenue and the other 50 percent will be determined based on free cash flow. The number of shares that vest based on each performance-based milestone is independent from the other.

The following table summarizes our performance-based restricted stock unit activity, presented with the maximum number of shares that could potentially vest, for the fiscal year ended March 31, 2018:

	<b>Performance- Based Restricted Stock Units (in thousands)</b>	<b>Weighted- Average Grant Date Fair Value</b>
Outstanding as of March 31, 2017 .....	—	\$ —
Granted .....	796	110.51
Forfeited or cancelled .....	—	—
Outstanding as of March 31, 2018 .....	<u>796</u>	\$110.51

### ***Market-Based Restricted Stock Units***

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

The following table summarizes our market-based restricted stock unit activity, presented with the maximum number of shares that could potentially vest, for the year ended March 31, 2018:

	<b>Market-Based Restricted Stock Units (in thousands)</b>	<b>Weighted- Average Grant Date Fair Value</b>
Outstanding as of March 31, 2017 .....	1,282	\$ 87.37
Granted .....	706	140.93
Vested .....	(430)	76.27
Forfeited or cancelled .....	<u>(216)</u>	91.88
Outstanding as of March 31, 2018 .....	<u>1,342</u>	\$118.35

The weighted-average grant date fair values of market-based restricted stock units granted during fiscal years 2018, 2017, and 2016 were \$140.93, \$98.04, and \$79.81, respectively. The fair values of market-based restricted stock units that vested during fiscal years 2018, 2017, and 2016 were \$48 million, \$42 million, and \$47 million, respectively.

### ***ESPP***

Pursuant to our ESPP, eligible employees may authorize payroll deductions of between 2 percent and 10 percent of their compensation to purchase shares of common stock at 85 percent of the lower of the market price of our common stock on the date of commencement of the applicable offering period or on the last day of each six-month purchase period.

The following table summarizes our ESPP activity for fiscal years ended March 31, 2018, 2017 and 2016:

	<b>Shares Issued (in millions)</b>	<b>Exercise Prices for Purchase Rights</b>	<b>Weighted-Average Fair Values of Purchase Rights</b>
Fiscal Year 2016 .....	0.9	\$32.16 - \$54.78	\$12.97
Fiscal Year 2017 .....	0.7	\$54.60 - \$67.56	\$17.93
Fiscal Year 2018 .....	0.6	\$67.56 - \$99.82	\$21.57



The fair values were estimated on the date of grant using the Black-Scholes valuation model. We issue new common stock out of the ESPP's pool of authorized shares. As of March 31, 2018, 6.8 million shares were available for grant under our ESPP.

### ***Deferred Compensation Plan***

We have a Deferred Compensation Plan ("DCP") for the benefit of a select group of management or highly compensated employees and directors, which is unfunded and intended to be a plan that is not qualified within the meaning of section 401(a) of the Internal Revenue Code. The DCP permits the deferral of the annual base salary and/or director cash compensation up to a maximum amount. The deferrals are held in a separate trust, which has been established by us to administer the DCP. The trust is a grantor trust and the specific terms of the trust agreement provide that the assets of the trust are available to satisfy the claims of general creditors in the event of our insolvency. The assets held by the trust are classified as trading securities and are held at fair value on our Consolidated Balance Sheets. The assets and liabilities of the DCP are presented in other assets and other liabilities on our Consolidated Balance Sheets, respectively, with changes in the fair value of the assets and in the deferred compensation liability recognized as compensation expense. The estimated fair value of the assets was \$10 million and \$8 million as of March 31, 2018 and 2017, respectively. As of March 31, 2018 and 2017, \$11 million and \$9 million were recorded, respectively, to recognize undistributed deferred compensation due to employees.

### ***401(k) Plan, Registered Retirement Savings Plan and ITP Plan***

We have a 401(k) plan covering substantially all of our U.S. employees, a Registered Retirement Savings Plan covering substantially all of our Canadian employees, and an ITP pension plan covering substantially all our Swedish employees. These plans permit us to make discretionary contributions to employees' accounts based on our financial performance. We contributed an aggregate of \$31 million, \$28 million and \$27 million to these plans in fiscal years 2018, 2017, and 2016, respectively.

### ***Stock Repurchase Program***

In May 2014, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a two-year program to repurchase up to \$750 million of our common stock. We have repurchased approximately 9.2 million shares for approximately \$394 million under this program. This program was superseded and replaced by the stock repurchase program approved in May 2015.

In May 2015, our Board of Directors authorized a two-year program to repurchase up to \$1 billion of our common stock. We repurchased approximately 0.3 million, 6.5 million and 6.9 million shares for approximately \$31 million, \$508 million and \$461 million under this program, respectively, during the fiscal years ended March 31, 2018, 2017 and 2016. We completed repurchases under the May 2015 program in April 2017.

In February 2016, our Board of Directors authorized a \$500 million stock repurchase program. This program was incremental to the two-year \$1 billion stock repurchase program announced in May 2015. During the quarter ended March 31, 2016, we completed repurchases of approximately 7.8 million shares for approximately \$500 million under the February 2016 program.

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$1.2 billion of our common stock. During the fiscal year ended March 31, 2018, we repurchased approximately 5.0 million shares for approximately \$570 million under this program. This program was superseded and replaced by a new stock repurchase program approved in May 2018.

In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately-negotiated transactions in accordance with applicable securities laws, including

pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. We are actively repurchasing shares under this program.

The following table summarizes total shares repurchased during fiscal years 2018, 2017, and 2016:

(In millions)	May 2014 Program		May 2015 Program		February 2016 Program		May 2017 Program		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Fiscal Year 2016 . . .	1.0	\$57	6.9	\$461	7.8	\$500	—	\$ —	15.7	\$1,018
Fiscal Year 2017 . . .	—	\$—	6.5	\$508	—	\$ —	—	\$ —	6.5	\$ 508
Fiscal Year 2018 . . .	—	\$—	0.3	\$ 31	—	\$ —	5.0	\$570	5.3	\$ 601

### (15) INTEREST AND OTHER INCOME (EXPENSE), NET

Interest and other income (expense), net, for the fiscal years ended March 31, 2018, 2017 and 2016 consisted of (in millions):

	Year Ended March 31,		
	2018	2017	2016
Loss on conversion of Convertible Notes . . . . .	\$ —	\$ —	\$(10)
Interest expense . . . . .	(44)	(47)	(28)
Interest income . . . . .	50	25	15
Net gain (loss) on foreign currency transactions . . . . .	18	(40)	(14)
Net gain (loss) on foreign currency forward contracts . . . . .	(16)	46	15
Other income, net . . . . .	7	2	1
Interest and other income (expense), net . . . . .	<u>\$ 15</u>	<u>\$(14)</u>	<u>\$(21)</u>

### (16) EARNINGS PER SHARE

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

(In millions, except per share amounts)	Year Ended March 31,		
	2018	2017	2016
Net income . . . . .	<u>\$1,043</u>	<u>\$ 967</u>	<u>\$1,156</u>
Shares used to compute earnings per share:			
Weighted-average common stock outstanding — basic . . . . .	308	303	310
Dilutive potential common shares related to stock award plans and from assumed exercise of stock options . . . . .	4	4	6
Dilutive potential common shares related to the Convertible Notes <sup>(a)</sup> . . . . .	—	1	6
Dilutive potential common shares related to the Warrants <sup>(a)</sup> . . . . .	—	6	8
Weighted-average common stock outstanding — diluted . . . . .	<u>312</u>	<u>314</u>	<u>330</u>
Earnings per share:			
Basic . . . . .	\$ 3.39	\$3.19	\$ 3.73
Diluted . . . . .	\$ 3.34	\$3.08	\$ 3.50

- (a) See Note 10 — Financing Arrangements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017, for additional information regarding the potential dilutive shares related to our Convertible Notes and Warrants. The Convertible Notes matured on July 15, 2016 and the Warrants expired on January 12, 2017.

For the fiscal years ended March 31, 2018, 2017 and 2016, an immaterial amount of restricted stock units and market-based restricted stock units were excluded from the treasury stock method computation of diluted shares as their inclusion would have had an antidilutive effect. Our performance-based restricted stock units, which are considered contingently issuable shares, are also excluded from the treasury stock method computation because the related performance-based milestones were not achieved as of the end of the reporting period.

## (17) SEGMENT INFORMATION

Our reporting segment is based upon: our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, our Chief Operating Decision Maker (“CODM”), to evaluate segment performance; the availability of separate financial information; and overall materiality considerations. Our CODM currently reviews total company operating results to assess overall performance and allocate resources. As of March 31, 2018, we have only one reportable segment, which represents our only operating segment.

Information about our total net revenue by type and by platform for the fiscal years ended March 31, 2018, 2017 and 2016 is presented below (in millions):

	Year Ended March 31,		
	2018	2017	2016
Digital . . . . .	\$3,450	\$2,874	\$2,409
Packaged goods and other . . . . .	1,700	1,971	1,987
Net revenue . . . . .	<u>\$5,150</u>	<u>\$4,845</u>	<u>\$4,396</u>

Digital net revenue includes full-game downloads, live services, and mobile revenue. Digital net revenue includes game software distributed through our direct-to-consumer PC platform Origin, distributed wirelessly through mobile carriers, or licensed to our third-party publishing partners who distribute our games digitally.

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

	Year Ended March 31,		
	2018	2017	2016
<u>Platform net revenue</u>			
Xbox One, PlayStation 4, Switch . . . . .	\$3,495	\$3,056	\$2,183
Other consoles . . . . .	140	334	759
Total consoles . . . . .	3,635	3,390	2,942
PC / Browser . . . . .	827	773	814
Mobile . . . . .	672	627	548
Other . . . . .	16	55	92
Net revenue . . . . .	<u>\$5,150</u>	<u>\$4,845</u>	<u>\$4,396</u>

Information about our operations in North America and internationally as of and for the fiscal years ended March 31, 2018, 2017 and 2016 is presented below (in millions):

	<u>Year Ended March 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Net revenue from unaffiliated customers</u>			
North America .....	\$2,090	\$2,119	\$1,907
International .....	<u>3,060</u>	<u>2,726</u>	<u>2,489</u>
Total .....	<u>\$5,150</u>	<u>\$4,845</u>	<u>\$4,396</u>
		<u>As of March 31,</u>	
		<u>2018</u>	<u>2017</u>
<u>Long-lived assets</u>			
North America .....		\$376	\$369
International .....		<u>77</u>	<u>65</u>
Total .....		<u>\$453</u>	<u>\$434</u>

We attribute net revenue from external customers to individual countries based on the location of the legal entity that sells the products and/or services. Note that revenue attributed to the legal entity that makes the sale is often not the country where the consumer resides. For example, revenue generated by our Swiss legal entities includes digital revenue from consumers who reside outside of Switzerland, including consumers who reside outside of Europe. Revenue generated by our Swiss legal entities during fiscal years 2018, 2017, and 2016 represents \$2,272 million, \$1,886 million and \$1,643 million or 44 percent, 39 percent and 37 percent of our total net revenue, respectively. Revenue generated in the United States represents over 99 percent of our total North America net revenue. There were no other countries with net revenue greater than 10 percent.

In fiscal year 2018, our direct sales to Sony and Microsoft represented approximately 27 percent and 16 percent of total net revenue, respectively. In fiscal year 2017, our direct sales to Sony and Microsoft represented approximately 19 percent and 17 percent of total net revenue, respectively. In fiscal 2016, our direct sales to Sony and Microsoft represented approximately 16 percent and 14 percent of total net revenue, respectively.

**(18) QUARTERLY FINANCIAL AND MARKET INFORMATION (UNAUDITED)**

(In millions, except per share data)	Quarter Ended				Year Ended
	June 30	September 30	December 31	March 31	
<u>Fiscal 2018 Consolidated</u>					
Net revenue	\$ 1,449	\$ 959	\$ 1,160	\$ 1,582	\$ 5,150
Gross profit	1,295	570	659	1,349	3,873
Operating income (loss)	743	(41)	(21)	753	1,434
Net income (loss)	644	(22)	(186) <sup>(a)</sup>	607 <sup>(a)</sup>	1,043
<u>Common Stock</u>					
Earnings (loss) per share — Basic	\$ 2.08	\$ (0.07)	\$ (0.60)	\$ 1.98	\$ 3.39
Earnings (loss) per share — Diluted	\$ 2.06	\$ (0.07)	\$ (0.60)	\$ 1.95	\$ 3.34
Common stock price per share					
High	\$115.37	\$121.97	\$120.09	\$129.12	\$129.12
Low	\$ 88.40	\$105.42	\$100.83	\$107.19	\$ 88.40
<u>Fiscal 2017 Consolidated</u>					
Net revenue	\$ 1,271	\$ 898	\$ 1,149	\$ 1,527	\$ 4,845
Gross profit	1,092	497	633	1,325	3,547
Operating income (loss)	560	(49)	(4)	717	1,224
Net income (loss)	440	(38)	(1)	566	967
<u>Common Stock</u>					
Earnings (loss) per share — Basic	\$ 1.46	\$ (0.13)	\$ (0.00)	\$ 1.84	\$ 3.19
Earnings (loss) per share — Diluted	\$ 1.40	\$ (0.13)	\$ (0.00)	\$ 1.81	\$ 3.08
Common stock price per share					
High	\$ 77.25	\$ 85.40	\$ 85.56	\$ 91.51	\$ 91.51
Low	\$ 61.85	\$ 75.38	\$ 75.58	\$ 78.64	\$ 61.85

(a) During the quarters ended December 31, 2017 and March 31, 2018, EA recognized a provisional tax expense due to the application of the U.S. Tax Act, enacted on December 22, 2017.

Our common stock is traded on the NASDAQ Global Select Market under the symbol “EA”. The prices for the common stock in the table above represent the high and low closing sales prices as reported on the NASDAQ Global Select Market.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Electronic Arts Inc.:

### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Electronic Arts Inc. and subsidiaries (the Company) as of March 31, 2018 and April 1, 2017, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes and financial statement schedule (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and April 1, 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2018, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, 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 appearing under Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control Over Financial Reporting*

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.

/s/ KPMG LLP

We have served as the Company's auditor since 1987.

Santa Clara, California  
May 23, 2018

## **Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

## **Item 9A: Controls and Procedures**

### **Definition and Limitations of Disclosure Controls**

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluates these controls and procedures on an ongoing basis.

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

### **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 Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Our internal control over financial reporting is designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with our policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of the end of our most recently completed fiscal year. In making its assessment, management used the criteria set forth in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management believes that, as of the end of our most recently completed fiscal year, our internal control over financial reporting was effective.

KPMG LLP, our independent registered public accounting firm, has issued an auditors' report on the effectiveness of our internal control over financial reporting. That report appears on page 89.



**Changes in Internal Control over Financial Reporting**

There has been no change in our internal controls over financial reporting identified in connection with our evaluation that occurred during the fiscal quarter ended March 31, 2018 that has materially affected, or is 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 Item 10, other than the information regarding executive officers, which is included in Part I, Item 1 of this report, is incorporated herein by reference to the information to be included in our 2018 Proxy under the heading “Board of Directors & Corporate Governance.” The information regarding compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the information to be included in the 2018 Proxy under the sub-heading “Section 16(a) Beneficial Ownership Reporting Compliance.”

### **Item 11: *Executive Compensation***

The information required by Item 11 is incorporated herein by reference to the information to be included in the 2018 Proxy under the headings “Director Compensation and Stock Ownership Guidelines” and “Compensation Discussion and Analysis” and “Executive Compensation” and the subheadings “Committee Report on Executive Compensation” and “Compensation Committee Interlocks and Insider Participation.”

### **Item 12: *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by Item 12 is incorporated herein by reference to the information to be included in the 2018 Proxy under the heading “Security Ownership of Certain Beneficial Owners and Management” and the subheading “Equity Compensation Plan Information.”

### **Item 13: *Certain Relationships and Related Transactions, and Director Independence***

The information required by Item 13 is incorporated herein by reference to the information to be included in the 2018 Proxy under the subheadings “Director Independence,” “Related Person Transaction Policy” and “Certain Relationships and Related Person Transactions.”

### **Item 14: *Principal Accounting Fees and Services***

The information required by Item 14 is incorporated herein by reference to the information to be included in Proposal 3 of the 2018 Proxy under the sub-headings “Fees of Independent Auditors” and “Pre-approval Procedures.”

## PART IV

### **Item 15: *Exhibits, Financial Statement Schedules***

#### **(a) Documents filed as part of this report**

1. Financial Statements: See Index to Consolidated Financial Statements under Item 8 on Page 46 of this report.
2. Financial Statement Schedule: See Schedule II on Page 94 of this report.
3. Exhibits: The exhibits listed in the accompanying index to exhibits on Page 95 are filed or incorporated by reference as part of this report.

**ELECTRONIC ARTS INC. AND SUBSIDIARIES**

**SCHEDULE II**

**VALUATION AND QUALIFYING ACCOUNTS**

**Years Ended March 31, 2018, 2017 and 2016**

**(In millions)**

<u>Allowance for Doubtful Accounts, Price Protection and Returns</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Revenue, Costs and Expenses</u>	<u>Charged (Credited) to Other Accounts<sup>(a)</sup></u>	<u>Deductions<sup>(b)</sup></u>	<u>Balance at End of Period</u>
Year Ended March 31, 2018 . . . . .	<u>\$145</u>	<u>288</u>	<u>35</u>	<u>(303)</u>	<u>\$165</u>
Year Ended March 31, 2017 . . . . .	<u>\$159</u>	<u>298</u>	<u>(8)</u>	<u>(304)</u>	<u>\$145</u>
Year Ended March 31, 2016 . . . . .	<u>\$140</u>	<u>269</u>	<u>11</u>	<u>(261)</u>	<u>\$159</u>

<sup>(a)</sup> Primarily other reclassification adjustments and the translation effect of using the average exchange rate for expense items and the year-end exchange rate for the balance sheet item (allowance account).

<sup>(b)</sup> Primarily the utilization of returns allowance and price protection reserves.

**ELECTRONIC ARTS INC.**  
**2018 FORM 10-K ANNUAL REPORT**  
**EXHIBIT INDEX**

<u>Number</u>	<u>Exhibit Title</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Filing Date</u>	
3.01	Amended and Restated Certificate of Incorporation	10-Q	000-17948	11/3/2004	
3.02	Amended and Restated Bylaws	8-K/A	000-17948	5/27/2016	
4.01	Specimen Certificate of Registrant's Common Stock	10-Q	000-17948	2/6/2018	
4.02	Indenture, dated as of February 24, 2016 by and between Electronic Arts Inc. and U.S. Bank National Association, as Trustee	8-K	000-17948	2/24/2016	
4.03	First Supplemental Indenture, dated as of February 24, 2016, between Electronic Arts Inc. and U.S. Bank National Association, as Trustee	8-K	000-17948	2/24/2016	
10.01*	Form of Indemnity Agreement with Directors	10-K	000-17948	6/4/2004	
10.02*	Electronic Arts Inc. Executive Bonus Plan	8-K	000-17948	5/18/2018	
10.03*	Electronic Arts Inc. Deferred Compensation Plan	10-Q	000-17948	8/6/2007	
10.04*	Electronic Arts Inc. Change in Control Plan	8-K	000-17948	5/18/2018	
10.05*	First Amendment to the Electronic Arts Deferred Compensation Plan, as amended and restated	10-K	000-17948	5/22/2009	
10.06*	EA Bonus Plan	8-K	000-17948	5/18/2018	
10.07*	Form of 2016 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/23/2016	
10.08*	Form of 2017 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/22/2017	
10.09*	Form of 2018 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/18/2018	
10.10*	Form of 2017 Performance-Based Incremental Restricted Stock Unit Agreement	8-K	000-17948	6/7/2017	
10.11*	Form of 2017 Supplemental Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	6/7/2017	
10.12*	Form of Restricted Stock Unit Award Agreement for Outside Directors	10-Q	000-17948	11/7/2017	
10.13*	2000 Equity Incentive Plan, as amended, and related documents	8-K	000-17948	8/1/2016	
10.14*	2000 Employee Stock Purchase Plan, as amended	8-K	000-17948	8/1/2016	
10.15*	Offer Letter for Employment at Electronic Arts Inc. to Andrew Wilson, dated September 15, 2013	8-K	000-17948	9/17/2013	
10.16*	Offer Letter for Employment at Electronic Arts Inc. to Blake Jorgensen, dated July 25, 2012	8-K	000-17948	7/31/2012	

<u>Number</u>	<u>Exhibit Title</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Filing Date</u>	
10.17*	Offer Letter for Employment at Electronic Arts Inc. to Ken Moss, dated June 6, 2014	10-Q	000-17948	8/5/2014	
10.18*	Offer Letter for Employment at Electronic Arts Inc. to Chris Bruzzo, dated July 21, 2014	10-Q	000-17948	11/4/2014	
10.19*	Offer Letter for Employment at Electronic Arts Inc. to Mala Singh, dated August 27, 2016	10-Q	000-17948	11/8/2016	
10.20*	Employment Agreement for Patrick Söderlund, dated September 17, 2013	10-Q	000-17948	11/5/2013	
10.21	Lease Agreement between ASP WT, L.L.C. (“Landlord”) and Tiburon Entertainment, Inc. for space at Summit Park I, dated June 15, 2004	10-Q	000-17948	8/3/2004	
10.22	First Amendment to Lease, dated December 13, 2005, by and between Liberty Property Limited Partnership, a Pennsylvania limited partnership and Electronic Arts —Tiburon, a Florida corporation f/k/a Tiburon Entertainment, Inc.	10-Q	000-17948	2/8/2006	
10.23	Second Amendment to Lease, dated May 8, 2009, by and between Liberty Property Limited Partnership, a Pennsylvania limited partnership and Electronic Arts —Tiburon, a Florida corporation f/k/a Tiburon Entertainment, Inc.	10-Q	000-17948	8/10/2009	
10.24	Third Amendment to Lease, dated December 24, 2009, by and between Liberty Property Limited Partnership, a Pennsylvania limited partnership and Electronic Arts —Tiburon, a Florida corporation f/k/a Tiburon Entertainment, Inc.	10-Q	000-17948	2/9/2010	
10.25	Fourth Amendment to Lease, dated May 16, 2014, by and between Liberty Property Limited Partnership, a Pennsylvania limited partnership and Electronic Arts —Tiburon, a Florida corporation f/k/a Tiburon Entertainment, Inc.	10-K	000-17948	5/21/2014	
10.26**	First Amended North American Territory Rider to the Global PlayStation®3 Format Licensed Publisher Agreement, dated September 11, 2008, by and between Electronic Arts Inc. and Sony Computer Entertainment America Inc.	10-Q	000-17948	11/10/2009	
10.27**	Sony Computer Entertainment Europe Limited Regional Rider to the Global PlayStation®3 Format Licensed Publisher Agreement, dated December 17, 2008, by and between EA International (Studio and Publishing) Limited and Sony Computer Entertainment Europe Limited	10-Q	000-17948	11/10/2009	
10.28**	Global PlayStation®3 Format Licensed Publisher Agreement, dated September 11, 2008, by and between Electronic Arts Inc. and Sony Computer Entertainment America Inc.	10-Q/A	000-17948	4/30/2010	

Number	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
10.29**	Global PlayStation®3 Format Licensed Publisher Agreement, dated December 17, 2008, by and between EA International (Studio and Publishing) Limited and Sony Computer Entertainment Europe Limited	10-Q/A	000-17948	4/30/2010	
10.30**	Durango Publisher License Agreement, dated June 29, 2012, by and among Electronic Arts Inc., EA International (Studio & Publishing) Ltd., Microsoft Licensing, GP and Microsoft Corporation	10-K	000-17948	5/21/2014	
10.31	Credit Agreement, dated March 19, 2015, by and among Electronic Arts Inc., the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent	8-K	000-17948	3/20/2015	
12.1	Ratio of Earnings to Fixed Charges				X
21.1	Subsidiaries of the Registrant				X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm				X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
Additional exhibits furnished with this report:					
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS†	XBRL Instance Document				X
101.SCH†	XBRL Taxonomy Extension Schema Document				X
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document				X

\* Management contract or compensatory plan or arrangement.

\*\* Confidential portions of these documents have been 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.

† Attached as Exhibit 101 to this Annual Report on Form 10-K for the year ended March 31, 2017 are the following formatted in eXtensible Business Reporting Language (“XBRL”): (1) Consolidated Balance Sheets, (2) Consolidated Statements of Operations, (3) Consolidated Statements of Comprehensive Income (Loss), (4) Consolidated Statements of Stockholders’ Equity, (5) Consolidated Statements of Cash Flows, and (6) Notes to Consolidated Financial Statements.

## 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.

ELECTRONIC ARTS INC.

By: /s/ Andrew Wilson

Andrew Wilson  
Chief Executive Officer  
Date: May 23, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated and on the 23<sup>rd</sup> of May 2018.

<u>Name</u>	<u>Title</u>
<u>/s/ Andrew Wilson</u> Andrew Wilson	Chief Executive Officer
<u>/s/ Blake Jorgensen</u> Blake Jorgensen	Chief Operating Officer and Chief Financial Officer
<u>/s/ Kenneth A. Barker</u> Kenneth A. Barker	Chief Accounting Officer (Principal Accounting Officer)
Directors:	
<u>/s/ Lawrence F. Probst III</u> Lawrence F. Probst III	Chairman of the Board
<u>/s/ Leonard S. Coleman</u> Leonard S. Coleman	Director
<u>/s/ Jay C. Hoag</u> Jay C. Hoag	Director
<u>/s/ Jeffrey T. Huber</u> Jeffrey T. Huber	Director
<u>/s/ Vivek Paul</u> Vivek Paul	Director
<u>/s/ Talbott Roche</u> Talbott Roche	Director
<u>/s/ Richard A. Simonson</u> Richard A. Simonson	Director
<u>/s/ Luis A. Ubiñas</u> Luis A. Ubiñas	Director
<u>/s/ Heidi Ueberroth</u> Heidi Ueberroth	Director
<u>/s/ Denise F. Warren</u> Denise F. Warren	Director
<u>/s/ Andrew Wilson</u> Andrew Wilson	Director





**Electronic Arts Inc.**

209 Redwood Shores Parkway  
Redwood City, CA 94065  
(650) 628-1500  
[www.ea.com](http://www.ea.com)

Investor Relations  
(650) 628-0406  
<http://investor.ea.com>

