



**Electronic Arts Inc.
Fiscal Year 2019
Proxy Statement and Annual Report**

**Notice of 2019 Annual Meeting
and Proxy Statement**

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Electronic Arts Inc. Notice of 2019 Annual Meeting of Stockholders

DATE: August 8, 2019
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, 2020.	FOR
4. Approve our 2019 Equity Incentive Plan.	FOR
5. Amend and restate our Certificate of Incorporation to permit stockholders holding 25% or more of our common stock to call special meetings.	FOR
6. To consider and vote upon a stockholder proposal, if properly presented at the Annual Meeting, to enable stockholders holding 15% or more of our common stock to call special meetings.	AGAINST
7. Any other matters that may properly come before the meeting.	

Any action on the items of business described above may be considered at the 2019 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 14, 2019 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://ir.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 67 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, 2019, is available at <http://ir.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. We use words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “plan,” “predict,” “seek,” “goal,” “will,” “may,” “likely,” “should,” “could” (and the negative of any of these terms), “future” and similar expressions to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, trends in our business, projections of markets relevant to our business, uncertain events and assumptions and other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management’s current expectations. Our actual results could differ materially from those discussed in the forward-looking statements. 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 revise or update any forward-looking statement for any reason, except as required by law.

2019 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 21, 2019 along with the Electronic Arts Inc. Notice of 2019 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 2019 SUMMARY OF EA’S BUSINESS

Fiscal 2019 was a year of intense competition in the video game industry. While there were many achievements this year that we are proud of, after generating strong financial results and robust stockholder returns from fiscal 2014 through fiscal 2018, we did not perform to our expectations during fiscal 2019. Given the Company’s fiscal 2019 financial performance, and in order to maintain alignment with our pay-for-performance executive compensation philosophy, our CEO and his staff (including the NEOs) requested that they receive no performance cash bonus award for fiscal 2019. The Board (in the case of Mr. Wilson) and the Compensation Committee (in the case of the other NEOs) accepted this request. Likewise, as contemplated by the design of our performance-based restricted stock award (“PRSU”) program, due to the Company’s total shareholder return in fiscal 2019, none of the PRSUs granted in June 2018 vested with respect to the fiscal 2019 performance period.

While we are disappointed with our fiscal 2019 results, we understand the challenges we face, and we will continue to focus on how we can apply the strengths of our Company to capitalize on our opportunities.

Fiscal 2019 GAAP Financial Results and Operating Highlights

- We generated \$4.95 billion of net revenue and \$3.33 diluted earnings per share.
- Our digital net revenue increased to \$3.71 billion and represented 75% of our total net revenue.
- We delivered net income of \$1.02 billion and operating cash flow of \$1.55 billion.
- Operating profit margins were 20.1%.
- We generated net bookings for the fiscal year of \$4.94 billion.
- *FIFA 19* was the best-selling console game in Europe in calendar 2018.
- We launched two new original IP titles, *Apex Legends* and *Anthem*.
- We launched Firestorm battle royale in *Battlefield V*, the biggest Battlefield live service event ever.

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, as well as the decision by the Company’s leadership team to decline bonuses in fiscal 2019.

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 PRSUs and time-based restricted stock units (“RSUs”)	<input type="checkbox"/> Have a “single-trigger” change in control plan
<input checked="" type="checkbox"/> Require our executives to satisfy stock holding requirements	<input type="checkbox"/> Provide excise tax gross-ups upon a change in control
<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"/> Have executive employment contracts (other than as required by local jurisdictions)
<input checked="" type="checkbox"/> Conduct annual “say-on-pay” advisory votes	<input type="checkbox"/> Reprice options without stockholder approval
<input checked="" type="checkbox"/> Recover (clawback) equity compensation for misconduct in the event of a financial restatement	<input type="checkbox"/> Provide excessive perquisites
<input checked="" type="checkbox"/> Align performance-based equity vesting with stockholder interests	
<input checked="" type="checkbox"/> Independent compensation consultant input into the Compensation Committee’s decisions	
<input checked="" type="checkbox"/> Annual evaluation of peer group to ensure ongoing relevance of each member	

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)	Former Chairman, United States Olympic Committee	1991	X	
Ms. Talbott Roche	President and Chief Executive Officer, Blackhawk Network Holdings, Inc.	2016	X	A
Mr. Richard A. Simonson	Advisor to the CEO, Sabre Corporation; Managing Director, Specie Mesa L.L.C.	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	C
Mr. Andrew Wilson	Chief Executive Officer, Electronic Arts Inc.	2013		

* Elected by independent directors

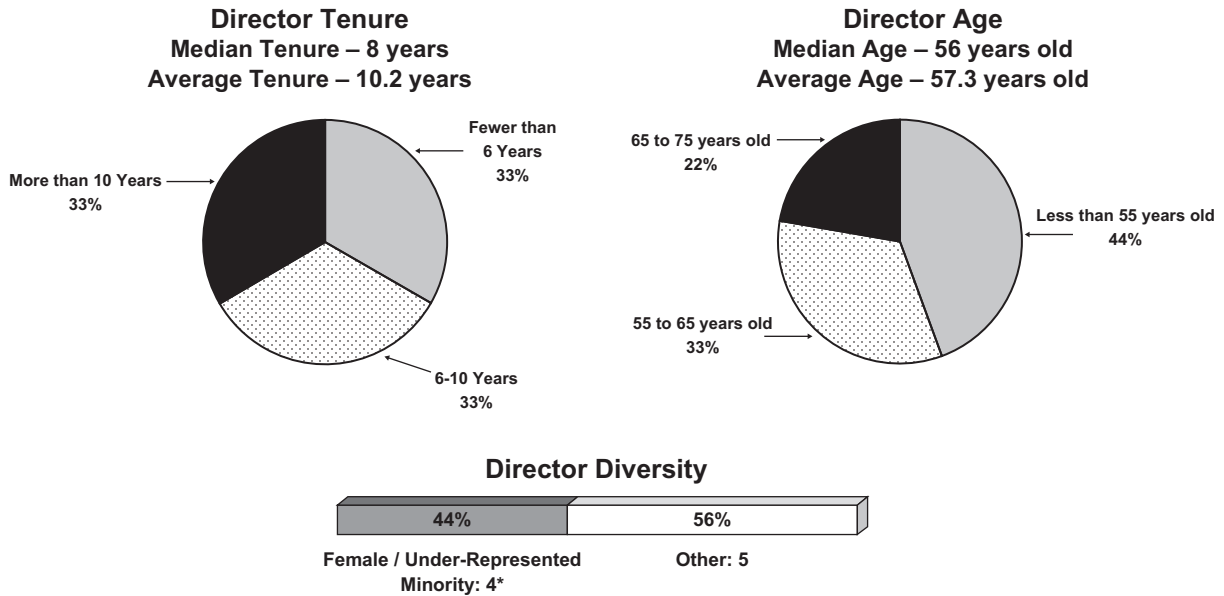
NG: Nominating and Governance Committee

C: Compensation Committee

A: Audit Committee

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 fewer than six years — 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

Board Independence	
Independent Director Nominees	8 of 9
Independent Lead Director	Luis A. Ubiñas
Independent Board Committees	All
Conflict of Interest Policy	Yes
Director Elections	
Frequency of Board elections	Annual
Voting standard for uncontested elections	Majority of votes cast
Stockholder proxy access	Yes
Board Operations	
Number of incumbent directors that attended at least 79% of all applicable meetings	9 of 9
Board Evaluations	Annual
Committee Evaluations	Annual
Director stock ownership requirement	Yes, 5x annual retainer
Chairman/CEO role	Split
Stockholder Rights	
Voting rights for all shares	One-share, one-vote
Poison Pill	No
Supermajority Voting Provisions	None

CORPORATE SOCIAL RESPONSIBILITY

People Practices. Attracting, developing and retaining the best creative and technical talent in the industry is critical to EA's short and long-term success. We cultivate and maintain a healthy culture by:

- Providing timely feedback through meaningful one-on-one conversations between employees and their manager. These conversations are focused through our Managing for Results framework, which sets a cadence for establishing annual goals, regularly measuring progress against those goals, receiving actionable feedback and discussing career development.
- Investing in programs to develop EA's future generation of leaders. We provide training to current and future leaders to encourage growth in support of their teams and EA. We also provide job specific development training and materials to engage and grow our employees' capabilities, including the creation of a catalog of learning tools for Frostbite, our proprietary game engine, that can be accessed by over 2,500 game developers.
- Frequently soliciting feedback on our employees' job satisfaction, including with respect to EA's culture, career opportunities, compensation and benefits and management through our employee satisfaction surveys, the results of which are reviewed by executive management and shared with our employees.
- Providing a comprehensive benefits and awards package that supports the needs and lifestyles of our employees, including competitive compensation (including bonus and equity opportunities that give employees an opportunity to share in EA's financial success) retirement benefits, paid time off, leaves of absence in connection with significant life events, on-site fitness and daycare services, and more.

Diversity and Inclusion. We believe in creating games and experiences for our global player community that reflect 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 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 70, 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 61, 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 also 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 51, 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 69, 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 served as the Chairman of the board of directors of the U.S. Olympic Committee from 2008 to 2018 and was a member of the International Olympic Committee from 2013 to 2018. 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 nearly 25 years. Mr. Probst contributes to the Board of Directors his deep understanding of the Company's operational and strategic business goals through his direct experience with Company as well as valuable perspective on industry-specific opportunities and challenges.

Talbott Roche

Director since June 2016

Ms. Roche, age 52, 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 served as a member of the board of directors of publicly-traded Blackhawk Network Holdings, Inc. during the past five years and has also 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 extensive operational and management experience as well as significant corporate governance and risk management experience as the Chief Executive Officer of a global organization, including during Blackhawk Network Holdings' time as a public company. 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 60, has served as Senior Advisor to the CEO of Sabre Corporation and as Managing Partner of Specie Mesa L.L.C., an investment and advisory firm since July 2018. From March 2013 until July 2018, Mr. Simonson served as Executive Vice President and Chief Financial Officer of Sabre Corporation. 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 as Chairman of the Board of Trustees of the SMU Lyle School of Engineering. Mr. Simonson has 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 former 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 56, 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 Senior Partner 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. 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 Senior Partner 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 53, 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 and is a member of the Council on Foreign Relations.

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 44, 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 and that 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 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 Securities and Exchange Commission (“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 2019, the Board of Directors met 8 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’ current term ends at the Annual Meeting. Mr. Ubiñas was chosen by the independent directors to serve as Lead Director for an additional two-year term, ending with our 2021 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 Chairman and Mr. Ubiñas serving as Lead Director is the appropriate leadership structure for the Company. Mr. Probst, 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://ir.ea.com>.

All members of these committees are independent directors. During fiscal 2019, all nine directors attended or participated in 79% 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 Talbott Roche
Nominating and Governance Committee:	Luis A. Ubiñas (Chair) and Leonard S. Coleman
Compensation Committee:	Jay C. Hoag (Chair), Leonard S. Coleman and Heidi J. Ueberroth

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. While the Board of Directors retains ultimate risk management oversight with respect to privacy and cybersecurity issues, the Audit Committee is provided quarterly updates from EA's information security team and reviews the steps taken by management to monitor and control these risks. 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 8 times and also acted by written consent in fiscal 2019. 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 two 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 4 times in fiscal 2019.

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. 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 2019, the Compensation Committee met 6 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 2019, 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 2019. 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 2019, 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 Regulation S-K. No EA officer serves or has served since the beginning of fiscal 2019 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 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://ir.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

Board of Directors

Our Board of Directors oversees 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. Material business and strategic risks are reviewed by the full Board of Directors. While the Board of Directors has ultimate risk oversight with respect to risks related to privacy and cybersecurity and receives periodic updates on these risks and mitigation strategies, the Audit Committee also receives quarterly updates from EA's information security team that review the steps taken by management to monitor and control these risks.

Committees

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.

Compensation Committee

As part of their risk oversight efforts, the Compensation Committee evaluates 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, 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 has 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.

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, employees and family members of any director, executive officer or employee or others living in their respective households, from engaging in any hedging transaction with the Company’s securities, buying the Company’s securities on margin, or otherwise trading in any derivative of the Company’s securities (including put and/or call options, swaps, forwards or futures contracts, short sales or collars). Our directors and Section 16 officers also are prohibited from pledging our stock as collateral for any loan.

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% beneficial owners, 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 approved only 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

Blackhawk Network Holdings

We enter into commercial dealings with Blackhawk Network Holdings, Inc., whereby Blackhawk Network Holdings offers EA-branded gift cards. During fiscal 2019, the aggregate amount involved in transactions with Blackhawk Network Holdings totaled approximately \$3.5 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.

DIRECTOR ATTENDANCE AT ANNUAL MEETING

Our directors are expected to make every effort to attend the Annual Meeting. Eight of the nine directors who were elected at the 2018 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. Our Corporate Secretary will forward to the Board of Directors all communications that are not commercial, frivolous 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://ir.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 Securities Exchange Act of 1934, as amended (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. During fiscal 2019, the Audit Committee consisted of Richard A. Simonson, Jeffrey T. Huber, Talbott Roche (from August 2, 2018) and Denise F. Warren (until August 2, 2018). 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 the applicable requirements of the PCAOB, 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 50 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 2019 be included for filing with the SEC in the Company's Annual Report. The Audit Committee also has approved the selection of KPMG LLP as the Company's independent auditors for fiscal 2020.

AUDIT COMMITTEE

Richard A. Simonson (Chairman)

Jeffrey T. Huber

Talbott Roche

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 2019. For more information regarding the specific compensation received by each non-employee director during fiscal 2019, see the “Fiscal 2019 Director Compensation Table” table below.

Compensation Component	Amount (\$)
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 2019.

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 expects to conduct its next review of non-employee director compensation in 2020.

Stock Compensation

In fiscal 2019, each of our non-employee directors who were re-elected at the 2018 annual meeting of stockholders were granted RSUs with a grant date fair value of approximately \$260,000. These RSUs will vest in their entirety on August 2, 2019.

Under our 2000 Equity Incentive Plan, as amended (the “2000 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, Ms. Ueberroth and Ms. Warren received all or part of their cash compensation in the form of our common stock during fiscal 2019.

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, 2019, each of our directors had either fulfilled his or her 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 2019 DIRECTOR COMPENSATION TABLE

The following table shows compensation information for each of our non-employee directors during fiscal 2019. The compensation paid to Mr. Wilson is shown under "Fiscal 2019 Summary Compensation Table" found on page 35 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.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(⁽¹⁾)	Option Awards \$(⁽³⁾)	Total (\$)
Leonard S. Coleman	82,500	259,873	—	342,373
Jay C. Hoag	85,000	259,873	8,501	353,374
Jeffrey T. Huber	75,000	259,873	7,475	342,348
Lawrence F. Probst III	110,000	259,873	—	369,873
Talbott Roche	74,375	259,873	7,534	341,782
Richard A. Simonson	90,000	259,873	9,036	358,909
Luis A. Ubiñas	105,000	259,873	10,526	375,399
Heidi Ueberroth	69,375	259,873	5,368	334,616
Vivek Paul ⁽²⁾	35,000	—	—	35,000
Denise F. Warren ⁽²⁾	37,500	—	3,763	41,263

(1) For non-employee directors except for Mr. Paul and Ms. Warren, 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 a closing price of \$128.65 for our common stock on the date of grant, August 2, 2018. For additional information regarding the valuation methodology for RSUs, see Note 15, "Stock-Based Compensation and Employee Benefit Plans," to the Consolidated Financial Statements in our Annual Report. Except for Mr. Paul and Ms. Warren, each of our non-employee directors held 2,020 unvested RSUs as of March 30, 2019 (the last day of fiscal 2019).

(2) Retired from EA's Board as of August 2, 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 compensation. The following table presents information regarding the shares granted to each director during fiscal 2019, 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	5/1/2018	119.83	195	23,367
	8/1/2018	127.48	183	23,329
	11/1/2018	94.20	248	23,362
	2/1/2019	91.22	257	23,443
				<u>93,501</u>
Jeffrey T. Huber	5/1/2018	119.83	172	20,611
	8/1/2018	127.48	161	20,524
	11/1/2018	94.20	220	20,724
	2/1/2019	91.22	226	20,616
				<u>82,475</u>
Talbot Roche	5/1/2018	119.83	167	20,012
	8/1/2018	127.48	162	20,652
	11/1/2018	94.20	219	20,630
	2/1/2019	91.22	226	20,615
				<u>81,909</u>
Richard A. Simonson	5/1/2018	119.83	206	24,685
	8/1/2018	127.48	195	24,859
	11/1/2018	94.20	262	24,680
	2/1/2019	91.22	272	24,812
				<u>99,036</u>
Luis A. Ubiñas	5/1/2018	119.83	241	28,879
	8/1/2018	127.48	226	28,810
	11/1/2018	94.20	307	28,919
	2/1/2019	91.22	317	28,917
				<u>115,525</u>
Heidi Ueberroth	8/1/2018	127.48	156	19,887
	11/1/2018	94.20	212	19,970
	2/1/2019	91.22	218	19,886
				<u>59,743</u>
Denise F. Warren	5/1/2018	119.83	172	20,611
	8/1/2018	127.48	162	20,652
				<u>41,263</u>

COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW

Our Compensation Discussion and Analysis describes and discusses the fiscal 2019 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 2019 Compensation
- Other Compensation Information

For fiscal 2019, EA’s NEOs were:

- **Andrew Wilson**, Chief Executive Officer;
- **Blake Jorgensen**, Chief Operating Officer and Chief Financial Officer;
- **Laura Miele**, Chief Studios Officer;
- **Kenneth Moss**, Chief Technology Officer;
- **Chris Bruzzo**, Chief Marketing Officer; and
- **Patrick Söderlund**, Former Chief Design Officer

On August 14, 2018, EA announced that Patrick Söderlund, our Chief Design Officer, would be departing the Company effective October 30, 2018. No severance was paid to Mr. Söderlund in connection with his departure, and all of Mr. Söderlund’s unvested equity awards were cancelled without payment.

EXECUTIVE SUMMARY

Fiscal 2019 Summary of EA’s Business

Fiscal 2019 was a year of intense competition in the video game industry. While there were many achievements this year that we are proud of, after generating strong financial results and robust stockholder returns from fiscal 2014 through fiscal 2018, we did not perform to our expectations during fiscal 2019. Given the Company’s fiscal 2019 financial performance, and in order to maintain alignment with our pay-for-performance executive compensation philosophy, our CEO and his staff (including the NEOs) requested that they receive no performance cash bonus award for fiscal 2019. The Board (in the case of Mr. Wilson) and the Compensation Committee (in the case of the other NEOs) accepted this request. Likewise, as contemplated by the design of our PRSU program, due to the Company’s total shareholder return in fiscal 2019, none of the PRSUs granted in June 2018 vested with respect to the fiscal 2019 performance period.

While we are disappointed with our fiscal 2019 results, we understand the challenges we face, and we will continue to focus on how we can apply the strengths of our Company to capitalize on our opportunities.

Fiscal 2019 GAAP Financial Results and Operating Highlights

- We generated \$4.95 billion of net revenue and \$3.33 diluted earnings per share.
- Our digital net revenue increased to \$3.71 billion and represented 75% of our total net revenue.
- We delivered net income of \$1.02 billion and operating cash flow of \$1.55 billion.

- Operating profit margins were 20.1%.
- We generated net bookings for the fiscal year of \$4.94 billion.
- *FIFA 19* was the best-selling console game in Europe in calendar 2018.
- We launched two new original IP titles, *Apex Legends* and *Anthem*.
- We launched Firestorm battle royale in *Battlefield V*, the biggest Battlefield live service event ever.

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, as well as the decision by the Company’s executive leadership team to decline bonuses in fiscal 2019.

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 PRSUs and time-based restricted stock units (“RSUs”)	<input type="checkbox"/> Have a “single-trigger” change in control plan
<input checked="" type="checkbox"/> Require our executives to satisfy stock holding requirements	<input type="checkbox"/> Provide excise tax gross-ups upon a change in control
<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"/> Have executive employment contracts (other than as required by local jurisdictions)
<input checked="" type="checkbox"/> Conduct annual “say-on-pay” advisory votes	<input type="checkbox"/> Reprice options without stockholder approval
<input checked="" type="checkbox"/> Recover (clawback) equity compensation for misconduct in the event of a financial restatement	<input type="checkbox"/> Provide excessive perquisites
<input checked="" type="checkbox"/> Align performance-based equity vesting with stockholder interests	
<input checked="" type="checkbox"/> Independent compensation consultant input into the Compensation Committee’s decisions	
<input checked="" type="checkbox"/> Annual evaluation of peer group to ensure ongoing relevance of each member	

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 is 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 2018 Say On Pay Vote

We received a favorable 86% of votes cast for our annual say on pay advisory proposal at our 2018 annual meeting. 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. For information on the independence of Compensia, see the section of this Proxy Statement entitled "Compensation Committee" beginning on page 11.

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 2019 compensation decisions are detailed in the section of this Compensation Discussion & Analysis entitled "Our NEOs' Fiscal 2019 Compensation" beginning on page 29. 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, which may include revenue, market capitalization, total stockholder return ("TSR"), net income margin and number of employees, as well as qualitative factors including competition for talent, to use as a reference for compensation decisions.

As discussed in our fiscal 2018 Proxy Statement, the Compensation Committee selected the following peer group to use as a reference for fiscal 2019 compensation decisions. The Compensation Committee considered the Company's significant market capitalization growth over the prior several fiscal years and its evolving business models, as well as other commonalities, including assessing companies similarly situated in the gaming and entertainment sector. The Compensation Committee added VMware, Take-Two Interactive Software, Nvidia, CBS and Netflix to our peer group. The Compensation Committee also removed Mattel and Lions Gate Entertainment from our peer group for fiscal 2019 due to our diverging business models. Based on public filings through June 4, 2019, the Company was at the 34th percentile with respect to annual revenues and at the 48th percentile with respect to market capitalization.

FISCAL 2019 PEER GROUP

Video Game	Technology/Internet	Entertainment	Toys/Games
Activision Blizzard Take-Two Interactive Software Zynga	Adobe Systems Autodesk eBay Expedia IAC/Interactive Corp. Intuit Nvidia Booking Holdings Salesforce.com Symantec VMware	AMC Networks Inc. CBS Discovery Communications Netflix	Hasbro

In November 2018, for purposes of benchmarking fiscal year 2020 compensation, the Compensation Committee assessed our peer group and determined that no changes were necessary in light of the fact that the Committee had made material changes in the prior year. The Compensation Committee felt that the current composition continued to reflect appropriate peers based on an evaluation of the factors discussed above.

Compensation Benchmarking and the Role of Consultants

In February 2019, 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 2019 to be used as a reference for making bonus decisions for fiscal 2019 and base salary and equity decisions for fiscal 2020.

Use of Percentiles

When setting the fiscal 2019 base salaries and bonus targets for our executive officers, the Compensation Committee referenced the 50th to 75th percentiles of the market range of comparable companies, and for target guidelines for annual equity awards, the Compensation Committee referenced the 75th percentile. We believe these percentiles are appropriate to recruit and retain a strong leadership team in an industry and geographic area that is 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 a 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.

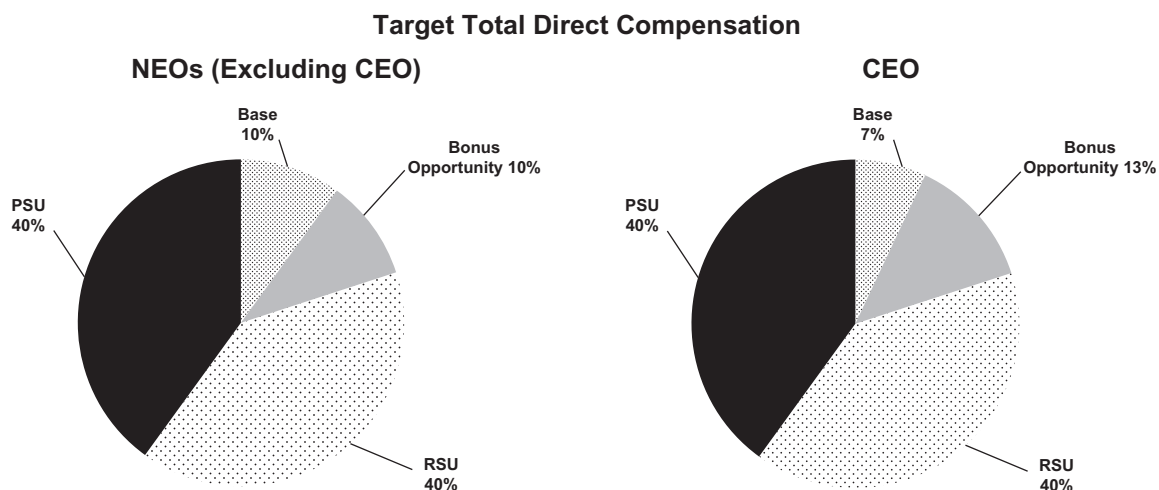
The Compensation Committee also considered the aggregate value of the target total direct compensation components (i.e., base salary, bonus and annual equity awards), and referenced the 50th to 75th percentiles of the market for target total direct compensation. When necessary for new hires, retention, succession planning, or other factors, the Compensation Committee may approve 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 2019, approximately 93% of our CEO's target total direct compensation opportunity and 90% of the average of our NEOs' (excluding our CEO) target total direct compensation opportunity was performance-based in the form of an annual performance cash bonus opportunity, PRSUs and RSUs. Given the Company's fiscal 2019 financial performance, and in order to maintain alignment with our pay-for-performance executive compensation philosophy, our CEO and his staff (including the NEOs) requested that they receive no performance cash bonus award for fiscal 2019. Likewise, as contemplated by the design of our PRSU program, due to the Company's total shareholder return in fiscal 2019, none of the PRSUs granted in June 2018 vested with respect to the fiscal 2019 performance period.

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. For information on base salaries paid to our NEOs in fiscal year 2019, please see the information under the heading entitled "Our NEOs' Fiscal 2019 Compensation — 2019 Annual Base Salary" beginning on page 29.

Performance Cash Bonus Awards

Our cash bonus programs are designed to 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, pay practices at our peer group for comparable positions and internal compensation alignment.

During years in which our NEOs receive performance cash bonus awards, those awards are 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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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. In fiscal 2019, all our NEOs, except for Mr. Söderlund, were selected to participate in the Executive Bonus Plan. Had Mr. Söderlund remained employed by the Company, he would have participated in the general EA Bonus Plan in fiscal 2019 as a result of his Swedish residence.

Given the Company's fiscal 2019 financial performance, and in order to maintain alignment with our pay-for-performance executive compensation philosophy, our CEO and his staff (including the NEOs) requested that they receive no performance cash bonus award for fiscal 2019. The Board (in the case of Mr. Wilson) and the Compensation Committee (in the case of the other NEOs) accepted this request.

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") that correspond to our fiscal year. Earned PRSUs generally will vest and be converted into shares one month prior to the first, second and third anniversaries of the date of grant (which we call "Vesting Opportunities"). For fiscal 2019, 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:

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

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

The following table illustrates the percentage of shares subject to outstanding PRSUs earned at the end of fiscal 2019:

PRSU Grant Date	June 2016	June 2017	June 2018
Measurement Period	Fiscal 17-19	Fiscal 18-20	Fiscal 19-21
90-day average stock price (at start of measurement period)	\$70.55	\$102.99	\$129.87
Length of Vesting Measurement Period	1 Year	2 Years	3 Years
90-day average stock price (at end of measurement period)	\$94.53		
EA's TSR	34.00%	-8.21%	-27.21%
EA's Relative NASDAQ-100 TSR Percentile	49 th	27 th	9 th
Percentage of Target Shares Vested in May 2019	78%	34%	0%

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 and to balance the overall payout opportunity, 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 capped at 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. All unearned shares in excess of the target number of shares are forfeited. This feature has not delivered shares under our PRSU program to date.

For information on PRSUs awarded to our NEOs in fiscal year 2019, please see the information under the heading entitled "Our NEOs' Fiscal 2019 Compensation — Fiscal 2019 Annual Equity Awards Granted in June 2018" beginning on page 30.

RSUs

RSUs reward absolute long-term stock price appreciation and promote retention. Prior to fiscal 2019, equity award grants of RSUs to our NEOs vested annually over 35 months from the grant date in approximately equal increments each May. In order to align with industry trends and to stay market competitive, in fiscal 2019, the Compensation Committee adjusted the vesting schedule of RSUs granted to all employees, including our NEOs. RSU grants now cliff vest as to one third of the award eleven months following the grant date, with the remainder of the award vesting in approximately equal increments every six months thereafter (RSU grants made prior to fiscal 2019 remain on the legacy annual vesting schedule). The Compensation Committee may also grant RSUs with different vesting schedules when necessary for new hires, retention, succession planning, or other factors.

For fiscal 2019, 50% of the total value of our NEOs' annual equity awards were made in the form of RSUs. For information on RSUs awarded to our NEOs in fiscal year 2019, please see the information under the heading entitled "Our NEOs' Fiscal 2019 Compensation — Fiscal 2019 Annual Equity Awards Granted in June 2018" beginning on page 30.

Special Performance-Based Equity Awards Granted in the Prior Fiscal Year

Mr. Wilson, Mr. Jorgensen and Mr. Moss hold special equity awards comprised of performance-based incremental RSUs ("PIRSUs") that were granted by the Compensation Committee and the Board of Directors (in the case of Mr. Wilson) during fiscal 2018. 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 awards are entirely performance-based and depend on achieving aggressive growth targets 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, which is a longer vesting period than the vesting period applicable to our annual equity grants. If either of these targets are not met, the awards associated with that target do not pay out. 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. The PIRSU, 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 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
Non-GAAP Net Revenue (50% weighting)	50% Payout	100% Payout	200% Payout
FCF (50% weighting)	50% Payout	100% Payout	200% Payout

The non-GAAP net revenue and FCF targets are not being provided due to 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 then long-term strategic plan reviewed by the Board of Directors. They were 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 believed that achievement of the maximum performance levels would require sustained exceptional performance over the performance period, as the targets were significantly above the long-term strategic plan at the time. Further, the non-GAAP net revenue and FCF targets for the PIRSU combined with the relative TSR targets for the PRSU provide these 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.

Use of Non-GAAP Financial Measures

The Company uses certain adjusted non-GAAP financial measures when establishing performance-based bonus targets and vesting criteria for certain equity awards, such as non-GAAP net revenue, non-GAAP gross profit, non-GAAP operating income, non-GAAP net income, non-GAAP diluted earnings per share and non-GAAP diluted shares, among others. These measures adjust for certain items that are not 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), mobile platform fees, income tax adjustments, and stock-based compensation, among others. In addition, for these purposes, we make further adjustments to our publicly disclosed non-GAAP measures to add back bonus expense.

OUR NEOS' FISCAL 2019 COMPENSATION

2019 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.

In fiscal 2019, the Compensation Committee's annual review of our NEOs base salary and bonus target determinations occurred in the context of changes to our executive team announced in April 2018. Blake Jorgensen assumed the Chief Operating Officer role in addition to Chief Financial Officer. Laura Miele assumed the role of Chief Studios Officer with responsibility leading EA's Worldwide Studios. Chris Bruzzo assumed responsibility of a new marketing, publishing and analytics organization.

The Compensation Committee (and Board of Directors for Mr. Wilson) approved fiscal 2019 base salary increases, effective April 1, 2018 (and June 1, 2018 for Mr. Wilson), of 4.3% for Mr. Wilson, to \$1,200,000; 6% for Mr. Jorgensen, to \$850,000; 4% for Mr. Moss, to \$675,000; 8% for Mr. Bruzzo, to \$675,000; and 2% for Mr. Söderlund, to \$876,000. These increases in base salary for fiscal 2019 were based on the strength of the Company's financial and operating performance in fiscal 2018, were in line with company-wide base salary merit increases for strong performers and reflected the expanded roles and responsibilities of Mr. Jorgensen and Mr. Bruzzo. Finally, the Compensation Committee determined a fiscal 2019 base salary of \$675,000 for Ms. Miele, who was not an NEO prior to fiscal 2019. Ms. Miele's base salary reflected the significant increase in her responsibilities and duties due to her promotion from heading our Global Publishing organization to our Chief Studios Officer, leading our worldwide studios. Upon Mr. Söderlund's departure from the Company, Ms. Miele assumed the leadership responsibilities of the Chief Design Officer role.

Fiscal 2019 Performance Cash Bonus Awards

Given the Company's 2019 financial performance, and in order to maintain alignment with our pay-for-performance executive compensation philosophy, our CEO and his staff (including the NEOs) requested that they receive no performance cash bonus award for fiscal 2019. The Board (in the case of Mr. Wilson) and the Compensation Committee (in the case of the other NEOs) accepted this request. The bonus funding that would have been allocated to our CEO and his staff (including the NEOs) were contributed to the overall Company bonus pool.

Determining Bonus Targets

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

In fiscal 2019, the review of our NEOs target bonus percentages was made in the context of the changes to our executive team discussed above. The Board of Directors increased Mr. Wilson's target bonus percentage for fiscal 2019 from 175% to 200%, effective June 1, 2018, due to the Company's strong performance during fiscal 2018 and to align Mr. Wilson's target bonus opportunity with the 50th to 75th percentile for chief executive officers in our peer group. Likewise, the Compensation Committee increased the target bonus percentages for our NEOs, other than for Mr. Söderlund, as set forth in the table below and effective as of April 1, 2018, due to the Company's strong performance during fiscal 2018 and to reflect the new roles and responsibilities for certain of our NEOs as discussed above.

	Base Salary Earned in Fiscal 2019 (\$)	Target Bonus Percentage for Fiscal 2019	Prior Target Bonus Percentage
Mr. Wilson	1,192,308	200%	175%
Mr. Jorgensen	850,000	125%	100%
Mr. Moss	675,000	100%	75%
Mr. Bruzzo	675,000	100%	75%
Mr. Söderlund ⁽¹⁾	475,572	150%	150%

(1) Mr. Söderlund resides in Stockholm, Sweden and was paid in Swedish krona ("SEK") prior to his departure from the Company. Mr. Söderlund's fiscal 2019 base salary was derived from an average of the SEK to USD exchange rates on the last day of each month during fiscal 2019 during which he was employed by or otherwise received payments from the Company relating to his employment of 0.112219. Mr. Söderlund departed from the Company, effective October 30, 2018; no severance was paid to Mr. Söderlund, and all of Mr. Söderlund's unvested equity awards were cancelled without payment to him in connection with his departure.

Finally, the Compensation Committee determined a target bonus percentage of 100% for Ms. Miele, who was not an NEO prior to fiscal 2019. Ms. Miele's target bonus percentage reflected the Company's strong performance during fiscal 2018 and the significant increase in her responsibilities due to her promotion to Chief Studios Officer. Ms. Miele earned \$675,000 in base salary in fiscal 2019.

Fiscal 2019 Annual Equity Awards Granted in June 2018

Equity compensation is used as a tool to hire, retain and motivate the Company's top talent. In fiscal 2018, the Company had record year of strong growth. We exceeded our net revenue and operating income guidance for fiscal 2018, drove higher gross margins and increased our cash provided by operations. The annual equity awards granted to the NEOs in fiscal 2019 reflect these strong financial results generated in fiscal 2018 as well as the NEO's individual performance.

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 35-month vesting schedule. The award mix serves to align 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 is highly competitive for executive talent. Our executives are highly desirable candidates for competitors in the gaming industry, as well as broader technology companies, including those pursuing interactive entertainment.

Approximately 80% of the aggregate compensation granted to our NEOs for fiscal 2019 was in the form of long-term equity.

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 (as described below), 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.

The following table shows the value of the annual equity awards granted to our NEOs in fiscal 2019:

	Target PRSUs ⁽¹⁾⁽²⁾ (\$)	RSUs ⁽¹⁾⁽²⁾ (\$)
Mr. Wilson	7,500,000	7,500,000
Mr. Jorgensen	3,750,000	3,750,000
Ms. Miele	2,750,000	2,750,000
Mr. Moss	2,750,000	2,750,000
Mr. Bruzzo	2,500,000	2,500,000
Mr. Söderlund	5,000,000 ⁽³⁾	5,000,000 ⁽³⁾

(1) Represents the value of the awards approved by the Compensation Committee on April 11, 2018 and the Board of Directors on May 17, 2018, in the case of Mr. Wilson. On the date of grant, the value was converted into PRSUs or RSUs over an equivalent number of shares rounded down to the nearest whole share.

(2) Awards granted on June 18, 2018.

(3) Awards were cancelled without payment to Mr. Söderlund effective upon his departure from the Company on October 30, 2018.

The following highlights were considered for the individual performance component:

Mr. Wilson, Chief Executive Officer

The Board of Directors took into account Mr. Wilson's leadership of the Company's fiscal 2019 game portfolio, including continued success in top franchises with growing player bases for *FIFA* and *Battlefield*; his leadership of the Company's ongoing development of new IP; record-breaking engagement in *The Sims 4*; and expanding reach and engagement in live services including EA SPORTS Ultimate Team and competitive gaming. Mr. Wilson's focus on fostering of diverse and inclusive talent within the Company and the implementation of his strategy and direction for the Company for fiscal 2019 were also considered.

Mr. Jorgensen, Chief Operating Officer and Chief Financial Officer

The Compensation Committee took into account that Mr. Jorgensen's 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 successfully managing communications with investors and stockholders. The Compensation Committee also considered Mr. Jorgensen's increased responsibilities with his Chief Operating Officer role.

Ms. Miele, Chief Studios Officer

The Compensation Committee took into account the scope of Ms. Miele's new role as Chief Studios Officer with responsibility leading EA's Worldwide Studios. In addition, the Compensation Committee considered Ms. Miele's achievements in her prior role as head of Global Publishing in growing sales across EA's broad portfolio and diverse business models. The Compensation Committee also considered Ms. Miele's leadership of our worldwide customer experience organization in which she drove enhanced programs and practices to increase engagement with our players.

Mr. Moss, Chief Technology Officer

The Compensation Committee took into account the successful scaling and enhancement of EA's digital platform, the technology supporting our growing digital business, as well as the continuing 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, security, stability and timely delivery of the Company's games; and leading development of EA's new technological innovations, including investments in streaming technology and artificial intelligence.

Mr. Bruzzo, Chief Marketing Officer

The Compensation Committee took into account the successful multichannel global marketing campaigns for EA's major titles; continued subscriber base growth in EA's subscription services EA Access and Origin Access; the expansion and execution of EA PLAY, the Company's annual games showcase event; and deepening EA's player relationships with a focus on engagement and retention. In addition, the Committee considered Mr. Bruzzo's increased responsibilities leading a new marketing, publishing and analytics organization.

Mr. Söderlund, Former Chief Design Officer

All of Mr. Söderlund's unvested equity awards were cancelled without any payment effective upon his departure from the Company on October 30, 2018.

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 their 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 2019. In Sweden, where Mr. Söderlund resides, the Company contributed to supplementary ITP occupational pension plans on behalf of Mr. Söderlund until his departure from the Company.

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 are also 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.

Change in Control Arrangements and Severance

Our executive officers with a ranking of senior vice presidents and above 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 41 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.

Mr. Söderlund did not receive any severance in connection with his departure from the Company.

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 30, 2019, each of our executive officers, had either met his or her then-applicable stock ownership holding requirement or had not yet reached the date on which he or she is required 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

Please see page 14 of this Proxy Statement under the heading “Insider Trading, Anti-Hedging and Anti-Pledging Policies” which such policies are also applicable to our NEOs.

Compensation Recovery (Clawbacks)

Our equity award agreements provide 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 programs, whether the programs encourage unnecessary or excessive risk taking and has concluded that they do not. See the section of this Proxy Statement entitled “Oversight of Risk Issues” above for an additional discussion of risk considerations.

Impact of Tax Treatment

Historically, Section 162(m) of the Internal Revenue Code precluded a public company from taking a tax deduction for annual compensation in excess of \$1 million paid to its chief executive officer and the three most highly paid executive officers other than the chief financial officer; this limitation did not apply to compensation that satisfied tax code requirements for qualifying performance-based compensation. However, effective January 1, 2018, the Tax Cuts and Jobs Act of 2017 (“Tax Act”) mandates that the chief financial officer is no longer excluded from this limitation, and performance-based compensation is no longer exempted. Transition rules under the Tax Act allow payments made pursuant to written binding contracts in effect as of November 2, 2017 to be deductible based on the pre-Tax Act rules; we intend to deduct such payments as appropriate, but there is no guarantee that such payments will be deductible.

We do not intend to change our pay-for-performance approach to awarding executive pay even though the Tax Act effectively eliminated the tax benefits of awarding qualifying performance-based compensation. At the same time, the Compensation Committee believes it is important to retain discretion and maximum flexibility in designing appropriate executive compensation programs and establishing competitive forms and levels of executive compensation that are in the best interests of the Company and our stockholders.

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

COMPENSATION COMMITTEE MEMBERS

Jay C. Hoag (Chair)

Leonard S. Coleman

Heidi Ueberroth

EXECUTIVE COMPENSATION

FISCAL 2019 SUMMARY COMPENSATION TABLE

The following table shows information concerning the compensation earned by or awarded to our Chief Executive Officer, our Chief Operating and Financial Officer, our next three most highly compensated executive officers, and our former Chief Design Officer, in each case, for fiscal 2019, and, where applicable, fiscal 2018 and fiscal 2017. 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 2019	Fiscal Year	Salary (\$)	Stock Awards (\$) ⁽¹⁾	Non-Equity Incentive Plan Compensation (\$) ⁽²⁾	All Other Compensation (\$) ⁽³⁾	Total (\$)
Andrew Wilson Chief Executive Officer	2019	1,192,308	17,090,597 ⁽⁴⁾	—	37,166	18,320,071
	2018	1,141,731	32,025,759	2,500,000	61,274	35,728,764
	2017	1,083,846	16,150,342	2,690,860	47,720	19,972,718
Blake Jorgensen Chief Operating Officer & Chief Financial Officer	2019	850,000	8,545,299 ⁽⁵⁾	—	16,564	9,411,863
	2018	794,211	17,377,775	1,100,000	14,055	19,286,041
	2017	762,981	7,498,342	1,100,000	17,427	9,378,750
Laura Miele Chief Studios Officer	2019	675,000	6,266,288 ⁽⁶⁾	—	11,544	6,952,832
Kenneth Moss Chief Technology Officer	2019	675,000	6,266,288 ⁽⁷⁾	—	13,592	6,954,880
	2018	645,865	13,242,574	630,000	14,327	14,532,766
	2017	619,104	5,767,942	615,000	17,738	7,019,784
Chris Bruzzo Chief Marketing Officer	2019	675,000	5,696,866 ⁽⁸⁾	—	12,573	6,384,439
	2018	620,865	4,539,994	530,000	22,433	5,713,292
	2017	596,365	4,614,285	500,000	17,427	5,728,077
Patrick Söderlund ⁽⁹⁾ Former Chief Design Officer	2019	475,572	11,393,732 ⁽¹⁰⁾	—	146,412	12,015,716
	2018	821,539	46,253,078	1,212,319	98,901	48,385,837
	2017	611,291	9,805,485	1,094,161	84,720	11,595,657

(1) 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 15, “Stock-Based Compensation and Employee Benefit Plans,” to the Consolidated Financial Statements in our Annual Report. The PRSUs granted to our NEOs in fiscal 2019 are referred to as “Market-Based Restricted Stock Units” in Note 15, “Stock-Based Compensation and Employee Benefit Plans,” to the Consolidated Financial Statements in our Annual Report. For additional information regarding the specific terms of the RSUs and PRSUs granted to our NEOs in fiscal 2019, see the “Fiscal 2019 Grants of Plan-Based Awards Table” below.

(2) Messrs. Wilson, Jorgensen, Moss, and Bruzzo, and Ms. Miele declined payouts under the Executive Bonus Plan for fiscal 2019, and Mr. Söderlund was not eligible to receive any payout for fiscal 2019 due to his departure from the Company. For additional information, see “Our NEOs’ Fiscal 2019 Compensation” under the heading “Fiscal 2019 Performance Cash Bonus Awards” in the “Compensation Discussion and Analysis” above.

(3)

All Other Compensation Table

Name	Fiscal Year	Insurance Premiums (\$) ^(A)	Retirement Benefits (\$) ^(B)	Other (\$) ^(C)	Tax Gross-Up (\$)	Total (\$)
Andrew Wilson	2019	1,014	9,808	25,760 ^(D)	757 ^(E)	37,166
	2018	928	12,150	36,105	12,091	61,274
	2017	928	15,900	30,099	793	47,720
Blake Jorgensen	2019	1,014	14,192	760	598 ^(F)	16,564
	2018	928	12,150	—	977	14,055
	2017	928	15,900	—	599	17,427
Laura Miele	2019	1,014	9,101	760	669 ^(G)	11,544
Kenneth Moss	2019	1,014	9,808	1,862 ^(H)	908 ^(I)	13,592
	2018	928	12,150	—	1,249	14,327
	2017	928	15,900	—	910	17,738
Chris Bruzzo	2019	1,014	9,721	910 ^(J)	928 ^(K)	12,573
	2018	928	12,150	—	9,355	22,433
	2017	928	15,900	—	599	17,427
Patrick Söderlund	2019	1,173	37,653	104,990 ^(L)	2,596 ^(M)	146,412
	2018	936	61,169	35,992	804	98,901
	2017	768	56,448	27,476	28	84,720

(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, Moss and Bruzzo, and Ms. Miele, reflect Company-matching 401(k) contributions for fiscal year 2019. The amount shown for Mr. Söderlund reflects Company contributions during fiscal 2019 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 include digital game codes and video game merchandise for our NEOs.

(D) Amount shown also includes membership dues for an executive organization (\$25,000).

(E) Represents the aggregate value of taxes paid on behalf of Mr. Wilson for digital game codes and video game merchandise from the Company store.

(F) Represents the aggregate value of taxes paid on behalf of Mr. Jorgensen for digital game codes.

(G) Represents the aggregate value of taxes paid on behalf of Ms. Miele for digital game codes and video game merchandise from the Company store.

(H) Amount shown also includes costs incurred in connection with an executive physical.

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

(J) Amount shown also includes gift merchandise from the Company.

(K) Represents the aggregate value of taxes paid on behalf of Mr. Bruzzo for digital game codes, video game merchandise from the Company store and gift merchandise from the Company.

(L) Amount shown also includes paid time-off benefits (\$103,110), including accrued but unused paid-time off payable in connection with his departure from the Company.

(M) Represents the aggregate value of taxes paid on behalf of Mr. Söderlund for digital game codes.

(4) Represents the aggregate grant date fair value of 51,774 RSUs granted to Mr. Wilson in fiscal 2019 of \$7,499,982 and the target payout of 51,774 PRSUs granted to Mr. Wilson in fiscal 2019 of \$9,590,616. 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 \$14,999,963, which is based on the maximum vesting of 103,548 PRSUs multiplied by the closing price of our common stock on the date of grant of \$144.86.

(5) Represents the aggregate grant date fair value of 25,887 RSUs granted to Mr. Jorgensen in fiscal 2019 of \$3,749,991 and the target payout of 25,887 PRSUs granted to Mr. Jorgensen in fiscal 2019 of \$4,795,308. 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 \$7,499,982, which is based on the maximum vesting of 51,774 PRSUs multiplied by the closing price of our common stock on the date of grant of \$144.86.

(6) Represents the aggregate grant date fair value of 18,983 RSUs granted to Ms. Miele in fiscal 2019 of \$2,749,877 and the target payout of 18,983 PRSUs granted to Ms. Miele in fiscal 2019 of \$3,516,411. 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 \$5,499,755, which is based on the maximum vesting of 37,966 PRSUs multiplied by the closing price of our common stock on the date of grant of \$144.86.

(7) Represents the aggregate grant date fair value of 18,983 RSUs granted to Mr. Moss in fiscal 2019 of \$2,749,877 and the target payout of 18,983 PRSUs granted to Mr. Moss in fiscal 2019 of \$3,516,411. 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 \$5,499,755, which is based on the maximum vesting of 37,966 PRSUs multiplied by the closing price of our common stock on the date of grant of \$144.86.

- (8) Represents the aggregate grant date fair value of 17,258 RSUs granted to Mr. Bruzzo in fiscal 2019 of \$2,499,994 and the target payout of 17,258 PRSUs granted to Mr. Bruzzo in fiscal 2019 of \$3,196,872. 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 \$4,999,988, which is based on the maximum vesting of 34,516 PRSUs multiplied by the closing price of our common stock on the date of grant of \$144.86.
- (9) During his employment with the Company, Mr. Söderlund was based in Stockholm, Sweden and was paid in Swedish krona. The amounts reported as salary and all other compensation for Mr. Söderlund in fiscal 2019 were derived from an average of the Swedish krona to U.S. dollar exchange rates on the last day of each month during fiscal 2019 in which he was employed by the Company or otherwise received payments from the Company relating to his employment of 0.112219.
- (10) Represents the aggregate grant date fair value of 34,516 RSUs granted to Mr. Söderlund in fiscal 2019 of \$4,999,988 and the target payout of 34,516 PRSUs granted to Mr. Söderlund in fiscal 2019 of \$6,393,744. The value of the PRSUs on the date of grant assuming the highest level of performance conditions will be achieved is \$9,999,976, which is based on the maximum vesting of 69,032 PRSUs multiplied by the closing price of our common stock on the date of grant of \$144.86. These awards were cancelled without any payment to Mr. Söderlund, effective upon his departure from the Company on October 30, 2018.

FISCAL 2019 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 2019.

Name	Grant Date	Approval Date ⁽¹⁾	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽²⁾		Estimated Future Payouts Under Equity Incentive Plan Awards ⁽³⁾		All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽⁴⁾	Grant Date Fair Value of Stock Awards (\$) ⁽⁵⁾
			Target (\$)	Maximum (\$)	Target (#)	Maximum (#)		
Andrew Wilson								
Annual Bonus Opportunity	—	—	1,997,917	5,000,000	—	—	—	—
PRsUs	6/18/2018	5/17/2018	—	—	51,774	103,548	—	9,590,616
RSUs	6/18/2018	5/17/2018	—	—	—	—	51,774 ⁽⁶⁾	7,499,982
Blake Jorgensen								
Annual Bonus Opportunity	—	—	1,062,500	3,187,500	—	—	—	—
PRsUs	6/18/2018	4/11/2018	—	—	25,887	51,774	—	4,795,308
RSUs	6/18/2018	4/11/2018	—	—	—	—	25,887 ⁽⁶⁾	3,749,991
Laura Miele								
Annual Bonus Opportunity	—	—	675,000	2,025,000	—	—	—	—
PRsUs	6/18/2018	4/11/2018	—	—	18,983	37,966	—	3,516,411
RSUs	6/18/2018	4/11/2018	—	—	—	—	18,983 ⁽⁶⁾	2,749,877
Kenneth Moss								
Annual Bonus Opportunity	—	—	675,000	2,025,000	—	—	—	—
PRsUs	6/18/2018	4/11/2018	—	—	18,983	37,966	—	3,516,411
RSUs	6/18/2018	4/11/2018	—	—	—	—	18,983 ⁽⁶⁾	2,749,877
Chris Bruzzo								
Annual Bonus Opportunity	—	—	675,000	2,025,000	—	—	—	—
PRsUs	6/18/2018	4/11/2018	—	—	17,258	34,516	—	3,196,872
RSUs	6/18/2018	4/11/2018	—	—	—	—	17,258 ⁽⁶⁾	2,499,994
Patrick Söderlund								
Annual Bonus Opportunity	—	—	1,311,825 ⁽⁷⁾	3,935,474 ⁽⁷⁾	—	—	—	—
PRsUs	6/18/2018	4/11/2018	—	—	34,516 ⁽⁷⁾	69,032 ⁽⁷⁾	—	6,393,744
RSUs	6/18/2018	4/11/2018	—	—	—	—	34,516 ⁽⁷⁾	4,999,988

(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 departed from the Company effective October 30, 2018, and was ineligible to receive any bonus payout under the EA Bonus Plan or his employment agreement with the Company. 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. For more information regarding the our NEOs' bonus targets for fiscal 2019 and an explanation of the amount of salary and bonus targets in proportion to total compensation, see the sections titled "Our NEOs' Fiscal 2019 Compensation" and "Our Elements of Pay" in the "Compensation Discussion and Analysis" above.

(3) Represents awards of PRsUs granted to our NEOs under our 2000 EIP. 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. For additional information regarding the specific terms of the PRsUs granted to our NEOs in fiscal 2019, see the section titled "PRsUs" in the "Compensation Discussion and Analysis" above. Upon vesting, each earned PRSU automatically converts into one share of EA common stock and does not have an exercise price or expiration date. The PRsUs are not entitled to receive dividends, if any, paid by EA on its common stock.

(4) Represents awards of RSUs granted to our NEOs under our 2000 EIP. 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, represents the aggregate grant date fair value of RSUs calculated using the closing price of our common stock on the date of grant. For grants of 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 15 "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 18, 2019 and the remainder of the units will vest in approximately equal increments every six months thereafter until the award is fully vested on May 18, 2021.

(7) Awards were cancelled without any payment to Mr. Söderlund, effective upon his departure from the Company on October 30, 2018.

OUTSTANDING EQUITY AWARDS AT FISCAL 2019 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 2019.

All stock options, RSUs, PRSUs and PIRSUs were granted pursuant to our 2000 EIP. The market value of the unvested RSUs, PRSUs and PIRSUs is determined by multiplying the number of unvested RSUs by \$101.63, the closing price of the Company's common stock on March 29, 2019, the last trading day of fiscal 2019. 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 target performance goals.

Name	Option Grant Date	Outstanding Option Awards ⁽¹⁾		Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#)			
		Exercisable	Unexercisable		
Andrew Wilson	10/31/2013	670,000	—	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
Laura Miele	6/16/2014	13,706	—	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
Patrick Söderlund	6/16/2014	41,598	—	35.70	6/16/2024

(1) All outstanding options were vested and exercisable as of March 30, 2019.

Outstanding Stock Awards

Name	Grant Date	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	6/16/2016	—	—	31,111 ⁽¹⁾	3,161,811
	6/16/2017	—	—	47,055 ⁽¹⁾	4,782,200
	6/18/2018	—	—	51,774 ⁽¹⁾	5,261,792
	6/16/2017	—	—	135,734 ⁽²⁾	13,794,646
	6/16/2016	31,111 ⁽³⁾	3,161,811	—	—
	6/16/2017	45,245 ⁽³⁾	4,598,249	—	—
	6/18/2018	51,774 ⁽⁴⁾	5,261,792	—	—
Blake Jorgensen	6/16/2016	—	—	14,445 ⁽¹⁾	1,468,045
	6/16/2017	—	—	20,391 ⁽¹⁾	2,072,337
	6/18/2018	—	—	25,887 ⁽¹⁾	2,630,896
	6/16/2017	—	—	90,489 ⁽²⁾	9,196,397
	6/16/2016	14,445 ⁽³⁾	1,468,045	—	—
	6/16/2017	19,606 ⁽³⁾	1,992,558	—	—
	6/18/2018	25,887 ⁽⁴⁾	2,630,896	—	—
Laura Miele	6/16/2016	—	—	5,556 ⁽¹⁾	564,656
	6/16/2017	—	—	10,980 ⁽¹⁾	1,115,897
	6/18/2018	—	—	18,983 ⁽¹⁾	1,929,242
	6/16/2016	5,556 ⁽³⁾	564,656	—	—
	6/16/2017	10,557 ⁽³⁾	1,072,908	—	—
	6/18/2018	18,983 ⁽⁴⁾	1,929,242	—	—
Kenneth Moss	6/16/2016	—	—	11,111 ⁽¹⁾	1,129,211
	6/16/2017	—	—	17,254 ⁽¹⁾	1,753,524
	6/18/2018	—	—	18,983 ⁽¹⁾	1,929,242
	6/16/2017	—	—	63,342 ⁽²⁾	6,437,447
	6/16/2016	11,111 ⁽³⁾	1,129,211	—	—
	6/16/2017	16,590 ⁽³⁾	1,686,042	—	—
	6/18/2018	18,983 ⁽⁴⁾	1,929,242	—	—
Chris Bruzzo	6/16/2016	—	—	8,889 ⁽¹⁾	903,389
	6/16/2017	—	—	12,548 ⁽¹⁾	1,275,253
	6/18/2018	—	—	17,258 ⁽¹⁾	1,753,931
	6/16/2016	8,889 ⁽³⁾	903,389	—	—
	6/16/2017	12,065 ⁽³⁾	1,226,166	—	—
	6/18/2018	17,258 ⁽⁴⁾	1,753,931	—	—
Patrick Söderlund ⁽⁵⁾	—	—	—	—	

(1) Represents PRSUs at target achievement level of 100%, plus, with respect to the June 2017 grant, remaining unearned shares available to be earned and converted into shares one month prior to each of the first three anniversaries of the grant date (each such date, a "Vesting Opportunity"). The number of PRSUs that vest for a given Vesting Opportunity 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 PIRSU at target achievement level of 100% for the June 2017 PIRSU granted to certain of our NEOs. The number of PIRSU 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 PIRSU granted to certain of our NEOs, see the discussion of "PIRSUs" in the "Compensation Discussion and Analysis" above. Any earned PIRSU 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 an award of RSUs that vested or will vest as to one-third of the units one month prior to the first anniversary of the grant date, with the remainder of the units to vest in approximately equal increments every six months thereafter until the award is fully vested on May 18, 2021.

(5) Mr. Söderlund's PRSUs, PIRSU and RSUs were cancelled without any payment to him, effective upon his departure from the Company on October 30, 2018.

FISCAL 2019 OPTION EXERCISES AND STOCK VESTED TABLE

The following table shows all stock options exercised and the value realized upon exercise, as well as all RSUs and PRSUs vested and the value realized upon vesting by our NEOs during fiscal 2019.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#) ⁽²⁾	Value Realized on Vesting (\$) ⁽³⁾
Andrew Wilson	80,000	7,940,600	206,176	26,825,559
Blake Jorgensen	—	—	97,436	12,677,398
Laura Miele	—	—	29,194	3,798,431
Kenneth Moss	—	—	68,442	8,904,989
Chris Bruzzo	—	—	58,588	7,622,885
Patrick Söderlund	—	—	132,856	17,385,536

(1) The value realized upon the exercise of stock options is calculated by: (a) subtracting the option exercise price from the market value 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 2019.

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

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Termination of Employment

Our incumbent NEOs have not entered into employment agreements with the Company. In connection with a termination of employment, our incumbent NEOs will have a right under applicable law to any accrued paid time off as of the date of termination, and all outstanding equity awards will be forfeited upon termination unless the applicable NEO's employment is terminated for reasons due to death, disability or change in control.

Electronic Arts Change in Control Plan

Our incumbent 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 18th 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 incumbent 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 30, 2019, the last day of fiscal 2019. The closing price of our common stock on March 29, 2019 (the last trading day of fiscal 2019) was \$101.63.

Name	Cash Severance Award (\$)⁽¹⁾	RSUs (\$)⁽²⁾	PRSUs (\$)⁽³⁾	PIRSUs (\$)⁽⁴⁾	Other (\$)⁽⁵⁾	Total (\$)
Andrew Wilson	7,200,000	13,021,852	4,029,528	6,897,323	156,056	31,304,759
Blake Jorgensen	2,868,750	6,091,499	1,822,531	4,598,148	108,356	15,489,283
Laura Miele	2,025,000	3,566,806	805,113	—	106,435	6,503,354
Kenneth Moss	2,025,000	4,744,495	1,453,919	3,218,724	106,435	11,548,572
Chris Bruzzo	2,025,000	3,883,486	1,121,487	—	98,546	7,128,518

(1) Represents the sum of each NEO's annual base salary as of March 30, 2019 and target cash bonus for fiscal 2019, respectively, multiplied by 2 with respect to Mr. Wilson and by 1.5 with respect to Messrs. Jorgensen, Moss and Bruzzo, and Ms. Miele.

(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 30, 2019 as calculated by multiplying the number of RSUs that would accelerate by the closing price of our common stock on March 29, 2019.

(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 30, 2019. For purposes of the table, we have used EA's Relative NASDAQ-100 TSR Percentiles as of March 30, 2019, which was in the 49th percentile with respect to PRSUs granted in June 2016, the 27th percentile with respect to PRSUs

granted in June 2017 and the 9th percentile with respect to PRSUs granted in June 2018. Based on these percentiles, the PRSUs granted in June 2016 would accelerate and vest as to 78% of the target number of shares for the remaining vest date in the performance period, the PRSUs granted to in June 2017, would each accelerate and vest as to 34% of the target number of shares for the remaining vest dates in their respective performance periods, and none of the PRSUs granted in June 2018 would accelerate and vest.

- (4) Represents the estimated value of unvested PIRSU that would accelerate and vest at target on a qualifying termination of employment in connection with a change in control occurring on March 30, 2019. For purposes of the table, we have used the estimated target number of PIRSU that would accelerate and vest based on the completion of 50% of the four-year performance period. If we estimated the value of the unvested PIRSU at maximum based on the completion of 50% of the four-year performance-period, the value of the PIRSU would be \$13,794,646 for Mr. Wilson; \$9,196,397 for Mr. Jorgensen; and \$6,437,447 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, Bruzzo and Moss, and Ms. Miele, and accrued paid time off or vacation benefits.

FISCAL 2019 PAY RATIO

For fiscal 2019:

- the median of the annual total compensation of all our employees (other than Mr. Wilson) was \$91,661; and
- the annual total compensation of Mr. Wilson, was \$18,320,071 as reported in the Fiscal 2019 Summary Compensation Table.

Based on this information, for fiscal 2019 the ratio of Mr. Wilson's annual total compensation to the median of the annual total compensation of all employees was 200:1.

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

Since there have been no significant changes to our employee population or employee compensation programs during fiscal 2019 that would affect our pay ratio disclosure, we used the same median employee who was identified as of January 1, 2018, as permitted by SEC rules.

To identify our median employee, we used a consistently applied compensation measure that aggregated the following elements of compensation obtained from our internal payroll systems:

- base salary as of December 31, 2017 (annualized for 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 in the identification process. In determining that it was still appropriate to utilize our fiscal 2018 median employee for the 2019 fiscal year, we considered that there were no material changes to that employee's job description or compensation during fiscal 2019.

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

The Median Employee's fiscal 2019 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 2019 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, 2019 of 0.744990.

EQUITY COMPENSATION PLAN INFORMATION

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

The following table and related footnotes give aggregate information regarding grants under the 2000 EIP and the ESPP as of the end of fiscal 2019.

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	7,872,052 ⁽¹⁾	\$30.63 ⁽²⁾	17,243,764 ⁽³⁾
Total	7,872,052		17,243,764

(1) Includes (a) 1,375,360 shares of common stock issuable upon exercise of outstanding options under the 2000 EIP with a weighted-average exercise price of \$30.63; and (b) 6,496,692 unvested restricted stock awards outstanding under the 2000 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 2000 EIP reduces the number of shares available for issuance under our 2000 EIP by 1.43 shares and each stock option granted reduces the number of shares available for issuance by 1 share. The 17,243,764 shares remaining available for future issuance under our 2000 EIP and ESPP includes (a) 10,973,237 shares available for issuance under the 2000 EIP based on the 1.43 reduction for full-value awards and (b) 6,270,527 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 6, 2019, 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 6, 2019, there were 296,649,636 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.

Stockholder Name	Shares Owned ⁽¹⁾	Right to Acquire ⁽²⁾	Percent of Outstanding Shares ⁽³⁾
Vanguard Group Inc. ⁽⁴⁾	22,070,440	—	7.44%
Blackrock, Inc. ⁽⁵⁾	20,139,028	—	6.79%
T. Rowe Price Associates, Inc. ⁽⁶⁾	17,683,678	—	5.96%
FMR LLC ⁽⁷⁾	16,439,841	—	5.54%
Jay C. Hoag ⁽⁸⁾	3,747,356	13,892	1.27%
Lawrence F. Probst III ⁽⁹⁾	604,185	78,881	*
Andrew Wilson ⁽¹⁰⁾	182,215	816,389	*
Blake Jorgensen	119,375	24,275	*
Kenneth Moss	145,948	122,850	*
Jeffrey T. Huber ⁽¹¹⁾	79,740	13,892	*
Patrick Söderlund	—	41,598	*
Chris Bruzzo	51,771	83,402	*
Richard A. Simonson	34,731	69,326	*
Leonard S. Coleman	27,371	25,054	*
Laura Miele	14,647	13,706	*
Talbot Roche	8,340	2,020	*
Luis A. Ubiñas	1,369	57,426	*
Heidi J. Ueberroth	2,543	2,020	*
All executive officers and directors as a group (19) persons ⁽¹²⁾	5,108,245	1,372,942	2.18%

* 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 6, 2019, (b) in the case of Mr. Simonson, reflects 55,434 RSUs that have vested but have been deferred, (c) in the case of Mr. Coleman, reflects 23,034 RSUs that have vested but have been deferred and (d) in the case of Mr. Ubiñas, reflects 50,534 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 6, 2019.

(4) As of March 31, 2019, based on information contained in a report on Form 13F-HR filed with the SEC on May 15, 2019 by Vanguard Group Inc. The address for Vanguard Group Inc. is PO Box 2600, V26, Valley Forge, PA 19482-2600.

(5) As of March 31, 2019, based on information contained in a report on Form 13F-HR filed with the SEC on May 9, 2019 by Blackrock, Inc. The address for Blackrock, Inc. is 55 East 52nd Street, New York, NY 10055.

(6) As of March 31, 2019, based on information contained in a report on Form 13F-HR filed with the SEC on May 15, 2019 by T. Rowe Price Associates, Inc. The address for T. Rowe Price Associates, Inc. is PO Box 89000, Baltimore, MD 21289.

(7) As of March 31, 2019, based on information contained in a report on Form 13F-HR filed with the SEC on May 13, 2019 by FMR LLC. The address for FMR LLC is 245 Summer Street, Boston, MA 02210.

(8) Represents 3,747,356 shares of common stock held by entities affiliated with Mr. Hoag, including Technology Crossover Ventures as follows: (i) 4,425 shares of common stock held by TCV Management 2004, L.L.C. ("TCV Management 2004"), (ii) 4,425 shares of common stock held by TCV VI Management, L.L.C. ("TCV VI Management"), (iii) 14,816 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") and (x) 89,677 shares held by Hamilton Investments Limited Partnership. 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 109,838 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) Shares of common stock are held by Mr. Wilson's family trust and Mr. Wilson has investment power over, and pecuniary interest in, all such shares.
- (11) Includes 7,326 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 11,872 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 and Mr. Söderlund who departed the Company effective October 30, 2018.

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 appointed). 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 and refreshment practices, please see the sections of this Proxy Statement entitled “2019 Proxy Statement Summary and Highlights,” “Commonly Asked Questions and Answers” and “Board of Directors and Corporate Governance.”

The 2019 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 re-election in order to be re-elected to the Board of Directors.

The Board of Directors has nominated the following directors to stand for re-election:

- **Leonard S. Coleman**
- **Jay C. Hoag**
- **Jeffrey T. Huber**
- **Lawrence F. Probst III**
- **Richard A. Simonson**
- **Talbott Roche**
- **Luis A. Ubiñas**
- **Heidi J. Ueberroth**
- **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 2019. 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. We received a favorable 86% of votes cast for our annual say on pay advisory proposal at our 2018 annual meeting.

We encourage you to read the "Compensation Discussion and Analysis" at pages 21 through 34 for additional details on our executive compensation programs and the fiscal 2019 compensation of our NEOs.

We believe our compensation programs and policies for fiscal 2019 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 2019, 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, 2020. 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:

Description of Fees	Year Ended March 31, 2019	Year Ended March 31, 2018
Audit Fees ⁽¹⁾	\$4,514,000	\$4,990,000
Audit-Related Fees ⁽²⁾	137,000	254,000
Tax Fees — Compliance ⁽³⁾	386,000	329,000
Total All Fees	\$5,037,000	\$5,573,000

(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 SEC filings, 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." 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 Compliance 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 2020, the Audit Committee and the Board of Directors have considered the performance of KPMG LLP in fiscal 2019, 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 audit partner has been working on the Company's audit since the first quarter of fiscal 2016. In the fourth quarter of fiscal 2019, the Audit Committee approved a new concurring audit partner for the Company, whose work commenced on the Company's audit in the first quarter of fiscal 2020. 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 2019 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, 2020.

PROPOSAL FOUR

APPROVAL OF OUR 2019 EQUITY INCENTIVE PLAN

On May 16, 2019, our Board of Directors unanimously adopted, subject to our stockholders' approval, the Electronic Arts Inc. 2019 Equity Incentive Plan (the "2019 EIP"). The 2019 EIP will become effective on the date it is approved by our stockholders (the "Effective Date"). For more information regarding the 2019 EIP, please read a summary of its material terms included in this Proposal 4 and the full text of the 2019 EIP as filed by the Company on June 21, 2019 as Appendix A to the Company's Definitive Proxy Statement.

We currently maintain the 2000 EIP, which was last approved by our stockholders at the 2016 annual meeting. Under the 2000 EIP, each full value award granted reduces the number of shares available for issuance under the plan by 1.43 shares and each stock option granted reduces the number of shares available for issuance by 1 share. 16,002,730 shares remained available for future grant under the 2000 EIP as of May 25, 2019, which, based on the 1.43 reduction, would permit us to grant 11,190,720 full-value awards or 16,002,730 stock options. In addition, the table below sets forth information with respect to equity awards outstanding under the 2000 EIP as of May 25, 2019 and the number of shares subject to such awards (shares rounded to the nearest thousand):

Outstanding Equity Awards:

Granted but Unvested Restricted Stock Units, Performance-Based Restricted Stock Units and Performance-Based Incremental Restricted Stock Units	Outstanding Stock Options	Weighted Average Exercise Price of Outstanding Stock Options	Weighted Average Remaining Contractual Life of Stock Options
4,927,000 ⁽¹⁾	1,306,000	\$30.70	4.60

(1) Includes all restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and performance-based incremental restricted stock units ("PIRSUs"), including 604,804 PRSUs that were granted at the maximum number of shares targeted to vest and 579,130 PIRSUs that were granted at the maximum number of shares targeted to vest. Excludes 129,002 RSUs awarded to directors that have been earned and vested but have been deferred for tax planning purposes and remain unreleased.

If the 2019 EIP is approved by our stockholders, the 2019 EIP will replace the 2000 EIP and no further awards will be granted under the 2000 EIP. If the 2019 EIP is not approved by stockholders, then the 2019 EIP will not become effective and the 2000 EIP will continue in full force and effect until its expiration date May 20, 2020.

If the 2019 EIP is approved by our stockholders, then (i) shares remaining available for issuance under the 2000 EIP immediately prior to the Effective Date that are not subject to outstanding awards under 2000 EIP will become issuable under the 2019 EIP and (ii) shares underlying outstanding grants under the 2000 EIP immediately prior to the Effective Date that are not issued or delivered under the plan for any reason, including shares subject to an award that terminates, expires, or lapses for any reason, or that is settled in cash under the 2000 EIP, may become issuable under the 2019 EIP. The terms and conditions of outstanding awards under the 2000 EIP will not be affected by the approval of the 2019 EIP, and the 2000 EIP will remain in effect with respect to such awards.

Request for 13,500,000 New Shares

We are requesting an additional 13,500,000 shares for issuance under the 2019 EIP, which would permit us to grant 9,440,559 full-value awards based on the 1.43 reduction. Based on our current grant practices, our request for 13,500,000 additional shares under the 2019 EIP is expected to meet our equity grant needs for approximately three years. The shares reserved may, however, last for a greater or fewer number of years depending on currently unknown factors, such as the number of grant recipients, future grant practices, and our stock price. If approved, these shares will be added to the 16,002,730 shares remaining available for issuance (or 11,190,720 full-value awards) under the 2000 EIP, meaning that a total of 29,502,730 shares will be available for issuance (or 20,631,279 full-value awards) under the 2019 EIP, plus any shares subject to outstanding awards under the 2000 EIP that are not issued or delivered for any reason. Our request for an additional 13,500,000 shares is based

on analysis of various factors, including historical burn rate, potential dilution, industry plan cost standards, and anticipated equity compensation needs. In fiscal 2019, the 2000 EIP's gross burn rate was 1.30% based on the 1.43 reduction for full-value awards.

Our stock repurchase program has offset the dilutive effect of our equity award practices, which has been one goal, among others, of this 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. 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. In fiscal 2019, we repurchased approximately 11 million shares for approximately \$1,192 million. In fiscal 2018, we repurchased approximately 5.3 million shares for approximately \$601 million and in fiscal 2017, we repurchased approximately 6.5 million shares for approximately \$508 million.

Why Stockholders Should Approve the 2019 EIP

- **The 2000 EIP expires in 2020.** If stockholders do not approve the 2019 EIP, the 2000 EIP will expire on May 20, 2020 prior to our 2020 Annual Meeting of Stockholders and the Company will be unable to grant equity awards to our employees after that date. If we cannot grant equity awards to employees, we will be placed at a competitive disadvantage, making it difficult to attract, retain, and develop the talent of our employees, officers and non-employees.
- **Additional shares are needed.** Historically, we have made a significant portion of our equity awards in a given fiscal year in connection with our annual reviews and merit increases and we believe that an additional 13,500,000 shares, in addition to the shares available under the 2000 EIP, is sufficient to support our equity incentive programs for approximately three years based on historical granting practices. We last requested additional shares for our equity plans at our 2016 annual meeting. While equity is a strategic tool for recruitment and retention, we also carefully manage the number of equity incentives we grant and strive to keep the dilutive impact of the equity incentives we offer within a reasonable range, as a result, and subject to the price volatility of our stock, we do not anticipate asking stockholders to approve another share increase until our 2022 annual meeting.
- **Equity incentives align the interests of our executives with those of our stockholders.** Our philosophy is to provide a significant portion of executive compensation in the form of equity awards that are at-risk and performance-based. Equity awards are designed to provide key leaders with a stake in the long-term success of the Company as well as align executive and stockholder interests.
- **Equity incentives allow us to attract and retain talent in a competitive environment.** We believe that alignment of the interests of our stockholders and our employees and directors is best advanced through the issuance of equity incentives as a portion of their total compensation package. In this way, we reinforce the link between our stockholders and our employees' and directors' focus on personal responsibility, creativity and stockholder returns. Equity incentives also play an important role in our recruitment and retention strategies, as the competition for creative and technical talent and leadership in our industry and geographic area is intense.
- **The 2019 EIP provides flexibility.** With the streamlined provisions regarding award terms and conditions, we will be able to continue to adapt the compensation of key individuals to accommodate changes in best practices, law, accounting principles, and strategic objectives if the 2019 EIP is approved.

Key Plan Features

The 2019 EIP provides equity incentives to eligible employees and non-employees to attract, retain and motivate individuals whose present and potential contributions are important to the success of EA and excludes features that could misalign those interests. Accordingly, the 2019 EIP:

- Does not permit liberal share counting in any circumstance;

- Counts awards of shares or the right to receive shares (or their cash equivalent or combination of both) in the future without exercise prices against the share limits of the plan as 1.43 shares of common stock;
- Limits non-employee directors' aggregate equity compensation in a fiscal year;
- Prohibits repricing of stock options and stock appreciation rights without stockholder approval, other than in connection with a capitalization event, adjustment or change in control;
- Does not provide for automatic vesting upon a change in control;
- Does not provide dividend or dividend equivalent payments on unvested shares;
- Does not have evergreen share pool provisions;
- Does not have a replacement stock option or stock appreciation right feature;
- Does not provide tax gross-ups to officers, non-employee directors or other plan participants;
- Does not permit option or SAR exercise prices to be less than 100% of the fair market value on the date of grant; and
- Authorizes the clawback of awards under company clawback policies and/or any recoupment requirements imposed under applicable laws.

For more information regarding the 2019 EIP, please read the summary of its material terms, included in this Proposal 4 and the full text of the 2019 EIP as filed by the Company on June 21, 2019 as Appendix A to the Company's Definitive Proxy Statement.

Eligibility

Awards may be granted to employees, consultants and directors of the Company or any of its subsidiaries ("eligible individuals"). Incentive stock options may be granted only to eligible individuals who are employees of EA or any of our subsidiaries. As of March 31, 2019, there were approximately 9,700 employees, including five incumbent NEOs, and eight non-employee directors, each of whom would be eligible to be granted awards under the 2019 EIP. In principle, any consultant to the Company or any of its subsidiaries would be eligible to participate in the 2019 EIP, subject to certain SEC limitations. However, historically we have not and our current practice is generally not to grant equity awards to consultants.

New Plan Benefits

The amount and timing of awards under the 2019 EIP are determined in the sole discretion of the Compensation Committee, as administrator, or the Board of Directors with respect to awards granted to our CEO, and cannot be determined in advance. Future awards under the 2019 EIP to non-employees, officers and other employees are discretionary, and therefore not determinable at this time.

Registration of Shares

If the 2019 EIP is approved by our stockholders, the Board of Directors intends to cause the shares of common stock that will become available for issuance under the 2019 EIP to be registered on a Form S-8 Registration Statement to be filed with the SEC at the Company's expense prior to the issuance of any such shares.

Required Vote and Board of Directors' Recommendation

The Board of Directors recommends a vote FOR the adoption of our 2019 Equity Incentive Plan.

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.

GENERAL DESCRIPTION OF THE 2019 EQUITY INCENTIVE PLAN
As Proposed to be Approved by the Stockholders on August 8, 2019

History

The 2019 EIP was adopted by our Board of Directors on May 16, 2019. The following general description is qualified in its entirety by reference to the text of the 2019 EIP, as proposed to be approved by our stockholders, as filed by the Company on June 21, 2019 as Appendix A to the Company's Definitive Proxy Statement.

Material Terms of the 2019 EIP

Purpose	The purpose of the 2019 EIP is to provide incentives to attract, retain and motivate eligible individuals whose present and potential contributions are important to the success of the Company and its subsidiaries by offering them an opportunity to participate in the Company's future performance through the grant of equity-based awards.
Duration/Term	Unless earlier terminated in accordance with its terms, the 2019 EIP will continue in effect twenty (20) years from the date of stockholder approval (the "Effective Date").
Governing Law	The 2019 EIP and all award agreements under the plan are governed by the laws of the State of Delaware.
Administration	<p>The 2019 EIP is administered by the Compensation Committee or by the Board of Directors acting as the Compensation Committee. All of the members of the Compensation Committee are "non-employee" and "independent directors" under applicable federal securities laws and NASDAQ listing requirements, and "outside directors" as defined under applicable federal tax laws.</p> <p>The Compensation Committee's authority includes, but is not limited to, the authority to: construe and interpret the 2019 EIP, any award agreement or any other document related to the 2019 EIP; prescribe, amend and rescind rules and regulations related to the 2019 EIP; select eligible individuals to receive awards; determine the terms and conditions of any award; determine the number of shares or other consideration subject to awards; establish, adopt or revise any rules and regulations, including adopting sub-plans, for the 2019 EIP; correct any defect, supply any omission or reconcile any inconsistency in the 2019 EIP, any award or any award agreement; and make all other determinations necessary or advisable for the administration of the 2019 EIP.</p> <p>The Compensation Committee may delegate to a committee of one or more members of the Board of Directors or to one or more officers of the Company the authority to construe and interpret the 2019 EIP, any award agreement and any other agreement or document executed pursuant to the 2019 EIP, and grant an award under the 2019 EIP to eligible individuals other than to employees who are subject to Section 16 of the Exchange Act and to certain other officers of the Company.</p>
Eligibility	Incentive stock options may only be granted to employees of the Company or its subsidiaries. All other awards may be granted to employees, consultants and directors of the Company or any of its subsidiaries ("eligible individuals"). As of March 31, 2019, there were approximately 9,700 employees, including five incumbent NEOs, and eight non-employee directors, each of whom would be eligible to be granted awards under the 2019 EIP. In principle, any consultant to EA or any of its subsidiaries would be eligible to participate in the 2019 EIP, subject to certain SEC limitations. However, our current practice is generally not to grant equity awards to consultants.

Awards	Awards granted under the 2019 EIP may be options, restricted stock, restricted stock units, stock appreciation rights (“SARs”) or other share-based awards. Awards may be granted singly or in combination with other awards.
Shares	Shares of Company common stock issuable under the 2019 EIP may come from authorized but unissued shares, treasury shares, shares purchased on the open market or any combination of the foregoing.
Share Limits	The maximum number of shares available to be granted under the 2019 EIP will be 13,500,000 plus any shares authorized for grants or subject to awards under the 2000 EIP that are not issued or delivered for any reason. To the extent that an award terminates, expires, or lapses for any reason, or is settled in cash, any shares subject to the award will again be available for the grant of an award. The following shares will not be added back into the share pool: (i) shares not issued as a result of the net settlement of an option or SAR; (ii) shares tendered or withheld by the Company in payment of the exercise price of an option or a SAR; (iii) shares tendered or withheld to satisfy any tax or similar withholding obligation with respect to an award; and (iv) shares repurchased by the Company on the open market with the proceeds of the exercise price from an option.
Adjustment	In the event of any increase, decrease or change in the number or characteristic of outstanding shares of the Company effected without receipt of consideration by the Company or by reason of a share split, spin-off, share or extraordinary cash dividend, share combination or reclassification, recapitalization or merger, change in control, or similar event, the Compensation Committee may substitute or adjust proportionately, as the Compensation Committee in its sole discretion deems equitable (a) the aggregate number and kind of shares that may be issued under the 2019 EIP; (b) the number and kind of securities subject to outstanding awards; (c) the terms and conditions of any outstanding awards (including, without limitation, any applicable performance factors or criteria with respect thereto); and (d) the exercise price or purchase price per share for any outstanding awards under the 2019 EIP.
Award Types:	
<i>Options</i>	Options granted under the 2019 EIP may be either incentive stock options, which are tax qualified under the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or nonqualified options, which are not tax-qualified for purposes of the Code. The exercise period of an option is determined by the Compensation Committee but, in no event, may an option be exercisable more than ten years from the date it is granted. The Compensation Committee determines the exercise price of each option granted under the 2019 EIP. The exercise price for each incentive stock option and nonqualified stock option must not be less than 100% of the fair market value of a share at the time the option is granted.
<i>Restricted Stock</i>	A restricted stock award is an award of shares that are subject to time-based or performance-based restrictions established by the Compensation Committee. The purchase price, if any, for a restricted stock award is determined by the Compensation Committee at the time of grant.
<i>Restricted Stock Units</i>	Restricted stock units are unfunded, unsecured rights to receive Company shares upon the satisfaction of time-based or performance-based vesting criteria. Restricted stock units are generally granted for no consideration, however the purchase price, if any for the restricted stock units will be

determined by the Compensation Committee at the time of grant. Each restricted stock unit represents one share of common stock. Participants in the 2019 EIP (“participants”) have no rights to the shares underlying the restricted stock units unless and until the restrictions on the restricted stock units have lapsed and the shares have been released.

<i>SARs</i>	The Compensation Committee determines the terms and conditions of a SAR, including whether the SAR will be settled in shares or cash. A SAR may not be exercisable more than ten years from the date it is granted and the exercise price for a SAR may not be less than 100% of the fair market value of a share at the time the SAR is granted.
<i>Other Share-Based Awards</i>	Other share-based awards consist of awards that involve (or may involve) the issuance of shares, are denominated, payable or valued in, or otherwise relate to shares. The Compensation Committee determines the terms and conditions of other share-based awards consistent with the terms of 2019 EIP, provided any exercise price for any other share-based award may not be less than 100% of the fair market value of a share at the time the award is granted.
<i>Payment for Share Purchases</i>	Where expressly approved by the Compensation Committee and as permitted by law, payment methods for shares underlying an award granted under the 2019 EIP (if applicable to the award type) will be set forth in the award agreement.
No Repricings or Exchange of Options or SARs Without Stockholder Approval	The Compensation Committee may authorize the Company, with the consent of the affected participants, to issue new awards in exchange for the surrender and cancellation of any or all outstanding awards; provided that no such exchange program may, without the approval of the Company’s stockholders, allow for the cancellation of an outstanding option or SAR in exchange for a new option or SAR having a lower exercise price. The Compensation Committee may also, subject to approval by the Company’s stockholders, buy a previously granted award with payment in cash, shares (including restricted stock) or other consideration, based on such terms and conditions as the Compensation Committee and the participant may agree.
Grants to Non-Employee Directors	<p>Non-employee directors are eligible to receive any award granted under the 2019 EIP except for incentive stock options, in the sole discretion of the Board of Directors. The terms and conditions of these awards, including vesting, exercisability and settlement will be determined by the Board of Directors. In the event of the Company’s dissolution or liquidation, or a “change of control” transaction, options granted to the Company’s non-employee directors will become 100% vested and exercisable in full immediately prior to the consummation of the applicable transaction.</p> <p>In addition, the Company’s non-employee directors may elect to receive all or a portion of their cash compensation from the Company in shares. Directors making this election are eligible to receive shares having a value equal to 110% of the amount of the cash compensation foregone.</p> <p>If the 2019 EIP is approved by stockholders, no non-employee director may be granted in any fiscal year of the Company awards with a grant date value of more than \$1,200,000 in total whereby (1) shares-in-lieu of cash compensation may not have a grant date fair value of more than \$600,000; and (2) an annual equity grant award may not have a grant date fair value of more than \$600,000.</p>
Performance-Based Awards	Awards may be performance-based awards with vesting or exercisability conditioned on one or more performance factors may be granted under the 2019 EIP individually or in tandem with other awards. The awards will be subject to a specific performance period that may be as short as a quarter or as long as five (5) years.

Performance Factors	<p>Performance factors are any of the following objective measures below, selected by the Compensation Committee and specified in the award agreement and applied to the Company as a whole or any business unit or subsidiary, either individually, alternatively or in any combination on a GAAP or non-GAAP basis to be measured to the extent applicable on an absolute basis or relative to a pre-established target to determine whether the performance goals established by the Compensation Committee have been satisfied: (a) profit before tax; (b) revenue (on an absolute basis or adjusted for currency effects); (c) net revenue; (d) earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings); (e) operating income; (f) operating margin; (g) operating profit; (h) controllable operating profit, or net operating profit; (i) net profit; (j) gross margin; (k) operating expenses or operating expenses as a percentage of revenue; (l) net income; (m) diluted earnings per share; (n) total stockholder return; (o) market share; (p) return on assets or net assets; (q) the Company's stock price; (r) growth in stockholder value relative to a pre-determined index; (s) return on equity; (t) return on invested capital; (u) cash flow (including free cash flow or operating cash flows); (v) cash conversion cycle; (w) economic value added; (x) individual confidential business objectives; (y) contract awards or backlog; (z) overhead or other expense reduction; (aa) credit rating; (bb) strategic plan development and implementation; (cc) succession plan development and implementation; (dd) improvement in workforce diversity; (ee) customer indicators; (ff) new product invention or innovation; (gg) attainment of research and development milestones; (hh) improvements in productivity; or (ii) attainment of objective operating goals and employee metrics.</p> <p>In addition, the Compensation Committee may, in its sole discretion and in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the performance factors to preserve the Compensation Committee's original intent regarding the performance factors at the time of the initial grant.</p>
Dividend Equivalents	<p>The Compensation Committee may grant a participant dividend equivalent rights based on any dividends, if any, declared during the period between the date the award is granted and the date the award is vests or is settled.</p> <p>The 2019 EIP prohibits the current payment of dividend equivalent rights or dividends on unvested awards, and also prohibits the payment of dividend equivalents rights or dividends on options and SARs generally.</p>
Forfeiture or Clawback of Awards	<p>Subject to applicable laws, an award agreement may provide that the award will be forfeited or canceled if a participant engages in activity that is in conflict with or adverse to the interest of the Company or its subsidiaries (including conduct contributing to financial restatements, material noncompliance in the financial reports requirements or similar financial or accounting irregularities), as determined by the Compensation Committee. The Compensation Committee may provide in an award agreement that if within the time period specified in the award agreement a participant engages in an activity referred to in the preceding sentence, a participant will forfeit any gain realized with respect to the award and must repay such gain to the Company.</p>
Transferability	<p>Awards granted under the 2019 EIP are generally not transferable other than by will or the laws of decent or distribution.</p>
Change in Control	<p>In the event of a merger, consolidation, dissolution or liquidation of the Company, the sale of substantially all of its assets or any other similar corporate</p>

transaction, the successor corporation may assume, replace or substitute equivalent awards in exchange for those granted under the 2019 EIP or provide substantially similar consideration, shares or other property as was provided to our stockholders (after taking into account the provisions of the awards). In the event that the successor corporation does not assume, replace or substitute awards and provided the applicable award agreement does not preclude the following, awards based solely on continued service will accelerate vest or become exercisable in full prior to the consummation of the transaction at the time and upon the conditions as the Compensation Committee determines. Any awards not exercised or vested prior to the consummation of the transaction will terminate. Performance-based awards will be subject to the provisions of the award agreement governing change in control.

**Amendment/
Termination of the
2019 EIP**

The Board of Directors or the Compensation Committee may at any time terminate or amend the 2019 EIP in any respect, including any form of award agreement, provided the Board of Directors may not, without stockholder approval, amend the 2019 EIP in any manner which would require such approval.

Certain U.S. Federal Income Tax Consequences

The following discussion is a brief summary of the principal United States federal income tax consequences of awards granted under the 2019 EIP pursuant to the provisions of the Code as currently in effect. The Code and its regulations are subject to change. This summary is not intended to be exhaustive and does not describe, among other things, state, local or foreign income and other tax consequences. The specific tax consequences to a participant will depend upon that participant's individual circumstances.

Options and Stock Appreciation Rights

Under existing law and regulations, the grant of nonqualified stock options and SARs will not result in income taxable to a participant in the 2019 EIP. However, at the time of the exercise of a nonqualified stock option, the participant will be taxed at ordinary income tax rates on the excess of the fair market value of the shares purchased over the option's exercise price. At the time of the exercise of a SAR, the participant will be taxed at ordinary income tax rates on the amount of the cash, or the fair market value of the shares, received by the employee upon exercise. Upon disposition of the shares received upon exercise of the non-qualified stock option, the participant will recognize long-term or short-term capital gain or loss, depending upon the length of time he or she held such shares.

The grant of an incentive stock option will not result in income taxable to the participant. The participant will not recognize income when the incentive stock option is exercised but the participant must treat the excess of the fair market value of the underlying shares on the date of exercise over the exercise price as an item of adjustment for purposes of the alternative minimum tax. If the participant disposes of the underlying shares after he or she has held the shares for at least two years after the incentive stock option was granted and one year after the incentive stock option was exercised, the amount the participant receives upon the disposition over the exercise price is treated as long-term capital gain for the participant. If the participant makes a "disqualifying disposition" of the underlying shares by disposing of the shares before they have been held for at least two years after the date the incentive stock option was granted and one year after the date the incentive stock option was exercised, the participant will recognize compensation income equal to the excess of (i) the fair market value of the underlying shares on the date the incentive stock option was exercised or, if less, the amount received on the disposition over (ii) the exercise price. The gain (if any) in excess of the amount recognized as ordinary income on a disqualifying disposition will be long-term or short-term capital gain, depending upon the length of time the participant held the shares.

Restricted Stock Awards

A participant in the 2019 EIP who is granted a restricted stock award will not be taxed upon the acquisition of such shares so long as the interest in such shares is subject to a “substantial risk of forfeiture” within the meaning of Section 83 of the Code and provided the participant does not make an election with the Internal Revenue Service pursuant to Section 83(b) of the Code as discussed below. Upon lapse or release of the restrictions, the participant will generally be taxed at ordinary income tax rates on an amount equal to the then current fair market value of the shares. Any such awards that are not subject to a substantial risk of forfeiture will be taxed at the time of grant.

Pursuant to Section 83(b) of the Code, a participant may elect within 30 days of receipt of an award of restricted shares to be taxed at ordinary income tax rates on the fair market value of the shares comprising such award at the time of award (determined without regard to any restrictions which may lapse) less any amount paid for the shares. In that case, a deduction corresponding to the amount of income recognized will be allowable to the Company (subject to Section 162(m) of the Code). In addition, the participant will acquire a tax basis in the shares equal to the ordinary income that the participant recognizes at the time of grant. No tax will be payable upon the lapse or release of the restrictions or at the time the shares first become transferable, and any gain or loss upon subsequent disposition will be a capital gain or loss. In the event of a forfeiture of shares of common stock with respect to which a participant previously made a Section 83(b) election, the participant will not be entitled to a loss deduction.

Restricted Stock Units

A participant in the 2019 EIP who is granted restricted stock units will not be taxed upon the grant of the award. Upon receipt of payment of cash or common stock pursuant to restricted stock units, the participant will realize ordinary income in an amount equal to any cash received and the fair market value of any shares received. The participant’s tax basis in the shares will equal the amount recognized as ordinary income, and on subsequent disposition the participant will realize long-term or short-term capital gain or loss, depending on how long the participant holds the shares before disposing of them.

Dividend Equivalents

A participant in the 2019 EIP who is granted dividend equivalents generally will realize ordinary income at the time the underlying shares relating to the dividend equivalent vest.

Deductibility

The Company is generally entitled to a deduction equal to the compensation realized by the holders of the nonqualified stock options, incentive stock options with a disqualifying disposition, stock appreciation rights, restricted stock, restricted stock units, performance awards/incentive awards and dividend equivalents. However, the Company’s deduction will be limited by Section 162(m) of the Code for certain covered executive officers to the extent that their total compensation in any one year exceeds \$1 million.

Section 409A

Section 409A of the Code imposes certain requirements on nonqualified deferred compensation arrangements. These include requirements on an individual’s election to defer compensation and the individual’s selection of the timing and form of distribution of the deferred compensation. For certain individuals who are officers, Section 409A requires that such individual’s distribution commence no earlier than six months after such officer’s separation from service. Certain awards under the 2019 EIP may be designed to be subject to the requirements of Section 409A in form and in operation. For example, restricted stock units that provide for a settlement date following the vesting date may be subject to Section 409A. If an award under the 2019 EIP is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the

amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with the requirements of Section 409A, Section 409A imposes an additional 20% federal penalty tax on compensation recognized as ordinary income, as well as interest on that compensation.

ERISA

The 2019 EIP is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Code.

PROPOSAL FIVE

AMEND AND RESTATE OUR CERTIFICATE OF INCORPORATION TO PERMIT STOCKHOLDERS HOLDING 25% OR MORE OF OUR COMMON STOCK TO CALL SPECIAL MEETINGS

Our Board of Directors has unanimously approved, and recommends that our stockholders approve, our Amended and Restated Certificate of Incorporation (the "Charter") to enable stockholders who own 25% or more of our common stock and who comply with the other applicable requirements and procedures set forth in our Bylaws from time to time to call a special meeting of the stockholders (the "Company Special Meeting Proposal"). Currently, only the Chairman of the Board may call a special meeting of EA's stockholders. The description in this Proposal 5 should be read in conjunction with the full text of the Charter, which was filed by the Company on June 21, 2019 as Appendix B to the Company's Definitive Proxy Statement and is marked to show the proposed modifications, which also includes separate immaterial changes to remove certain outdated language related to a historical recapitalization of the Company's equity and to update the name of the Company's registered agent.

If Proposal 5 is approved by our stockholders, we will promptly file the Charter with the Secretary of State of the State of Delaware. The Board of Directors will also adopt amendments to the Bylaws to implement the special meeting right, which are expected to include, among other things, the procedural and informational requirements described below.

Reasons for the Company Special Meeting Proposal

While our Board of Directors recognizes that providing stockholders the ability to request special meetings is viewed by some stockholders as an important corporate governance practice, special meetings should only be called to discuss critical, time-sensitive issues that cannot be delayed until EA's next annual meeting. Further, special meetings impose significant costs, both administrative and operational. Our Board of Directors and executive management must devote significant time and attention to preparing for a special meeting, taking their attention away from their primary focus of overseeing and operating EA's business in the best interest of its stockholders and creating long-term stockholder value.

Because of these reasons, the Board of Directors believes that a small percentage of stockholders should not be able to call a special meeting for their own narrow interests. The Board of Directors believes that a 25% ownership threshold, with appropriate procedural requirements and limitations, sets an appropriate level that ensures a stockholder right in the event of a critical, time-sensitive issue, while still adequately protecting the long-term interests of the Company and its stockholders. In addition, a 25% special meeting threshold is in-line, and in several cases a lower threshold, than current practice at the Company's peer group described on page 24. As of March 2019, a majority of S&P 500 companies that have adopted a stockholder special meeting right require a threshold of 25% or greater.

Overview of Related Changes to the Bylaws

If the Company Special Meeting Proposal is approved by our stockholders, our Board of Directors will adopt amendments to the Bylaws to implement the special meeting right, which are expected to include, among other things, provisions setting forth the procedural and informational requirements described below. Our Board of Directors believes that these requirements are important to protect the long-term interests of the Company and its stockholders by deterring abuse of the right to call a special meeting. Among other things, these procedural and informational requirements ensure that the Company avoids duplicative and unnecessary special meetings addressing matters recently considered by stockholders or that stockholders will soon consider at an upcoming stockholder meeting. In addition, they provide certain protections so that the special meeting right is not abused by short-term stockholders; certain protections with respect to stockholders that may benefit financially from a decline in the market price of the Company's stock; and provide the Company with adequate

information regarding the identity of the requesting stockholders and the matters proposed to be addressed at the special meeting. These requirements are expected to include:

- Any special meeting request must set forth information regarding the business proposed to be conducted at the special meeting and information regarding the requesting stockholder(s) that is similar to the information currently required by our Bylaws in order for a stockholder to nominate directors or propose business at our annual meetings.
- The requesting stockholders must satisfy the Board of Directors (who must act in good faith) that they own 25% or more of EA's common stock. Ownership of EA's common stock will be determined in the same manner as currently required by our Bylaws with respect to nominating directors via our proxy access right, which is based on a "net long" ownership definition (generally requiring full voting and investment rights and full economic interest with respect to the shares).
- EA's Board of Directors will not be required to hold a special meeting if:
 - The business requested to be conducted at the special meeting is not a proper subject for stockholder action under applicable law or that involves a violation of applicable law;
 - A substantially similar item of business was covered at a stockholder meeting called by the Board of Directors that was held within 90 days prior the special meeting request;
 - Notice for the requested special meeting is received within 90 days prior to the anniversary of EA's last annual meeting of stockholders;
 - Two or more stockholder-requested special meetings have been held within the 12-month period preceding the special meeting request; or
 - In certain cases, the requesting stockholders revoke their request or their stock ownership falls below the 25% threshold.
- The business conducted at any special meeting requested by stockholders will be limited to the purposes stated in the request for the special meeting, but the Board of Directors may include additional matters for consideration.

Required Vote and Impact of Vote

To pass, the Company Special Meeting Proposal requires the affirmative vote of a majority of the outstanding stock entitled to vote thereon. If the Company's stockholders approve the Company Special Meeting Proposal, we will promptly file with the Secretary of State of the State of Delaware the Charter attached as Appendix B to the Company's Definitive Proxy Statement filed on June 21, 2019, and we will adopt amendments to the Bylaws to implement the special meeting right. If the Company's stockholders do not approve the Company Special Meeting Proposal, stockholders may not have the ability to require the Company to call a special meeting.

As described below in Proposal 6, the Company was notified that a stockholder intends to present a proposal for consideration at the Annual Meeting that also addresses stockholders' ability to call special meetings. Although the Company Special Meeting Proposal and the stockholder proposal concern the same subject matter, the terms and effects of each proposal differ, including the fact that the stockholder proposal is not binding (it requests that the Board of Directors consider the matter, but does not amend either the Charter or the Bylaws).

The Board of Directors recommends a vote FOR the amendment and restatement of our Charter to permit stockholders holding 25% or more of our common stock to call special meetings.

PROPOSAL SIX

STOCKHOLDER PROPOSAL TO ALLOW STOCKHOLDERS HOLDING 15% OR MORE OF OUR COMMON STOCK TO CALL SPECIAL MEETINGS

The Company has been advised that James McRitchie and Myra Young, 9295 Yorkship Court, Elk Grove, CA 95758, who have indicated that they are beneficial owners of at least \$2,000 in market value of EA's common stock, intend to submit the following proposal at the Annual Meeting.

Proposal 6 — Special Shareholder Meetings

RESOLVED: The shareholders of Electronic Arts Inc. ("Electronic Arts" or "Company") hereby request the Board of Directors take the steps necessary to amend our bylaws and each appropriate governing document to give holders with an aggregate of 15% net long of our outstanding common stock the power to call a special shareowner meeting. This proposal does not impact our Board's current power to call a special meeting.

SUPPORTING STATEMENT: Electronic Arts does not allow shareholders to call a special meeting, whereas Delaware law allows those holding 10% of company shares to call a special meeting. A meaningful shareholder right to call a special meeting is a way to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. This is important because there could be 15-months between annual meetings.

Currently, 64% of S&P 500 companies have adopted company bylaws, articles of incorporation, or charter provisions to allow shareholders to call a special meeting. More than half of all S&P 1500 companies allow shareholders this right.

In 2018, the topic of providing shareholders a right to call a special meeting or to reduce the threshold to call such meetings won 50%+ at Netflix, Lincoln National, Omnicom Group, Cummins, and Sprint Aerosystems Holdings, as well as 94% at Nuance Communications.

Large funds such as Vanguard, TIAA-CREF, BlackRock and SSgA Funds Management, Inc. (State Street) support the right of shareholders to call special meetings. For example, our Company's largest shareholder, BlackRock, includes the following in its proxy voting guidelines: "[S]hareholders should have the right to call a special meeting..."

We urge the Board to join the mainstream of major U.S. companies and establish a right for shareholders owning 15% of our outstanding common sock to call a special meeting.

Please vote for Special Shareowner Meetings — Proposal 6.

The Company's Statement in Opposition to Proposal Six

Our Board of Directors recommends a vote "**AGAINST**" this proposal because it is not in the best interests of the Company or its stockholders, particularly in light of the Company Special Meeting Proposal (Proposal 5) which, if passed, will enable stockholders owning 25% or more of our common stock to call a special meeting of the stockholders.

The Stockholder Proposal is Unnecessary.

The Board of Directors believes that the stockholder proposal is unnecessary in light of Proposal 5, the Company's proposal to enable stockholders owning 25% or more of our common stock to call a special meeting of the stockholders.

The Board of Directors believes that the stockholder proposal, which would allow stockholders who hold 15% or more of EA's outstanding common stock to call a special meeting, does not strike the appropriate balance between enhancing stockholder rights and protecting the long-term interests of the Company and its stockholders.

The Board of Directors recognizes that providing stockholders the ability to request special meetings is viewed by some stockholders as an important corporate governance practice. The Board of Directors

also believes that special meetings should only be called to discuss critical, time-sensitive issues that cannot be delayed until EA's next annual meeting. In addition, convening a special meeting of stockholders imposes significant costs, both administrative and operational. The Board of Directors and executive management must devote significant time and attention to preparing for a special meeting, taking their attention away from their primary focus of operating EA's business in the best interest of its stockholders and creating long-term stockholder value.

For these reasons, the Board of Directors believes that the 25% threshold in Proposal 5 sets an appropriate level that ensures a stockholder right in the event of a critical, time-sensitive issue, while still adequately protecting the long-term interests of the Company and its stockholders. The 25% threshold is therefore more appropriate than the 15% threshold in this stockholder proposal. Further, a 25% special meeting threshold is in-line, and in several cases a lower threshold, than current practice at the Company's peer group described on page 24. As of March 2019, a majority of S&P 500 companies that have adopted a stockholder special meeting right require a threshold of 25% or greater.

Special Meeting Rights Could be Abused by Special-Interest Stockholder Groups

The Board of Directors believes that a small minority of stockholders should not be entitled to use the mechanism of a special meeting to advance their own special interests. Proposal 5, with a 25% threshold, strikes an appropriate balance between ensuring that stockholders have the right to request a special meeting on critical matters, while at the same time protecting against the misuse of the special meeting right by a group of very few stockholders. A failure to receive 25% support to convene a special meeting is a strong indicator that the issue brought forth is unduly narrow and not deemed a critical issue by EA's stockholders generally. A 15% threshold would allow just 3 of our largest stockholders to call a special meeting of the stockholders.

EA's strong corporate governance practices ensure that the Board of Directors remains accountable and responsive to stockholders.

The Board of Directors recognizes that it is accountable to EA's stockholders, and believes that EA's governance practices demonstrate and promote accountability and advance long-term value creation. EA's key substantive stockholder rights and strong corporate governance practices include:

- **Active Stockholder Engagement Program:** We engage with our stockholders to solicit their feedback regarding issues including executive compensation and corporate governance and have taken actions to implement stockholder feedback when warranted.
- **Robust Lead Director Structure:** Our Lead Director, who is selected by the independent directors, has clearly enumerated powers and authorities, such as chairing executive sessions of the Board of Directors and other meetings of the Board of Directors in the absence of the Chairman and the ability to call meetings of the independent directors.
- **Majority-Independent Board of Directors:** 8 of our 9 directors are independent under SEC and NASDAQ rules and have deep expertise in gaming, technology, finance, media, sports, investments, and stockholder value creation.
- **Strong Director Succession and Refreshment Practices:** Our Board of Directors is not stale. One-third of our Board of Directors is comprised of directors, who have joined within the last six years.
- **Diverse Board.** Our Board of Directors reflects diversity in experience, skills, race, ethnicity, age and gender. 44% of our Board identifies as female or a person of color.
- **Annual Elections of Board:** All of our directors are elected annually by our stockholders.
- **Majority Voting:** We have a majority voting standard for the election of directors in uncontested elections and equal voting rights for all stockholders.

- **Proxy Access:** Our proxy access right allows stockholders holding 3% or more of our common stock for 3 or more years to include director nominations in our proxy statement.
- **No Supermajority Provisions:** Our governance documents do not contain provisions requiring a supermajority stockholder vote on any issue.
- **No Stockholder Rights Plan:** We do not maintain a stockholder rights plan.

The Board of Directors recommends a vote AGAINST the stockholder proposal to enable stockholders who hold 15% or more of the Company's common stock to call special meetings.

Required Vote

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.

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 8, 2019 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 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 14, 2019 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 296,358,824 shares of common stock outstanding on the record date, June 14, 2019.

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 148,179,413 shares, as of June 14, 2019 is present or represented by proxies at the Annual Meeting. On June 14, 2019, a total of 296,358,824 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 7, 2019.

If a quorum is not present, we may propose to adjourn the Annual Meeting to solicit additional proxies and reconvene the Annual Meeting at a later date.

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);
- Ratify the appointment of KPMG LLP as the Company's independent public registered accounting firm for the fiscal year ending March 31, 2020 (Proposal 3);
- Approve our 2019 Equity Incentive Plan (Proposal 4);
- Amend and restate our Certificate of Incorporation to permit stockholders holding 25% or more of our common stock to call special meetings (Proposal 5); and
- Consider and vote upon a stockholder proposal, if properly presented at the Annual Meeting, to enable stockholders holding 15% or more of our common stock to call special meetings (Proposal 6).

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 7, 2019. 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 in the manner recommended by the Board of Directors and 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 7, 2019 (your latest vote is counted); or
- Voting in person at the Annual Meeting.
- If your shares are held by a broker, bank or other nominee or trustee, you may contact the record holder of your shares directly.

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 re-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 Proposals 1, 2, 3, 4 or 6. Under the Delaware General Corporation Law (“DGCL”), Proposal 5 requires that a majority of our outstanding common stock vote “for” Proposal 5 in order for it to be approved. Thus, a share voted “abstain” with respect to Proposal 5 has the same impact as a share voted “against” Proposal 5. If you sign and return your proxy without voting instructions, your shares will be voted as recommended by the Board of Directors and according to the best judgment of Mr. Wilson, Mr. Jorgensen and Mr. Schatz, or any one of them.

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, 2, 4, 5 and 6 are “non-routine”. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are considered present at the Annual Meeting for purposes of establishing a quorum and entitled to vote with respect to that proposal but are not considered votes cast on that proposal. Broker non-votes will have the same impact as a vote “against” on Proposal 5. Broker non-votes will not affect the outcome of Proposals 1, 2, 4 and 6. Proposal 3, the ratification of KPMG LLP as our independent auditor for fiscal 2020, 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 re-election in order to be 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 re-election at the Annual Meeting, the 2019 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 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 re-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), the ratification of KPMG LLP (Proposal 3), approval of our 2019 Equity Incentive Plan (Proposal 4), and the stockholder proposal to enable stockholders holding 15% or more of our common stock to call special meetings (Proposal 6) 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. Under the DGCL, the proposal to amend and restate our Certificate of Incorporation to permit stockholders holding 25% or more of our common stock to call special meetings (Proposal 5) must receive a “for” vote from a majority of our outstanding common stock. As advisory votes, the results of voting on Proposals 2 and 6 are non-binding. Although these votes are non-binding, the Board of Directors, Compensation Committee and Nominating and Governance Committee, as the case may be, value the opinions of our stockholders and will consider the outcome of these votes, along with other relevant factors, in evaluating the compensation program for our named executive officers and evaluating the matter presented by the stockholder proposal.

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 Proposals 2, 3, 4 or 6. Abstentions and broker non-votes will have the same impact as a vote “against” Proposal 5.

17. What is the deadline to propose matters for consideration at the 2020 Annual Meeting of stockholders?

Proposals to be considered for inclusion in our proxy materials: No later than February 22, 2020. All proposals must comply with Rule 14a-8 under the Exchange Act.

Other proposals to be brought at our 2020 Annual Meeting: No earlier than April 10, 2020 and no later than May 10, 2020. 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 2020 Annual Meeting of stockholders?

Director nominations for inclusion in our proxy materials (proxy access nominees): No earlier than March 11, 2020 and no later than April 10, 2020. 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 10, 2020 and no later than May 10, 2020. 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 2020 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. 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://ir.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. You can also get a copy on the Internet at <http://ir.ea.com> or through the SEC's electronic data system called EDGAR at 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 2019 contained 52 weeks and ended on March 30, 2019. 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 2020," "fiscal 2019," "fiscal 2018," and "fiscal 2017," refer to our fiscal years ending or ended (as the case may be) on March 31, 2020, 2019, 2018 and 2017 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.

2019 Annual Report on Form 10-K

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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, 2019

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	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	EA	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, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

The aggregate market value of the registrant's common stock, \$0.01 par value, held by non-affiliates of the registrant as of September 28, 2018, the last business day of our second fiscal quarter, was \$35,963 million.

As of May 20, 2019, there were 297,261,219 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 2019 Annual Meeting of Stockholders (the "2019 Proxy") are incorporated by reference into Part III hereof. The 2019 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 2019 Proxy is not deemed to be filed as part hereof.

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**ELECTRONIC ARTS INC.
2019 FORM 10-K ANNUAL REPORT**

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CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements. We use words such as “anticipate,” “believe,” “expect,” “intend,” “estimate,” “plan,” “predict,” “seek,” “goal,” “will,” “may,” “likely,” “should,” “could” (and the negative of any of these terms), “future” and similar expressions to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, trends in our business, projections of markets relevant to our business, uncertain events and assumptions and other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements consist of, among other things, statements related to industry prospects, our future financial performance, and our business plans and objectives, and may include certain assumptions that underlie the forward-looking statements. These forward-looking statements are not guarantees of future performance and reflect management’s current expectations. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that might cause or contribute to such differences include those discussed in Part I, Item 1A of this Annual Report under the heading “Risk Factors” beginning on page 9. We assume no obligation to revise or update any forward-looking statement for any reason, except as required by law.

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 and watched 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. In fiscal year 2019, we continued to innovate for players by including frontline titles in our Origin Access Premier subscription service, publishing our first free-to-play console game, *Apex Legends*, and investing in more ways to reach our players, such as cloud gaming and esports.

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 also have invested, and will continue to invest, in developing and establishing new brands, and in fiscal year 2019 launched two new intellectual properties — *Anthem* and *Apex Legends*. We will continue to 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 in-game purchases, extra content, subscriptions, and esports. For example, the *Ultimate Team* mode associated with our sports franchises and live services provided for our Battlefield, Star Wars 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 traditional gaming, such as FIFA, Madden NFL, Star Wars, The Sims, and SimCity, to create free-to-play games that are monetized through live services provided with the game. We also offer subscription services, such as EA Access, Origin Access and Origin Access Premier, as we look to build deeper relationships with our players and offer increased choice and flexibility for our players to try new games.

The portion of our revenue attributable to our digital business has significantly increased from 59 percent in fiscal year 2017 to 67 percent in fiscal year 2018 and 75 percent during fiscal year 2019. We believe that our digital revenue, which generally has a higher gross margin than our packaged goods revenue, will continue to increase during fiscal year 2020 relative to packaged goods revenue 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 market and deliver engaging games and services to more players across more platforms. Our “One EA” model provides strategic advantages. For example, we have moved much of our PC and console development to one game engine. This creates operational flexibility as our development teams code on a consistent engine and will allow us to transition our products and services to new platforms quickly and cost-effectively. In addition, we’ve brought together our marketing, publishing and analytics functions as a single go-to-market unit and simplified their processes and decision-making in order to improve effectiveness and build flexibility into our marketing strategies.

We also are strengthening the technology that 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 continue to invest in technological infrastructure that enables us to deliver content that will resonate with players, and provide more choice in the way that players connect with their games, with each other, and with new types of content, including esports broadcasts. This connection also allows us to market and deliver content and services for popular franchises like FIFA, Battlefield and Star Wars to our players more efficiently.

Our Games and Services

We develop, market, publish and deliver games and services that can be played and watched 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 maximizes the opportunity for players to access and enjoy our games and services and increases 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 29 percent and 16 percent of total net revenue, respectively, in fiscal year 2019; approximately 27 percent and 16 percent of total net revenue, respectively, in fiscal year 2018; and approximately 19 percent and 17 percent of total net revenue, respectively, in fiscal year 2017. 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, Origin Access and Origin Access Premier 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, The Sims, Apex Legends, Anthem, Need for Speed 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, and offer our games and services through diverse business models and distribution channels, such as retail download, subscription and free-to-play. We believe that the breadth and depth of our portfolio and our flexibility in business models and distribution channels provide us with strategic advantages. These advantages include the opportunity to engage an increasing number of players across more platforms and geographies and a recurring source of revenue from, among other things, our annualized sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), the associated live services and our subscriptions business.

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 19*, *FIFA 18*, and *FIFA 17* represented approximately 14 percent of our total net revenue in fiscal year 2019 and approximately 11 percent of our total net revenue in each of fiscal year 2018 and 2017.

Within and alongside our games, we offer live services, including in-game purchases, downloadable content, and esports, that provide additional depth and engagement opportunities for our players. Our live services net revenue comprised 45 percent of our total net revenue during fiscal year 2019 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 current and former professional players in order to build, and compete as, a personalized team. Net revenue from *Ultimate Team* represented approximately 28 percent, 21 percent and 16 percent of our total net revenue during fiscal year 2019, 2018 and 2017, 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. For example, we focus on esports through our Competitive Gaming Division. We believe that the interest and enthusiasm that surrounds esports will drive engagement and monetization in our live services in addition to providing revenue through partnerships with sponsors and broadcasters. In addition, we are pursuing technology underlying cloud gaming and subscriptions, which we see as future growth opportunities.

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, platforms, business models and distribution channels 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, NetEase, Tencent, Sony, Microsoft and Nintendo, 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, creativity, 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. We also devote financial and operational resources to implement systems, processes and technologies to guard against cyber events and to help protect our intellectual property, employee and consumer data and information technology systems against intrusions or other security breaches. 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 a global company subject to various and complex laws and regulations domestically and internationally, including laws and regulations related to user privacy, data collection and retention, consumer protection,

content, advertising, localization, information security, intellectual property, competition and taxation, among others. Many of these laws and regulations are continuously evolving and developing, and the application to, and impact on, us is uncertain. Certain of our business models in particular are subject to new laws or regulations or evolving interpretations and application of existing laws and regulations. For example, the growth and development of electronic commerce, virtual items and virtual currency have prompted calls for new laws and regulations, or the application of existing laws or regulations, to these business models.

Seasonality

We have historically experienced the highest percentage of our net bookings 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 2020, there is no assurance that it will. In addition, we defer the recognition of a portion of our net revenue over an extended period of time. As a result, the quarter in which we generate the highest net bookings may be different from the quarter in which we recognized the highest amount of net revenue.

Employees

As of March 31, 2019, we had approximately 9,700 regular, full-time employees, over 6,000 of whom were outside the United States. We believe that our ability to attract, train, motivate 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 attracting, training, motivating and retaining qualified employees. Approximately 8 percent of our employees, all of whom work for our DICE development studio in Sweden, are represented by a union.

Investor Information

Our website address is www.ea.com. 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”). We announce material financial information and business updates through our SEC filings, press releases, public conference calls and webcasts, the Investor Relations section of our website at <http://ir.ea.com>, our blog at <https://www.ea.com/news> and through our Twitter account @EA. Except as expressly set forth in this Form 10-K annual report, the contents of our website and/or social media accounts 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 Our Executive Officers

The following table sets forth information regarding our executive officers as of May 23, 2019:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Andrew Wilson	44	Chief Executive Officer
Blake Jorgensen	59	Chief Operating Officer and Chief Financial Officer
Laura Miele	49	Chief Studios Officer
Kenneth Moss	53	Chief Technology Officer
Christopher Bruzzo	49	Chief Marketing Officer
Joel Linzner	67	Executive Vice President, Worldwide Business Affairs
Mala Singh	48	Chief People Officer
Matthew Bilbey	43	Executive Vice President of Strategic Growth
Kenneth A. Barker	52	Senior Vice President, Chief Accounting Officer
Jacob J. Schatz	50	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 as EA’s Chief Operating Officer since 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.

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.

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 and Senior Vice President, Group General Manager from November 2013 to January 2017.

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 as well as at Deloitte & Touche as an audit partner. 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 and services with the potential to become hits. High-quality titles, even if highly-reviewed, may not turn into a hit. Many hit products and services within our industry are iterations of prior hits with large established consumer bases and significant brand recognition, which makes competing in certain categories challenging. In addition, hit products or services of our direct competitors or other entertainment companies may take a larger portion of consumer spending or time than we anticipate, which could cause our products and services to underperform relative to our expectations. 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 products 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 product or service quality, competing products that take a portion of consumer spending and time, the delay or cancellation of a product or service launch, or real or perceived security risks could negatively impact our financial results to a disproportionate extent.

The increased importance of live services 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.

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

Rapid changes in our industry require us to anticipate, sometimes years in advance, the ways in which our products and services will be competitive in the market. We have invested, and in the future may invest, in new business strategies, technologies, distribution methods, products, and services. There can be no assurance that

these investments will achieve expected returns. For example, we are investing in the technological infrastructure that we expect will enable us to deliver content that will resonate with players and provide more choice in the way that players connect with their games, with each other, and with new types of content. We also recently expanded our free-to-play business model by launching our first free-to-play console game. Such endeavors may involve significant risks and uncertainties, and no assurance can be given that the technology we choose to implement, the business strategies we choose to adopt and the products and services that we pursue will be successful. If we do not successfully evolve our business in a manner that meets or exceeds player expectations, 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 distribution methods or develop products, services or new ways to engage with our games that become popular with consumers, which could adversely affect our financial results. It may take significant time and resources to shift our focus to alternatives, 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, feature and ongoing goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly and in a way that better engages consumers. In either case, our products and services may be technologically inferior to those of our competitors, less appealing to consumers, or both. If we cannot achieve our goals within the original development schedule for our products and services, then we may delay their release until these goals can be achieved, which may delay or reduce revenue and increase our development expenses. Alternatively, we may increase the resources employed in research and development in an attempt to accelerate our development of new technologies, either to preserve our product or service launch schedule or to keep up with our competition, which would increase our development expenses.

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. 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 cause us to incur 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 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.

As a global company, we are subject to global data privacy, data protection, localization, security and consumer-protection laws and regulations. These laws and regulations are emerging and evolving in countries worldwide and the interpretation and application of these laws and regulations in the United States, Europe and elsewhere often are uncertain, contradictory and changing. For example, the European General Data Protection Regulation (GDPR) applies to us, creating a range of new compliance obligations regarding the treatment of personal data. In addition, 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 internal and external technological infrastructure required to reliably deliver these games and services is expensive and complex. The reliable delivery and stability of our products and services 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, support or host 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 or the systems of our external business partners. In addition, the migration of data among data centers and to third-party hosted environments and the performance of upgrades and maintenance on our systems could impact the reliability and stability of our products and services if not managed properly.

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

As our digital business grows, we will require an increasing amount of internal and external technical infrastructure, including network capacity and computing power to continue to satisfy the needs of consumers. We are investing, and expect to continue to invest, in our own technology, hardware and software and the technology, hardware and software of external service providers to support our business, but it is possible that we may fail to scale effectively and grow this 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 “picks”, “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 and distribution methods 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 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 a global company subject to various and complex laws and regulations domestically and internationally, including laws and regulations related to consumer protection, content, advertising, localization, information security, intellectual property, competition and taxation, among others. Many of these laws and regulations are continuously evolving and developing, and the application to, and impact on, us is uncertain. 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 are subject to new laws or regulations or evolving interpretations and application of existing laws and regulations. For example, the growth and development of electronic commerce, virtual items and virtual currency have prompted calls for new laws and regulations, or the application of existing laws or 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 or application of current laws that impact these business models — each of which could vary significantly across jurisdictions — could subject us to additional regulation and oversight, 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 consumers. In addition, compliance with new and possibly inconsistent regulations for different territories could be costly, delay or prevent the release of our products in those territories.

We may not meet our product development schedules or key events, sports seasons and/or movies that are tied to our product and service 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 and significant content for our ongoing

live services — such as within our *Ultimate Team* live service — 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 2020, 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 and streaming services, event sponsorship, partnerships with influencers and content creators and direct communications with consumers including via email. Furthermore, an increasing portion of our marketing activity is taking place on social media platforms and through streaming networks, influencers and content creators that are outside of our direct control. Our ability to sell our products and services is dependent in part upon the success of these programs, and changes to consumer preferences, actions by influencers or content creators, marketing regulations, technology changes or service disruptions may negatively impact our ability to reach our customers or otherwise negatively impact our marketing campaigns or the franchises associated with those marketing campaigns. Moreover, if the marketing for our products and services is not innovative, agile or 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, train, motivate 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, particularly in the geographic locations in which many of our key personnel are located. In addition, our leading position within the interactive entertainment industry makes us a prime target for recruiting our executives, as well as key creative and technical talent. We may experience significant compensation costs to hire and retain senior executives and other personnel that we deem critical to our success. If we cannot successfully recruit, train, motivate and retain qualified employees, 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 sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), the associated live services and our subscriptions business. 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 sports games

also depends, in part, on the popularity, reputation and brand of the leagues, organizations and individual athletes with whom we partner. Events and circumstances outside of our control that have a negative impact on the popularity, reputation and brand of these partners could also negatively impact sales related to our annualized sports games. Any decline or fluctuation in the recurring portion of our business may have a negative impact on our financial and operating results.

We could fail to successfully adopt new business models.

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

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

We have made and may continue to make acquisitions or enter into other strategic transactions including (1) acquisitions of companies, businesses, intellectual properties, and other assets, (2) minority investments in strategic partners, and (3) investments in new interactive entertainment businesses as part of our long-term business strategy. These transactions involve significant challenges and risks including that the transaction does not advance our business strategy, that we do not realize a satisfactory return on our investment, that we acquire liabilities, that our due diligence process does not identify significant issues, liabilities or other challenges, diversion of management's attention from our other businesses, the incurrence of debt, contingent liabilities or amortization expenses, write-offs of goodwill, intangibles, or acquired in-process technology, or other increased cash and non-cash expenses. In addition, we may not integrate these businesses successfully or achieve expected synergies. For example, we may experience difficulties with the integration of business systems and technologies, the integration and retention of new employees, the implementation 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, teams and players' associations and our Star Wars products include rights licensed from Disney. Competition for these licenses and rights is intense. If we are unable to maintain these licenses and rights or obtain additional licenses or rights with significant commercial value, our ability to develop successful and engaging products and services may be adversely affected and our revenue, profitability and cash flows may decline significantly. Competition for these

licenses also may increase the amounts that we must pay to licensors and developers, through higher minimum guarantees or royalty rates, which could significantly increase our costs and reduce our profitability.

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

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

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

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

Our business is subject to economic and market conditions, particularly risks generally associated with the entertainment industry.

Our business is subject to economic and market conditions, which are beyond our control. The United States and other international economies have experienced cyclical downturns from time to time. Worsening economic conditions that negatively impact discretionary consumer spending, including inflation, slower growth, recession and other macroeconomic conditions, including those resulting from geopolitical issues and uncertainty, could have a material adverse impact on our business and operating results. For example, the government of the United Kingdom has initiated a process to leave the European Union ("Brexit") and may do so without an agreement governing the terms and conditions of their exit. Brexit has caused economic and legal uncertainty in the region and may result in macroeconomic conditions that adversely affect our business. In addition, evolving immigration rules and trade regimes could negatively impact our business. We have taken precautionary measures with respect to these matters, in relation to Brexit and otherwise, but given the significant uncertainty our precautions may not be adequate.

We are particularly susceptible to market conditions and risks associated with the entertainment industry, which, in addition to general macroeconomic downturns, also include the popularity, price and timing of our games,

changes in consumer demographics, the availability and popularity of other forms of entertainment, and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

Our 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, reputation, 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 that harm our ability to conduct normal business operations. 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, interruption in our ability to conduct critical business functions, breaches of data security or the loss of critical data. 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, 2019, international net revenue comprised 61 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, exposure to additional tax liabilities, changes to tax laws and interpretations of tax laws could adversely affect our earnings and financial condition.

We are subject to taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax provision, tax assets, and accruals for other taxes, and there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective income tax rate is based in part on our corporate operating structure and the manner in which we operate our business and develop, value and use our intellectual property. Taxing authorities in jurisdictions in which we operate 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 the valuation of our deferred tax assets and liabilities, or changes in applicable tax laws or interpretations of existing tax laws, as well as other factors. For example, the outcome of *Altera Corp. v. Commissioner*, currently pending before the Ninth Circuit Court of Appeals, as well as future regulations and guidance related to the U.S. Tax Act, could cause us to change our analysis and materially impact our previous estimates and consolidated financial statements. Further changes to U.S. federal, state or international tax laws applicable to corporate multinationals, particularly in Switzerland, where our international publishing business is headquartered, and changes in such jurisdictions' interpretations, decisions, policies or positions with respect to existing tax laws 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 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. Several foreign jurisdictions have introduced new digital services taxes on revenue of companies that provide certain digital services. There is limited guidance about the applicability to these new taxes to our business and significant uncertainty as to of the digital services that will be deemed in scope. If these new taxes are applied to the Company's revenue in these foreign jurisdictions, it could have an adverse impact on our business and financial performance. Furthermore, we are regularly subject to audit by tax authorities with respect to both income and such other non-income taxes. Unfavorable audit results or tax rulings, or other changes resulting in significant additional tax liabilities, could have material adverse effects upon our earnings, cash flows, and financial condition.

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

Our reported financial results are impacted by the accounting standards promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. These methods, estimates, and judgments are subject to risks, uncertainties, assumptions and changes that could adversely affect our reported financial position and financial results. In addition, changes to applicable financial accounting standards could impact our reported financial position and financial results. For more information on recently adopted accounting standards and recently issued accounting standards applicable to us, see Part II, Item 8 of this Form 10-K in the Notes to the Consolidated Financial Statements in *Note 1 — Description of Business and Basis of Presentation* under the subheadings “*Recently Adopted Accounting Standards*” and “*Other Recently Issued Accounting Standards*”.

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

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

The market price of our common stock historically has been, and we expect will continue to be, subject to significant fluctuations. These fluctuations may be due to our operating results or factors specific to our operating results (including those discussed in the risk factors above, as well as others not currently known to us or that we

currently do not believe are material), changes in securities analysts' estimates of our future financial performance, ratings or recommendations, our results or future financial guidance falling below our expectations and analysts' and investors' expectations, factors affecting the entertainment, computer, software, Internet, media or electronics industries, the announcement and integration of any acquisitions we may make, departure of key personnel, cyberattacks, national or international economic conditions, investor sentiment or other factors related or unrelated to our operating performance. In particular, economic downturns may contribute to the public stock markets experiencing extreme price and trading volume volatility. These broad market fluctuations could adversely affect the market price of our common stock.

Item 1B: *Unresolved Staff Comments*

None.

Item 2: *Properties*

Not applicable.

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. The parties reached a settlement in this matter in March 2019 that was not material to the Company's financial results and on May 7, 2019, the United States District Court for the Northern District of California dismissed the case.

Governmental authorities in Belgium have sought to limit or discontinue the use of in-game mechanics involving a randomized selection of virtual items. On August 10, 2018, we were notified that the Belgian Gambling Commission made a referral to the Belgian Public Prosecutor's Office regarding the use such mechanics in the *FIFA Ultimate Team* service included in *FIFA 18*. On February 1, 2019, we discontinued the sale of FIFA Points in Belgium after discussions with Belgian authorities. We do not expect Belgian authorities to pursue the matter further. The Company does not believe that its products and services violate applicable gambling laws and continues to engage with appropriate governmental authorities in Belgium.

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*

Holders

There were approximately 849 holders of record of our common stock as of May 20, 2019. In addition, a significant number of beneficial owners of our common stock hold their shares in street name. Our common stock is traded on the NASDAQ Global Select Market under the symbol “EA”.

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 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. We repurchased approximately 0.6 million and 5.0 million shares for approximately \$76 million and \$570 million under this program, respectively, during the fiscal years ended March 31, 2019 and 2018. 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 repurchased approximately 10.4 million shares for approximately \$1,116 million under this program during the fiscal year ended March 31, 2019. We are actively repurchasing shares under this program.

The following table summarizes the number of shares repurchased in the fourth quarter of the fiscal year ended March 31, 2019:

<u>Fiscal Month</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as part of Publicly Announced Programs</u>	<u>Maximum Dollar Value that May Still Be Purchased Under the Programs (in millions)</u>
December 30, 2018 — January 26, 2019	1,015,281	\$85.91	1,015,281	\$1,498
January 27, 2019 — February 23, 2019	983,646	\$93.59	983,646	\$1,406
February 24, 2019 — March 30, 2019	<u>1,230,755</u>	\$98.42	<u>1,230,755</u>	\$1,285
	<u>3,229,682</u>	\$93.02	<u>3,229,682</u>	

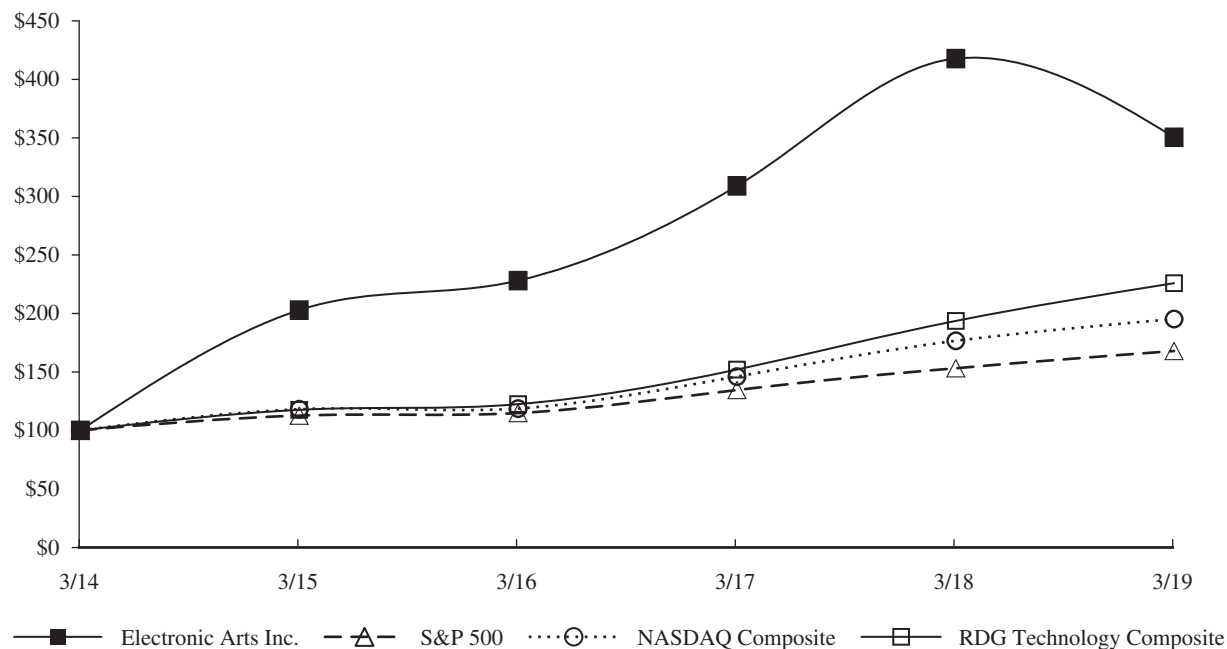
Stock Performance Graph

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, 2014 through March 31, 2019, 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, 2014 in stock or index, including reinvestment of dividends.

	March 31,					
	2014	2015	2016	2017	2018	2019
Electronic Arts Inc.	\$100	\$203	\$228	\$309	\$418	\$350
S&P 500 Index	100	113	115	134	153	168
NASDAQ Composite Index	100	118	119	146	176	195
RDG Technology Composite Index	100	118	122	152	193	226

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net revenue ^(a)	\$4,950	\$5,150	\$4,845	\$4,396	\$4,515
Cost of revenue	1,322	1,277	1,298	1,354	1,429
Gross profit	3,628	3,873	3,547	3,042	3,086
Total operating expenses	2,632	2,439	2,323	2,144	2,138
Operating income	996	1,434	1,224	898	948
Interest and other income (expense), net	83	15	(14)	(21)	(23)
Income before provision for income taxes	1,079	1,449	1,210	877	925
Provision for (benefit from) income taxes	60	406 ^(b)	243	(279) ^(c)	50
Net income	<u>\$1,019</u>	<u>\$1,043</u>	<u>\$ 967</u>	<u>\$1,156</u>	<u>\$ 875</u>
Earnings per share:					
Basic	\$ 3.36	\$ 3.39	\$ 3.19	\$ 3.73	\$ 2.81
Diluted	\$ 3.33	\$ 3.34	\$ 3.08	\$ 3.50	\$ 2.69
Number of shares used in computation:					
Basic	303	308	303	310	311
Diluted	306	312	314	330	325

<u>BALANCE SHEETS DATA</u>	<u>As of March 31,</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$4,708	\$4,258	\$2,565	\$2,493	\$2,068
Short-term investments	737	1,073	1,967	1,341	953
Working capital	4,116	3,513	2,784	1,936	973
Total assets	8,957	8,584	7,718	7,050	6,147
0.75% convertible senior notes due 2016, net	—	—	—	163	633
Senior notes, net	994	992	990	989	—
Other long-term liabilities	367	506	253	245	333
Total liabilities	3,626	3,989	3,658	3,652	3,080
Total stockholders' equity	5,331	4,595	4,060	3,396	3,036

^(a) On April 1, 2018, at the beginning of fiscal year 2019, we adopted the New Revenue Standard, which significantly changes how we recognize and report net revenue. Financial data for periods prior to April 1, 2018 has not been restated. For more information on the New Revenue Standard, please see Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 1 under the heading “*Recently Adopted Accounting Standards*”.

^(b) For the fiscal year ended March 31, 2018, we recognized a tax expense of \$235 million due to the application of the U.S. Tax Act, enacted on December 22, 2017.

^(c) For the fiscal year ended March 31, 2016, we recognized a tax benefit of \$453 million for the reversal of a significant portion of our deferred tax valuation allowance.

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, 2019, 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 and watched 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, The Sims, Apex Legends, Anthem, Need for Speed 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, and offer our games and services through diverse business models and distribution channels, such as retail, download, subscription and free-to-play. We believe that the breadth and depth of our portfolio and our flexibility in business models and distribution channels provide us with strategic advantages.

Financial Results

Our key financial results for our fiscal year ended March 31, 2019 were as follows:

- Total net revenue was \$4,950 million, down 4 percent year-over-year. Under the Old Revenue Standard, total net revenue would have been \$4,843 million, down 6 percent year over year.
- Digital net revenue was \$3,710 million, up 8 percent year-over-year. Under the Old Revenue Standard, digital net revenue would have been \$3,447 million, down less than 1 percent year over year.
- Gross margin was 73.3 percent, down 2 percentage points year-over-year. Under the Old Revenue Standard, gross margin would have been 76.6 percent, up 1 percentage point year-over-year.
- Operating expenses were \$2,632 million, up 8 percent year-over-year.
- Operating income was \$996 million, down 31 percent year-over-year. Under the Old Revenue Standard, operating income would have been \$1,077 million, down 25 percent year-over-year.
- Net income was \$1,019 million, down 2 percent year-over-year. Under the Old Revenue Standard, net income would have been \$1,086 million, up 4 percent year-over-year.
- Diluted earnings per share was \$3.33, consistent year-over-year. Under the Old Revenue Standard, diluted earnings per share would have been \$3.55, up 6 percent year-over-year.
- Operating cash flow was \$1,547 million, down 9 percent year-over-year.
- Total cash, cash equivalents and short-term investments were \$5,445 million.
- We repurchased 11 million shares of our common stock for \$1,192 million.

From time to time, we make comparisons of current periods to prior periods with reference to constant currency. For the fiscal year ended March 31, 2019, foreign currency exchange rates did not have a material impact on our net revenue and operating expenses.

Trends in Our Business

Digital Business. Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs, and engage with the live services that we provide on an ongoing basis. Our live services provide additional depth and engagement opportunities for our players and include in-game purchases, extra content, subscriptions, and esports. Our net revenue attributable to live services comprised 45 percent of our total net revenue during fiscal year 2019 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 current and former professional players in order to build and compete as a personalized team. Net revenue from *Ultimate Team* represented approximately 28 percent of our total net revenue during fiscal year 2019, a substantial portion of which was derived from *FIFA Ultimate Team*. Our 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 traditional gaming, such as FIFA, Madden NFL, The Sims, SimCity, and Star Wars, to create free-to-play games that are monetized through live services provided with the game. We also offer subscription services, such as EA Access, Origin Access and Origin Access Premier, as we look to build deeper relationships with our players and offer increased choice and flexibility for our players to try new games.

The portion of our revenue attributable to our digital business has significantly increased from 59 percent in fiscal year 2017 to 67 percent in fiscal year 2018 and 75 percent during fiscal year 2019. We expect this portion of our business to continue to increase during fiscal year 2020 relative to packaged goods revenue 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.

Rapidly Changing Industry. We operate in a dynamic industry that regularly experiences periods of rapid, fundamental change. In order to remain successful, we are required to anticipate, sometimes years in advance, the ways in which our products and services will compete in the market. We adapt our business by investing in creative and technical talent and new technologies, evolving our business strategies and distribution methods and developing new and engaging products and services. In fiscal 2019, we launched two new intellectual properties (Anthem and Apex Legends), brought Apex Legends to market as our first free-to-play console product, added frontline titles to our Origin Access Premier subscription service, and invested in more ways to reach our players now and in the future, such as cloud gaming and esports. We expect to continue to invest in our business to remain competitive, including investments in, among other things, technology to connect our players to each other and to the games they love and the infrastructure to power our games and services. We are adopting consistent, cross-company methodologies to better understand our players' needs and continue to invest in technology that enables us to deliver content that will resonate with players, and provide more choice in the way that players connect with their games, with each other, and with new types of content, including esports broadcasts. This connection also allows us to market and deliver content and services for popular franchises like FIFA, Battlefield and Star Wars to our players more efficiently.

Free-to-Play Games. The global adoption of mobile devices and a business model for those devices that allows consumers to try new games with no up-front cost, and that are monetized through the live service associated with the game, has led to significant growth in the mobile gaming industry. We expect the mobile gaming industry to continue to grow during our 2020 fiscal year. Likewise, the consumer acceptance of free-to-play, live service-based, online PC games has broadened our consumer base, and this free-to-play, live service business model is beginning to gain consumer acceptance with respect to console games. We expect revenue generated from mobile, PC and console free-to-play games to remain an important part of our business.

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

Recurring Revenue Sources. Our business model includes revenue that we deem recurring in nature, such as revenue from our annualized sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), the associated live services and our subscriptions business. 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. As we continue to incorporate new business models and modalities of play into our games, our goal is to continue to look for opportunities to expand the recurring portion of our business.

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

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

<u>(In millions)</u>	<u>Year Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Total net revenue	\$4,950	\$5,150
Change in deferred net revenue (online-enabled games)	182	30
Mobile platform fees	(188)	—
Net bookings	<u>\$4,944</u>	<u>\$5,180</u>

Net bookings were \$4,944 million for fiscal 2019 driven by sales related to *FIFA Ultimate Team*, *FIFA 19*, *Madden NFL 19*, *The Sims 4* and *Battlefield V*. Net bookings decreased \$236 million or 5 percent as compared to fiscal 2018 due primarily to a decrease in *Star Wars Battlefront II*, *Need for Speed Payback* and *Mass Effect: Andromeda*, partially offset by *Battlefield V*, *Anthem* and *Apex Legends*. Digital net bookings were \$3,722 million for fiscal 2019 driven by sales of *FIFA Ultimate Team*, *The Sims 4* and *Madden NFL 19*, an increase of \$184 million or 5 percent as compared to fiscal 2018. The increase in digital net bookings was driven by growth in live services which grew \$211 million or 10 percent year-over-year, primarily due to growth in bookings associated with *FIFA Ultimate Team* and bookings from *Apex Legends*; and full game downloads which grew \$56 million or 8 percent year-over-year, due to continued growth in digital downloads of our games. In particular, *Battlefield V*, *Anthem* and the FIFA franchise were downloaded at a greater rate than comparable titles in previous fiscal years. These increases were offset by a decrease of \$83 million or 13 percent in our mobile business primarily due to declines from aging titles across our portfolio.

Recent Developments

Internal Transfer of Intellectual Property Rights. Subsequent to the fiscal year ended March 31, 2019, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered. This transaction will result in the recognition of a deferred tax asset, which we estimate at approximately \$2.3 billion, subject to a realizability analysis. For more information, please see Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in *Note 11 — Income Taxes*.

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.

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

Revenue Recognition

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

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

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

We evaluate and recognize revenue by:

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

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

Online-Enabled Games

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

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

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

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

Subscriptions

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

Licensing Revenue

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

Revenue Classification

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

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

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

Significant Judgments around Revenue Arrangements

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

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

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

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

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

Deferred Net Revenue

Because the majority of our sales transactions include future update rights and online hosting performance obligations, which are subject to a recognition period of generally six to nine months, our deferred net revenue

balance is material. This balance increases from period to period by the revenue being deferred for current sales with these service obligations and is reduced by the recognition of revenue from prior sales that were deferred. Generally, revenue is recognized as the services are provided.

Principal Agent Considerations

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

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

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

Payment Terms

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

Sales and Value-Added Taxes

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

Sales Returns and Price Protection Reserves

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

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

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

Fair Value Estimates

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

Income Taxes

We recognize deferred tax assets and liabilities for both (1) the expected impact of differences between the financial statement amount and the tax basis of assets and liabilities and (2) the expected future tax benefit to be derived from tax losses and tax credit carryforwards. We record a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of our deferred tax assets will not be realized. In making this determination, we are required to give significant weight to evidence that can be objectively verified. It is generally difficult to conclude that a valuation allowance is not needed when there is significant negative evidence, such as cumulative losses in recent years. Forecasts of future taxable income are considered to be less objective than past results. Therefore, cumulative losses weigh heavily in the overall assessment.

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

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 have concluded the accounting under the U.S. Tax Act within the time period set forth in SAB 118, the SEC guidance that allowed 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, including the impacts of the Transition Tax, the remeasurement of U.S. deferred tax

assets and liabilities as a result of the reduction of the U.S. corporate tax rate, and the accounting policy election related to U.S. taxes on foreign earnings. We recorded tax expense of \$235 million related to the U.S. Tax Act for the fiscal year ended March 31, 2018, \$192 million of which relates to the Transition Tax. During the fiscal year ended March 31, 2019, we made no material adjustments to our provisional amounts recognized due to the U.S. Tax Act during the fiscal year ended March 31, 2018.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. An accounting policy election is available to either recognize the deferred tax impacts of the U.S. taxes on foreign earnings or to account for them as a period cost. We have elected to account for the impacts of these new taxes as a period cost.

Prior to the U.S. Tax Act, a substantial majority of undistributed earnings of our foreign subsidiaries were considered to be indefinitely reinvested. As a result of the U.S. Tax Act, substantially all previously unremitted earnings for which no U.S. deferred tax liability had been accrued have now been subject to U.S. tax. Any future earnings of our foreign subsidiaries are generally available for repatriation without a material incremental U.S. tax cost.

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

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The information under the subheading “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, 2019, 2018 and 2017 contained 52 weeks each and ended on March 30, 2019, March 31, 2018 and April 1, 2017, respectively. For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

Net Revenue

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

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

Comparison of Fiscal Year 2019 to Fiscal Year 2018

On April 1, 2018, we adopted the New Revenue Standard, which significantly changes the way in which we recognize revenue, including the way in which we present mobile platform fees. We elected to apply the New Revenue Standard using the modified retrospective method. Because of that election, revenue for the fiscal year ended March 31, 2018 has not been restated and is reported under the accounting standards in effect for that period. In order to facilitate year-over-year comparisons, in the Net Revenue and Cost of Revenue tables below, we have quantified the amount of the year-over-year change attributable to (1) the adoption of the New Revenue Standard, (2) the change in the way in which we present mobile platform fees and (3) our operations. The amount attributable to our operations is equivalent to the difference between current and prior period net revenues under the Old Revenue Standard. For more information on the adoption of the New Revenue Standard, including information related to the change in how we report mobile revenue, please see Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 1 under the heading “*Recently Adopted Accounting Standards*”.

Net Revenue

Net revenue from our operations for fiscal year 2019 decreased \$307 million, as compared to fiscal year 2018. This decrease was driven by a \$742 million decrease in revenue primarily from the Battlefield franchise and *Mass Effect: Andromeda*. This decrease was partially offset by a \$435 million increase in revenue primarily from the FIFA and The Sims 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 2019 and 2018 was as follows (in millions):

	Year Ended March 31,					
	2019	2018	Total Change	Changes due to:		
				ASC 606 Adoption	Mobile Platform Fees under ASC 606	Operational
Net revenue:						
Product	\$1,593	\$2,586	\$(993)	\$(611)	\$ —	\$(382)
Service and other	3,357	2,564	793	530	188	75
Total net revenue	<u>\$4,950</u>	<u>\$5,150</u>	<u>\$(200)</u>	<u>\$ (81)</u>	<u>\$188</u>	<u>\$(307)</u>

Product Revenue

Product net revenue from our operations for fiscal year 2019 decreased \$382 million, as compared to fiscal year 2018. This decrease was driven by a \$635 million decrease primarily from *Battlefield I* and *Mass Effect: Andromeda*. This decrease was partially offset by a \$253 million increase primarily from *The Sims 4* and *Need for Speed Payback* and the UFC franchise.

Service and Other Revenue

Service and other net revenue from our operations for fiscal year 2019 increased \$75 million, as compared to fiscal year 2018. This increase was driven by a \$281 million increase primarily from *FIFA Ultimate Team* and *Apex Legends*. This increase was partially offset by a \$206 million decrease primarily from the Star Wars and Battlefield franchises and *Need for Speed 2015*, *SimCity Mobile* and *Mass Effect: Andromeda*.

Supplemental Net Revenue by Composition

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

Our net revenue by composition for fiscal years 2019 and 2018 was as follows (in millions):

	Year Ended March 31,					
	2019	2018	Total Change	Changes due to:		
				ASC 606 Adoption	Mobile Platform Fees under ASC 606	Operational
Net revenue:						
Full game downloads	\$ 680	\$ 707	\$ (27)	\$ 49	\$ —	\$ (76)
Live services	2,216	2,083	133	9	—	124
Mobile	814	660	154	17	188	(51)
Total Digital	<u>\$3,710</u>	<u>\$3,450</u>	<u>\$ 260</u>	<u>\$ 75</u>	<u>\$188</u>	<u>\$ (3)</u>
Packaged goods and other	<u>\$1,240</u>	<u>\$1,700</u>	<u>\$(460)</u>	<u>\$(156)</u>	<u>\$ —</u>	<u>\$(304)</u>
Total net revenue	<u>\$4,950</u>	<u>\$5,150</u>	<u>\$(200)</u>	<u>\$ (81)</u>	<u>\$188</u>	<u>\$(307)</u>

Digital Net Revenue

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

Digital net revenue from our operations for fiscal year 2019 decreased \$3 million, as compared to fiscal year 2018. This decrease was due to a \$76 million decrease in full-game download revenue primarily driven by *Battlefield 1* and a \$51 million decrease in mobile revenue primarily driven by *Madden Mobile* and *SimCity Mobile*, partially offset by a \$124 million increase in live services revenue primarily driven by our Ultimate Team game mode.

Packaged Goods and Other Net Revenue

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

Packaged goods and other net revenue from our operations for fiscal year 2019 decreased \$304 million, as compared to fiscal year 2018. This decrease was driven by a \$448 million decrease primarily from *Battlefield 1* and *Mass Effect: Andromeda*, partially offset by a \$144 million increase primarily from *Star Wars Battlefront II*, *UFC 3* and *The Sims 4*.

Cost of Revenue

Cost of revenue for fiscal years 2019 and 2018 was as follows (in millions):

	Year Ended March 31,					
	2019	2018	Total Change	Changes due to:		
				ASC 606 Adoption	Mobile Platform Fees under ASC 606	Operational
Cost of revenue:						
Product	\$ 517	\$ 822	(305)	\$(120)	\$ —	\$(185)
Service and other	805	455	350	120	188	42
Total cost of revenue	<u>\$1,322</u>	<u>\$1,277</u>	<u>\$ 45</u>	<u>\$ —</u>	<u>\$188</u>	<u>\$(143)</u>

Cost of Product Revenue

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

Cost of product revenue from operations decreased by \$185 million during fiscal year 2019, as compared to fiscal year 2018. This decrease was primarily due to a decrease in inventory and royalty costs associated with *Star Wars Battlefront II*, which launched during fiscal year 2018, with no comparable royalty-bearing title launched during fiscal year 2019.

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) payment processing fees and (5) mobile platform fees associated with our mobile revenue (for transactions in which we are acting as the principal in the sale to the end customer).

Cost of service and other revenue increased by \$42 million during fiscal year 2019, as compared to fiscal year 2018. This increase was primarily due to costs associated with *Anthem* and *Apex Legends*, which launched as online-only titles during fiscal year 2019 and resulted in significant data center, bandwidth and server usage.

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 2019 and 2018 were as follows (in millions):

<u>March 31, 2019</u>	<u>% of Net Revenue</u>	<u>March 31, 2018</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$1,433	29%	\$1,320	26%	\$113	9%

Research and development expenses increased by \$113 million, or 9 percent, in fiscal year 2019, as compared to fiscal year 2018. This \$113 million increase was primarily due to (1) a \$65 million increase in personnel-related costs primarily resulting from an increase in headcount due to our continued investment in our studios and the Respawn acquisition, partially offset by reduction of variable compensation and related expenses, (2) a \$38 million increase in stock-based compensation primarily in connection with the Respawn acquisition, (3) a \$22 million increase in facilities-related costs, and (4) an increase in losses of \$15 million from our cash flow hedging program in fiscal year 2019 as compared to fiscal year 2018. We use hedges to protect against currency exchange rate movements in our research and development expenses. These increases were partially offset by a \$41 million decrease in development advances primarily resulting from the extinguishment of development advances payable to Respawn as a result of our acquisition.

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 2019 and 2018 were as follows (in millions):

<u>March 31, 2019</u>	<u>% of Net Revenue</u>	<u>March 31, 2018</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$702	14%	\$641	12%	\$61	10%

Marketing and sales expenses increased by \$61 million, or 10 percent, in fiscal year 2019, as compared to fiscal year 2018. This \$61 million increase was primarily due to an increase in advertising and promotional spending associated with our 2019 game launches, particularly with respect to the marketing and promotional campaigns associated with our two new intellectual properties, *Anthem* and *Apex Legends*.

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 2019 and 2018 were as follows (in millions):

<u>March 31, 2019</u>	<u>% of Net Revenue</u>	<u>March 31, 2018</u>	<u>% of Net Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
\$460	9%	\$469	9%	\$(9)	(2)%

General and administrative expenses decreased by \$9 million, or 2 percent, in fiscal year 2019, as compared to fiscal year 2018. This \$9 million decrease was primarily due to a \$24 million decrease in contracted services primarily due to lower legal expenses. This decrease was partially offset by an \$11 million increase primarily in IT security costs and a \$6 million increase in personnel-related costs resulting from an increase in headcount.

Income Taxes

Provision for income taxes for fiscal years 2019 and 2018 was as follows (in millions):

<u>March 31, 2019</u>	<u>Effective Tax Rate</u>	<u>March 31, 2018</u>	<u>Effective Tax Rate</u>
\$60	5.6%	\$406	28.0%

Our effective tax rate for the fiscal year ended March 31, 2019 was 5.6 percent as compared 28.0 percent for the same period in fiscal year 2018. Our effective tax rate and resulting provision for income taxes for the fiscal year ended March 31, 2019 was significantly lower than the same period in fiscal year 2018 due to the recognition of the impacts of the U.S. Tax Act in fiscal year ended March 31, 2018, a change in the mix of earnings, and the lower statutory tax rate applied to earnings realized in the U.S. 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.

We have concluded the accounting under the U.S. Tax Act within the time period set forth in SAB 118, the SEC guidance that allowed 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, including the impacts of the Transition Tax, the remeasurement of U.S. deferred tax assets and liabilities as a result of the reduction of the U.S. corporate tax rate, and the accounting policy election related to U.S. taxes on foreign earnings. We recorded tax expense of \$235 million

related to the U.S. Tax Act for the fiscal year ended March 31, 2018, \$192 million of which relates to the Transition Tax. During the year ended March 31, 2019, we made no material adjustments to our provisional amounts recognized due to the U.S. Tax Act during the fiscal year ended March 31, 2018.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. An accounting policy election is available to either recognize the deferred tax impacts of the U.S. taxes on foreign earnings or to account for them as a period cost. We have elected to account for the impacts of these new taxes as a period cost.

Our effective tax rates for fiscal year 2020 and future periods will continue to depend on a variety of factors, including changes in our business, such as acquisitions and intercompany transactions, our corporate structure, the geographic location of business functions or assets, the geographic mix of income, 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.

Subsequent to the fiscal year ended March 31, 2019, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered. The transaction did not result in a taxable gain. Under U.S. GAAP, any profit resulting from this intercompany transaction will be eliminated upon consolidation. However, the transaction resulted in a step-up of the Swiss tax deductible basis in the transferred intellectual property rights and, accordingly, created a temporary difference between the book basis and the tax basis of such intellectual property rights. As a result, this transaction will result in the recognition of a deferred tax asset, which we estimate at approximately \$2.3 billion, subject to a realizability analysis. The deferred tax asset will be recognized as a one-time tax benefit in our consolidated financial statements during the three months ending June 30, 2019. This deferred tax asset will reverse over a 20-year period and is subject to a periodic realizability analysis. The deferred tax asset and the one-time tax benefit will be measured based on the Swiss tax rate expected to apply in the years the asset will be recovered. We will not recognize any deferred taxes related to the U.S. taxes on foreign earnings associated with this transfer due to our policy election to recognize these taxes as a period cost. We do not expect the transaction to impact our cash taxes or our operating cash flow in fiscal year 2020.

Comparison of Fiscal Year 2018 to Fiscal Year 2017

For the comparison of fiscal year 2018 to fiscal year 2017, refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for our fiscal year ended March 31, 2018, filed with the SEC on May 23, 2018 under the subheading “*Comparison of Fiscal Year 2018 to Fiscal Year 2017.*”

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	As of March 31,		Increase/(Decrease)
	2019	2018	
Cash and cash equivalents	\$ 4,708	\$ 4,258	\$ 450
Short-term investments	737	1,073	(336)
Total	\$ 5,445	\$ 5,331	\$ 114
Percentage of total assets	61%	62%	

(In millions)	Year Ended March 31,		Change
	2019	2018	
Net cash provided by operating activities	\$ 1,547	\$ 1,692	\$ (145)
Net cash provided by investing activities	169	622	(453)
Net cash used in financing activities	(1,253)	(643)	(610)
Effect of foreign exchange on cash and cash equivalents	(13)	22	(35)
Net increase in cash and cash equivalents	\$ 450	\$ 1,693	\$(1,243)

For the comparison of fiscal year 2018 to fiscal year 2017, refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for our fiscal year ended March 31, 2018, filed with the SEC on May 23, 2018 under the subheading “Liquidity and Capital Resources”.

Changes in Cash Flow

Operating Activities. Net cash provided by operating activities decreased by \$145 million during fiscal year 2019 as compared to fiscal year 2018. The decrease is primarily driven by lower cash receipts related to a decrease in net bookings and an increase in cash paid for taxes, partially offset by lower royalty payments and higher interest income.

Investing Activities. Net cash provided by investing activities decreased by \$453 million during fiscal year 2019 as compared to fiscal year 2018 primarily driven by a \$1,478 million decrease in proceeds from the sales and maturities of short-term investments. This was partially offset by a \$945 million decrease in the purchase of short-term investments and a \$92 million decrease in payments in connection with mergers and acquisitions activity.

Financing Activities. Net cash used in financing activities increased by \$610 million during fiscal year 2019 as compared to fiscal year 2018 primarily due to a \$591 million increase in the repurchase and retirement of our common stock.

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, 2019, our short-term investments had gross unrealized losses of \$1 million, or less than 1 percent of the total in short-term investments, and gross unrealized gains of less than \$1 million, or less than 1 percent of the total in short-term investments. From time to time, we may liquidate some or all of our short-term investments to fund operational needs or other activities, such as capital expenditures, business acquisitions or stock repurchase programs.

Senior Notes

In February 2016, we issued \$600 million aggregate principal amount of the 2021 Notes and \$400 million aggregate principal amount of the 2026 Notes. We used the net proceeds of \$989 million for general corporate

purposes, including the payment of our formerly outstanding convertible notes and repurchases of our common stock. The effective interest rate is 3.94% for the 2021 Notes and 4.97% for the 2026 Notes. Interest is payable semiannually in arrears, on March 1 and September 1 of each year. See *Note 12 — Financing Arrangements* to the 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, 2019, no amounts were outstanding under the credit facility. See *Note 12 — 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, and potentially, future acquisitions, stock repurchases, or strategic investments. We may choose at any time to raise additional capital to repay debt, strengthen our financial position, facilitate expansion, repurchase our stock, pursue strategic acquisitions and investments, and/or to take advantage of business opportunities as they arise. There can be no assurance, however, that such additional capital will be available to us on favorable terms, if at all, or that it will not result in substantial dilution to our existing stockholders.

In May 2018, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$2.4 billion of our common stock. This stock repurchase program supersedes and replaces the May 2017 program, and expires on May 31, 2020. Under this program, we may purchase stock in the open market or through privately-negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. We repurchased approximately 10.4 million shares for approximately \$1,116 million under this program during the fiscal year ended March 31, 2019. We are actively repurchasing shares under this program.

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

See *Note 13 — Commitments and Contingencies* to the Consolidated Financial Statements in this Form 10-K as it relates to our contractual obligations and commercial commitments, which is incorporated by reference into this Item 7.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2019, 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, 2019, 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 \$159 million or \$318 million, respectively. As of March 31, 2019, 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 \$84 million or \$167 million, respectively. This sensitivity analysis assumes an adverse shift of all foreign currency exchange rates; however, all foreign currency exchange rates do not always move in such manner and actual results may differ materially. See *Note 5 — Derivative Financial Instruments* to the 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, 2019, 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, 2019, 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, 2019	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	\$328	\$328	\$326	\$324	\$323	\$322	\$321
U.S. Treasury securities	154	154	153	153	152	151	151
U.S. agency securities	44	44	44	44	43	43	43
Commercial paper	112	112	112	112	112	112	112
Foreign government securities	51	50	50	50	50	49	49
Asset-backed securities	54	53	53	53	52	52	51
Certificates of deposit	1	1	1	1	1	1	1
Total short-term investments	<u>\$744</u>	<u>\$742</u>	<u>\$739</u>	<u>\$737</u>	<u>\$733</u>	<u>\$730</u>	<u>\$728</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, 2019, 2018 and 2017 is filed as part of this report and should be read in conjunction with the Consolidated Financial Statements of Electronic Arts Inc. and Subsidiaries:	
Schedule II — Valuation and Qualifying Accounts	97

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)	March 31, 2019	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,708	\$4,258
Short-term investments	737	1,073
Receivables, net of allowances of \$7 and \$165, respectively	623	385
Other current assets	313	288
Total current assets	6,381	6,004
Property and equipment, net	448	453
Goodwill	1,892	1,883
Acquisition-related intangibles, net	87	71
Deferred income taxes, net	35	84
Other assets	114	89
TOTAL ASSETS	\$8,957	\$8,584
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 113	\$ 48
Accrued and other current liabilities	1,052	821
Deferred net revenue (online-enabled games)	1,100	1,622
Total current liabilities	2,265	2,491
Senior notes, net	994	992
Income tax obligations	233	250
Deferred income taxes, net	2	1
Other liabilities	132	255
Total liabilities	3,626	3,989
Commitments and contingencies (See Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value. 10 shares authorized	—	—
Common stock, \$0.01 par value. 1,000 shares authorized; 298 and 306 shares issued and outstanding, respectively	3	3
Additional paid-in capital	—	657
Retained earnings	5,358	4,062
Accumulated other comprehensive loss	(30)	(127)
Total stockholders' equity	5,331	4,595
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$8,957	\$8,584

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	2019	2018	2017
(In millions, except per share data)			
Net revenue:			
Product	\$1,593	\$2,586	\$2,640
Service and other	<u>3,357</u>	<u>2,564</u>	<u>2,205</u>
Total net revenue	<u>4,950</u>	<u>5,150</u>	<u>4,845</u>
Cost of revenue:			
Product	517	822	893
Service and other	<u>805</u>	<u>455</u>	<u>405</u>
Total cost of revenue	<u>1,322</u>	<u>1,277</u>	<u>1,298</u>
Gross profit	<u>3,628</u>	<u>3,873</u>	<u>3,547</u>
Operating expenses:			
Research and development	1,433	1,320	1,205
Marketing and sales	702	641	673
General and administrative	460	469	439
Acquisition-related contingent consideration	14	—	—
Amortization of intangibles	<u>23</u>	<u>9</u>	<u>6</u>
Total operating expenses	<u>2,632</u>	<u>2,439</u>	<u>2,323</u>
Operating income	996	1,434	1,224
Interest and other income (expense), net	<u>83</u>	<u>15</u>	<u>(14)</u>
Income before provision for income taxes	1,079	1,449	1,210
Provision for income taxes	<u>60</u>	<u>406</u>	<u>243</u>
Net income	<u>\$1,019</u>	<u>\$1,043</u>	<u>\$ 967</u>
Earnings per share:			
Basic	\$ 3.36	\$ 3.39	\$ 3.19
Diluted	\$ 3.33	\$ 3.34	\$ 3.08
Number of shares used in computation:			
Basic	303	308	303
Diluted	306	312	314

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Year Ended March 31,		
	2019	2018	2017
Net income	\$1,019	\$1,043	\$967
Other comprehensive income (loss), net of tax:			
Net gains (losses) on available-for-sale securities	7	(5)	(4)
Net gains (losses) on derivative instruments	88	(121)	18
Foreign currency translation adjustments	(21)	18	(17)
Total other comprehensive income (loss), net of tax	74	(108)	(3)
Total comprehensive income	\$1,093	\$ 935	\$964

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				
Balances as of March 31, 2016	300,602	\$ 3	\$1,349	\$2,060	\$ (16)	\$ 3,396
Total comprehensive income (loss) . . .	—	—	—	967	(3)	964
Reclassification of equity component of convertible notes	—	—	2	—	—	2
Settlement of convertible notes	2,917	—	—	—	—	—
Exercise of convertible note hedge . . .	(2,917)	—	—	—	—	—
Settlement of warrants	9,645	—	—	—	—	—
Stock-based compensation	—	—	196	—	—	196
Tax benefit from stock-based compensation	—	—	65	—	—	65
Issuance of common stock	4,626	—	(55)	—	—	(55)
Repurchase and retirement of common stock	(6,506)	—	(508)	—	—	(508)
Balances as of March 31, 2017	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
Stock-based compensation	—	—	242	—	—	242
Issuance of common stock	3,332	—	(42)	—	—	(42)
Repurchase and retirement of common stock	(5,329)	—	(601)	—	—	(601)
Balances as of March 31, 2018	306,370	3	657	4,062	(127)	4,595
Cumulative-effect adjustment from the adoption of ASC 606 (See Note 1)	—	—	—	590	22	612
Cumulative-effect adjustment from the adoption of ASU 2018-02 (See Note 1)	—	—	—	(1)	1	—
Total comprehensive income	—	—	—	1,019	74	1,093
Stock-based compensation	—	—	284	—	—	284
Issuance of common stock	2,722	—	(61)	—	—	(61)
Repurchase and retirement of common stock	(10,985)	—	(880)	(312)	—	(1,192)
Balances as of March 31, 2019	<u>298,107</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$5,358</u>	<u>\$ (30)</u>	<u>\$ 5,331</u>

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year Ended March 31,		
	2019	2018	2017
OPERATING ACTIVITIES			
Net income	\$ 1,019	\$ 1,043	\$ 967
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	145	136	172
Acquisition-related contingent consideration	14	—	—
Stock-based compensation	284	242	196
Change in assets and liabilities:			
Receivables, net	(88)	(25)	(136)
Other assets	(24)	10	3
Accounts payable	59	(44)	5
Accrued and other liabilities	3	43	190
Deferred income taxes, net	(16)	204	100
Deferred net revenue (online-enabled games)	151	83	81
Net cash provided by operating activities	<u>1,547</u>	<u>1,692</u>	<u>1,578</u>
INVESTING ACTIVITIES			
Capital expenditures	(119)	(107)	(123)
Proceeds from maturities and sales of short-term investments	1,688	3,166	1,281
Purchase of short-term investments	(1,342)	(2,287)	(1,917)
Acquisition, net of cash acquired	(58)	(150)	—
Net cash provided by (used in) investing activities	<u>169</u>	<u>622</u>	<u>(759)</u>
FINANCING ACTIVITIES			
Payment of convertible notes	—	—	(163)
Proceeds from issuance of common stock	61	78	72
Cash paid to taxing authorities for shares withheld from employees	(122)	(120)	(130)
Repurchase and retirement of common stock	(1,192)	(601)	(508)
Net cash used in financing activities	<u>(1,253)</u>	<u>(643)</u>	<u>(729)</u>
Effect of foreign exchange on cash and cash equivalents	(13)	22	(18)
Increase in cash and cash equivalents	450	1,693	72
Beginning cash and cash equivalents	<u>4,258</u>	<u>2,565</u>	<u>2,493</u>
Ending cash and cash equivalents	<u>\$ 4,708</u>	<u>\$ 4,258</u>	<u>\$ 2,565</u>
Supplemental cash flow information:			
Cash paid during the year for income taxes, net	<u>\$ 100</u>	<u>\$ 57</u>	<u>\$ 51</u>
Cash paid during the year for interest	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$ 43</u>

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

We are a global leader in digital interactive entertainment, with a mission to inspire the world to play. We develop, market, publish and deliver games and services that can be played and watched 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, The Sims, Apex Legends, Anthem, Need for Speed 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, and offer our games and services through diverse business models and distribution channels, such as retail, download, subscription and free-to-play. We believe that the breadth and depth of our portfolio and our flexibility in business models and distribution channels provide us with strategic advantages.

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, 2019, 2018 and 2017 contained 52 weeks each and ended on March 30, 2019, March 31, 2018 and April 1, 2017 respectively. For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

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, relative stand-alone selling price for identified performance obligations in our revenue transactions, 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.

Recently Adopted Accounting Standards

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

In May 2014, the FASB issued the New Revenue Standard which replaced ASC Topic 605, *Revenue Recognition* (the “Old Revenue Standard” or “ASC 605”), including industry-specific requirements, and provided companies

with a single principles-based revenue recognition model for recognizing revenue from contracts with customers. The core principle of the New Revenue Standard is that a company should recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.

We adopted the New Revenue Standard on April 1, 2018, the beginning of fiscal year 2019, using the modified retrospective method. We elected to apply the New Revenue Standard only to contracts that were not completed as of the adoption date. The comparative information for periods prior to April 1, 2018 has not been restated and continues to be reported under the accounting standards in effect for those periods.

The net cumulative effect adjustment upon adoption resulted in an increase to retained earnings of \$590 million, net of tax, and included the impact from the following adjustments to our Consolidated Balance Sheet at April 1, 2018:

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

The most significant impacts of the New Revenue Standard were:

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

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

Since we do not sell the performance obligations on a stand-alone basis, we consider market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. For games with services under the New Revenue Standard, generally 75 percent of the sales price is

allocated to the software license performance obligation and recognized at a point in time upon delivery (which is usually at or near the same time as the booking of the transaction), and the remaining 25 percent is allocated to the future update rights and the online hosting performance obligations and recognized ratably over the Estimated Offering Period. For sales prior to April 1, 2018, our deferred net revenue balances decreased by \$740 million upon adoption of the New Revenue Standard because the software license performance obligation had been delivered in the prior fiscal year.

- *Mobile platform fees.* The adoption of the New Revenue Standard also changed how we present mobile platform fees after March 31, 2018. Previously, mobile platform fees retained by third-party application storefronts such as the Apple App Store and Google Play, were reported on a net basis (i.e. as a reduction of net revenue) because we previously determined that generally, the third party was considered the primary obligor. Upon adoption of the New Revenue Standard, we concluded that we are the principal in the transactions, resulting in mobile platform fees now being reported within cost of revenue rather than as a reduction of net revenue. We recognized \$64 million of mobile platform fees at April 1, 2018 as an increase to our deferred net revenue balances. Mobile platform fees for the fiscal year ended March 31, 2019 was \$188 million and accordingly increased both service and other net revenue and cost of revenue by this amount relative to the same period a year ago. While this change also decreased our gross margin percentage, it does not have a material impact on our annual total gross profit or overall profitability.
- *Increased portion of our sales from games with services are presented as service revenue.* The amount of the transaction price allocated to future update rights and the online hosting performance obligations are presented as service revenue under the New Revenue Standard (previously, revenue associated with future update rights were generally presented as product revenue). Therefore, for the fiscal year ended March 31, 2019, approximately \$530 million of revenue for future update rights are now presented as service revenue under the New Revenue Standard as compared to product revenue under the Old Revenue Standard.
- *Sales returns and price protection reserves.* Upon adoption, our sales returns and price protection reserves are now presented within accrued and other liabilities (previously, these allowances were presented as contra-assets within receivables on our Consolidated Balance Sheets). We reclassified \$158 million of sales returns and price protection reserves on April 1, 2018.

The adoption of the New Revenue Standard impacted our Consolidated Balance Sheet as of March 31, 2019 and our Consolidated Statements of Operations for the fiscal year ended March 31, 2019 as follows:

BALANCE SHEETS (In millions)	As of March 31, 2019		
	Under New Revenue Standard	Under Old Revenue Standard	\$ Change
Assets			
Receivables, net	\$ 623	\$ 473	\$ 150
Other current assets	313	311	2
Deferred income taxes, net	35	86	(51)
Other assets	114	112	2
Liabilities			
Accrued and other current liabilities			
Sales return and price protection reserves	\$ 150	\$ —	\$ 150
Deferred net revenue (other)	94	362	(268)
Deferred net revenue (online-enabled games)	1,100	1,404	(304)
Other liabilities	132	120	12
Stockholders' Equity			
Retained earnings	\$5,358	\$4,835	\$ 523
Accumulated other comprehensive loss	(30)	(20)	(10)

	Year Ended March 31, 2019			
	Under New Revenue Standard	Under Old Revenue Standard	\$ Change	% Change
(In millions, except per share data)				
Net revenue:				
Product	\$1,593	\$2,204	\$ (611)	(28)%
Service and other	3,357	2,639	718	27%
Total net revenue	4,950	4,843	107	2%
Cost of revenue:				
Product	517	637	(120)	(19)%
Service and other	805	497	308	62%
Total cost of revenue	1,322	1,134	188	17%
Gross profit	3,628	3,709	(81)	(2)%
Operating expenses:				
Total operating expenses	2,632	2,632	—	—%
Operating income	996	1,077	(81)	(8)%
Interest and other income (expense), net	83	83	—	—%
Income before provision for income taxes	1,079	1,160	(81)	(7)%
Provision for income taxes	60	74	(14)	(19)%
Net income	\$1,019	\$1,086	\$ (67)	(6)%
Earnings per share:				
Basic	\$ 3.36	\$ 3.58	\$(0.22)	(6)%
Diluted	\$ 3.33	\$ 3.55	\$(0.22)	(6)%

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

- See *Note 2 — Summary of Significant Accounting Policies*, for our updated revenue accounting policy, including significant judgments, under ASC 606. For a discussion of our revenue recognition policy as it relates to revenue transactions accounted for prior to April 1, 2018, which were accounted for under ASC 605, refer to our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.
- See *Note 10 — Balance Sheet Details*, for a discussion on our contract liabilities (“deferred net revenue”) and our remaining performance obligations. We had an immaterial amount of contract assets as of April 1, 2018 and March 31, 2019.
- See *Note 18 — Segment Information*, for our disaggregations of revenue.

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

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This update is intended to reduce the existing diversity in practice in how

certain transactions are classified in the statement of cash flows. The adoption did not have a material impact on our Consolidated Financial Statements.

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

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

Other Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The FASB issued this standard to increase transparency and comparability among organizations by recognizing right-of-use lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. In July 2018, the FASB issued ASU 2018-11, *Targeted Improvements*, which provides entities with optional transition relief by allowing entities to use the effective date of the new lease standard as the date of initial application on transition, instead of at the beginning of the earliest comparative period presented. We will adopt this standard using this optional transition method beginning in the first quarter of fiscal year 2020, when the updated guidance is effective for us, and accordingly, we will not adjust prior periods for the effects of the new lease standard. Additionally, we will elect to apply the package of practical expedients, which allows us to carryforward our historical lease classification, our assessment on whether a contract is or contains a lease, and our assessment of initial direct costs for any leases that exist prior to adoption of the new lease standard. While we are continuing to evaluate the impact of this new standard, we estimate approximately \$200 million to \$300 million would be recognized on our Consolidated Balance Sheet upon adoption as a result of establishing right-of-use lease assets and liabilities for our operating leases with terms of more than 12 months. We do not expect this new standard to have a material impact on our Consolidated Statements of Operations or Cash Flows.

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 eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The recognition of the amount historically excluded from the assessment of hedge effectiveness for our cash flow hedges under the new guidance will be recognized into the consolidated statement of operations at contract maturity rather than over the contract term, and will be recognized into net revenue or research and development expenses, as appropriate. ASU 2017-12 also amends the disclosure requirements by requiring revised tabular disclosures that focus on the effect of hedge accounting by income statement line. This update is effective for us beginning in the first quarter of fiscal year 2020. We do not expect the adoption to have a material impact 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. This update replaces the existing incurred loss impairment model with an expected loss model. It also requires credit losses related to available-for-sale debt securities to be recognized as an allowance for credit losses rather than as a reduction to the carrying value of the securities. ASU 2016-13 is effective for us beginning in the first quarter of fiscal year 2021. We are currently evaluating the impact of this new standard on our Consolidated Financial Statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. This update changes the

fair value measurement disclosure requirements. It summarizes the key provisions including the new, eliminated, and modified disclosure requirements. This update is effective for us beginning in the first quarter of fiscal year 2021. 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 August 2018, the FASB issued ASU 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software* (Subtopic 350-40). This update requires a customer in a cloud computing service arrangement to follow the internal-use software guidance in order to determine which implementation costs to defer and recognize as an asset. This update is effective for us beginning in the first quarter of fiscal year 2021. 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2019 and 2018.

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 \$37 million and \$35 million as of March 31, 2019 and 2018, 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, 2019, we have only one reportable segment, which represents our only operating segment.

Revenue Recognition

As discussed in *Note 1 — Description of Business and Basis of Presentation*, we adopted the New Revenue Standard on April 1, 2018.

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

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

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

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

We evaluate and recognize revenue by:

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

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

Online-Enabled Games

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

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

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

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

Subscriptions

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

Licensing Revenue

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

Revenue Classification

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

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

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

Significant Judgments around Revenue Arrangements

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

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

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

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

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

Deferred Net Revenue

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

Principal Agent Considerations

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

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

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

Payment Terms

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

Sales and Value-Added Taxes

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

Sales Returns and Price Protection Reserves

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

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

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, channel and platform 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, 2019, we had two customers who accounted for approximately 34 percent and 33 percent of our consolidated gross receivables, respectively. At March 31, 2018, we had three customers who accounted for 39 percent, 21 percent, and 10 percent of our consolidated gross receivables, respectively.

A majority of our sales are made via digital resellers, channel and platform partners. During the fiscal years 2019, 2018, and 2017, approximately 65 percent, 67 percent, and 64 percent, respectively, of our net revenue was derived from our top ten customers and/or platform partners. 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 or platform partners could lead to a short-term disruption in our sales if one or more digital resellers, channel or platform 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 or platform partners 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, 2019, 2018 and 2017, 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 66 percent, 70 percent, and 70 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 \$46 million, \$45 million, and \$53 million reduced marketing and sales

expense for the fiscal years ended March 31, 2019, 2018 and 2017, respectively. For the fiscal years ended March 31, 2019, 2018 and 2017, advertising expense, net of vendor reimbursements, totaled approximately \$271 million, \$261 million, and \$281 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 \$(9) million, \$18 million, and \$(40) million for the fiscal years ended March 31, 2019, 2018 and 2017, 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 \$50 million, \$(16) million, and \$46 million for the fiscal years ended March 31, 2019, 2018 and 2017, respectively. See Note 5 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.

The U.S. Tax Act creates new U.S. taxes on foreign earnings. An accounting policy election is available to either recognize the deferred tax impacts of the U.S. taxes on foreign earnings or to account for them as a period cost. We have elected to account for the impacts of these new taxes as a period cost.

Share Repurchases

Shares of our common stock repurchased pursuant to our repurchase program are retired. The purchase price of such repurchased shares of common stock is recorded as a reduction to additional paid-in-capital. If the balance in additional paid-in-capital is exhausted, the excess is recorded as a reduction to retained earnings.

(3) FAIR VALUE MEASUREMENTS

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

Fair Value Hierarchy

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of March 31, 2019 and 2018, our assets and liabilities that were measured and recorded at fair value on a recurring basis were as follows (in millions):

	Fair Value Measurements at Reporting Date Using				Balance Sheet Classification
	As of March 31, 2019	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets					
Bank and time deposits	\$ 23	\$ 23	\$ —	\$ —	Cash equivalents
Money market funds	2,704	2,704	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	327	—	327	—	Short-term investments and cash equivalents
U.S. Treasury securities	294	294	—	—	Short-term investments and cash equivalents
U.S. agency securities	57	—	57	—	Short-term investments and cash equivalents
Commercial paper	233	—	233	—	Short-term investments and cash equivalents
Foreign government securities	58	—	58	—	Short-term investments and cash equivalents
Asset-backed securities	55	—	55	—	Short-term investments and cash equivalents
Certificates of deposit	2	—	2	—	Short-term investments and cash equivalents
Foreign currency derivatives	33	—	33	—	Other current assets and other assets
Deferred compensation plan assets ^(a)	11	11	—	—	Other assets
Total assets at fair value	<u>\$3,797</u>	<u>\$3,032</u>	<u>\$765</u>	<u>\$ —</u>	
Liabilities					
Contingent consideration ^(b)	\$ 136	\$ —	\$ —	\$136	Accrued and other current liabilities
Foreign currency derivatives	16	—	16	—	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities ^(a)	12	12	—	—	Other liabilities
Total liabilities at fair value	<u>\$ 164</u>	<u>\$ 12</u>	<u>\$ 16</u>	<u>\$136</u>	
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
					Contingent Consideration
Balance as of March 31, 2018					\$122
Additions					—
Change in fair value					<u>14</u>
Balance as of March 31, 2019					<u>\$136</u>

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

(a) The Deferred Compensation Plan assets consist of various mutual funds. See Note 15 for additional information regarding our Deferred Compensation Plan.

(b) The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with our acquisition of Respawn Entertainment, LLC (“Respawn”) that is contingent upon the achievement of certain performance milestones. We estimated fair value using a probability-weighted income approach combined with a real options methodology, and applied a discount rate that appropriately captures the risk associated with the obligation. At March 31, 2019, the discount rates used ranged from 2.9 percent to 3.1 percent. See Note 7 for additional information regarding the Respawn acquisition. At March 31, 2018, the discount rates used ranged from 3.3 percent to 3.6 percent.

(4) FINANCIAL INSTRUMENTS

Cash and Cash Equivalents

As of March 31, 2019 and 2018, our cash and cash equivalents were \$4,708 million and \$4,258 million, respectively. Cash equivalents were valued using quoted market prices or other readily available market information.

Short-Term Investments

Short-term investments consisted of the following as of March 31, 2019 and 2018 (in millions):

	As of March 31, 2019				As of March 31, 2018			
	Cost or Amortized Cost	Gross Unrealized		Fair Value	Cost or Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses			Gains	Losses	
Corporate bonds	\$325	\$—	\$ (1)	\$324	\$ 629	\$—	\$ (5)	\$ 624
U.S. Treasury securities	153	—	—	153	212	—	(2)	210
U.S. agency securities	44	—	—	44	79	—	(1)	78
Commercial paper	112	—	—	112	109	—	—	109
Foreign government securities	50	—	—	50	53	—	(1)	52
Asset-backed securities	53	—	—	53	—	—	—	—
Certificates of deposit	1	—	—	1	—	—	—	—
Short-term investments	<u>\$738</u>	<u>\$—</u>	<u>\$ (1)</u>	<u>\$737</u>	<u>\$1,082</u>	<u>\$—</u>	<u>\$ (9)</u>	<u>\$1,073</u>

The following table summarizes the amortized cost and fair value of our short-term investments, classified by stated maturity as of March 31, 2019 and 2018 (in millions):

	As of March 31, 2019		As of March 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments				
Due within 1 year	\$449	\$448	\$ 521	\$ 520
Due 1 year through 5 years	287	287	561	553
Due after 5 years	2	2	—	—
Short-term investments	<u>\$738</u>	<u>\$737</u>	<u>\$1,082</u>	<u>\$1,073</u>

(5) DERIVATIVE FINANCIAL INSTRUMENTS

The assets or liabilities associated with our derivative instruments and hedging activities are recorded at fair value in other current assets/other assets, or accrued and other current liabilities/other liabilities, respectively, on our 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, 2019			As of March 31, 2018		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
Forward contracts to purchase	\$ 295	\$—	\$10	\$ 329	\$2	\$ 4
Forward contracts to sell	\$1,355	\$31	\$ 4	\$1,575	\$1	\$48

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 gain of \$8 million and \$36 million for the fiscal years ended March 31, 2019 and 2017, respectively, and a loss of \$5 million for the fiscal year ended March 31, 2018.

During fiscal years ended March 31, 2019, 2018 and 2017, we reclassified an immaterial amount of the ineffective portion of gains or losses resulting from changes in fair value into interest and other income (expense), net.

The amount excluded from the assessment of hedge effectiveness and recognized in interest and other income (expense) was a gain of \$25 million and \$10 million during fiscal year ended March 31, 2019 and 2018. The amount excluded from the assessment of hedge effectiveness during the fiscal year ended March 31, 2017 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, 2019			As of March 31, 2018		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset	Liability		Asset	Liability
Forward contracts to purchase	\$449	\$—	\$ 2	\$210	\$ 1	\$1
Forward contracts to sell	\$394	\$ 2	\$—	\$257	\$—	\$3

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, 2019, 2018 and 2017, was as follows (in millions):

	Statement of Operations Classification	Amount of Gain (Loss) Recognized in the Statement of Operations		
		Year Ended March 31,		
		2019	2018	2017
Foreign currency forward contracts not designated as hedging instruments	Interest and other income (expense), net	\$25	\$(26)	\$43

(6) 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, 2019, 2018 and 2017 are as follows (in millions):

	<u>Unrealized Net Gains (Losses) on Available-for-Sale Securities</u>	<u>Unrealized Net Gains (Losses) on Derivative Instruments</u>	<u>Foreign Currency Translation Adjustments</u>	<u>Total</u>
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)	<u>(1)</u>	<u>(36)</u>	<u>—</u>	<u>(37)</u>
Total other comprehensive income (loss), net of tax	<u>(4)</u>	<u>18</u>	<u>(17)</u>	<u>(3)</u>
Balances as of March 31, 2017	<u>\$ (3)</u>	<u>\$ 32</u>	<u>\$(48)</u>	<u>\$ (19)</u>
Other comprehensive income (loss) before reclassifications	(9)	(126)	28	(107)
Amounts reclassified from accumulated other comprehensive income (loss)	<u>4</u>	<u>5</u>	<u>(10)</u>	<u>(1)</u>
Total other comprehensive income (loss), net of tax	<u>(5)</u>	<u>(121)</u>	<u>18</u>	<u>(108)</u>
Balances as of March 31, 2018	<u>\$ (8)</u>	<u>\$ (89)</u>	<u>\$(30)</u>	<u>\$(127)</u>
Cumulative-effect adjustment from the adoption of ASC 606	—	22	—	22
Cumulative-effect adjustment from the adoption of ASU 2018-02	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
Balances as of April 1, 2018	<u>\$ (8)</u>	<u>\$ (66)</u>	<u>\$(30)</u>	<u>\$(104)</u>
Other comprehensive income (loss) before reclassifications	6	96	(21)	81
Amounts reclassified from accumulated other comprehensive income (loss)	<u>1</u>	<u>(8)</u>	<u>—</u>	<u>(7)</u>
Total other comprehensive income (loss), net of tax	<u>7</u>	<u>88</u>	<u>(21)</u>	<u>74</u>
Balances as of March 31, 2019	<u>\$ (1)</u>	<u>\$ 22</u>	<u>\$(51)</u>	<u>\$ (30)</u>

The effects on net income of amounts reclassified from accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2019, 2018 and 2017 were as follows (in millions):

Statement of Operations Classification	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)		
	Year Ended March 31,		
	2019	2018	2017
(Gains) losses on available-for-sale securities:			
Interest and other income (expense), net	\$ 1	\$ 4	\$ (1)
Total, net of tax	1	4	(1)
(Gains) losses on cash flow hedges from forward contracts:			
Net revenue	(18)	10	(37)
Research and development	10	(5)	1
Total, net of tax	(8)	5	(36)
(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	\$ (7)	\$ (1)	\$ (37)

(7) BUSINESS COMBINATIONS

GameFly Cloud Gaming

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

The results of operations attributable to the assets and personnel acquired in the GameFly Cloud Gaming acquisition and the fair value of the assets acquired have been included in our 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 year ended March 31, 2019, we completed one other acquisition that was not material to our Consolidated Financial Statements.

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.

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 was included in other liabilities on

our Consolidated Balance Sheet at March 31, 2018. During the fiscal year ended March 31, 2019, we recognized \$14 million of contingent consideration expense in our Consolidated Statements of Operations as a performance milestone was met and the expected outcomes for other performance milestones became more positive. At March 31, 2019, the fair value of the contingent consideration of \$136 million is included in accrued and other current liabilities. Subsequent to March 31, 2019, we paid \$35 million of contingent consideration.

Subsequent to the acquisition, in the fourth quarter of fiscal year 2018, we also granted an aggregate of \$167 million of restricted stock unit awards of our common stock to Respawn employees that is being recognized over a four year period as stock-based compensation expense in research and development in our Consolidated Statements of Operations.

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 year ended March 31, 2017, there were no acquisitions.

(8) GOODWILL AND ACQUISITION-RELATED INTANGIBLES, NET

The changes in the carrying amount of goodwill for the fiscal year ended March 31, 2019 are as follows (in millions):

	As of March 31, 2018	Activity	Effects of Foreign Currency Translation	As of March 31, 2019
Goodwill	\$2,251	\$14	\$ (5)	\$2,260
Accumulated impairment	(368)	—	—	(368)
Total	<u>\$1,883</u>	<u>\$14</u>	<u>\$ (5)</u>	<u>\$1,892</u>

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>

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, 2019			As of March 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Acquisition- Related Intangibles, Net	Gross Carrying Amount	Accumulated Amortization	Acquisition- Related Intangibles, Net
Developed and core technology	\$469	\$(427)	\$42	\$417	\$(414)	\$ 3
Trade names and trademarks	161	(121)	40	161	(107)	54
Registered user base and other intangibles . .	5	(5)	—	5	(5)	—
Carrier contracts and related	85	(85)	—	85	(85)	—
In-process research and development	5	—	5	14	—	14
Total	<u>\$725</u>	<u>\$(638)</u>	<u>\$87</u>	<u>\$682</u>	<u>\$(611)</u>	<u>\$71</u>

The fair value of acquisition-related intangible assets acquired in the GameFly Cloud Gaming acquisition during the three months ended June 30, 2018 was \$43 million, all of which was allocated to developed and core technology, and has a useful life of approximately 4.0 years.

Amortization of intangibles for the fiscal years ended March 31, 2019, 2018 and 2017 are classified in the Consolidated Statements of Operations as follows (in millions):

	Year Ended March 31,		
	2019	2018	2017
Cost of service and other	\$ 1	\$—	\$16
Cost of product	3	2	27
Operating expenses	<u>23</u>	<u>9</u>	<u>6</u>
Total	<u>\$27</u>	<u>\$11</u>	<u>\$49</u>

There were no impairment charges for acquisition-related intangible assets during fiscal years 2019 and 2018. 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, 2019 and 2018, the weighted-average remaining useful life for acquisition-related intangible assets was approximately 3.2 years and 4.3 years, respectively.

As of March 31, 2019, future amortization of finite-lived acquisition-related intangibles that will be recorded in the Consolidated Statements of Operations is estimated as follows (in millions):

<u>Fiscal Year Ending March 31,</u>	
2020	\$30
2021	22
2022	22
2023	8
2024	—
Thereafter	<u>—</u>
Total	<u>\$82</u>

(9) ROYALTIES AND LICENSES

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

During fiscal years 2019 and 2018, we did not recognize any material losses or impairment charges on 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):

	As of March 31,	
	2019	2018
Other current assets	\$53	\$ 68
Other assets	30	34
Royalty-related assets	<u>\$83</u>	<u>\$102</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,	
	2019	2018
Accrued royalties	\$144	\$171
Other liabilities	51	74
Royalty-related liabilities	<u>\$195</u>	<u>\$245</u>

As of March 31, 2019, we were committed to pay approximately \$973 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 13 for further information on our developer and licensor commitments.

(10) BALANCE SHEET DETAILS

Property and Equipment, Net

Property and equipment, net, as of March 31, 2019 and 2018 consisted of (in millions):

	As of March 31,	
	2019	2018
Computer, equipment and software	\$ 710	\$ 744
Buildings	343	336
Leasehold improvements	139	139
Equipment, furniture and fixtures, and other	80	84
Land	66	66
Construction in progress	21	7
	1,359	1,376
Less: accumulated depreciation	(911)	(923)
Property and equipment, net	<u>\$ 448</u>	<u>\$ 453</u>

Depreciation expense associated with property and equipment was \$121 million, \$120 million and \$115 million for the fiscal years ended March 31, 2019, 2018 and 2017, respectively.

Accrued and Other Current Liabilities

Accrued and other current liabilities as of March 31, 2019 and 2018 consisted of (in millions):

	As of March 31,	
	2019	2018
Other accrued expenses	\$ 290	\$260
Accrued compensation and benefits	238	282
Accrued royalties	144	171
Sales returns and price protection reserves	150	—
Contingent consideration	136	—
Deferred net revenue (other)	94	108
Accrued and other current liabilities	<u>\$1,052</u>	<u>\$821</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.

As a result of the adoption of the New Revenue Standard on April 1, 2018, our sales returns and price protection reserves are now classified within accrued and other liabilities (previously, these allowances were classified as a contra-asset within receivables on our Consolidated Balance Sheets).

Deferred net revenue

Deferred net revenue as of March 31, 2019 and April 1, 2018, as adjusted, consisted of (in millions):

	As of March 31, 2019	As of April 1, 2018 (as adjusted)
Deferred net revenue (online-enabled games)	\$1,100	\$ 949
Deferred net revenue (other)	94	105
Deferred net revenue (noncurrent)	23	5
Total Deferred net revenue	<u>\$1,217</u>	<u>\$1,059</u>

During the fiscal year ended March 31, 2019, \$3,070 million of revenue was recognized, of which \$1,054 million was included in the deferred revenue balance as of April 1, 2018, as adjusted.

Remaining Performance Obligations

As of March 31, 2019, revenue allocated to remaining performance obligations consists of our deferred revenue balance of \$1,217 million. These balances exclude any estimates for future variable consideration as we have elected the optional exemption to exclude sales-based royalty revenue. We expect to recognize substantially all of these balances as revenue over the next 12 months.

(11) INCOME TAXES

The components of our income before provision for income taxes for the fiscal years ended March 31, 2019, 2018 and 2017 are as follows (in millions):

	Year Ended March 31,		
	2019	2018	2017
Domestic	\$ 170	\$ 440	\$ 382
Foreign	909	1,009	828
Income before provision for income taxes	<u>\$1,079</u>	<u>\$1,449</u>	<u>\$1,210</u>

Provision for income taxes for the fiscal years ended March 31, 2019, 2018 and 2017 consisted of (in millions):

	Current	Deferred	Total
Year Ended March 31, 2019			
Federal	\$ 29	\$ (18)	\$ 11
State	5	—	5
Foreign	42	2	44
	<u>\$ 76</u>	<u>\$ (16)</u>	<u>\$ 60</u>
Year Ended March 31, 2018			
Federal	\$138	\$197	\$335
State	4	9	13
Foreign	61	(3)	58
	<u>\$203</u>	<u>\$203</u>	<u>\$406</u>
Year Ended March 31, 2017			
Federal	\$ 86	\$ 96	\$182
State	3	9	12
Foreign	51	(2)	49
	<u>\$140</u>	<u>\$103</u>	<u>\$243</u>

Our effective tax rate and resulting provision for income taxes for the fiscal year ended March 31, 2018 were 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”).

We have concluded the accounting under the U.S. Tax Act within the time period set forth in SAB 118, the SEC guidance that allowed 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, including the impacts of the Transition Tax, the remeasurement of U.S. deferred tax assets and liabilities as a result of the reduction of the U.S. corporate tax rate, and the accounting policy election related to U.S. taxes on foreign earnings. We recorded tax expense of \$235 million related to the U.S. Tax Act for the fiscal year ended March 31, 2018, \$192 million of which relates to the Transition Tax. During the fiscal year ended March 31, 2019, we made no material adjustments to our provisional amounts recognized due to the U.S. Tax Act during the fiscal year ended March 31, 2018.

Upon adoption of ASU 2016-09 at the beginning of fiscal year 2018, we reflected excess tax benefits of \$20 million and \$43 million for the fiscal years ended March 31, 2019 and 2018, respectively, in the Consolidated Statements of Operations as a component of the provision for income taxes. For fiscal year ended March 31, 2017, excess tax benefits of \$65 million was recognized in additional paid-in-capital in the Consolidated Balance Sheets.

The differences between the statutory tax expense rate and our effective tax expense rate, expressed as a percentage of income before provision for income taxes, for the fiscal years ended March 31, 2019, 2018 and 2017 were as follows:

	Year Ended March 31,		
	2019	2018	2017
Statutory federal tax expense rate	21.0 %	31.5 %	35.0 %
State taxes, net of federal benefit	0.7 %	0.8 %	1.0 %
Differences between statutory rate and foreign effective tax rate	(14.4)%	(19.1)%	(19.3)%
Tax reform	(0.4)%	16.2 %	— %
Excess tax benefit	(1.9)%	(3.0)%	— %
Research and development credits	(2.4)%	(1.4)%	(0.7)%
Unremitted earnings of foreign subsidiaries	— %	— %	2.2 %
Non-deductible stock-based compensation	2.3 %	2.7 %	2.3 %
Other	0.7 %	0.3 %	(0.4)%
Effective tax expense rate	<u>5.6 %</u>	<u>28.0 %</u>	<u>20.1 %</u>

We generated income in lower tax jurisdictions primarily related to our European and Asia Pacific businesses that are headquartered in Switzerland.

Prior to the U.S. Tax Act, a substantial majority of undistributed earnings of our foreign subsidiaries were considered to be indefinitely reinvested. As a result of the U.S. Tax Act, substantially all previously unremitted earnings for which no U.S. deferred tax liability had been accrued have now been subject to U.S. tax. Any future earnings of our foreign subsidiaries are generally available for repatriation without a material incremental U.S. tax cost.

The components of net deferred tax assets, as of March 31, 2019 and 2018 consisted of (in millions):

	As of March 31,	
	2019	2018
Deferred tax assets:		
Accruals, reserves and other expenses	\$ 101	\$ 81
Tax credit carryforwards	140	121
Stock-based compensation	33	24
Net operating loss & capital loss carryforwards	22	23
Total	296	249
Valuation allowance	(162)	(138)
Deferred tax assets, net of valuation allowance	<u>134</u>	<u>111</u>
Deferred tax liabilities:		
Amortization and depreciation	(28)	(27)
Change in tax accounting method	(66)	—
Other	(7)	(2)
Total	<u>(101)</u>	<u>(29)</u>
Deferred tax assets, net of valuation allowance and deferred tax liabilities	<u>\$ 33</u>	<u>\$ 82</u>

As of March 31, 2019, we maintained a valuation allowance of \$162 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, 2019, we have state net operating loss carry forwards of approximately \$598 million of which approximately \$7 million is attributable to various acquired companies. These carryforwards, if not fully realized, will begin to expire in 2029. We also have California and Canada tax credit carryforwards of \$132 million and \$5 million, respectively. The California and Canada tax credit carryforwards can be carried forward indefinitely.

The total unrecognized tax benefits as of March 31, 2019, 2018 and 2017 were \$417 million, \$457 million and \$389 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, 2016	\$331
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>
Increases in unrecognized tax benefits related to prior year tax positions	—
Decreases in unrecognized tax benefits related to prior year tax positions	(41)
Increases in unrecognized tax benefits related to current year tax positions	43
Decreases in unrecognized tax benefits related to settlements with taxing authorities	(16)
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations	(21)
Changes in unrecognized tax benefits due to foreign currency translation	(5)
Balance as of March 31, 2019	<u><u>\$417</u></u>

As of March 31, 2019, approximately \$236 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 \$17 million as of March 31, 2019 and \$18 million as of March 31, 2018.

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. We remain subject to income tax examination by the IRS for fiscal years after 2015. In addition, we remain subject to income tax examination for several other jurisdictions including in Germany for fiscal years after 2016, France for fiscal years after 2016, the United Kingdom for fiscal years after 2017, Canada for fiscal years after 2010, and Switzerland for fiscal years after 2009.

We are also currently under income tax examination in the United States for fiscal year 2017, Germany for fiscal years 2013 through 2016, Spain for fiscal years 2014 through 2015, Sweden for fiscal years 2016 through 2017, and India for fiscal years 2009 through 2013.

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 \$10 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.

Subsequent to the fiscal year ended March 31, 2019, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered. The transaction did not result in a taxable gain. Under U.S. GAAP, any profit resulting from this intercompany transaction will be eliminated upon consolidation. However, the transaction resulted in a step-up of the Swiss tax deductible basis in the transferred intellectual property rights and, accordingly, created a temporary difference between the book basis and the tax basis of such intellectual property rights. As a result, this transaction will result in the recognition of a deferred tax asset, which we estimate at approximately \$2.3 billion, subject to a realizability analysis. The deferred tax asset will be recognized as a one-time tax benefit in our consolidated financial statements during the three months ending June 30, 2019. This deferred tax asset will reverse over a 20-year period and is subject to a periodic realizability analysis. The deferred tax asset and the one-time tax benefit will be measured based on the Swiss tax rate expected to apply in the years the asset will be recovered. We will not recognize any deferred taxes related to the U.S. taxes on foreign earnings associated with this transfer due to our policy election to recognize these taxes as a period cost. We do not expect the transaction to impact our cash taxes or our operating cash flow in fiscal year 2020.

(12) FINANCING ARRANGEMENTS

Senior Notes

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

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

	As of March 31, 2019	As of March 31, 2018
Senior Notes:		
3.70% Senior Notes due 2021	\$ 600	\$ 600
4.80% Senior Notes due 2026	400	400
Total principal amount	\$1,000	\$1,000
Unaccreted discount	(1)	(2)
Unamortized debt issuance costs	(5)	(6)
Net carrying value of Senior Notes	\$ 994	\$ 992
Fair value of Senior Notes (Level 2)	<u>\$1,039</u>	<u>\$1,038</u>

As of March 31, 2019, the remaining life of the 2021 Notes and 2026 Notes is approximately 1.9 years and 6.9 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, 2019 and 2018, no amounts were outstanding under the Credit Facility. \$2 million of debt issuance costs that were paid in connection with obtaining this credit facility are being amortized to interest expense over the 5-year term of the Credit Facility.

Interest Expense

The following table summarizes our interest expense recognized for fiscal years 2019, 2018, and 2017 that is included in interest and other income (expense), net on our Consolidated Statements of Operations (in millions):

	Year Ended March 31,		
	2019	2018	2017
Amortization of debt discount	(1)	—	(2)
Amortization of debt issuance costs	(2)	(2)	(2)
Coupon interest expense	(41)	(42)	(42)
Other interest expense	(1)	—	(1)
Total interest expense	<u>\$(45)</u>	<u>\$(44)</u>	<u>\$(47)</u>

(13) COMMITMENTS AND CONTINGENCIES

Lease Commitments

As of March 31, 2019, 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); Liga Nacional De Futbol Profesional (professional soccer); National Basketball Association and National Basketball Players Association (professional basketball); National Hockey League and NHL Players’ Association (professional hockey); National Football League Properties and PLAYERS Inc. (professional football); William Morris Endeavor Entertainment LLC (professional mixed martial arts); ESPN (content in EA SPORTS games); Disney Interactive (Star Wars); and Fox Digital Entertainment, Inc. (The Simpsons). These developer and content license commitments represent the sum of (1) the cash payments due under non-royalty-bearing licenses and services agreements and (2) the minimum guaranteed payments and advances against royalties due under royalty-bearing licenses and services agreements, the majority of which are conditional upon performance by the counterparty. These minimum guarantee payments and any related marketing commitments are included in the table below.

The following table summarizes our minimum contractual obligations as of March 31, 2019 (in millions):

	Total	Fiscal Year Ending March 31,					
		2020	2021	2022	2023	2024	Thereafter
Unrecognized commitments							
Developer/licensor commitments	\$ 973	\$214	\$ 292	\$240	\$ 93	\$ 75	\$ 59
Marketing commitments	377	94	97	85	37	37	27
Operating leases	264	52	54	44	36	28	50
Senior Notes interest	175	38	41	19	19	19	39
Other purchase obligations	92	40	30	19	3	—	—
Total unrecognized commitments	<u>1,881</u>	<u>438</u>	<u>514</u>	<u>407</u>	<u>188</u>	<u>159</u>	<u>175</u>
Recognized commitments							
Senior Notes principal and interest	1,003	3	600	—	—	—	400
Transition and other taxes	90	22	23	24	3	5	13
Licensing commitments	78	25	26	27	—	—	—
Total recognized commitments	<u>1,171</u>	<u>50</u>	<u>649</u>	<u>51</u>	<u>3</u>	<u>5</u>	<u>413</u>
Total Commitments	<u>\$3,052</u>	<u>\$488</u>	<u>\$1,163</u>	<u>\$458</u>	<u>\$191</u>	<u>\$164</u>	<u>\$588</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, 2019; however, certain payment obligations may be accelerated depending on the performance of our operating results. Furthermore, up to \$30 million of the unrecognized amounts in the table above may be payable, at the licensor's election, in shares of our common stock, subject to a \$10 million maximum during any fiscal year. The number of shares to be issued will be based on their fair market value at the time of issuance.

In addition to what is included in the table above, as of March 31, 2019, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling \$209 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, 2019, we may be required to pay up to \$140 million of cash consideration in connection with the December 1, 2017 acquisition of Respawn based on the achievement of certain performance milestones through the end of calendar year 2022. As of March 31, 2019, we have recorded \$136 million of contingent consideration on our Consolidated Balance Sheet representing the estimated fair value. Subsequent to March 31, 2019, we paid \$35 million of contingent consideration as a performance milestone was met. As of the date of this filing, the remaining maximum amount that we may be required to pay is \$105 million.

Total rent expense for our operating leases was \$100 million, \$92 million and \$91 million for the fiscal years ended March 31, 2019, 2018 and 2017, 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. The parties reached a settlement in this matter in March 2019 that was not material to the Company's financial results and on May 7, 2019, the United States District Court for the Northern District of California dismissed the case.

Governmental authorities in Belgium have sought to limit or discontinue the use of in-game mechanics involving a randomized selection of virtual items. On August 10, 2018, we were notified that the Belgian Gambling Commission made a referral to the Belgian Public Prosecutor's Office regarding the use such mechanics in the *FIFA Ultimate Team* service included in *FIFA 18*. On February 1, 2019, we discontinued the sale of FIFA Points in Belgium after discussions with Belgian authorities. We do not expect Belgian authorities to pursue the matter further. The Company does not believe that its products and services violate applicable gambling laws and continues to engage with appropriate governmental authorities in Belgium.

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.

(14) PREFERRED STOCK

As of March 31, 2019 and 2018, we had 10 million 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.

(15) STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Valuation Assumptions

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

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

- *Restricted Stock Units and Performance-Based Restricted Stock Units.* The fair value of restricted stock units and performance-based restricted stock units (other than market-based restricted stock units) is determined based on the quoted market price of our common stock on the date of grant.
- *Market-Based Restricted Stock Units.* Market-based restricted stock units consist of grants of performance-based restricted stock units to certain members of executive management that vest contingent upon the achievement of pre-determined market and service conditions (referred to herein as “market-based restricted stock units”). The fair value of our market-based restricted stock units is estimated using a Monte-Carlo simulation model. Key assumptions for the Monte-Carlo simulation model are the risk-free interest rate, expected volatility, expected dividends and correlation coefficient.
- *Stock Options and Employee Stock Purchase Plan.* The fair value of stock options and stock purchase rights granted pursuant to our equity incentive plans and our 2000 Employee Stock Purchase Plan, as amended (“ESPP”), respectively, is estimated using the Black-Scholes valuation model based on the multiple-award valuation method. Key assumptions of the Black-Scholes valuation model are the risk-free interest rate, expected volatility, expected term and expected dividends. The risk-free interest rate is based on U.S. Treasury yields in effect at the time of grant for the expected term of the option. Expected volatility is based on a combination of historical stock price volatility and implied volatility of publicly-traded options on our common stock. An expected term is estimated based on historical exercise behavior, post-vesting termination patterns, options outstanding and future expected exercise behavior.

There were an insignificant number of stock options granted during fiscal years 2019, 2018, and 2017.

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

	ESPP Purchase Rights		
	Year Ended March 31,		
	2019	2018	2017
Risk-free interest rate	2.2 - 2.5%	1.1 - 2.0%	0.5 - 0.8%
Expected volatility	29 - 33%	28 - 30%	25 - 32%
Weighted-average volatility	33%	29%	27%
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:

	Year Ended March 31,		
	2019	2018	2017
Risk-free interest rate	2.6%	1.5 - 1.6%	0.8%
Expected volatility	16 - 47%	17 - 46%	16 - 57%
Weighted-average volatility	28%	28%	29%
Expected dividends	None	None	None

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 15.7 million options or 11.0 million restricted stock units were available for grant under our Equity Plan as of March 31, 2019.

Stock Options

Options granted under the Equity Plan generally expire ten years from the date of grant. All outstanding options are fully vested and exercisable.

The following table summarizes our stock option activity for the fiscal year ended March 31, 2019:

	Options (in thousands)	Weighted- Average Exercise Prices	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2018	1,615	\$ 30.28		
Granted	5	106.55		
Exercised	(245)	30.00		
Forfeited, cancelled or expired	—	—		
Outstanding as of March 31, 2019	<u>1,375</u>	\$ 30.63	4.71	\$98
Vested and expected to vest	<u>1,375</u>	\$ 30.63	4.71	\$98
Exercisable as of March 31, 2019	<u>1,375</u>	\$ 30.63	4.71	\$98

The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price as of March 31, 2019, 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 2019, 2018, and 2017 were \$24 million, \$43 million and \$39 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, 2019:

Range of Exercise Prices	Options Outstanding and Exercisable			
	Number of Shares (in thousands)	Weighted- Average Remaining Contractual Term (in years)	Weighted- Average Exercise Prices	Potential Dilution
\$11.53-\$22.42	52	0.62	\$19.99	—%
26.25- 26.25	670	4.59	26.25	0.3%
33.60- 37.12	<u>653</u>	5.16	35.97	<u>0.2%</u>
\$11.53-\$37.12	<u>1,375</u>	4.71	\$30.63	<u>0.5%</u>

Potential dilution is computed by dividing the options in the related range of exercise prices by 298 million shares of common stock, which were issued and outstanding as of March 31, 2019.

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 to 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. Our restricted stock units generally vest over three to four years.

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 performance-based and market-based restricted stock unit activity which is discussed below, for the fiscal year ended March 31, 2019:

	Restricted Stock Units (in thousands)	Weighted- Average Grant Date Fair Values
Outstanding as of March 31, 2018	5,948	\$ 94.57
Granted	2,169	128.76
Vested	(2,541)	88.09
Forfeited or cancelled	<u>(616)</u>	109.09
Outstanding as of March 31, 2019	<u>4,960</u>	\$111.03

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 2019, 2018, and 2017 were \$128.76, \$110.05 and \$76.60 respectively. The fair values of restricted stock units that vested during fiscal years 2019, 2018, and 2017 were \$300 million, \$289 million and \$320 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, 2019:

	Performance- Based Restricted Stock Units (in thousands)	Weighted- Average Grant Date Fair Value
Outstanding as of March 31, 2018	796	\$110.51
Granted	—	—
Forfeited or cancelled	<u>(217)</u>	110.51
Outstanding as of March 31, 2019	<u>579</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.

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, 2019:

	Market-Based Restricted Stock Units (in thousands)	Weighted- Average Grant Date Fair Value
Outstanding as of March 31, 2018	1,342	\$118.35
Granted	573	185.24
Vested	(415)	98.48
Forfeited or cancelled	<u>(542)</u>	136.91
Outstanding as of March 31, 2019	<u>958</u>	\$156.49

The weighted-average grant date fair values of market-based restricted stock units granted during fiscal years 2019, 2018, and 2017 were \$185.24, \$140.93, and \$98.04, respectively. The fair values of market-based restricted stock units that vested during fiscal years 2019, 2018, and 2017 were \$54 million, \$48 million, and \$42 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, 2019, 2018 and 2017:

	Shares Issued (in millions)	Exercise Prices for Purchase Rights	Weighted- Average Fair Values of Purchase Rights
Fiscal Year 2017	0.7	\$54.60 - \$ 67.56	\$17.93
Fiscal Year 2018	0.6	\$67.56 - \$ 99.82	\$21.57
Fiscal Year 2019	0.5	\$89.46 - \$107.51	\$31.88

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, 2019, 6.3 million shares were available for grant under our ESPP.

Stock-Based Compensation Expense

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

	Year Ended March 31,		
	2019	2018	2017
Cost of revenue	\$ 4	\$ 3	\$ 3
Research and development	184	146	109
Marketing and sales	33	32	31
General and administrative	63	61	53
Stock-based compensation expense	<u>\$284</u>	<u>\$242</u>	<u>\$196</u>

During the fiscal years ended March 31, 2019, 2018 and 2017, we recognized \$40 million, \$29 million and \$43 million, respectively, of deferred income tax benefit related to our stock-based compensation expense.

As of March 31, 2019, our total unrecognized compensation cost related to restricted stock units, market-based restricted stock units, and performance-based restricted stock units was \$451 million and is expected to be recognized over a weighted-average service period of 1.8 years. Of the \$451 million of unrecognized compensation cost, \$394 million relates to restricted stock units, \$45 million relates to market-based restricted stock units, and \$12 million relates to performance-based restricted stock units at a 67 percent average payout. As of March 31, 2019, there were no unrecognized compensation cost related to stock options as they were fully vested.

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 \$11 million and \$10 million as of March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, \$12 million and \$11 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 \$43 million, \$31 million and \$28 million to these plans in fiscal years 2019, 2018, and 2017, respectively.

Stock Repurchase Program

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 and 6.5 million shares for approximately \$31 million and \$508 million under this program, respectively, during the fiscal years ended March 31, 2018 and 2017. We completed repurchases under the May 2015 program in April 2017.

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a program to repurchase up to \$1.2 billion of our common stock. We repurchased approximately 0.6 million and 5.0 million shares for approximately \$76 million and \$570 million under this program, respectively, during the fiscal years ended March 31, 2019 and 2018. 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 repurchased approximately 10.4 million shares for approximately \$1,116 million under this program during the fiscal year ended March 31, 2019. We are actively repurchasing shares under this program.

The following table summarizes total shares repurchased during fiscal years 2019, 2018, and 2017:

(In millions)	May 2015 Program		May 2017 Program		May 2018 Program		Total	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Fiscal Year 2017	6.5	\$508	—	\$ —	—	\$ —	6.5	\$ 508
Fiscal Year 2018	0.3	\$ 31	5.0	\$570	—	\$ —	5.3	\$ 601
Fiscal Year 2019	—	\$ —	0.6	\$ 76	10.4	\$1,116	11.0	\$1,192

(16) INTEREST AND OTHER INCOME (EXPENSE), NET

Interest and other income (expense), net, for the fiscal years ended March 31, 2019, 2018 and 2017 consisted of (in millions):

	Year Ended March 31,		
	2019	2018	2017
Interest expense	(45)	(44)	(47)
Interest income	88	50	25
Net gain (loss) on foreign currency transactions	(9)	18	(40)
Net gain (loss) on foreign currency forward contracts	50	(16)	46
Other income (expense), net	(1)	7	2
Interest and other income (expense), net	<u>\$ 83</u>	<u>\$ 15</u>	<u>\$(14)</u>

(17) 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,		
	2019	2018	2017
Net income	\$1,019	\$1,043	\$ 967
Shares used to compute earnings per share:			
Weighted-average common stock outstanding — basic	303	308	303
Dilutive potential common shares related to stock award plans and from assumed exercise of stock options	3	4	4
Dilutive potential common shares related to the Convertible Notes ^(a)	—	—	1
Dilutive potential common shares related to the Warrants ^(a)	—	—	6
Weighted-average common stock outstanding — diluted	306	312	314
Earnings per share:			
Basic	\$ 3.36	\$ 3.39	\$3.19
Diluted	\$ 3.33	\$ 3.34	\$3.08

^(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 year ended March 31, 2019, 2 million 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 fiscal years ended March 31, 2019 and 2018.

For the fiscal years ended March 31, 2018 and 2017, an immaterial amount of restricted stock units and market-based restricted stock units were excluded from the treasury stock method computation of diluted shares as their inclusion would have had an antidilutive effect.

(18) 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, 2019, we have only one reportable segment, which represents our only operating segment.

Information about our total net revenue by composition and by platform for the fiscal years ended March 31, 2019, 2018 and 2017 is presented below (in millions):

	<u>Year Ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Net revenue by composition</u>			
Full game downloads	\$ 680	\$ 707	\$ 659
Live services	2,216	2,083	1,589
Mobile	814	660	626
Total Digital	<u>3,710</u>	<u>3,450</u>	<u>2,874</u>
Packaged goods and other	1,240	1,700	1,971
Net revenue	<u>\$4,950</u>	<u>\$5,150</u>	<u>\$4,845</u>

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

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

	<u>Year Ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Platform net revenue</u>			
Console	\$3,333	\$3,635	\$3,390
PC / Browser	780	827	773
Mobile	824	672	627
Other	13	16	55
Net revenue	<u>\$4,950</u>	<u>\$5,150</u>	<u>\$4,845</u>

Information about our operations in North America and internationally as of and for the fiscal years ended March 31, 2019, 2018 and 2017 is presented below (in millions):

	<u>Year Ended March 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Net revenue from unaffiliated customers</u>			
North America	\$1,906	\$2,090	\$2,119
International	3,044	3,060	2,726
Total	<u>\$4,950</u>	<u>\$5,150</u>	<u>\$4,845</u>

	<u>As of March 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Long-lived assets</u>		
North America	\$371	\$376
International	77	77
Total	<u>\$448</u>	<u>\$453</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 entity includes digital revenue from consumers who reside outside of Switzerland, including consumers who reside outside of Europe. Revenue generated by our Swiss legal entity during fiscal years 2019, 2018, and 2017 represents \$2,303 million, \$2,272 million and \$1,886 million or 47 percent, 44 percent and 39 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 2019, our direct sales to Sony and Microsoft represented approximately 29 percent and 16 percent of total net revenue, respectively. 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.

(19) QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(In millions, except per share data)	Quarter Ended				Year Ended
	June 30	September 30	December 31	March 31	
<u>Fiscal 2019 Consolidated^(a)</u>					
Net revenue	\$1,137	\$1,286	\$1,289	\$1,238	\$4,950
Gross profit	922	868	876	962	3,628
Operating income	300	258	242	196	996
Net income	293	255	262	209	1,019
<u>Common Stock</u>					
Earnings per share — Basic	\$ 0.96	\$ 0.84	\$ 0.87	\$ 0.70	\$ 3.36
Earnings per share — Diluted	\$ 0.95	\$ 0.83	\$ 0.86	\$ 0.69	\$ 3.33
<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) ^(b)	607 ^(b)	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

^(a) On April 1, 2018, at the beginning of fiscal year 2019, we adopted the New Revenue Standard, which significantly changes how we recognize and report net revenue. Financial data for periods prior to April 1, 2018 has not been restated. For more information on the New Revenue Standard, see Note 1 under the heading “Recently Adopted Accounting Standards”.

^(b) During the quarters ended December 31, 2017 and March 31, 2018, we recognized tax expense of \$176 million and \$59 million, respectively, due to the application of the U.S. Tax Act, enacted on December 22, 2017.

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 30, 2019 and March 31, 2018, 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 30, 2019, 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 30, 2019, 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 30, 2019 and March 31, 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended March 30, 2019, 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 30, 2019 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company adopted Accounting Standards Codification Topic 606, *Revenue From Contracts with Customers*, effective April 1, 2018, using the modified retrospective approach.

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, 2019

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 92.

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, 2019 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 2019 Proxy under the heading “Board of Directors & Corporate Governance.”

Item 11: *Executive Compensation*

The information required by Item 11 is incorporated herein by reference to the information to be included in the 2019 Proxy under the headings “Director Compensation and Stock Ownership Guidelines” and “Compensation Discussion and Analysis” and “Executive Compensation” and the subheadings “Compensation 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 2019 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 2019 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 2019 Proxy under the subheadings “Fees of Independent Auditors” and “Pre-approval Procedures.”

PART IV

Item 15: *Exhibits and Financial Statements*

(a) Documents filed as part of this report

1. Financial Statements: See Index to Consolidated Financial Statements under Item 8 on Page 45 of this report.
2. Financial Statement Schedule: See Schedule II on Page 97 of this report.
3. Exhibits: The exhibits listed in the accompanying index to exhibits on Page 98 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, 2019, 2018 and 2017

(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</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
Year Ended March 31, 2019	\$165	—	(158) ^(a)	—	\$ 7
Year Ended March 31, 2018	\$145	288	35 ^(b)	(303) ^(c)	\$165
Year Ended March 31, 2017	\$159	298	(8) ^(b)	(304) ^(c)	\$145

(a) Upon adoption of the New Revenue Standard, allowances for sales returns and price protection were reclassified to current liabilities as these reserve balances are considered refund liabilities. See Note 1 under the heading “*Recently Adopted Accounting Standards*”, for additional information on the adoption impact.

(b) 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).

(c) Primarily the utilization of returns allowance and price protection reserves.

ELECTRONIC ARTS INC.
2019 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	Description of Securities				X
4.03	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	
4.04	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*	EA Bonus Plan Fiscal Year 2019 Addendum	8-K	000-17948	8/3/2018	
10.08*	EA Bonus Plan Fiscal Year 2020 Addendum	8-K	000-17948	5/20/2019	
10.09*	Form of 2017 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/22/2017	
10.10*	Form of 2018 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/18/2018	
10.11*	Form of 2019 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/20/2019	
10.12*	Form of 2017 Performance-Based Incremental Restricted Stock Unit Agreement	8-K	000-17948	6/7/2017	
10.13*	Form of Restricted Stock Unit Award Agreement for Outside Directors	10-Q	000-17948	11/7/2017	
10.14*	2000 Equity Incentive Plan, as amended, and related documents	8-K	000-17948	8/1/2016	
10.15*	2000 Employee Stock Purchase Plan, as amended	8-K	000-17948	8/1/2016	
10.16*	Offer Letter for Employment at Electronic Arts Inc. to Andrew Wilson, dated September 15, 2013	8-K	000-17948	9/17/2013	

<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 Blake Jorgensen, dated July 25, 2012	8-K	000-17948	7/31/2012	
10.18*	Offer Letter for Employment at Electronic Arts Inc. to Ken Moss, dated June 6, 2014	10-Q	000-17948	8/5/2014	
10.19*	Offer Letter for Employment at Electronic Arts Inc. to Chris Bruzzo, dated July 21, 2014	10-Q	000-17948	11/4/2014	
10.20*	Offer Letter for Employment at Electronic Arts Inc. to Mala Singh, dated August 27, 2016	10-Q	000-17948	11/8/2016	
10.21**	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	
10.22**	Playstation Global Developer & Publisher Agreement, dated April 1, 2018, by and among Electronic Arts Inc., EA International (Studio & Publishing) Ltd., Sony Interactive Entertainment Inc., Sony Interactive Entertainment LLC, and Sony Interactive Entertainment Europe Ltd	10-Q	000-17948	8/8/2018	
10.23	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	
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

<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>	
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, 2019 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, 2019

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 23rd of May 2019.

<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/ 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/ Andrew Wilson</u> Andrew Wilson	Director

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