Criterion Software Limited

Annual report and financial statements

Registered number 4330852

Year ended 31 March 2021

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Strategic report

Principal activities

The principal activity of Criterion Software Limited (the Company) is the development of software for the video games developed and published by Electronic Arts Inc. The Company researches, develops and supports software, known as middleware, which is used within the group headed by Electronic Arts Inc. to develop console and computer games. Over the next year, the Company is committed to continue its extensive research and development on its suite of middleware products.

Criterion Software Limited is a wholly owned direct subsidiary of Electronic Arts Inc., a company incorporated in the United States of America.

Business review

	31 March 2021 £000	31 March 2020 £000
Turnover	**4,249**	3,894
Profit before taxation	**315**	299
Profit for the year	**398**	1,004
Average number of employees (note 4)	**25**	24

The Company uses key financial position and performance measures, including staff turnover, to monitor the performance of the business.

Principal risks and uncertainties

Technological obsolescence

The Company faces a potential risk of its product portfolio becoming obsolete due to ever developing technologies. However, the Company is committed to continue its extensive research and development on its suite of products to mitigate this risk. It seeks to compete effectively by continuously developing and updating its product portfolio and its relationships with key customers, along with a regular review of actions from its competitors, revenues generated and developments in technology and the marketplace.

Loss of key personnel

The Company employed 25 full time employees on average in 2021 (2020: 24). The employees are highly skilled software developers. Loss of key personnel could affect future development activities. Regular operational reviews ensure that knowledge and key customer and supplier relationships are retained by the directors and officers of the Company so that the impact of the loss of any employee or agent would be reduced.

COVID-19 Uncertainty

The directors have considered the impact of COVID-19 uncertainty on the business for the next 12 months. Whilst the situation evolves daily, we have thus far not seen any adverse impact on sales, profits, or cash flows, and our operations continue to function from home.

Strategic report *(continued)*

Economic uncertainty

Uncertainty and adverse changes in the economy, including UK withdrawal from the European Union ("Brexit"), could have a material adverse impact on our business performance.

Although the national economic situation is showing some signs of improvement, retailers continue to take a more conservative stance in ordering game inventory. Economic distress, which may result in a further decrease in demand for our products, particularly during key product launch windows, could have a material adverse impact on our market share and financial condition. Uncertainty and adverse changes in the economy could also increase our exposure to losses from bad debts which could have an adverse impact on our financial position and operating results. The directors are monitoring the impact of Brexit and the resulting trade agreements, including the impact of potential customs delays, and UK workforce that includes EU nationals.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The customers of the Company are other companies in the Electronic Arts Inc. group (the Group) and as such, the liquidity of Electronic Arts Inc. is the key factor in deciding the appropriateness of the going concern basis as the basis of preparation for these financial statements. The financial statements and subsequent quarterly reporting issued by the parent company – Electronic Arts Inc. – have shown strong growth in revenue and operating cash flow giving the Directors the confidence they seek.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Approved by the Board on 16 November 2021 and signed on its behalf by:

DChan

Derek Wai Seng Chan
Director
Registered Number: 4330852

Onslow House,
Onslow Street,
Guildford,
Surrey, GU1 4TN

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2021.

Dividends

During the year ended 31 March 2021 the directors paid a dividend of £nil (2020: nil).

Directors

The directors who held office during the year, and up to the date of signing the financial statements unless otherwise stated were as follows:

K A Kallweit (resigned 15 April 2021)
L R G Botto
D W Chan
M C S Webster
C Calonge (appointed 15 April 2021)

Research and development

During the year, the Company incurred £3,895,000 (2020: £3,592,000) of expenses on the continuing development of its middleware suite of products. Offsetting this cost is £4,249,000 (2020: £3,894,000), which is included in turnover and was received in relation to the research services provided to other group companies.

Political and charitable contributions

The Company made charitable donations of £ nil (2020: £nil) during the year.

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2020: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 16 November 2021 and signed on its behalf by:

DChan

Derek Wai Seng Chan
Director
Registered Number: 4330852

Onslow House,
Onslow Street,
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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with *the requirements of the Companies Act 2006;*
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRITERION SOFTWARE LIMITED

Opinion

We have audited the financial statements of Criterion Software Limited ("the company") for the year ended 31 March 2021 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud
- Reading Board minutes
- Considering remuneration incentive schemes and performance targets for management and directors
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform *procedures to address the risk of management override of controls.*

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts or with unusual double entry combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Cerys Doughty
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD
19/11/21

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2021

	Note	**Year ended 31 March 2021 £000**	Year ended 31 March 2020 £000
Turnover	*2*	**4,249**	3,894
Gross profit		**4,249**	3,894
Administrative expenses		**(3,933)**	(3,605)
Operating profit	*3-5*	**316**	289
Other interest receivable and similar income	*6*	**-**	10
Interest payable and similar expenses	*7*	**(1)**	-
Profit before taxation		**315**	299
Taxation	*8*	**83**	705
Profit for the financial year and other comprehensive income		**398**	1,004
Total comprehensive income for the year		**398**	1,004

All amounts are derived from continuing operations.

The notes on pages 12 to 24 form part of these financial statements.

Balance Sheet
at 31 March 2021

	Note	**31 March 2021**		31 March 2020	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*9*	**-**		-	
			-		-
Current assets					
Debtors, including £738,000 (2020: £628,000) due after more than one year	*10*	**5,612**		4,172	
Cash at bank and in hand		-		-	
		5,612		4,172	
Creditors: amounts falling due within one year	*11*	**(871)**		(648)	
Net current assets			**4,741**		3,524
Total assets less current liabilities			**4,741**		3,524
Net assets			**4,741**		3,524
Capital and reserves					
Called up share capital	*13*		**1**		1
Profit and loss account			**4,740**		3,523
Shareholders' funds			**4,741**		3,524

These financial statements were approved by the board of directors on 16 November 2021 and were signed on its behalf by:

DChan

Derek Wai Seng Chan
Director
Company registered number: 4330852

The notes on pages 12 to 24 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2019	1	1,860	1,861
Total comprehensive income for the year			
Profit	-	1,004	1,004
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,004	1,004
Total contributions by and distributions to owners			
Equity-settled share-based payment transactions	-	663	663
Current tax movement recorded directly in equity	-	(5)	(5)
Deferred tax movement recorded directly in equity		1	1
Total contributions by and distributions to owners	-	659	659
Balance at 31 March 2020	**1**	**3,523**	**3,524**
Total comprehensive income for the year			
Profit	-	398	398
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	**398**	**398**
Total contributions by and distributions to owners			
Equity-settled share-based payment transactions	-	823	823
Current tax movement recorded directly in equity		(20)	(20)
Deferred tax movement recorded directly in equity		16	16
Total contributions by and distributions to owners	-	**819**	**819**
Balance at 31 March 2021	**1**	**4,740**	**4,741**

The notes on pages 12 to 24 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Criterion Software Limited (the "Company") is a company incorporated and domiciled in the UK.

The registered office is Onslow House, Onslow Street, Guildford, Surrey, GU1 4TN.

The Company's ultimate parent undertaking, Electronic Arts Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of Electronic Arts Inc., are prepared in accordance with US Financial Reporting Standards and are available to the public and may be obtained from 209 Redwood Shores Parkway, Redwood City, CA 94065.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Electronic Arts Inc,. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share-based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets.
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

No judgements have been made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates which would have a significant risk of material adjustment in the next year statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds to meet its liabilities as they fall due for that period. The Company participates in a group cash-pool arrangement. As such, the cash balance accessible to the Company is included in Debtors as Amounts due from Group Undertakings.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

The customers of the Company are other companies in the Electronic Arts Inc. group (the Group) and as such, the liquidity of Electronic Arts Inc. is the key factor in deciding the appropriateness of the going concern basis as the basis of preparation for these financial statements. The financial statements and subsequent quarterly reporting issued by the parent company – Electronic Arts Inc. – have shown strong growth in revenue and operating cash flow giving the Directors the confidence they seek.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Financial instruments

(i) *Recognition and initial measurement*
Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) *Classification and subsequent measurement*

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Investments in subsidiaries are accounted for in accordance with IFRS 9.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Financial instruments *(continued)*

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) *Impairment*

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes *(continued)*

1 Accounting policies *(continued)*

*1.4 **Financial** instruments (continued)*

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Office and computer equipment 3-5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.6 Research and development

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

The Company does not own the intellectual property (IP) related to development activities undertaken during the periods and hence no saleable asset is created. As such there is no future economic benefits to the Company, and all development costs have been expensed as incurred.

1.7 Government grants

Government grants, R&D expenditure credit (RDEC), are presented as deductions from the related expenses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company grants rights to its parent's equity instruments to its employees the Company accounts for these share-based payments as cash-settled.

1.9 Turnover

Turnover, or revenue, is measured based on the consideration that the Company will be entitled to receive in exchange for services rendered to the customer. Revenue for services rendered to other companies within the EA group of companies is recognised upon satisfaction of performance obligations based upon the transaction price specified in a contract. Performance obligations relate to the services provided to other group entities and are measured by the incurrence of costs by the Company that are subject to recharge.

The Company recognises revenue when it transfers control of services to a customer, generally as the cost of rendering those services is incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Turnover(continued)

Contract balances

The only contract balances with customers pertains to amounts due from group undertakings included in Debtors (see note 9).

1.10 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, without discounting, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

2 Turnover

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
By activity:		
Software development services	4,249	3,894
Total turnover	4,249	3,894
By geographical market:		
UK	-	-
Rest of the World	4,249	3,894
Total turnover	4,249	3,894

3 Expenses and auditor's remuneration

Included in profit/loss are the following:	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Depreciation of tangible assets – owned	-	-
Research and development net expense	3,895	3,592

Auditor's remuneration:
Amounts receivable by the Company's auditor and its associates in respect of:

Audit of these financial statements	35	15

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 March 2021	Year ended 31 March 2020
Research and development	25	24
	25	24

Notes *(continued)*

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Wages and salaries	**2,330**	2,090
Share based payments (see note 14)	**823**	663
Social security costs	**301**	260
Contributions to defined contributions plans (see note 14)	**256**	231
	3,710	3,244

5 Directors' remuneration

During the year, services performed for the Company by all directors were deemed inconsequential. As such, no remuneration was paid during the year ended 31 March 2021 in respect of qualifying services performed for the Company as directors (2020: £nil).

6 Other interest receivable and similar income

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
On bank deposits	**-**	10
Total interest receivable and similar income	**-**	10

7 Interest payable and similar expenses

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
On intercompany balances	**1**	-
Total interest receivable and similar income	**1**	-

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	Year ended 31 March 2021		Year ended 31 March 2020	
	£000	£000	£000	£000
UK Corporation tax				
Current tax on income for the year	(13)		18	
Utilisation of previously unrecognised tax credits	-		(98)	
Adjustments in respect of prior periods	24		2	
Total current tax		11		(78)
Deferred tax				
Origination and reversal of temporary differences	(104)		(111)	
Recognition of previously unrecognised tax losses	-		(516)	
Adjustments in respect of prior periods	10		-	
Total Deferred tax		(94)		(627)
Tax on profit		(83)		(705)

Tax recognised directly in equity (i.e., not in comprehensive income)

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current tax recognised directly in equity	(20)	(5)
Deferred tax recognised directly in equity	16	1
Total tax recognised directly in equity	(4)	(4)

Reconciliation of tax expense

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit for the year	398	1,004
Total tax expense	(83)	(705)
Profit/(Loss) excluding taxation	315	299
Tax using the UK corporation tax rate of 19% (2020: 19%)	60	57
Non-deductible expenses	-	1
Increase in tax rate on deferred tax balances	(89)	-
Utilisation of previously unrecognised tax credits	-	(98)
Recognition of previously unrecognised temporary differences	(88)	(111)
Under provided in prior years – current tax	24	(38)
Over provided in prior years – deferred tax	10	-
Recognition of previously unrecognised tax losses	-	(516)
	(83)	(705)

Notes *(continued)*

8 Taxation *(continued)*

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 31 March 2021 was calculated at 19% (2020: 17%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax benefit by £176,000.

9 Tangible fixed assets

	Office Equipment £000	Computer Hardware £000	Total £000
Cost			
Balance at 31 March 2020	9	273	282
Additions	-	-	-
Disposals	-	-	-
Balance at 31 March 2021	**9**	**273**	**282**
Depreciation			
Balance at 31 March 2020	9	273	282
Depreciation charge for the year	-	-	-
Disposals	-	-	-
Balance at 31 March 2021	**9**	**273**	**282**
Net book value			
At 31 March 2020	-	-	-
At 31 March 2021	**-**	**-**	**-**

10 Debtors

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Amounts owed by group undertakings	**4,372**	3,446
Other debtors	**502**	29
Deferred tax asset (Note 12)	**738**	628
Prepayments and accrued income	**-**	69
Total debtors	**5,612**	4,172
Debtors falling due within one year	**4,874**	3,544
Debtors falling due after more than one year	**738**	628

Notes *(continued)*

11 Creditors: amounts falling due within one year

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Amounts owed to group undertakings	**-**	15
Other creditors	**15**	8
Accruals and deferred income	**856**	625
Total creditors	**871**	648

All creditors fall due within one year

12 Deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000	**Year ended 31 March 2021 £000**	Year ended 31 March 2020 £000	**Year ended 31 March 2021 £000**	Year ended 31 March 2020 £000
Tangible fixed assets	**160**	120	-	-	**160**	120
Share-based payments	**179**	112	-	-	**179**	112
Tax value of loss carry-forwards utilised	**398**	396	-	-	**398**	396
Other	**1**	-			**1**	-
Tax assets	**738**	628	-	-	**738**	628
Net tax assets	**738**	628	-	-	**738**	628

Movement in deferred tax during the year

	Year ended 31 March 2020 £000	**Recognised In income £000**	**Recognised in equity £000**	**Year ended 31 March 2021 £000**
Tangible fixed assets	120	40	-	**160**
Share-based payments	112	51	16	**179**
Tax value of loss carry-forwards utilised	396	2	-	**398**
Other	-	1	-	**1**
	628	94	16	**738**

Movement in deferred tax during the prior year

	Year ended 31 March 2019 £000	**Recognised In income £000**	**Recognised in equity £000**	**Year ended 31 March 2020 £000**
Tangible fixed assets	-	120	-	**120**
Share-based payments	-	111	1	**112**
Tax value of loss carry-forwards utilised	-	396	-	**396**
	-	627	1	**628**

Notes *(continued)*

13 Capital and reserves

Share capital

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Allotted, called up and fully paid		
1,001 ordinary shares of £1 each	**1**	1
	1	1

14 Employee benefits including share-based payments

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £256,000 *(2020: £231,000)*

Share based payments

Employee Stock Purchase Plan

Since September 1991, employees have been offered the ability to participate in an employee stock purchase plan. Under the terms of, the 2000 Employee Stock Purchase Plan ("ESPP"), eligible employees may authorise payroll deductions of up to 10 percent of their compensation to purchase shares at 85 percent of the lower of the fair market value of the common stock of Electronic Arts Inc., on the date of commencement of the offering or on the last day of each six-month purchase period.

The weighted average share price at the date of exercise during the year was $144.09 (2020: $98.79).

Restricted Stock Units and Restricted Stock

Restricted Stock Units and Restricted Stock (collectively referred to as "restricted stock rights") are granted under the Equity Plan to employees. Restricted stock units entitle holders to receive shares of common stock in Electronic Arts Inc. at the end of a specified period of time at a zero exercise price. Upon vesting, the equivalent number of common shares is typically issued net of tax withholdings. Restricted stock is issued and outstanding upon grant; however restricted stock award holders are restricted from selling shares until they vest. Upon vesting, the Company will typically withhold shares to satisfy tax withholding requirements. Restricted stock rights are subject to forfeiture and transfer restrictions. Vesting for restricted stock rights is based on the holders' continued employment with the Company. If the vesting conditions are not met, unvested restricted stock rights will be forfeited. Generally, restricted stock rights vest according to one of the following vesting schedules:

- 100 percent within one year;
- Three-year vesting with generally one-third vesting each year;
- Three-year vesting with one-third after one year, then 1/6 every six months thereafter until fully vested.

The weighted average share price at the date of exercise of share options exercised during the year was $121.68 (2020: $97.68).

The options outstanding at the year-end have a weighted average contractual life of 0.83 years (2020: 0.98 year).

15 Commitments

Capital commitments

The Company did not have any contracted capital expenditure at the year-end (2020: £nil).

Notes *(continued)*

16 Ultimate parent company and parent company of larger group

The immediate parent company and ultimate controlling party is Electronic Arts Inc., a company registered in the USA.

The largest group in which the results of the Company are consolidated is that headed by Electronic Arts Inc. The consolidated accounts of Electronic Arts Inc. are available to the public and copies may be obtained from Electronic Arts Inc. at 209 Redwood Shores Parkway, Redwood City, CA 94065.

17 *Accounting estimates and judgements*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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, 2021
OR

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

For the transition period from to
Commission File No. 000-17948

ELECTRONIC ARTS INC.

(Exact name of registrant as specified in its charter)

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

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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 October 2, 2020, the last business day of our second fiscal quarter, was $37,181 million.

As of May 24, 2021, there were 286,191,176 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 2021 Annual Meeting of Stockholders (the "2021 Proxy") are incorporated by reference into Part III hereof. The 2021 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 2021 Proxy is not deemed to be filed as part hereof.

ELECTRONIC ARTS INC.
2021 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 the impact of the COVID-19 pandemic to our business, operations and financial results, 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

Electronic Arts is a global leader in digital interactive entertainment. We develop, market, publish and deliver games, content and services that can be played and watched on game consoles, PCs, mobile phones and tablets.

Our Strategic Pillars

Our strategic pillars focus on delivering amazing games and content, offering services that extend and enhance the experience, and connecting more players across more platforms, and more ways to play. We believe that the breadth and depth of our portfolio, live services offerings, and our use of multiple business models and distribution channels provide us with strategic advantages. These advantages include the opportunity to engage an increasing number of players across more distribution channels and geographies, and dependable sources of revenue from our annualized sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), and our live services. In fiscal year 2021, execution against our strategic pillars and increased engagement with our products and services led to growth in our business, aided by consumers spending more time at home because of social restrictions and local government mandates related to the COVID-19 pandemic. In addition, longer-term trends that benefit our business accelerated. Live services and other net revenue for fiscal year 2021 increased more than 10 percent year-over-year. We have also experienced a significant increase in the percentage of our games purchased digitally. The full extent of the impact of the COVID-19 pandemic to our business, operations and financial results will depend on numerous evolving factors that cannot be accurately predicted at this time, including those factors included in Part I, Item 1A of this Annual Report under the heading "Risk Factors" beginning on Page 9.

Amazing Games and Content; Services that Extend and Enhance the Experience

Our foundation is a portfolio of intellectual property from which we create innovative games and content that enables us to build on-going and meaningful relationships with communities of players, creators and viewers. Our portfolio includes brands that we either wholly own (such as Battlefield, The Sims, Apex Legends, Need for Speed and Plants vs. Zombies) or license from others (such as FIFA, Madden NFL and Star Wars).

We develop and publish games and services across diverse genres, such as sports, racing, first-person shooter, action, role-playing and simulation. We have added to the breadth of our portfolio in recent years by, among other things, launching *Apex Legends*, our first free-to-play console game, expanding the ways in which players can engage with *The Sims 4* and adding new modes through which players can engage with our sports franchises. The depth of our portfolio is demonstrated by providing players with opportunities for choice within genres and franchises. For example, our sports portfolio includes the FIFA (soccer), Madden NFL (American football), NHL (ice hockey), Formula 1 (auto racing), and UFC (ultimate fighting) franchises, among others. And within our franchises we have innovated by providing multiple modalities of play designed to satisfy the various motivations of our players. For example, within *FIFA 21*, in addition to the professional soccer simulation base game, players can also engage with *FIFA Ultimate Team*, designed for players motivated by competition and self-improvement as well as *VOLTA FOOTBALL*, designed for players that play for social connection and self-expression. FIFA is our largest and most popular game and franchise. Revenue from our FIFA franchise, including the annualized console and PC game which is consistently one of the best-selling games in the marketplace as well as from *FIFA Ultimate Team,* is material to our business and will continue to be so. We seek to add to the breadth and depth of our portfolio by investing in developing and establishing new brands as well as investing in our partnerships with external game developers to create games and content that we bring to market.

In addition, we acquired Glu Mobile, Inc. ("Glu") on April 29, 2021 and Codemasters Group Holdings plc ("Codemasters") on February 18, 2021. The $2.3 billion acquisition of Glu is expected to accelerate our mobile growth by creating a combined organization with ongoing live services across multiple games and genres. We also believe that the acquisition will create value by adding Glu's expertise in casual sports and lifestyle genres to new titles based on our intellectual property. The $1.2 billion Codemasters acquisition grows our presence in racing, creating a global leader in racing entertainment. For more information about the Glu and Codemasters acquisition, see Part II, Item 8 of this Form 10-K in the Notes to the Consolidated Financial Statements in *Note 7 — Business Combinations*.

Through our live services offerings, we offer our players high-quality experiences designed to provide value to players and extend and enhance gameplay. These live services include extra content, subscription offerings and other revenue generated outside of the sale of our base games. Our digital live services and other net revenue represented 71 percent of our total net revenue during fiscal year 2021. We expect that live services net revenue, particularly extra content net revenue, will continue to be material to our business. Our most popular live service is the extra content purchased within 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 29 percent of our total net revenue during fiscal year 2021, a substantial portion of which was derived from *FIFA Ultimate Team.* In addition, in fiscal year 2021, we provided players with additional engagement opportunities through launching four seasons of content for *Apex Legends,* expanding *Apex Legends* to the Nintendo Switch platform, releasing five additional content packs for *The Sims 4* and continuing a robust schedule of live events for *Ultimate Team* across our FIFA, Madden NFL and NHL franchises.

Within our games and live services, we offer additional services that are designed to connect players to their friends and to the games they love, such as access to online marketplaces and in-game player rewards and achievements, which such services do not directly monetize. We also promote positive play in our games and services, aiming to offer safe, fun and inclusive environments in which to play by, among other things, providing players with information about their engagement and tools that allow them control of their experiences.

We also are investing in a number of long-term service-based initiatives that we believe will allow us to better serve and deepen our engagement with our players, such as an infrastructure that will enable us to better 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, and our esports initiatives. We believe that the interest and enthusiasm that surrounds esports will drive engagement and monetization in our products and services in addition to providing revenue opportunities through partnerships with sponsors and broadcasters.

Connecting More Players, Across more Platforms, and More Ways to Play

We are focused on reaching more players whenever and wherever they want to play. We believe that we can add value to our network by making it easier for players to connect to a world of play by offering choice of business model, distribution channel and device. Our games and services can be played and watched on consoles, PCs, mobile phones, tablets, and reach our players through both digital distribution channels and retail channels. Players can access our games and services through traditional single-game purchase or through subscription offerings; and certain of our games and services are available through a "free-to-play" model whereby players download the game for free and engage with services provided on an ongoing basis. For example, we develop products and services within the FIFA franchise that allow players to engage with FIFA through multiple business models, distribution channels and devices, including: (1) our annualized console and PC games and associated services, which can be purchased through both digital distribution and retail channels and also is available through subscription services; (2) *FIFA Mobile*, a mobile free-to-play offering; and (3) *FIFA Online*, a PC free-to-play game available in certain countries.

Digitally, our console games and live services can be purchased through third-party storefronts, such as the digital stores of our console partners. In fiscal year 2021 we expanded our reach, including by launching *FIFA 21* and *Madden NFL 21* on the Microsoft Xbox Series X and the Sony Playstation 5, and by launching *FIFA 21*, *Madden NFL 21* and *Star Wars Jedi: Fallen Order* on Google Stadia. Our direct sales to Sony and Microsoft represented approximately 34 percent and 18 percent of total net revenue, respectively, in fiscal year 2021. 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 Origin, EA's digital storefront, as well as through third-party online download stores, such as Steam. We also partner with third parties to publish our mobile and PC games and services in certain Asian territories, such as our partnerships with Tencent Holdings Limited for *FIFA Online* in China and Nexon Co. Ltd. for *FIFA Online* in Korea. From time to time, third parties will publish mobile and tablet games and services under a license to certain of our intellectual property assets.

We also offer our EA Play subscription service on consoles and PC as we look to build deeper relationships with our players and offer increased choice and flexibility for our players to try new games. EA Play allows players access to a selection of our console and PC games and services for a monthly or annual fee. In fiscal year 2021, we expanded the audience for EA Play by launching on Steam and integrating with Microsoft GamePass.

Our packaged goods games are sold directly to mass market retailers, specialty stores and through distribution arrangements.

New distribution methods 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.

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 have 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 consoles. 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, policies and approval conditions — are determined unilaterally, and are subject to change by the console manufacturers.

The 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 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 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-play games in certain countries, including China and Korea. Our players access games from the publishers' online storefronts 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, business models and distribution channels are introduced. We also face competition for the right to use certain intellectual property included in our products. 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 face significant competition from companies such as Activision Blizzard, Take-Two Interactive, Ubisoft, Epic Games, Tencent, Zynga, Netmarble, Warner Brothers, Sony, Microsoft and Nintendo, primarily with respect to developing games and services that operate on consoles, PCs and/or mobile devices. In addition, the gaming, technology/internet, and entertainment industries have converged in recent years and larger, well-funded technology companies such as Alphabet, Amazon, Apple, Facebook and Microsoft are pursuing and strengthening their interactive entertainment capabilities and new entrants continue to emerge.

More broadly, we compete against providers of different sources of entertainment, such as movies, television, social networking, online casual entertainment and music that our players could enjoy in their free time. Important competitive factors in our industry include the ability to attract creative and technical talent, game quality and ease of use, innovation, compatibility of products with certain consoles and other distribution channels, brand recognition, reputation, reliability, security, creativity, price, marketing, and quality of customer service.

Intellectual Property and Technology

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, but the laws of some countries in which we operate, particularly in Asia, either do not protect our intellectual property to the same extent as the laws of the United States or are poorly enforced. As our digital business has grown, our games and services increasingly depend on the reliability, availability and security of our technological infrastructure. Our industry is prone to, and our systems and networks are subject to actions by malfeasant actors, such as cyber-attacks and other information security incidents. While we 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, we have experienced such events in the past and expect future events to occur. 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, protection of minors, content, including user-generated 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 are subject to new laws or regulations or evolving interpretations and application of existing laws and regulations, including those related to gambling. The growth and development of electronic commerce, virtual items and virtual currency has prompted calls for new laws and regulations and resulted in the application of existing laws or regulations that have limited or restricted the sale of our products and services in certain territories.

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 2022, there is no assurance that it will.

Human Capital

A healthy culture and engaged workforce is essential to our ability to execute our strategic pillars and build on-going and meaningful relationships with our communities. As a knowledge-based business, 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. As of March 31, 2021, we employed approximately 11,000 people globally, with 64 percent located internationally.

We are focused on supporting our employees across the full employee lifecycle and have implemented programs and practices designed to promote inclusion and diversity, employee engagement and employee wellness. For example, we support seven employee resource groups ("ERGs") which are a critical component of our culture and provide allyship across groups and functions within the company. Our ERGs connect employees, create a sense of belonging, and contribute directly to our inclusion and diversity pillars. Our largest ERG, Women's Ultimate Team, has approximately 1,500 members. In addition, to support our employees during the COVID-19 pandemic, during fiscal year 2021 we enhanced our programs to provide additional temporary support, including payments to assist with work from home costs and care needs, a pandemic care leave program, and additional services for mental and physical health.

Inclusion and Diversity

Inclusion and diversity is a business imperative because our global player community crosses lines of gender, race, ethnicity and geography. To create games and experiences that resonate with players, we need to cultivate a workforce that reflects this diverse player community. We work to embed inclusion across our systems and processes in order to (1) develop relatable content and games, (2) enable expansion into new and diverse markets, (3) attract, develop and retain talent that can thrive and do their best work and (4) bridge to better representation that authentically reflects our players.

In fiscal year 2021, we published our Company-wide gender and racial/ethnic representation for the first time which will allow our communities and stakeholders to measure our progress. To accelerate this progress with respect to representation, we strive to (1) create an inclusive culture that welcomes different viewpoints and enables employees to do the best work of their careers, (2) equip our leaders with training and education that increases understanding and provides them with the tools and behaviors to be inclusive managers that advocate for equity, inclusion, and diversity and (3) evaluate people processes with an eye to systemic inclusion and execution of inclusive behaviors and practices.

Our commitments to inclusion, diversity and equity extend to compensating our employees fairly based on the work that they perform. We consider our pay equity philosophy at each stage at which compensation decisions are made, including when hiring and promoting employees and through our annual review cycle. In addition, we annually partner with an independent outside firm to review employees' pay and ensure our compensation philosophy and practices are fair and free from unconscious bias, resulting in equitable pay.

Talent Acquisition, Development and Retention

Our talent planning and hiring strategies are aligned with our strategic vision and where we need to invest and develop as a business. We target talent that possess skills that are critical to the future of our business, including investing in the development and growth of the next generation of diverse talent through community outreach and STEAM education.

We are focused on promoting the total wellness of our people and maintain resources, programs and services to support employees' physical, mental, familial and financial health. We offer a wide range of benefits, such as comprehensive health insurance and time-off and leave programs, including specialized programs around key life events. In response to the COVID-19 pandemic, we introduced temporary expansions of our benefits programs that we determined were in the best interests of our employees and our communities. These include payments to assist with work from home costs and care needs and a pandemic care leave program.

All regular, full-time employees are asked to complete an Engagement Survey twice per year, which helps EA understand how to improve the employee experience. We also conduct regular manager surveys, and during fiscal year 2021, offered ongoing access to targeted surveys to better understand the needs of our employees as they navigated the COVID-19 pandemic. Results of all employee surveys are evaluated and shared across the organization and inform opportunities for further improvement in our people practices.

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"). The SEC maintains a website at *www.sec.gov* that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the 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, 2020 Impact Report 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 26, 2021:

Name	Age	Position
Andrew Wilson	46	Chief Executive Officer
Blake Jorgensen	61	Chief Operating Officer and Chief Financial Officer
Laura Miele	51	Chief Studios Officer
Kenneth Moss	55	Chief Technology Officer
Christopher Bruzzo	51	Executive Vice President, Marketing, Commercial and Positive Play
Mala Singh	50	Chief People Officer
Kenneth A. Barker	54	Senior Vice President, Chief Accounting Officer
Jacob J. Schatz	51	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 also serves as chairman of the board of the privately-held World Surf League and is a member of the Board of Trustees of the Paley Center for Media. Mr. Wilson has served on the board of directors of Intel Corporation within the last five years.

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 EA 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, 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. Prior to CrowdEye, Mr. Moss served in various technology roles, including leadership roles, at Microsoft Corporation for twenty years. Mr. Moss graduated from Princeton University.

Mr. Bruzzo has served as EA's Executive Vice President, Marketing, Commercial and Positive Play since October 2020. From September 2014 to October 2020, Mr. Bruzzo served as EA's Chief Marketing Officer. 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.

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. Barker has served as the Company's Chief Accounting Officer since June 2003. From February 2012 to September 2012, he also served as Interim Chief Financial Officer. Prior to joining EA, Mr. Barker was at Sun Microsystems, Inc., as its Vice President and Corporate Controller and 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. In the past, we have experienced certain of the events and circumstances described below, which adversely impacted our business and financial performance. If any of the events or circumstances described below occurs, our business or financial performance could be harmed, our actual results could differ materially from our expectations and the market value of our stock could decline. The risks and uncertainties discussed below are not the only ones we face. There may be additional risks and uncertainties not currently known to us or that we currently do not believe could be material that may harm our business or financial performance.

STRATEGIC RISKS

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

Competition in our business is intense. Many new products and services are regularly introduced, but only a relatively small number of products and associated services drive significant engagement and account for a significant portion of total revenue. Our competitors range from established interactive entertainment companies to emerging start-ups. In addition, the gaming, technology/internet, and entertainment industries have converged in recent years and larger, well-funded technology companies are pursuing and strengthening their interactive entertainment capabilities. We expect new competitors to continue to emerge throughout the world. If our competitors develop 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, or if our marketing strategies are not innovative or fail to resonate with players, particularly during key selling periods, our revenue, margins, and profitability will decline.

We strive to create innovative and high-quality products and services that allow us to build on-going and meaningful relationships with our community. However, innovative and high-quality titles, even if highly-reviewed, may not meet our expectations or the expectations of our players. Many financially successful products and services within our industry are iterations of prior titles with large established consumer bases and significant brand recognition, which makes competing in certain categories challenging. In addition, products or services of our direct competitors or other entertainment companies may take a larger portion of consumer spending or time than we anticipate, which could cause our products and services to underperform relative to our expectations. A significant portion of our revenue historically has been derived from products and services based on a few popular franchises, and the underperformance of a single major title has had, and could in the future have, a material adverse impact on our financial results. For example, we have historically derived a significant portion of our net revenue from sales related to our largest and most popular game, FIFA, annualized versions of which are consistently one of the best-selling games in the marketplace. Any events or circumstances that negatively impact our FIFA franchise, such as product or service quality, other products that take a portion of consumer spending and time, the delay or cancellation of a product or service launch, increased competition for key licenses, or real or perceived security risks, could negatively impact our financial results to a disproportionate extent.

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

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

Our ability to meet product and live service development schedules is affected by a number of factors both within and outside our control, including feedback from our players, the creative processes involved, the coordination of large and sometimes geographically dispersed development teams, the complexity of our products and the platforms for which they are developed, the need to fine-tune our products prior to their release and, in certain cases, approvals from third parties. We have experienced development delays for our products and services in the past which caused us to delay or cancel release dates. Any failure to meet anticipated production or release schedules likely would result in a delay of revenue and/or possibly a significant shortfall in our revenue, increase our development and/or marketing expenses, harm our profitability, and cause our operating results to be materially different than anticipated. If we miss key selling periods for products or services, particularly the fiscal quarter ending in December, for any reason, including product delays or product cancellations our sales likely will suffer significantly.

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

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

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

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

Negative perceptions about our business, products and services and the communities within our products and services may damage our business, and we may incur costs to address concerns.

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

We aim to offer our players safe, fun and inclusive environments in which to play; provide players with information about their engagement and tools that allow them control of their experiences; and deploy tools and technologies to give players faith in their gameplay experience. Although we expend resources, and expect to continue to expend resources, to promote positive play, our efforts may not be successful due to scale, limitations of existing technologies or other factors. If our efforts are unsuccessful, our brand and reputation may be harmed and our financial and operating results may be adversely impacted. Negative sentiment about gameplay fairness, our online communities, our business practices, business models or game content also can lead to investigations or increased scrutiny from governmental bodies and consumer groups, as well as litigation, which, regardless of their outcome, may be costly, damaging to our reputation and harm our business.

Certain of our games and features on our platforms support online features that allow players and viewers to communicate with one another and post content, in real time, that is visible to other players and viewers. From time to time, this "user generated content" may contain objectionable and offensive content that is distributed and disseminated by third parties and our brands may be negatively affected by such actions. If we fail to appropriately respond to the dissemination of such content, we may be subject to lawsuits and governmental regulation, our players may not engage with our products and services and/or may lose confidence in our brands and our financial results may be adversely affected.

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

We contract with external game developers to develop our games or to publish or distribute their games. While we maintain contractual protections, we have less control over the product development schedules of games developed by external developers. We depend on their ability to meet product development schedules which could be negatively affected by, among other things, the distributed workforce model resulting from the COVID-19 pandemic. In addition, disputes occasionally arise with external developers, including with respect to game content, launch timing, achievement of certain milestones, the game development timeline, marketing campaigns, contractual terms and interpretation. If we have disputes with external developers or they cannot meet product development schedules, acquire certain approvals or are otherwise unable or unwilling to honor their obligations to us, we may delay or cancel previously announced games, alter our launch schedule or experience increased costs and expenses, which could result in a delay or significant shortfall in anticipated revenue, harm our profitability and reputation, and cause our financial results to be materially affected.

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

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

In fiscal year 2021, our key console partners Sony and Microsoft each released new generation consoles. In periods of transition, sales of products for legacy generation consoles typically slow or decline in response to the introduction of new consoles, and sales of products for new generation consoles typically stabilize only after new consoles are widely-established with the consumer base. This console transition may have a comparable impact on our live services business, potentially increasing the impact on our financial results. The transition could accelerate faster than anticipated and may put downward pressure on legacy generation pricing, which could negatively affect our operating results. Our revenue from sales for the new generation consoles from Sony and Microsoft may not offset the negative effects of the transition on our operating results. Alternatively, adoption of the new generation consoles in which we have made significant investments may be slower than we anticipate or wide consumer availability may be delayed. We do not control the unit volumes of consoles made available for sale, the pricing or appeal of new generation consoles, or the rates at which consumers purchase these consoles. For a period of time, we will also develop, market and operate games and services on both legacy and new generation consoles simultaneously. As a result of these factors, our operating results during this transition may be more volatile and difficult to predict.

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

Our business model includes revenue that we deem recurring in nature, such as revenue from our annualized sports franchises (e.g., FIFA, Madden NFL), our console, PC and mobile catalog titles (i.e., titles that did not launch in the current fiscal year), and our live services. While we have been able to forecast the revenue from these areas of our business with greater relative confidence than for new games, services and business models, we cannot provide assurances that consumer demand will remain consistent, including in connection with circumstances outside of our control. Furthermore, we may cease to offer games and services that we previously had deemed to be recurring in nature. Consumer demand has declined and fluctuated, and could in the future decline or fluctuate, as a result of a number of factors, including their level of satisfaction with our games and services, our ability to improve and innovate our annualized titles, our ability to adapt our games and services to new distribution channels and business models, outages and disruptions of online services, the games and services offered by our competitors, our marketing and advertising efforts or declines in consumer activity generally as a result of economic downturns, among others. The reception to our sports games also depends, in part, on the popularity, reputation and brand of the leagues, organizations and individual athletes with whom we partner. Events and circumstances outside of our control that have a negative impact on the accessibility, popularity, reputation and brand of these partners has impacted, and could in the future negatively impact, sales related to our annualized sports games. Any decline or fluctuation in the recurring portion of our business may have a negative impact on our financial and operating results.

We could fail to successfully adopt new business models.

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

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

We have made and may continue to make acquisitions or enter into other strategic transactions including (1) acquisitions of companies, businesses, intellectual properties, and other assets, (2) minority investments in strategic partners, and (3) investments in new interactive entertainment businesses as part of our long-term business strategy. For example, in February 2021 we acquired Codemasters and in April 2021 we acquired Glu. The Codemasters acquisition, the Glu acquisition, and other 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 or cannot realize anticipated tax benefits, that we acquire liabilities and/or litigation from acquired companies or liabilities and/or litigation results from the transactions, that our due diligence process does not identify significant issues, liabilities or other challenges, diversion of management's attention from our other businesses, and 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 and costs associated with the integration of business systems and technologies, and acquired products and services, the integration and retention of new employees, the implementation of our internal control and compliance procedures and/or the remediation of the internal control and compliance environment of the acquired entity, or the maintenance of key business and customer relationships. These events could harm our operating results or financial condition.

We may fund strategic transactions with (1) cash, which would reduce cash available for other corporate purposes, (2) debt, which would increase our interest expense and leverage and/or (3) equity which would dilute current shareholders' percentage ownership and also dilute our earnings per share. We also may divest or sell assets or a business and we may have difficulty selling such assets or business on acceptable terms in a timely manner. This could result in a delay in the achievement of our strategic objectives, cause us to incur additional expense, or the sale of such assets or business at a price or on terms that are less favorable than we anticipated.

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

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

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

We rely on various business partners, including third-party service providers, vendors, licensing partners, development partners and licensees. 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, 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.

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

We derive a significant percentage of our net revenue attributable to sales of our packaged goods products to our top retail and distribution partners. The concentration of a significant percentage of these sales through a few large partners could lead to a short-term disruption to our business if certain of these partners significantly reduced their purchases or ceased to offer our products. The financial position of certain partners has deteriorated and while we maintain protections such as monitoring the credit extended to these partners, we could be vulnerable to collection risk if one or more of these partners experienced continued deterioration of their business or declared bankruptcy. The COVID-19 pandemic has resulted in closures of the retail stores of certain partners, which could negatively impact the sales of our packaged goods products and accelerate deterioration of the financial position of such partners. Additionally, receivables from these partners generally increase in our December fiscal quarter as sales of our products generally increase in anticipation of the holiday season which expose us to heightened risk at that time of year. Having a significant portion of our packaged goods sales concentrated in a few partners could reduce our negotiating leverage with them. If one or more of these partners experience deterioration in their business or become unable to obtain sufficient financing to maintain their operations, our business could be harmed.

OPERATIONAL RISKS

The COVID-19 pandemic has affected how we are operating our business and the full extent of the impact of the COVID-19 pandemic on our business and financial results is uncertain.

As a result of the COVID-19 pandemic and related public health measures, federal, state, local and foreign governmental authorities have imposed, and continue to impose, protocols and restrictions intended to contain the spread of the virus, including limitations on the size of gatherings, mandated closure of work facilities, schools and businesses, quarantines, lockdowns and travel restrictions. In addition, we have established, and will continue to maintain protocols to promote the health and safety of our workforce and business partners. Substantially all of our office locations, including our global headquarters in Redwood Shores, California and key studios across North America, Europe and Asia remain closed to the majority of our employees with onsite access limited to those with a critical need.

The global work-from-home operating environment has caused strain and fatigue to our global workforce. In addition, certain of our development teams currently work in a distributed environment, whereas these teams historically collaborated in-person on the creative and technical process required to develop high-quality products and services at scale. Each of these factors has disrupted, and may continue to disrupt, the productivity of our workforce and the creative process to which our teams are accustomed. Companies in our industry have experienced issues related to game and service quality during the current work-from-home period. While we were able to execute against our product and service launch schedules with minimal impact and deliver quality games and services at scale during fiscal year 2021, the longer-term impact to our creative and technical development processes is unknown and the associated risks, including with respect to game quality and developmental delays, which may cause us to delay or cancel release dates, may be heightened as the work-from-home period persists.

We are actively planning so that we are ready to re-open locations when it is appropriate to do so, consistent with the health and safety of our employees and in compliance with any local legal restrictions or requirements. The reintroduction of employees to the workplace could introduce operational risk, negatively impact productivity, and give rise to claims by employees or otherwise adversely affect our business. In addition, the long-term effects of the COVID-19 pandemic on the nature of the office environment and remote working are not certain and may present operational challenges and impact our ability to attract and retain talent, and our teams' ability to collaborate creatively, each of which may adversely affect our business.

During the COVID-19 pandemic, we have seen increased demand for our products and services and changing player behavior with more people staying at home. Our financial results and operating metrics benefited during fiscal year 2021 from these factors. In addition, longer-term trends that benefit our business accelerated, including a significant increase in live services revenue and the proportion of our games purchased digitally. These trends from fiscal year 2021 may not be indicative of results for future periods, particularly as factors related to the COVID-19 pandemic lessen and consumers can engage with other forms of entertainment, if the trend towards digital adoption decelerates, or if global macroeconomic effects related to the COVID-19 pandemic persist even after the pandemic has subsided.

The extent of the impact of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the duration and spread of the pandemic, the extent, speed and effectiveness of worldwide containment and vaccination efforts and the impact of these and other factors on our employees, customers, partners and vendors. If we are not able to flexibly respond to and manage the impact of these and other currently unknown impacts related to the COVID-19 pandemic, our business will be harmed.

To the extent that the COVID-19 pandemic harms our business and results of operations, many of the other risks described in this "Risk Factors" section may be heightened.

Catastrophic events may disrupt our business.

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

System redundancy may be ineffective and our disaster recovery and business continuity planning may not be sufficient for all eventualities. Such failures, disruptions, closures, or inability to conduct normal business operations could also prevent access to our products, services or online stores selling our products and services, cause delay or interruption in our product or live services offerings, allow breaches of data security or result in the loss of critical data. Our corporate headquarters and several of our key studios also are located in seismically active regions. An event that results in the disruption or degradation of any of our critical business functions or information technology systems, harms our ability to conduct normal business operations or causes a decrease in consumer demand for our products and services could materially impact our reputation and brand, financial condition and operating results.

We may experience security breaches and cyber threats.

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

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

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

The reliable performance of our products and services depends on the continuing operation and availability of our information technology systems and those of our external service providers, including third-party "cloud" computing services. Our games and services are complex software products and maintaining the sophisticated internal and external technological infrastructure required to reliably deliver these games and services is expensive and complex. The reliable delivery and stability of our products and services has been, and could in the future be, adversely impacted by outages, disruptions, failures or degradations in our network and related infrastructure, as well as in the online platforms or services of key business partners that offer, support or host our products and services. The reliability and stability of our products and services has been affected by events outside of our control as well as by events within our control, such as the migration of data among data centers and to third-party hosted environments, the performance of upgrades and maintenance on our systems, and online demand for our products and services that exceeds the capabilities of our technological infrastructure.

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

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

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

Our business depends on our ability to attract, train, motivate and retain executive, technical, creative, marketing and other personnel that are essential to the development, marketing and support of our products and services. The market for highly-skilled workers and leaders in our industry is extremely competitive, particularly in the geographic locations in which many of our key personnel are located. In addition, our leading position within the interactive entertainment industry makes us a prime target for recruiting our executives, as well as key creative and technical talent. We may experience significant compensation costs to hire and retain senior executives and other personnel that we deem critical to our success. If we cannot successfully recruit, train, motivate and retain qualified employees, develop and maintain a diverse and inclusive work environment, or replace key employees following their departure, our ability to develop and manage our business will be impaired.

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

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

In addition, our license agreements typically provide these partners with significant control over the approval and distribution of the products and services that we develop for their consoles, systems and devices. For products and services delivered via digital channels, each respective partner has policies and guidelines that control the promotion and distribution of these titles and the features and functionalities that we are permitted to offer through the channel. In addition, we are dependent on these partners to invest in, and upgrade, the capabilities of their systems in a manner than corresponds to the preferences of consumers. Failure by these partners to keep pace with consumer preferences could have an adverse impact on the engagement with our products and services and our ability to merchandise and commercialize our products and services which could harm our business and/or financial results.

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

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

Our products and services are extremely complex software programs and are difficult to develop and distribute. We have quality controls in place to detect defects, bugs or other errors in our products and services before they are released. Nonetheless, these quality controls are subject to human error, overriding, and resource or technical constraints. In addition, the effectiveness of our quality controls and preventative measures may be negatively affected by the distribution of our workforce resulting from the COVID-19 pandemic. As such, these quality controls and preventative measures may not be effective in detecting all defects, bugs or errors in our products and services before they have been released into the marketplace. In such an event, the technological reliability and stability of our products and services could be below our standards and the standards of our players and our reputation, brand and sales could be adversely affected. In addition, we could be required to, or may find it necessary to, offer a refund for the product or service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results.

LEGAL AND COMPLIANCE RISKS

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

We are subject to global data privacy, data protection, localization, security and consumer-protection laws and regulations worldwide. These laws and regulations are emerging and evolving and the interpretation and application of these laws and regulations often are uncertain, contradictory and changing. The failure to maintain data practices that are compliant with applicable laws and regulations, or evolving interpretations of applicable laws and regulations, could result in inquiries from enforcement agencies or direct consumer complaints, resulting in civil or criminal penalties, and could adversely impact our reputation and brand. In addition, the operational costs of compliance with these regulations is high and will likely continue to increase. Even if we remain in strict compliance with applicable laws and regulations, consumer sensitivity to the collection and processing of their personal information continues to increase. Any real or perceived failures in maintaining acceptable data privacy practices, including allowing improper or unauthorized access, acquisition or misuse and/or uninformed disclosure of consumer, employee and other information, or a perception that we do not adequately secure this information or provide consumers with adequate notice about the information that they authorize us to collect and disclose could result in brand, reputational, or other harms to the business, result in costly remedial measures, deter current and potential customers from using our products and services and cause our financial results to be materially affected.

Third party vendors and business partners receive access to certain information that we collect. These vendors and business partners may not prevent data security breaches with respect to the information we provide them or fully enforce our policies, contractual obligations and disclosures regarding the collection, use, storage, transfer and retention of personal data. A data security breach of one of our vendors or business partners could cause reputational and financial harm to them and us, negatively impact our ability to offer our products and services, and could result in legal liability, costly remedial measures, governmental and regulatory investigations, harm our profitability, reputation and brand, and cause our financial results to be materially affected.

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

Government regulations applicable to us may negatively impact our business.

We are a global company subject to various and complex laws and regulations domestically and internationally, including laws and regulations related to consumer protection, protection of minors, content, advertising, localization, information security, intellectual property, competition and taxation, among others. Many of these laws and regulations are continuously evolving and developing, and the application to, and impact on, us is uncertain. For example, the World Health Organization included "gaming disorder" in the 11th Revision of the International Classification of Diseases, prompting discussion and consideration of legislation and policies aimed at mitigating the risk of overuse of, and overspending within, video games. These laws could harm our business by limiting the products and services we can offer consumers or the manner in which we offer them. The costs of compliance with these laws may increase in the future as a result of changes in applicable laws or changes to interpretation. Any failure on our part to comply with these laws or the application of these laws in an unanticipated manner may harm our business and result in penalties or significant legal liability.

Certain of our business models and features within our games and services are subject to new laws or regulations or evolving interpretations and application of existing laws and regulations, including those related to gambling. The growth and development of electronic commerce, virtual items and virtual currency has prompted calls for new laws and regulations and resulted in the application of existing laws or regulations that have limited or restricted the sale of our products and services in certain territories. For example, governmental organizations have applied existing laws and regulations to certain mechanics commonly included within our games, including the Ultimate Team mode associated with our sports franchises. In addition, we include modes in our games that allow players to compete against each other and manage player competitions that are based on our products and services. Although we structure and operate our skill-based competitions with applicable laws in mind, including those related to gambling, our skill-based competitions in the future could become subject to evolving laws and regulations. We are also introducing features into our games and services that allow players to create and share user-generated content. Such content may be objectionable or offensive and decrease engagement with our products and services, cause a loss of confidence in our brands and expose us to liability and regulatory oversight, particularly as applicable global laws and regulations are introduced and evolve. New laws related to these business models and features or the interpretation or application of current laws that impact these business models and features - each of which could vary significantly across jurisdictions - could subject us to additional regulation and oversight, cause us to further limit or restrict the sale of our products and services or otherwise impact our products and services, lessen the engagement with, and growth of, profitable business models, and expose us to increased compliance costs, significant liability, fines, penalties and harm to our reputation and brand.

We are subject to laws in certain foreign countries, and adhere to industry standards in the United States, that mandate rating requirements or set other restrictions on the advertisement or distribution of interactive entertainment software based on content. In addition, certain foreign countries allow government censorship of interactive entertainment software products or require pre-approval processes of uncertain length before our games and services can be offered. Adoption of ratings systems, censorship, restrictions on distribution and changes to approval processes or the status of any approvals could harm our business by limiting the products we are able to offer to our consumers. In addition, compliance with new and possibly inconsistent regulations for different territories could be costly, delay or prevent the release of our products in those territories.

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

From time to time, third parties may claim that we have infringed their intellectual property rights. Although we take steps to avoid knowingly violating the intellectual property rights of others, it is possible that third parties still may claim infringement. Existing or future infringement claims against us may be expensive to defend and divert the attention of our employees from business operations. Such claims or litigation could require us to pay damages and other costs. We also could be required to stop selling, distributing or supporting products, features or services which incorporate the affected intellectual property rights, redesign products, features or services to avoid infringement, or obtain a license, all of which could be costly and harm our business.

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

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

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

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

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

FINANCIAL RISKS

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

International sales are a fundamental part of our business. For our fiscal year ended March 31, 2021, international net revenue comprised 56 percent of our total net revenue, and we expect our international business to continue to account for a significant portion of our total net revenue. As a result of our international sales, and also the denomination of our foreign investments and our cash and cash equivalents in foreign currencies, we are exposed to the effects of fluctuations in foreign currency exchange rates, and volatility in foreign currency exchange rates remains elevated as compared to historic levels. Strengthening of the

U.S. dollar, particularly relative to the Euro, British pound sterling, Australian dollar, Japanese yen, Chinese yuan, South Korean won and Polish zloty, has a negative impact on our reported international net revenue but a positive impact on our reported international operating expenses (particularly when the U.S. dollar strengthens against the Swedish krona and the Canadian dollar) because these amounts are translated at lower rates. We use foreign currency hedging contracts to mitigate some foreign currency risk. However, these activities are limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses. In addition, interest rate volatility, including lower interest rates resulting from actions taken in connection with the COVID-19 pandemic, can decrease the amount of interest earned on our cash, cash equivalents and short-term investment portfolio.

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

We have $1.9 billion in senior unsecured notes outstanding as well as an unsecured $500 million revolving credit facility. While the facility is currently undrawn, we may use the proceeds of any future borrowings for general corporate purposes. We may also enter into other financial instruments in the future.

This indebtedness and any indebtedness that we may incur in the future 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 for other purposes, including capital expenditures, share repurchases, acquisitions or otherwise funding our growth strategy;
- Limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and
- Increasing our vulnerability to downturns in our business or adverse changes in general economic and industry conditions.

The agreements governing our indebtedness impose restrictions on us and require us to maintain compliance with specified covenants. In particular, the revolving credit facility requires us to maintain compliance with a debt to EBITDA ratio. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of these covenants and do not obtain a waiver from the lenders or noteholders, then, subject to applicable cure periods, our outstanding indebtedness may be declared immediately due and payable. There can be no assurance that any refinancing or additional financing would be available on terms that are favorable or acceptable to us, if at all. In addition, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with any potential refinancing our indebtedness. Downgrades in our credit rating could also restrict our ability to obtain additional financing in the future and could affect the terms of any such financing.

Changes in our tax rates or exposure to additional tax liabilities, and changes to tax laws and interpretations of tax laws could adversely affect our earnings and financial condition.

We are subject to taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax provision, tax assets, and accruals for other taxes, and there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective income tax rate is based in part on our corporate operating structure and the manner in which we operate our business and develop, value and use our intellectual property. Taxing authorities in jurisdictions in which we operate have, and may continue to, challenge and audit our methodologies for calculating our income taxes, which could increase our effective income tax rate and have an adverse impact on our results of operations and cash flows. In addition, our provision for income taxes is materially affected by our profit levels, changes in our business, changes in our geographic mix of earnings, changes in the elections we make, changes in the valuation of our deferred tax assets and liabilities, changes in our corporate structure, changes in applicable accounting rules, or changes in applicable tax laws or interpretations of existing income and withholding tax laws, as well as other factors. For example, the outcome of future guidance related to the U.S. Tax Act could cause us to change our analysis and materially impact our previous estimates and consolidated financial statements. The impact of excess tax benefits and tax deficiencies could result in significant fluctuations to our effective tax rate.

In addition, changes to U.S. federal, state or international tax laws or their applicability to corporate multinationals in the countries in which we do business, particularly in Switzerland, where our international business is headquartered, and actions we have taken in our business with respect to such laws, have affected, and could continue to affect, our effective tax rates and cash taxes, cause us to change the way in which we structure our business and result in other costs. Our effective tax rate also could be adversely affected by changes in our valuation allowances for deferred tax assets. Our valuation allowances, in turn, can be impacted by several factors, including changes to the expected mix and timing of product releases and future taxable income, expected growth rates of future taxable income, which are based primarily on third party market and industry growth data, changes in interest rates, and actions we take in connection with acquisitions. Significant judgment is involved in determining the amount of valuation allowances, and actual financial results also may differ materially from our current estimates and could have a material impact on our assessments.

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

GENERAL RISKS

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

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

We are particularly susceptible to market conditions and risks associated with the entertainment industry, which, in addition to general macroeconomic downturns, also include the popularity, price and timing of our games, changes in consumer demographics, the availability and popularity of other forms of entertainment, and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

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

The market price of our common stock historically has been, and we expect will continue to be, subject to significant fluctuations. These fluctuations may be due to our operating results or factors specific to our operating results (including those discussed in the risk factors above, as well as others not currently known to us or that we currently do not believe are material), changes in securities analysts' estimates of our future financial performance, ratings or recommendations, our results or future financial guidance falling below our expectations and analysts' and investors' expectations, the failure of our capital return programs to meet analysts' and investors' expectations, the announcement and integration of any acquisitions we may make, departure of key personnel, cyberattacks, or factors largely outside of our control including, those affecting interactive gaming, entertainment, and/or technology companies generally, national or international economic conditions, investor sentiment or other factors related or unrelated to our operating performance. In particular, economic downturns may contribute to the public stock markets experiencing extreme price and trading volume volatility. These broad market fluctuations could adversely affect the market price of our common stock.

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

None.

Item 2: ***Properties***

Not applicable.

Item 3: ***Legal Proceedings***

Refer to Note 14 of the Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for disclosures regarding our legal proceedings.

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 721 holders of record of our common stock as of May 24, 2021. 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

In November 2020, we initiated and declared a quarterly cash dividend of $0.17 per share of common stock. We paid aggregate cash dividends of $98 million during the fiscal year ended March 31, 2021. We currently expect to continue to pay comparable cash dividends on a quarterly basis in the future; however, future declarations of dividends and the establishment of future record dates and payment dates are subject to the final determination of our Board of Directors or a designated Committee of our Board of Directors.

Issuer Purchases of Equity Securities

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 repurchased approximately 0.7 million, 12.3 million and 10.4 million shares for approximately $78 million, $1,207 million and $1,116 million under this program, respectively, during the fiscal years ended March 31, 2021, 2020 and 2019. We completed repurchases under the May 2018 program in April 2020.

In November 2020, our Board of Directors authorized a program to repurchase up to $2.6 billion of our common stock. This stock repurchase program expires on November 4, 2022. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. We repurchased approximately 4.9 million shares for approximately $651 million under this program during the fiscal year ended March 31, 2021. 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, 2021:

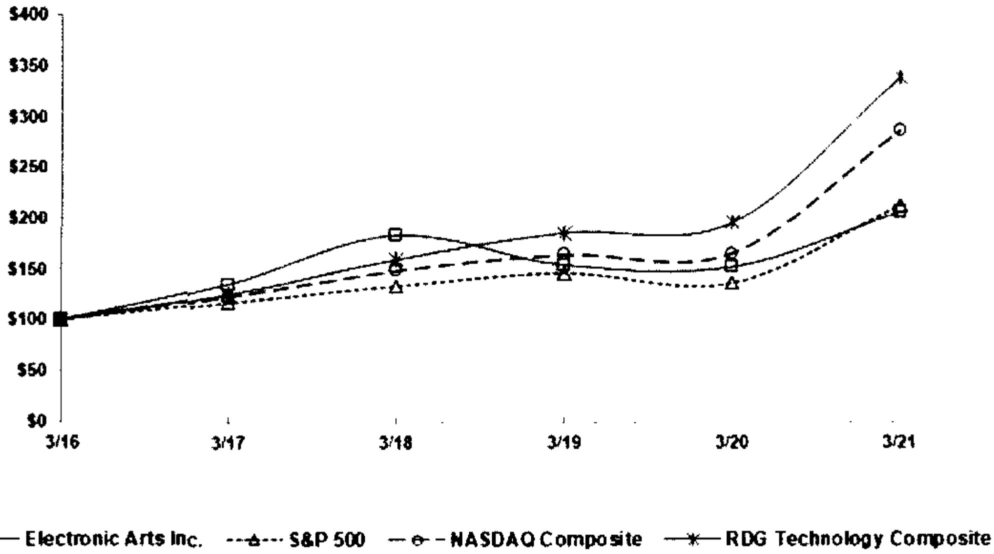
Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Programs	Maximum Dollar Value that May Still Be Purchased Under the Programs (in millions)
January 3, 2021 - January 30, 2021	702,598	$ 141.77	702,598	$ 2,175
January 31, 2021 - February 27, 2021	507,258	$ 144.29	507,258	$ 2,102
February 28, 2021 - April 3, 2021	1,151,916	$ 132.14	1,151,916	$ 1,950
	2,361,772	$ 137.61	2,361,772	

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, 2016 through March 31, 2021, 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, 2016 in stock or index, including reinvestment of dividends.

	March 31,					
	2016	2017	2018	2019	2020	2021
Electronic Arts Inc.	$ 100	$ 135	$ 183	$ 154	$ 152	$ 205
S&P 500 Index	100	117	134	146	136	213
NASDAQ Composite Index	100	123	148	164	165	287
RDG Technology Composite Index	100	125	160	186	196	339

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, 2021, 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")" or the Consolidated Financial Statements and related Notes.

About Electronic Arts

Electronic Arts is a global leader in digital interactive entertainment. We develop, market, publish and deliver games, content and services that can be played and watched on game consoles, PCs, mobile phones and tablets. We believe that the breadth and depth of our portfolio, live services offerings, and our use of multiple business models and distribution channels provide us with strategic advantages. Our foundation is a collection of intellectual property from which we create innovative games and content that enables us to build on-going and meaningful relationships with a community of players, creators and viewers. Our portfolio includes brands that we either wholly own (such as Battlefield, The Sims, Apex Legends, Need for Speed and Plants vs. Zombies) or license from others (such as FIFA, Madden NFL, UFC, NHL, Formula 1 and Star Wars). Through our live services offerings, we offer our players high-quality experiences designed to provide value to players and extend and enhance gameplay. These live services include extra content, subscription offerings and other revenue generated outside of the sale of our base games. In addition, we are focused on reaching more players whenever and wherever they want to play. We believe that we can add value to our network by making it easier for players to connect to a world of play by offering choice of business model, distribution channel and device.

Financial Results

Our key financial results for our fiscal year ended March 31, 2021 were as follows:

- Total net revenue was $5,629 million, up 2 percent year-over-year.
- Live services and other net revenue was $4,016 million, up 10 percent year-over-year.
- Gross margin was 73.5 percent, down 2 percentage points year-over-year.
- Operating expenses were $3,089 million, up 13 percent year-over-year.
- Operating income was $1,046 million, down 28 percent year-over-year.
- Net income was $837 million, down 72 percent year-over-year. Net income for the fiscal year ended March 31, 2020 was $3,039 million and included a one-time net tax benefit of $1,760 million.
- Diluted earnings per share was $2.87, down 72 percent year-over-year driven by the one-time net tax benefit included in net income for the fiscal year ended March 31, 2020.
- Operating cash flow was $1,934 million, up 8 percent year-over-year.
- Total cash, cash equivalents and short-term investments were $6,366 million.
- We repurchased 5.6 million shares of our common stock for $729 million.
- In November 2020, we initiated and declared a quarterly cash dividend of $0.17 per share of common stock. We paid cash dividends of $98 million during the fiscal year ended March 31, 2021.
- On May 10, 2021, we declared a quarterly cash dividend of $0.17 per share of our common stock, payable June 23, 2021 to shareholders of record as of the close of business on June 2, 2021.

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, 2021, foreign currency exchange rates did not have a material impact on our net revenue and operating expenses.

Trends in Our Business

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

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

Our Business: In fiscal year 2021, execution against our strategic pillars and increased engagement with our products and services led to growth in our business, aided by consumers spending more time at home because of social restrictions and local government mandates related to the COVID-19 pandemic. In addition, longer-term trends that benefit our business accelerated. Live services and other net revenue for fiscal year 2021 increased more than 10 percent year-over-year. We have also experienced a significant increase in the percentage of our games purchased digitally.

Future Outlook: The full extent of the impact of the COVID-19 pandemic to our business, operations and financial results will depend on numerous evolving factors that cannot be accurately predicted at this time, such as the duration and spread of the pandemic, the extent, speed and effectiveness of worldwide containment and vaccination efforts and the impact of these and other factors on our employees, customers, partners and vendors. Trends from fiscal year 2021 that benefited our industry and business may not be indicative of results for future periods, particularly as factors related to the COVID-19 pandemic lessen and consumers can engage with other forms of entertainment, if the trend towards digital adoption decelerates, or if global macroeconomic effects of the COVID-19 pandemic persist even after the pandemic has subsided. Additional factors that could impact our business include: our ability to timely deliver high quality and technically stable games and services while our teams, including our development teams, work in a distributed environment, our ability to safely reintroduce our employees to our offices when it is appropriate to do so, and other factors included in Part I, Item 1A of this Annual Report under the heading "Risk Factors".

Live Services Business. We offer our players high-quality experiences designed to provide value to players and to extend and enhance gameplay. These live services include extra content, subscription offerings and other revenue generated outside of the sale of our base games. Our net revenue attributable to live services and other was $4,016 million, $3,650 million and $3,157 million for the fiscal years ended March 31, 2021, 2020 and 2019, respectively, and we expect that live services net revenue will continue to be material to our business. Within live services and other, net revenue attributable to extra content was $3,068 million, $2,826 million and $2,373 million for the fiscal years ended March 31, 2021, 2020 and 2019, respectively. Extra content net revenue has increased as players engage with our games and services over longer periods of time, and purchase additional content designed to provide value to players and extend and enhance gameplay. Our most popular live service is the extra content purchased for the *Ultimate Team* mode associated with our sports franchises. *Ultimate Team* allows players to collect current and former professional players in order to build and compete as a personalized team. Net revenue from extra content sales for Ultimate Team was $1,623 million, $1,491 million and $1,369 million during fiscal years 2021, 2020 and 2019, respectively, a substantial portion of which was derived from FIFA Ultimate Team.

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

Our net revenue attributable to digital full game downloads was $918 million, $811 million and $681 million during fiscal years 2021, 2020 and 2019, respectively; while our net revenue attributable to packaged goods sales decreased from $1,112 million in fiscal year 2019 to $1,076 million in fiscal year 2020 and $695 million in fiscal year 2021. In addition, as measured based on total units sold on Microsoft's Xbox One and Xbox Series X and Sony's PlayStation 4 and 5 rather than by net revenue, we estimate that 62 percent, 49 percent, and 49 percent of our total units sold during fiscal years 2021, 2020 and 2019 were sold digitally. Digital full game units are based on sales information provided by Microsoft and Sony; packaged goods units sold through are estimated by obtaining data from significant retail partners in North America, Europe and Asia, and applying internal sales estimates with respect to retail partners from which we do not obtain data. We believe that these percentages are reasonable estimates of the proportion of our games that are digitally downloaded in relation to our total number of units sold for the applicable period of measurement.

During fiscal year 2021, the percentage of our full games purchased digitally accelerated, likely aided by factors associated with the COVID-19 pandemic, including store closures of our key retail partners for a portion of fiscal year 2021. While digital adoption may decelerate in fiscal year 2022, as factors related to the COVID-19 pandemic lessen or if global macroeconomic effects of the COVID-19 pandemic persist even after the pandemic has subsided, we believe that the significant increase in digital adoption we experienced in fiscal year 2021 is likely a permanent structural change. Increases in consumer adoption of digital purchase of games combined with increases in our live services revenue generally results in expansion of our gross margin, as costs associated with selling a game digitally is generally less than selling the same game through traditional retail and distribution channels.

Free-to-Play Games. The global adoption of mobile devices and a business model for those devices that allows consumers to try new games with no up-front cost, and that are monetized through a live service associated with the game, particularly extra content sales, has led to significant sales growth in the mobile gaming industry. Similarly, sales of extra content are the primary driver of our mobile business. We are investing resources in our mobile business, seeking to maximize our mobile live services, innovate on mobile with our franchises, and have added additional growth opportunities through mergers and acquisitions activity. Likewise, the consumer acceptance of free-to-play, live service-based, online PC games has broadened our consumer base and has begun to expand into the console market. For example, within our business, we offer Apex Legends as a free-to-play, live service-based PC and console game. We expect extra content revenue generated from mobile, PC and console free-to-play games to continue to be an important part of our business.

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

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

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

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

	Year Ended March 31,	
(In millions)	**2021**	**2020**
Total net revenue	$ 5,629	$ 5,537
Change in deferred net revenue (online-enabled games)	561	(165)
Net bookings [(a)]	$ 6,190	$ 5,372

(a) At the beginning of fiscal year 2021, we changed the way in which we present net bookings to align with GAAP net revenue measures. Net bookings from mobile platform partners are now presented gross of platform provider fees. Historically, we presented net bookings from these partners net of platform fees. Net bookings for the fiscal year ended March 31, 2020 has been recast for comparability.

Net bookings were $6,190 million for fiscal year 2021 driven by sales related to *FIFA 21, Apex Legends, FIFA 20, The Sims 4,* and *Madden NFL 21.* Net bookings increased $818 million or 15 percent as compared to fiscal year 2020 primarily driven by the FIFA franchise, *Apex Legends, Star Wars: Galaxy of Heroes, The Sims 4,* and the Madden franchise, partially offset by *Star Wars Jedi: Fallen Order, Battlefield V,* and *Need for Speed Heat.* Live services and other net bookings were $4,592 million for fiscal year 2021, and increased $1,000 million or 28 percent as compared to fiscal year 2020. The increase in live services and other net bookings was due primarily to an increase in sales of extra content for *Ultimate Team, Apex Legends, Star Wars: Galaxy of Heroes,* and *The Sims 4.* Full game net bookings were $1,598 million for fiscal year 2021, and decreased $182 million or 10 percent as compared to fiscal year 2020 due to *Star Wars Jedi: Fallen Order*, partially offset by *Star Wars: Squadrons* and *UFC 4*.

Mergers and Acquisitions

Acquisition of Glu Mobile. Subsequent to the fiscal year ended March 31, 2021, we completed the acquisition of Glu Mobile Inc., a leading global developer and publisher of mobile games ("Glu" and the "Glu acquisition") for cash consideration of approximately $2.3 billion. We also assumed all outstanding unvested equity awards held by Glu employees. We expect the Glu acquisition to accelerate our mobile growth by creating a combined organization with ongoing live services across multiple games and genres. We also believe that the acquisition will create value by adding Glu's expertise in casual sports and lifestyle genres to new titles based on our intellectual property. Glu will be integrated into the Company for financial reporting purposes in the first fiscal quarter of fiscal year 2022. For more information about the Glu acquisition, see Part II, Item 8 of this Form 10-K in the Notes to the Consolidated Financial Statements in *Note 7 – Business Combinations*.

Acquisition of Codemasters. On February 18, 2021, we completed the acquisition of Codemasters Group Holdings plc ("Codemasters" and the "Codemasters acquisition") for total cash consideration of $1.2 billion, net of cash acquired. Codemasters is a UK-based game developer and publisher of high-quality racing games across console, PC and mobile. We expect the Codemasters acquisition to grow our presence in racing, creating a global leader in racing entertainment. Codemasters was integrated into the Company for financial reporting purposes during the fourth quarter of fiscal year 2021. For more information about the Codemasters acquisition, see Part II, Item 8 of this Form 10-K in the Notes to the Consolidated Financial Statements in *Note 7 — Business Combinations*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities, and revenue and expenses during the reporting periods. The policies discussed below are considered by management to be critical because they are not only important to the portrayal of our financial condition and results of operations, but also because application and interpretation of these policies requires both management judgment and estimates of matters that are inherently uncertain and unknown, including uncertainty in the current economic environment due to the COVID-19 pandemic. As a result, actual results may differ materially from our estimates.

Revenue Recognition

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

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

We evaluate and recognize revenue by:

- identifying the contract(s) with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;

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

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

Online-Enabled Games

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

Since we do not sell the performance obligations on a stand-alone basis, we consider market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. For Games with Services, generally 75 percent of the sales price is allocated to the software license performance obligation and recognized at a point in time when control of the license has been transferred to the customer (which is usually at or near the same time as the booking of the transaction). The remaining 25 percent is allocated to the future update rights and the online hosting performance obligations and recognized ratably as the service is provided (over the Estimated Offering Period).

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

Extra Content. Revenue received from sales of downloadable content are derived primarily from the sale of virtual currencies and digital in-game content that are designed to extend and enhance players' game experience. Sales of extra content are accounted for in a manner consistent with the treatment for our Games with Services and Online-Hosted Service Games as discussed above, depending upon whether or not the extra content has offline functionality. That is, if the extra content has offline functionality, then the extra content is accounted for similarly to Games with Services (generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting). If the extra content does not have offline functionality, then the extra content is determined to have one distinct performance obligation: the online-hosted service offering.

Subscriptions

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

Licensing Revenue

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

Significant Judgments around Revenue Arrangements

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

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

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

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

Additionally, we consider results from prior analyses, known and expected online gameplay trends, as well as disclosed service periods for competitors' games in determining the Estimated Offering Period for future sales. We believe this provides a reasonable depiction of the transfer of future update rights and online hosting to our customers, as it is the best representation of the time period during which our games and extra content are played. We recognize revenue for future update rights and online hosting performance obligations ratably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations. Prior to July 1, 2020, these performance obligations were generally recognized over an estimated nine-month period beginning in the month after shipment for games and extra content sold through retail and an estimated six-month period for digitally-distributed games and extra content beginning in the month of sale.

During the three months ended September 30, 2020, we completed our annual evaluation of the Estimated Offering Period, and noted that generally, consumers were playing our games for longer periods of time as players engage with services we provide that are designed to enhance and extend gameplay. Based on this, we concluded that the Estimated Offering Period applied to sales made after June 30, 2020 should be lengthened. Revenue for service related performance obligations for games and extra content sold through retail are now recognized over an estimated ten-month period beginning in the month of sale, and revenue for service related performance obligations for digitally-distributed games and extra content are now recognized over an estimated eight-month period beginning in the month of sale, which results in revenue being recognized over a longer period of time. This change in Estimated Offering Period did not impact the amount of net bookings or the operating cash flows that we report. During the fiscal year ended March 31, 2021, this change to our Estimated Offering Period resulted in a decrease in net revenue of $333 million and net income of $280 million, and a decrease of $0.96 diluted earnings per share.

Principal Agent Considerations

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

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

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

Fair Value Estimates

Business Combinations. We must estimate the fair value of assets acquired, liabilities assumed, and acquired in-process technology 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 of the asset or group of assets that maximizes the value from a market participant perspective 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. 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 do not recognize any deferred taxes related to the U.S. taxes on foreign earnings as we recognize these taxes as a period cost.

We record a valuation allowance against deferred tax assets when it is considered more likely than not that all or a portion of our deferred tax assets will not be realized. In making this determination, we are required to give significant weight to evidence that can be objectively verified. It is generally difficult to conclude that a valuation allowance is not needed when there is significant negative evidence, such as cumulative losses in recent years. Forecasts of future taxable income are considered to be less objective than past results. Therefore, cumulative losses weigh heavily in the overall assessment.

In addition to considering forecasts of future taxable income, we are also required to evaluate and quantify other possible sources of taxable income in order to assess the realization of our deferred tax assets, namely the reversal of existing deferred tax liabilities, the carryback of losses and credits as allowed under current tax law, and the implementation of tax planning strategies. Evaluating and quantifying these amounts involves significant judgments. Each source of income must be evaluated based on all positive and negative evidence and this evaluation may involve assumptions about future activity. Certain taxable temporary differences that are not expected to reverse during the carry forward periods permitted by tax law cannot be considered as a source of future taxable income that may be available to realize the benefit of deferred tax assets.

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

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, 2021 contained 53 weeks and ended on April 3, 2021. Our results of operations for the fiscal years ended March 31, 2020 and 2019 contained 52 weeks each and ended on March 28, 2020 and March 30, 2019, 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, PCs and mobile phones and tablets (2) live services associated with these games, such as extra-content, (3) subscriptions that generally offer access to a selection of full games, in-game content, online services and other benefits, and (4) licensing our games to third parties to distribute and host our games.

Comparison of Fiscal Year 2021 to Fiscal Year 2020

Net Revenue

Net revenue for fiscal year 2021 was $5,629 million, primarily driven by *FIFA 21*, *FIFA 20*, *The Sims 4*, *Apex Legends*, and *Madden NFL 21*. Net revenue for fiscal year 2021 increased $92 million, as compared to fiscal year 2020. This increase was driven by a $489 million increase in net revenue primarily from The Sims, FIFA, and Madden franchises, and *Apex Legends*. This increase was partially offset by a $397 million decrease in net revenue primarily from *Anthem*, and the Star Wars and Battlefield franchises.

Net Revenue by Composition

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

Our net revenue by composition for fiscal years 2021 and 2020 was as follows (in millions):

	Year Ended March 31,			
	2021	2020	$ Change	% Change
Net revenue:				
Full game downloads	$ 918	$ 811	$ 107	13 %
Packaged goods	695	1,076	(381)	(35) %
Full game	$ 1,613	$ 1,887	$ (274)	(15) %
Live services and other	$ 4,016	$ 3,650	$ 366	10 %
Total net revenue	$ 5,629	$ 5,537	$ 92	2 %

Full Game Net Revenue

Full game net revenue includes full game downloads and packaged goods. Full game downloads includes revenue from digital sales of full games on console, PC, and mobile phones and tablets. Packaged goods includes revenue from software that is sold physically. This includes (1) net revenue from game software sold physically through traditional channels such as brick and mortar retailers, and (2) software licensing revenue from third parties (for example, makers of console platforms, personal computers or computer accessories) who include certain of our full games for sale with their products (for example, OEM bundles).

Full game net revenue for fiscal year 2021 was $1,613 million, primarily driven by *FIFA 21*, *Madden NFL 21*, *FIFA 20*, *Star Wars Jedi: Fallen Order*, and *Need for Speed Heat*. Full game net revenue for fiscal year 2021 decreased $274 million, or 15 percent, as compared to fiscal year 2020. This decrease was driven by a $381 million decrease in packaged goods net revenue primarily driven by the FIFA franchise, *Star Wars Jedi: Fallen Order*, and *Anthem*. This decrease was partially offset by a $107 million increase in full game downloads net revenue primarily driven by the FIFA and Madden franchises and *UFC 4*, partially offset by *Anthem* and *Battlefield V*.

Live Services and Other Net Revenue

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

Live services and other net revenue for fiscal year 2021 was $4,016 million, primarily driven by sales of extra content for *FIFA Ultimate Team, Apex Legends,* and *The Sims 4.* Live services and other net revenue for fiscal year 2021 increased $366 million, or 10 percent, as compared to fiscal year 2020. This increase was driven by sales of extra content for *FIFA Ultimate Team, Apex Legends, The Sims 4,* and *Madden Ultimate Team.*

Comparison of Fiscal Year 2020 to Fiscal Year 2019

Net Revenue

Net revenue for fiscal year 2020 was $5,537 million, primarily driven by *FIFA 20, FIFA 19, The Sims 4, Apex Legends,* and *Madden NFL 20.* Net revenue for fiscal year 2020 increased $587 million, as compared to fiscal year 2019. This increase was driven by a $924 million increase in net revenue primarily from *Apex Legends, Star Wars Jedi: Fallen Order* and *Anthem.* This increase was partially offset by a $337 million decrease in net revenue primarily from the Battlefield franchise.

Net Revenue by Composition

Our net revenue by composition for fiscal years 2020 and 2019 was as follows (in millions):

	Year Ended March 31,			
	2020	2019	$ Change	% Change
Net revenue:				
Full game downloads	$ 811	$ 681	$ 130	19 %
Packaged goods	1,076	1,112	(36)	(3) %
Full game	$ 1,887	$ 1,793	$ 94	5 %
Live services and other	$ 3,650	$ 3,157	$ 493	16 %
Total net revenue	$ 5,537	$ 4,950	$ 587	12 %

Full Game Net Revenue

Full game net revenue for fiscal year 2020 was $1,887 million, primarily driven by *FIFA 20, Star Wars Jedi: Fallen Order, Madden NFL 20, Anthem,* and *FIFA 19.* Full game net revenue for fiscal year 2020 increased $94 million, or 5 percent, as compared to fiscal year 2019. This increase was driven by a $130 million increase in full game downloads net revenue primarily driven by *Star Wars Jedi: Fallen Order* and *Anthem,* partially offset by the Battlefield franchise. This increase was partially offset by a $36 million decrease in packaged goods net revenue primarily driven by the FIFA and Battlefield franchises, partially offset by *Star Wars Jedi: Fallen Order* and *Anthem.*

Live Services and Other Net Revenue

Live services and other net revenue for fiscal year 2020 was $3,650 million, primarily driven by sales of extra content for *FIFA Ultimate Team, Apex Legends, The Sims 4,* and *Star Wars: Galaxy of Heroes.* Live services and other net revenue for fiscal year 2020 increased $493 million, or 16 percent, as compared to fiscal year 2019. This increase was driven by sales of extra content for *Apex Legends, FIFA Ultimate Team,* and *The Sims 4,* partially offset by the Battlefield franchise.

Cost of Revenue

Cost of revenue consists of (1) manufacturing royalties, net of volume discounts and other vendor reimbursements, (2) certain royalty expenses for celebrities, professional sports leagues, movie studios and other organizations, and independent software developers, (3) data center, bandwidth and server costs associated with hosting our online games and websites, (4) inventory costs, (5) payment processing fees, (6) mobile platform fees associated with our mobile revenue (for transactions in which we are acting as the principal in the sale to the end customer), (7) expenses for defective products, (8) write-offs of post launch prepaid royalty costs and losses on previously unrecognized licensed intellectual property commitments, (9) amortization of certain intangible assets, (10) personnel-related costs, and (11) warehousing and distribution costs. We generally recognize volume discounts when they are earned from the manufacturer (typically in connection with the achievement of unit-based milestones); whereas other vendor reimbursements are generally recognized as the related revenue is recognized.

Cost of revenue for fiscal years 2021 and 2020 was as follows (in millions):

March 31, 2021	% of Net Revenue	March 31, 2020	% of Net Revenue	% Change	Change as a % of Net Revenue
$ 1,494	27 %	$ 1,369	25 %	9 %	2 %

Cost of Revenue

Cost of revenue increased by $125 million, or 9 percent during fiscal year 2021, as compared to fiscal year 2020. This increase was primarily due to an increase in royalty costs driven by higher sales associated with the FIFA and Madden franchises, and an increase in platform fees and hosting fees driven by higher sales of *Star Wars: Galaxy of Heroes* and *Apex Legends*, partially offset by a decrease in inventory costs driven by the Star Wars, FIFA, and Need for Speed franchises, and a decrease in royalty costs driven by the Star Wars franchise.

Cost of revenue as a percentage of total net revenue increased by 2 percent during fiscal year 2021, as compared to fiscal year 2020. This increase was primarily due to increases in deferred net revenue, platform fees, and hosting fees, partially offset by a decrease in royalty costs due to product mix and lower inventory costs due to the favorable mix of net revenues from lower packaged goods as compared to digital full game downloads.

Research and Development

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

Research and development expenses for fiscal years 2021 and 2020 were as follows (in millions):

March 31, 2021	% of Net Revenue	March 31, 2020	% of Net Revenue	$ Change	% Change
$ 1,778	32 %	$ 1,559	28 %	$ 219	14 %

Research and development expenses increased by $219 million, or 14 percent, in fiscal year 2021, as compared to fiscal year 2020. This increase was primarily due to a $173 million increase in personnel-related costs primarily resulting from an increase in headcount due to our continued investment in our studios and an increase in variable compensation and related expenses, a $56 million increase in stock-based compensation, and a $19 million increase in contracted services. These increases were partially offset by a $28 million decrease in travel and entertainment expense.

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 2021 and 2020 were as follows (in millions):

March 31, 2021	% of Net Revenue	March 31, 2020	% of Net Revenue	$ Change	% Change
$ 689	12 %	$ 631	11 %	$ 58	9 %

Marketing and sales expenses increased by $58 million, or 9 percent, in fiscal year 2021, as compared to fiscal year 2020. This increase was primarily due to a $42 million increase in personnel-related costs primarily resulting from an increase in variable compensation and related expenses, a $24 million increase in advertising and promotional spending primarily on the FIFA franchise, and a $9 million increase in stock-based compensation. These increases were partially offset by a $15 million decrease in travel and entertainment expense, and a $4 million decrease in contracted services.

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 2021 and 2020 were as follows (in millions):

March 31, 2021	% of Net Revenue	March 31, 2020	% of Net Revenue	$ Change	% Change
$ 592	11 %	$ 506	9 %	$ 86	17 %

General and administrative expenses increased by $86 million, or 17 percent, in fiscal year 2021, as compared to fiscal year 2020. This increase was primarily due to a $53 million increase in personnel-related costs driven by an increase in variable compensation and related expenses, a $22 million increase in stock-based compensation, a $13 million increase in contracted services, and an $11 million increase in facility related costs. These increases were partially offset by a $16 million decrease in travel and entertainment expense.

Income Taxes

Provision for (benefit from) income taxes for fiscal years 2021 and 2020 was as follows (in millions):

March 31, 2021	Effective Tax Rate	March 31, 2020	Effective Tax Rate
$ 180	17.7 %	$ (1,531)	(101.5)%

Our effective tax rate for the fiscal year ended March 31, 2021 was 17.7 percent as compared to negative 101.5 percent for the same period in fiscal year 2020. During the fiscal year ended March 31, 2020, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered (the "Swiss intra-entity sale"). The transaction did not result in a taxable gain. Under U.S. GAAP, any profit resulting from this intercompany transaction is 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 (the "Swiss Deferred Tax Asset").

Our effective tax rate and resulting provision for income taxes for the fiscal year ended March 31, 2021 includes a $103 million tax benefit related to changes in our Swiss Deferred Tax Asset. This benefit was more than offset by a $180 million charge related to our decision to capitalize for income tax purposes certain foreign expenses which increased the taxable income in our foreign entities that is subject to U.S. tax. In accordance with our existing accounting policy, we do not establish deferred tax assets to offset this charge, but we expect future deductions of the capitalized amounts.

Our effective tax rate and resulting provision for income taxes for the fiscal year ended March 31, 2020 were significantly impacted by our recognition of the Swiss Deferred Tax Asset related to the Swiss intra-entity sale.

During the fiscal year ended March 31, 2020, we recognized a \$1.840 billion Swiss Deferred Tax Asset, which is net of the impact of a \$131 million valuation allowance and a \$393 million reduction due to the impact of the Altera opinion. The Altera opinion also requires related parties in an intercompany cost-sharing arrangement to share stock-based compensation expenses. The Altera opinion resulted in the recognition of a one-time charge of \$80 million related to prior period U.S. uncertain tax positions during the fiscal year ended March 31, 2020. In total, during the fiscal year ended March 31, 2020, we recognized total one-time tax benefits of \$1.760 billion related to the \$1.840 billion Swiss Deferred Tax Asset, partially offset by the \$80 million one-time Altera opinion charge.

Excluding the impacts of the Swiss Deferred Tax Asset and Altera opinion, our effective tax rate for the year ended March 31, 2020 would have been 15.0 percent. Our effective tax rate for the year ended March 31, 2021 of 17.7 percent was higher primarily due to the increase in U.S. taxes on foreign earnings, which was partially offset by uncertain tax position and valuation allowance benefits.

Our effective tax rates for 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, tax deficiencies, and changes in valuation allowances may result in significant fluctuations to our effective tax rate in the future.

Comparison of Fiscal Year 2020 to Fiscal Year 2019

For the comparison of our results of operations as it relates to Cost of Revenue, Operating Expenses, and Income Taxes between fiscal year 2020 and fiscal year 2019, 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, 2020, filed with the SEC on May 20, 2020 under the subheading *"Comparison of Fiscal Year 2020 to Fiscal Year 2019."*

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	As of March 31, 2021	2020	Increase/(Decrease)
Cash and cash equivalents	\$ 5,260	\$ 3,768	\$ 1,492
Short-term investments	1,106	1,967	(861)
Total	\$ 6,366	\$ 5,735	\$ 631
Percentage of total assets	48 %	52 %	

(In millions)	Year Ended March 31, 2021	2020	Change
Net cash provided by operating activities	\$ 1,934	\$ 1,797	\$ 137
Net cash used in investing activities	(505)	(1,357)	852
Net cash used in financing activities	(15)	(1,358)	1,343
Effect of foreign exchange on cash and cash equivalents	78	(22)	100
Net increase (decrease) in cash and cash equivalents	\$ 1,492	\$ (940)	\$ 2,432

For the comparison of fiscal year 2020 to fiscal year 2019, 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, 2020, filed with the SEC on May 20, 2020 under the subheading "Liquidity and Capital Resources".

Changes in Cash Flow

Operating Activities. Net cash provided by operating activities increased by $137 million during fiscal year 2021, as compared to fiscal year 2020, primarily driven by higher collections due to improved performance as we executed against our strategic pillars and increased engagement with our products and services which led to growth in our business, aided by players spending more time at home as a result of the COVID-19 pandemic, lower travel and entertainment payments, lower inventory costs, and lower marketing and advertising payments. These increases were partially offset by higher cash payments for income taxes, higher personnel-related costs resulting from an increase in headcount and payments to employees during fiscal year 2021 to assist with work-from-home costs and care needs, higher cash outflow from hedging activities, higher variable compensation payments related to fiscal year 2020 performance, higher prepayments made to contracted services, lower interest income, higher hosting and platform fees, and higher royalty costs.

Investing Activities. Net cash used in investing activities decreased by $852 million during fiscal year 2021, as compared to fiscal year 2020, primarily driven by a $1,544 million increase in proceeds from maturities and sales of short-term investments and a $531 million decrease in the purchase of short-term investments. These decreases were offset by a payment of $1,239 million in connection with our acquisition of Codemasters during fiscal year 2021.

Financing Activities. Net cash used in financing activities decreased by $1,343 million during fiscal year 2021, as compared to fiscal year 2020, primarily driven by proceeds from the issuance of the 2031 Notes and 2051 Notes for $1,478 million in February 2021, a $478 million decrease in the repurchase and retirement of our common stock, and a $122 million of contingent consideration payment in connection with our acquisition of Respawn Entertainment, LLC during the fiscal year ended March 31, 2020. These decreases were offset by a repayment of $600 million of our 2021 Notes in February 2021, payments of $98 million of cash dividends in the current year, and a $61 million increase in cash paid to taxing authorities in connection with withholding taxes for stock-based compensation.

Short-term Investments

Due to our mix of fixed and variable rate securities, our short-term investment portfolio is susceptible to changes in short-term interest rates. As of March 31, 2021, our short-term investments had gross unrealized gains of $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 2021, we issued $750 million aggregate principal amount of the 2031 Notes and $750 million aggregate principal amount of the 2051 Notes. The effective interest rate is 1.98% for the 2031 Notes and 3.04% for the 2051 Notes. Interest is payable semiannually in arrears, on February 15 and August 15 of each year.

In February 2016, we issued $600 million aggregate principal amount of the 2021 Notes and $400 million aggregate principal amount of the 2026 Notes. The effective interest rate was 3.94% for the 2021 Notes and is 4.97% for the 2026 Notes. Interest is payable semiannually in arrears, on March 1 and September 1 of each year. We redeemed $600 million aggregate principal amount of the 2021 Notes on February 1, 2021 plus accrued and unpaid interest of $9 million.

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

On August 29, 2019, we entered into a $500 million unsecured revolving credit facility ("Credit Facility") with a syndicate of banks. The Credit Facility terminates on August 29, 2024 unless the maturity is extended in accordance with its terms. As of March 31, 2021, 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

Our material cash requirements as of March 31, 2021 are set forth in our *Note 14 — Commitments and Contingencies* to the Consolidated Financial Statements in this Form 10-K, which is incorporated by reference into this Item 7. We expect capital expenditures to more than double in fiscal year 2022 to approximately $250 million due to facility buildouts. We believe that our cash, cash equivalents, short-term investments, cash generated from operations and available financing facilities will be sufficient to meet these material cash requirements, which include debt repayment obligations of $1.9 billion, and fund our operating requirements for the next 12 months and beyond, including working capital requirements, capital expenditures, the implementation of our $2.6 billion share repurchase program, quarterly cash dividend, which is currently $0.17 per share, subject to declaration by our Board of Directors or a designated Committee of the Board of Directors, and potentially, future acquisitions or strategic investments. We may choose at any time to raise additional capital to repay debt, strengthen our financial position, facilitate expansion, repurchase our stock, pursue strategic acquisitions and investments, and/or to take advantage of business opportunities as they arise. There can be no assurance, however, that such additional capital will be available to us on favorable terms, if at all, or that it will not result in substantial dilution to our existing stockholders.

During fiscal year 2021, we returned $827 million to stockholders through our capital return programs, repurchasing 5.6 million shares for approximately $729 million and $98 million through our quarterly cash dividend program which was initiated in November 2020.

During fiscal year 2021, we also increased our mergers and acquisitions activity, completing our acquisition of 100% of the equity interests of Codemasters for total cash consideration of $1.2 billion, net of cash acquired, on February 18, 2021, and completing the acquisition of Glu for cash consideration of approximately $2.3 billion on April 29, 2021. We also assumed all outstanding unvested equity awards held by Glu employees.

Our foreign subsidiaries are generally subject to U.S. tax, and to the extent earnings from these subsidiaries can be repatriated without a material tax cost, such earnings will not be indefinitely reinvested. As of March 31, 2021, approximately $1.1 billion of our cash, cash equivalents, and short-term investments were domiciled in foreign tax jurisdictions. All of our foreign cash is available for repatriation without a material tax cost.

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, customer demand and acceptance of our products, our ability to collect our accounts receivable as they become due, successfully achieving our product release schedules and attaining our forecasted sales objectives, economic conditions in the United States and abroad, the impact of acquisitions and other strategic transactions in which we may engage, the impact of competition, the seasonal and cyclical nature of our business and operating results, and the other risks described in the "Risk Factors" section, included in Part I, Item 1A of this report.

As of March 31, 2021, we did not have any off-balance sheet arrangements.

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, including increased volatility in connection with the COVID-19 pandemic. Market risk is the potential loss arising from changes in market rates and market prices. We employ established policies and practices to manage these risks. Foreign currency forward contracts are used to hedge anticipated exposures or mitigate some existing exposures subject to foreign exchange risk as discussed below. While we do not hedge our short-term investment portfolio, we protect our short-term investment portfolio against different market risks, including interest rate risk as discussed below. Our cash and cash equivalents portfolio consists of highly liquid investments with insignificant interest rate risk and original or remaining maturities of three months or less at the time of purchase. We do not enter into derivatives or other financial instruments for speculative trading purposes and do not hedge our market price risk relating to marketable equity securities, if any.

Foreign Currency Exchange Risk

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

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

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

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

Notwithstanding our efforts to mitigate some foreign currency exchange risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. As of March 31, 2021, 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 $223 million or $447 million, respectively. As of March 31, 2021, a hypothetical adverse foreign currency exchange rate movement of 10 percent or 20 percent would have resulted in potential losses in the Consolidated Statements of Operations on our foreign currency forward contracts used in balance sheet hedging of $92 million or $184 million, respectively. This sensitivity analysis assumes an adverse shift of all foreign currency exchange rates; however, all foreign currency exchange rates do not always move in the same manner and actual results may differ materially. See Note 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, 2021, our short-term investments were classified as available-for-sale securities and, consequently, were recorded at fair value with changes in fair value, including unrealized gains and unrealized losses not related to credit losses, reported as a separate component of accumulated other comprehensive income (loss), net of tax, in stockholders' equity.

Notwithstanding our efforts to manage interest rate risks, there can be no assurance that we will be adequately protected against risks associated with interest rate fluctuations. Changes in interest rates affect the fair value of our short-term investment portfolio. To provide a meaningful assessment of the interest rate risk associated with our short-term investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the portfolio assuming a 150 basis point parallel shift in the yield curve. As of March 31, 2021, a hypothetical 150 basis point increase in interest rates would have resulted in a $13 million, or 1% decrease in the fair market value of our short-term investments.

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

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ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In millions, except par value data)	March 31, 2021	March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,260	$ 3,768
Short-term investments	1,106	1,967
Receivables, net	521	461
Other current assets	326	321
Total current assets	7,213	6,517
Property and equipment, net	491	449
Goodwill	2,868	1,885
Acquisition-related intangibles, net	309	53
Deferred income taxes, net	2,045	1,903
Other assets	362	305
TOTAL ASSETS	$ 13,288	$ 11,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 96	$ 68
Accrued and other current liabilities	1,341	1,052
Deferred net revenue (online-enabled games)	1,527	945
Senior notes, current, net	—	599
Total current liabilities	2,964	2,664
Senior notes, net	1,876	397
Income tax obligations	315	373
Deferred income taxes, net	43	1
Other liabilities	250	216
Total liabilities	5,448	3,651
Commitments and contingencies (See Note 14)		
Stockholders' equity:		
Preferred stock, $0.01 par value. 10 shares authorized	—	—
Common stock, $0.01 par value. 1,000 shares authorized; 286 and 288 shares issued and outstanding, respectively	3	3
Additional paid-in capital	—	—
Retained earnings	7,887	7,508
Accumulated other comprehensive loss	(50)	(50)
Total stockholders' equity	7,840	7,461
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 13,288	$ 11,112

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
(In millions, except per share data)	2021	2020	2019
Net revenue	$ 5,629	$ 5,537	$ 4,950
Cost of revenue	1,494	1,369	1,322
Gross profit	4,135	4,168	3,628
Operating expenses:			
Research and development	1,778	1,559	1,433
Marketing and sales	689	631	702
General and administrative	592	506	460
Acquisition-related contingent consideration	—	5	14
Amortization of intangibles	30	22	23
Total operating expenses	3,089	2,723	2,632
Operating income	1,046	1,445	996
Interest and other income (expense), net	(29)	63	83
Income before provision for (benefit from) income taxes	1,017	1,508	1,079
Provision for (benefit from) income taxes	180	(1,531)	60
Net income	$ 837	$ 3,039	$ 1,019
Earnings per share:			
Basic	$ 2.90	$ 10.37	$ 3.36
Diluted	$ 2.87	$ 10.30	$ 3.33
Number of shares used in computation:			
Basic	289	293	303
Diluted	292	295	306

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)	Year Ended March 31, 2021	2020	2019
Net income	$ 837	$ 3,039	$ 1,019
Other comprehensive income (loss), net of tax:			
Net gains (losses) on available-for-sale securities	4	(3)	7
Net gains (losses) on derivative instruments	(68)	17	88
Foreign currency translation adjustments	64	(34)	(21)
Total other comprehensive income (loss), net of tax	—	(20)	74
Total comprehensive income	$ 837	$ 3,019	$ 1,093

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, 2018	306,370	$ 3	$ 657	$ 4,062	$ (127)	$ 4,595
Cumulative-effect adjustment from the adoption of ASC 606	—	—	—	590	22	612
Cumulative-effect adjustment from the adoption of ASU 2018-02	—	—	—	(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	298,107	$ 3	$ —	$ 5,358	$ (30)	$ 5,331
Total comprehensive income (loss)	—	—	—	3,039	(20)	3,019
Stock-based compensation	—	—	347	—	—	347
Issuance of common stock	2,623	—	(29)	—	—	(29)
Repurchase and retirement of common stock	(12,317)	—	(318)	(889)	—	(1,207)
Balances as of March 31, 2020	288,413	$ 3	$ —	$ 7,508	$ (50)	$ 7,461
Total comprehensive income (loss)	—	—	—	837	—	837
Stock-based compensation	—	—	435	—	—	435
Issuance of common stock	3,685	—	(66)	—	—	(66)
Repurchase and retirement of common stock	(5,633)	—	(369)	(360)	—	(729)
Cash dividends declared ($0 34 per common share)	—	—	—	(98)	—	(98)
Balances as of March 31, 2021	286,465	$ 3	$ —	$ 7,887	$ (50)	$ 7,840

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year Ended March 31, 2021	2020	2019
OPERATING ACTIVITIES			
Net income	$ 837	$ 3,039	$ 1,019
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	181	150	145
Acquisition-related contingent consideration	—	5	14
Stock based compensation	435	347	284
Change in assets and liabilities:			
Receivables, net	(41)	164	(88)
Other assets	(70)	35	(24)
Accounts payable	18	(36)	59
Accrued and other liabilities	136	119	3
Deferred income taxes, net	(143)	(1,871)	(16)
Deferred net revenue (online-enabled games)	581	(155)	151
Net cash provided by operating activities	1,934	1,797	1,547
INVESTING ACTIVITIES			
Capital expenditures	(124)	(140)	(119)
Proceeds from maturities and sales of short-term investments	3,686	2,142	1,688
Purchase of short-term investments	(2,828)	(3,359)	(1,342)
Acquisitions, net of cash acquired	(1,239)	—	(58)
Net cash provided by (used in) investing activities	(505)	(1,357)	169
FINANCING ACTIVITIES			
Proceeds from issuance of senior notes, net of issuance costs	1,478	—	—
Payment of senior notes	(600)	—	—
Proceeds from issuance of common stock	86	62	61
Cash dividends paid	(98)	—	—
Cash paid to taxing authorities for shares withheld from employees	(152)	(91)	(122)
Repurchase and retirement of common stock	(729)	(1,207)	(1,192)
Acquisition-related contingent consideration payment	—	(122)	—
Net cash used in financing activities	(15)	(1,358)	(1,253)
Effect of foreign exchange on cash and cash equivalents	78	(22)	(13)
Increase (decrease) in cash and cash equivalents	1,492	(940)	450
Beginning cash and cash equivalents	3,768	4,708	4,258
Ending cash and cash equivalents	$ 5,260	$ 3,768	$ 4,708
Supplemental cash flow information:			
Cash paid during the year for income taxes, net	$ 340	$ 170	$ 100
Cash paid during the year for interest	40	42	$ 42
Non-cash investing activities:			
Change in accrued capital expenditures	$ 17	$ (8)	$ 8

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

Electronic Arts is a global leader in digital interactive entertainment. We develop, market, publish and deliver games, content and services that can be played and watched on game consoles, PCs, mobile phones and tablets. We believe that the breadth and depth of our portfolio, live services offerings, and our use of multiple business models and distribution channels provide us with strategic advantages. Our foundation is a collection of intellectual property from which we create innovative games and content that enables us to build on-going and meaningful relationships with a community of players, creators and viewers. Our portfolio includes brands that we either wholly own (such as Battlefield, The Sims, Apex Legends, Need for Speed and Plants vs. Zombies) or license from others (such as FIFA, Madden NFL, UFC, NHL, Formula 1 and Star Wars). Through our live services offerings, we offer our players high-quality experiences designed to provide value to players and extend and enhance gameplay. These live services include extra content, subscription offerings and other revenue generated outside of the sale of our base games. In addition, we are focused on reaching more players whenever and wherever they want to play. We believe that we can add value to our network by making it easier for players to connect to a world of play by offering choice of business model, distribution channel and device.

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, 2021 contained 53 weeks and ended on April 3, 2021. Our results of operations for the fiscal years ended March 31, 2020 and 2019 contained 52 weeks each and ended on March 28, 2020 and March 30, 2019, 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 offering periods for deferred net revenue, sales returns and allowances, provisions for doubtful accounts, accrued liabilities, relative stand-alone selling price for identified performance obligations in our revenue transactions, losses on royalty commitments, estimates regarding the recoverability of prepaid royalties, inventories, long-lived assets, discount rates used in the measurement and recognition of lease liabilities, 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.

Reclassifications

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

Recently Adopted Accounting Standards

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

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

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

Other Recently Issued Accounting Standards

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (Topic 740). The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This update is effective for us beginning in the first quarter of fiscal year 2022. We do not expect the adoption to have a material impact on our Consolidated Financial Statements.

(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 debt 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, (3) we determine that the fair value of the security has declined below its adjusted cost basis and the decline is due to an expected credit loss, or (4) we intend to, or more likely than not would be required to, sell a security in an unrealized loss position before the recovery of its amortized cost basis. 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 due to an expected credit loss 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 allowances and impairment quarterly. For investments in an unrealized loss position, we consider various factors in determining whether we should recognize an allowance for expected credit losses or an impairment charge, including the credit quality of the issuer, changes to the rating of the security by rating agencies, the extent to which fair value is less than amortized cost, 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, among other factors. Prior to the adoption of ASU 2016-13 in fiscal year 2021, this assessment took into account whether a decline in fair value was other-than-temporary, considering the severity and duration of the decline in value, our intent to sell the security, whether it was more likely than not we would be required to sell the security before recovery of its amortized cost basis, and whether we expected to recover the entire amortized cost basis of the security. We recognize an allowance for credit losses, up to the amount of unrealized loss when appropriate, and write down the amortized cost basis of the investment if we intend to, or it is more likely than not we will be required to, sell the investment before the recovery of its amortized cost basis. Allowances for credit losses and write-downs are recognized in our Consolidated Statements of Operations, and unrealized losses not related to credit losses are recognized in other comprehensive income (loss). Based on our evaluation, we did not recognize an allowance for credit losses, nor did we recognize any impairments, as of March 31, 2021. As of March 31, 2020, we did not consider any of our investments to be other-than-temporarily impaired.

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 16 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. We also capitalize costs associated with the purchase of software licenses. 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 $72 million and $56 million as of March 31, 2021 and 2020, respectively.

Business Combinations

We must estimate the fair value of assets acquired, liabilities assumed, and acquired in-process technology in a business combination at the acquisition date. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair values of the tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in the Consolidated Statement of Operations.

Acquisition-Related Intangibles and Other Long-Lived Assets

We recognize acquisition-related intangible assets, such as acquired developed and core technology, in connection with business combinations. We amortize the cost of acquisition-related intangible assets that have finite useful lives generally on a straight-line basis over the lesser of their estimated useful lives or the agreement terms, currently from two to six 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, 2021, we have only one reportable segment, which represents our only operating segment.

Revenue Recognition

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

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

We evaluate and recognize revenue by:

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

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

Online-Enabled Games

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

Since we do not sell the performance obligations on a stand-alone basis, we consider market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. For Games with Services, generally 75 percent of the sales price is allocated to the software license performance obligation and recognized at a point in time when control of the license has been transferred to the customer (which is usually at or near the same time as the booking of the transaction). The remaining 25 percent is allocated to the future update rights and the online hosting performance obligations and recognized ratably as the service is provided (over the Estimated Offering Period).

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

Extra Content. Revenue received from sales of downloadable content are derived primarily from the sale of virtual currencies and digital in-game content that are designed to extend and enhance players' game experience. Sales of extra content are accounted for in a manner consistent with the treatment for our Games with Services and Online-Hosted Service Games as discussed above, depending upon whether or not the extra content has offline functionality. That is, if the extra content has offline functionality, then the extra content is accounted for similarly to Games with Services (generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting). If the extra content does not have offline functionality, then the extra content is determined to have one distinct performance obligation: the online-hosted service offering.

Subscriptions

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

Licensing Revenue

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

Significant Judgments around Revenue Arrangements

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

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

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

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

Additionally, we consider results from prior analyses, known and expected online gameplay trends, as well as disclosed service periods for competitors' games in determining the Estimated Offering Period for future sales. We believe this provides a reasonable depiction of the transfer of future update rights and online hosting to our customers, as it is the best representation of the time period during which our games and extra content are played. We recognize revenue for future update rights and online hosting performance obligations ratably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations. Prior to July 1, 2020, these performance obligations were generally recognized over an estimated nine-month period beginning in the month after shipment for games and extra content sold through retail and an estimated six-month period for digitally-distributed games and extra content beginning in the month of sale.

During the three months ended September 30, 2020, we completed our annual evaluation of the Estimated Offering Period, and noted that generally, consumers were playing our games for longer periods of time as players engage with services we provide that are designed to enhance and extend gameplay. Based on this, we concluded that the Estimated Offering Period applied to sales made after June 30, 2020 should be lengthened. Revenue for service related performance obligations for games and extra content sold through retail are now recognized over an estimated ten-month period beginning in the month of sale, and revenue for service related performance obligations for digitally-distributed games and extra content are now recognized over an estimated eight-month period beginning in the month of sale, which results in revenue being recognized over a longer period of time. This change in Estimated Offering Period did not impact the amount of net bookings or the operating cash flows that we report. During the fiscal year ended March 31, 2021, this change to our Estimated Offering Period resulted in a decrease in net revenue of $333 million and net income of $280 million, and a decrease of $0.96 diluted earnings per share.

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 eight to ten months after June 30, 2020, 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 and Significant Customers

We extend credit to various customers. 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, 2021, we had two customers who accounted for approximately 35 percent and 34 percent of our consolidated gross receivables, respectively. At March 31, 2020, we had two customers who accounted for approximately 31 percent and 27 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 2021, 2020, and 2019, approximately 78 percent, 68 percent, and 65 percent, respectively, of our net revenue was derived from our top ten customers and/or platform partners.

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, 2021, 2020 and 2019, our net revenue for products and services on Sony's PlayStation 3, 4 and 5, and Microsoft's Xbox 360, One and Series X consoles (combined across all six platforms) was 64 percent, 67 percent, and 66 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 future revenue. 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 an impairment exists, then the related 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 $22 million, $38 million, and $46 million reduced marketing and sales expense for the fiscal years ended March 31, 2021, 2020 and 2019, respectively. For the fiscal years ended March 31, 2021, 2020 and 2019, advertising expense, net of vendor reimbursements, totaled approximately $222 million, $195 million, and $271 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 gains (losses) on foreign currency transactions of $9 million, $11 million, and $(9) million for the fiscal years ended March 31, 2021, 2020 and 2019, respectively, are included in interest and other income (expense), net, in our Consolidated Statements of Operations. These net gains (losses) on foreign currency transactions are partially offset by net gains (losses) on our foreign currency forward contracts of $(19) million, $(4) million, and $50 million for the fiscal years ended March 31, 2021, 2020 and 2019, 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 do not recognize any deferred taxes related to the U.S. taxes on foreign earnings as we recognize these taxes as a period cost.

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

Share Repurchases

Shares of our common stock repurchased pursuant to our repurchase program, if any, 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, 2021 and 2020, our assets and liabilities that were measured and recorded at fair value on a recurring basis were as follows (in millions):

		Fair Value Measurements at Reporting Date Using			
	As of March 31, 2021	Quoted Prices in Active Markets for Identical Financial Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification
Assets					
Bank and time deposits	$ 157	$ 157	$ —	$ —	Cash equivalents
Money market funds	2,100	2,100	—	—	Cash equivalents
Available-for-sale securities:					
Corporate bonds	380	—	380	—	Short-term investments and cash equivalents
U.S. Treasury securities	437	437	—	—	Short-term investments and cash equivalents
U.S. agency securities	3	—	3	—	Short-term investments
Commercial paper	142	—	142	—	Short-term investments and cash equivalents
Foreign government securities	67	—	67	—	Short-term investments
Asset-backed securities	112	—	112	—	Short-term investments
Certificates of deposit	41	—	41	—	Short-term investments
Foreign currency derivatives	33	—	33	—	Other current assets and other assets
Deferred compensation plan assets (a)	18	18	—	—	Other assets
Total assets at fair value	$ 3,490	$ 2,712	$ 778	$ —	
Liabilities					
Foreign currency derivatives	$ 40	$ —	$ 40	$ —	Accrued and other current liabilities and other liabilities
Deferred compensation plan liabilities (a)	19	19	—	—	Other liabilities
Total liabilities at fair value	$ 59	$ 19	$ 40	$ —	

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

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

(4) FINANCIAL INSTRUMENTS

Cash and Cash Equivalents

As of March 31, 2021 and 2020, our cash and cash equivalents were $5,260 million and $3,768 million, respectively. Cash equivalents were valued using quoted market prices or other readily available market information.

Short-Term Investments

Short-term investments consisted of the following as of March 31, 2021 and 2020 (in millions):

	As of March 31, 2021				*As of March 31, 2020*			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate bonds	$ 372	$ —	$ —	$ 372	$ 684	$ 1	$ (4)	$ 681
U.S. Treasury securities	374	1	—	375	530	4	—	534
U.S. agency securities	3	—	—	3	8	—	—	8
Commercial paper	136	—	—	136	377	—	—	377
Foreign government securities	67	—	—	67	42	—	—	42
Asset-backed securities	112	—	—	112	273	—	(4)	269
Certificates of deposit	41	—	—	41	56	—	—	56
Short-term investments	$ 1,105	$ 1	$ —	$ 1,106	$ 1,970	$ 5	$ (8)	$ 1,967

The following table summarizes the amortized cost and fair value of our short-term investments, classified by stated maturity as of March 31, 2021 and 2020 (in millions):

	As of March 31, 2021		As of March 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments				
Due within 1 year	$ 895	$ 896	$ 1,568	$ 1,567
Due 1 year through 5 years	203	203	395	393
Due after 5 years	7	7	7	7
Short-term investments	$ 1,105	$ 1,106	$ 1,970	$ 1,967

(5) DERIVATIVE FINANCIAL INSTRUMENTS

Assets or liabilities associated with our derivative instruments and hedging activities are recorded at fair value in other current assets/other assets, or accrued and other current liabilities/other liabilities, respectively, on our 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, Japanese yen, Chinese yuan, South Korean won and Polish zloty. In addition, we utilize foreign currency forward contracts to mitigate foreign currency exchange risk associated with foreign-currency-denominated monetary assets and liabilities, primarily intercompany receivables and payables. The foreign currency forward contracts not designated as hedging instruments generally have a contractual term of approximately three months or less and are transacted near month-end. We do not use foreign currency forward contracts for speculative trading purposes.

Cash Flow Hedging Activities

Certain of our forward contracts are designated and qualify as cash flow hedges. To qualify for hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedges and must be highly effective in offsetting changes to future cash flows on hedged transactions. The derivative assets or liabilities associated with our hedging activities are recorded at fair value in other current assets/other assets, or accrued and other current liabilities/other liabilities, respectively, on our Consolidated Balance Sheets. The gains or losses resulting from changes in the fair value of these hedges is initially reported, net of tax, as a component of accumulated other comprehensive income (loss) in stockholders' equity. The gains or losses resulting from changes in the fair value of these hedges is subsequently reclassified into net revenue or research and development expenses, as appropriate, in the period when the forecasted transaction is recognized in our Consolidated Statements of Operations. In the event that the underlying forecasted transactions do not occur, or it becomes remote that they will occur, within the defined hedge period, the gains or losses on the related cash flow hedges are reclassified from accumulated other comprehensive income (loss) to net revenue or research and development expenses, in our 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, 2021			As of March 31, 2020		
		Fair Value			Fair Value	
	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
Forward contracts to purchase	$ 370	$ 14	$ 1	$ 316	$ 1	$ 19
Forward contracts to sell	$ 1,840	$ 15	$ 35	$ 1,371	$ 61	$ 1

The effects of cash flow hedge accounting in our Consolidated Statements of Operations for the fiscal years ended March 31, 2021, 2020 and 2019 are as follows (in millions):

	Year Ended March 31,					
	2021		2020		2019	
	Net revenue	Research and development	Net revenue	Research and development	Net revenue	Research and development
Total amounts presented in our Consolidated Statements of Operations in which the effects of cash flow hedges are recorded	$ 5,629	$ 1,778	$ 5,537	$ 1,559	$ 4,950	$ 1,433
Gains (losses) on foreign currency forward contracts designated as cash flow hedges	$ (30)	$ 4	$ 71	$ (9)	$ 18	$ (10)

Upon adoption of ASU 2017-12 on April 1, 2019, we no longer measure and report hedge ineffectiveness separately. The amount excluded from the assessment of hedge effectiveness and recognized in interest and other income (expense) was a gain of $25 million during fiscal year ended March 31, 2019.

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, 2021			As of March 31, 2020		
		Fair Value			Fair Value	
	Notional Amount	Asset	Liability	Notional Amount	Asset	Liability
Forward contracts to purchase	$ 599	$ —	$ 4	$ 388	$ 1	$ 16
Forward contracts to sell	$ 450	$ 4	$ —	$ 292	$ 13	$ —

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, 2021, 2020 and 2019, was as follows (in millions):

	Year Ended March 31,		
	2021	2020	2019
	Interest and other income (expense), net		
Total amounts presented in our Consolidated Statements of Operations in which the effects of balance sheet hedges are recorded	$ (29)	$ 63	$ 83
Gain (losses) on foreign currency forward contracts not designated as hedging instruments	$ (19)	$ (4)	$ 25

(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, 2021, 2020 and 2019 are as follows (in millions):

	Unrealized Net Gains (Losses) on Available-for-Sale Securities	Unrealized Net Gains (Losses) on Derivative Instruments	Foreign Currency Translation Adjustments	Total
Balances as of March 31, 2018	[redacted]	$ (89)	$ (30)	$ (127)
Cumulative-effect adjustment from the adoption of ASC 606	—	22	—	22
Cumulative-effect adjustment from the adoption of ASU 2018-02	[redacted]	1	—	1
Balances as of April 1, 2018	$ (8)	$ (66)	$ (30)	$ (104)
Other comprehensive income (loss) before reclassifications	6	96	(21)	81
Amounts reclassified from accumulated other comprehensive income (loss)	1	(8)	—	(7)
Total other comprehensive income (loss), net of tax	7	88	(21)	74
Balances as of March 31, 2019	$ (1)	$ 22	$ (51)	$ (30)
Other comprehensive income (loss) before reclassifications	(1)	79	(34)	44
Amounts reclassified from accumulated other comprehensive income (loss)	(2)	(62)	—	(64)
Total other comprehensive income (loss), net of tax	(3)	17	(34)	(20)
Balances as of March 31, 2020	$ (4)	$ 39	$ (85)	$ (50)
Other comprehensive income (loss) before reclassifications	5	(94)	64	(25)
Amounts reclassified from accumulated other comprehensive income (loss)	(1)	26	—	25
Total other comprehensive income (loss), net of tax	4	(68)	64	—
Balances as of March 31, 2021	$ —	$ (29)	$ (21)	$ (50)

The effects on net income of amounts reclassified from accumulated other comprehensive income (loss) for the fiscal years ended March 31, 2021, 2020 and 2019 were as follows (in millions):

	Amount Reclassified From Accumulated Other Comprehensive Income (Loss)		
	Year Ended March 31,		
Statement of Operations Classification	2021	2020	2019
(Gains) losses on available-for-sale securities:			
Interest and other income (expense), net	$ (1)	$ (2)	$ 1
Total, net of tax	(1)	(2)	1
(Gains) losses on foreign currency forward contracts designated as cash flow hedges			
Net revenue	30	(71)	(18)
Research and development	(4)	9	10
Total, net of tax	26	(62)	(8)
Total net (gain) loss reclassified, net of tax	$ 25	$ (64)	$ (7)

(7) BUSINESS COMBINATIONS

Codemasters Group Holdings plc

On February 18, 2021, we completed our acquisition of 100% of the equity interests of Codemasters Group Holdings plc, a public limited company registered in England and Wales ("Codemasters") for total cash consideration of $1.2 billion, net of cash acquired. Codemasters is an UK-based game developer and publisher of high-quality racing games. The Codemasters acquisition grows our presence in racing, creating a global leader in racing entertainment. The transaction costs associated with the acquisition were approximately $9 million and were recognized in general and administrative expense. The following table summarizes the preliminary allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed:

(in millions)		
Current assets	$	37
Property and equipment, net		15
Other assets		2
Intangible assets		293
Goodwill		984
Deferred tax liabilities		(45)
Current liabilities		(58)
Other liabilities		(1)
Total purchase price, net of cash acquired	$	1,227

The fair values assigned to assets acquired and liabilities assumed are based on management's best estimates and assumptions as of the reporting date and are considered preliminary pending finalization of the valuation of deferred tax assets, tax liabilities, and payroll tax liabilities. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.

We recognized goodwill of $984 million, which consists largely of workforce and synergies with our existing business. The goodwill is not deductible for tax purposes.

The results of operations of Codemasters and the preliminary 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.

Glu Mobile Inc.

On April 29, 2021, we completed the acquisition of 100% of the equity interests of Glu Mobile Inc., a leading global developer and publisher of mobile games ("Glu" and the "Glu acquisition") for cash consideration of approximately $2.3 billion. We also assumed all outstanding unvested equity awards held by Glu employees. The acquisition of Glu is expected to accelerate our mobile growth by creating a combined organization with ongoing live services across multiple games and genres. We also believe that the acquisition will create value by adding Glu's expertise in casual sports and lifestyle genres to new titles based on our intellectual property.

Due to the proximity of the acquisition date to our filing of our annual report on Form 10-K for the year ended March 31, 2021, the initial purchase accounting for the Glu acquisition is incomplete, and therefore we are unable to disclose certain information required by ASC 805, *Business Combinations*, including the provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and goodwill. Glu will be integrated into the Company for financial reporting purposes in the first fiscal quarter of fiscal year 2022

(8) GOODWILL AND ACQUISITION-RELATED INTANGIBLES, NET

The changes in the carrying amount of goodwill for the fiscal year ended March 31, 2021 are as follows (in millions):

	As of March 31, 2020	Activity	Effects of Foreign Currency Translation	As of March 31, 2021
Goodwill	$ 2,253	$ 984	$ (1)	$ 3,236
Accumulated impairment	(368)	—	—	(368)
Total	$ 1,885	$ 984	$ (1)	$ 2,868

The changes in the carrying amount of goodwill for the fiscal year ended March 31, 2020 are as follows (in millions):

	As of March 31, 2019	Activity	Effects of Foreign Currency Translation	As of March 31, 2020
Goodwill	$ 2,260	$ —	$ (7)	$ 2,253
Accumulated impairment	(368)	—	—	(368)
Total	$ 1,892	$ —	$ (7)	$ 1,885

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

	As of March 31, 2021			As of March 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Acquisition-Related Intangibles, Net	Gross Carrying Amount	Accumulated Amortization	Acquisition-Related Intangibles, Net
Developed and core technology	$ 691	$ (472)	$ 219	$ 474	$ (450)	$ 24
Trade names and trademarks	188	(144)	44	161	(132)	29
Registered user base and other intangibles	5	(5)	—	5	(5)	—
Carrier contracts and related	85	(85)	—	85	(85)	—
In-process research and development	46	—	46	—	—	—
Total	$ 1,015	$ (706)	$ 309	$ 725	$ (672)	$ 53

The fair value of acquisition-related intangible assets acquired in the Codemasters acquisition was $293 million, of which $219 million was allocated to developed and core technology, $47 million was allocated to in-process research and development, and $27 million was allocated to trade names and trademarks. In-process research and development assets are considered indefinite-lived until complete. Excluding the in-process research and development assets, the weighted-average useful life of the Codemasters' acquired intangible assets was approximately 3.8 years.

Amortization of intangibles for the fiscal years ended March 31, 2021, 2020 and 2019 are classified in the Consolidated Statements of Operations as follows (in millions):

	Year Ended March 31,		
	2021	2020	2019
Cost of revenue	$ 4	$ 12	$ 4
Operating expenses	30	22	23
Total	$ 34	$ 34	$ 27

There were no impairment charges for acquisition-related intangible assets during fiscal years 2021, 2020 and 2019.

Acquisition-related intangible assets are generally amortized using the straight-line method over the lesser of their estimated useful lives or the agreement terms, currently from 2 to 6 years. As of March 31, 2021 and 2020, the weighted-average remaining useful life for acquisition-related intangible assets was approximately 3.5 and 2.4 years, respectively.

As of March 31, 2021, future amortization of finite-lived acquisition-related intangibles that will be recorded in the Consolidated Statements of Operations is estimated as follows (in millions):

Fiscal Year Ending March 31,		
2022	$	113
2023		95
2024		54
2025		26
2026 and thereafter		21
Total	$	309

(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 2021, 2020 and 2019, we did not recognize any material losses or impairment charges on royalty-based commitments.

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

	As of March 31,			
	2021		2020	
Other current assets	$	24	$	74
Other assets		20		25
Royalty-related assets	$	44	$	99

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

	As of March 31,			
	2021		2020	
Accrued royalties	$	210	$	171
Other liabilities		—		26
Royalty-related liabilities	$	210	$	197

As of March 31, 2021, we were committed to pay approximately $1,945 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 14 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, 2021 and 2020 consisted of (in millions):

	As of March 31,	
	2021	2020
Computer, equipment and software	$ 808	$ 722
Buildings	370	340
Leasehold improvements	172	161
Equipment, furniture and fixtures, and other	93	83
Land	66	65
Construction in progress	12	20
	1,521	1,391
Less: accumulated depreciation	(1,030)	(942)
Property and equipment, net	$ 491	$ 449

Depreciation expense associated with property and equipment was $138 million, $120 million and $121 million for the fiscal years ended March 31, 2021, 2020 and 2019, respectively.

Accrued and Other Current Liabilities

Accrued and other current liabilities as of March 31, 2021 and 2020 consisted of (in millions):

	As of March 31,	
	2021	2020
Other accrued expenses	$ 351	$ 273
Accrued compensation and benefits	494	326
Accrued royalties	210	171
Sales returns and price protection reserves	115	109
Deferred net revenue (other)	95	104
Operating lease liabilities (See Note 13)	76	69
Accrued and other current liabilities	$ 1,341	$ 1,052

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

Deferred net revenue

Deferred net revenue as of March 31, 2021 and 2020, consisted of (in millions):

	As of March 31,	
	2021	2020
Deferred net revenue (online-enabled games)	$ 1,527	$ 945
Deferred net revenue (other)	95	104
Deferred net revenue (noncurrent)	14	8
Total deferred net revenue	$ 1,636	$ 1,057

During the fiscal years ended March 31, 2021 and 2020, we recognized $1,010 million and $1,178 million of revenues, respectively, that were included in the deferred net revenue balance at the beginning of the period.

Remaining Performance Obligations

As of March 31, 2021, revenue allocated to remaining performance obligations consists of our deferred revenue balance of $1,636 million and amounts to be invoiced and recognized as revenue in future periods of $25 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 (benefit from) income taxes for the fiscal years ended March 31, 2021, 2020 and 2019 are as follows (in *millions*):

	Year Ended March 31, 2021	Year Ended March 31, 2020	Year Ended March 31, 2019
Domestic	$ 299	$ 380	$ 170
Foreign	718	1,128	909
Income before provision for (benefit from) income taxes	**$ 1,017**	**$ 1,508**	**$ 1,079**

Provision for (benefit from) income taxes for the fiscal years ended March 31, 2021, 2020 and 2019 consisted of (in millions):

	Current	Deferred	Total
Year Ended March 31, 2021			
Federal	$ 251	$ (26)	$ 225
State	24	(2)	22
Foreign	47	(114)	(67)
	$ 322	$ (142)	$ 180
Year Ended March 31, 2020			
Federal	$ 258	$ (14)	$ 244
State	39	(2)	37
Foreign	48	(1,860)	(1,812)
	$ 345	$ (1,876)	$ (1,531)
Year Ended March 31, 2019			
Federal	$ 29	$ (18)	$ 11
State	5	—	5
Foreign	42	2	44
	$ 76	$ (16)	$ 60

The differences between the statutory tax rate and our effective tax rate, expressed as a percentage of income before provision for (benefit from) income taxes, for the fiscal years ended March 31, 2021, 2020 and 2019 were as follows:

	Year Ended March 31,		
	2021	2020	2019
Statutory federal tax expense rate	21.0 %	21.0 %	21.0 %
State taxes, net of federal benefit	1.7 %	1.0 %	0.7 %
Differences between statutory rate and foreign effective tax rate	7.0 %	(8.4)%	(14.4)%
Tax reform	— %	— %	(0.4)%
Excess tax benefit from equity compensation	(2.7)%	(0.1)%	(1.9)%
Research and development credits	(2.4)%	(1.2)%	(2.4)%
Swiss Deferred Tax Asset	(10.1)%	(122.1)%	— %
The Altera opinion	— %	5.4 %	— %
Non-deductible stock-based compensation	3.3 %	2.3 %	2.3 %
Other	(0.1)%	0.6 %	0.7 %
Effective tax rate	17.7 %	(101.5)%	5.6 %

During the fiscal year ended March 31, 2020, we completed an intra-entity sale of some of our intellectual property rights to our Swiss subsidiary, where our international business is headquartered (the "Swiss intra-entity sale"). The transaction did not result in a taxable gain. Under U.S. GAAP, any profit resulting from this intercompany transaction was 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 ("Swiss Deferred Tax Asset"). The Swiss Deferred Tax Asset and the one-time tax benefit was measured and will be periodically remeasured based on the Swiss tax rate in effect for the years the asset will be recovered.

Our effective tax rate and resulting provision for income taxes for the fiscal year ended March 31, 2021 includes a $103 million tax benefit related to changes in our Swiss Deferred Tax Asset. This benefit was more than offset by a $180 million charge related to our decision to capitalize for income tax purposes certain foreign expenses which increased the taxable income in our foreign entities that is subject to U.S. tax. In accordance with our existing accounting policy, we do not establish deferred tax assets to offset this charge, but we expect future deductions of the capitalized amounts.

During the fiscal year ended March 31, 2020, we recognized $1.840 billion of tax benefits related to the Swiss Deferred Tax Asset, which is net of the impact of a $131 million valuation allowance and a $393 million reduction due to the impact of the decision of the Ninth Circuit Court of Appeals in Altera Corp. v Commissioner ("the Altera opinion"). The Altera opinion also resulted in the recognition of a one-time charge of $80 million related to prior period U.S. uncertain tax positions during the fiscal year ended March 31, 2020. In total, during the fiscal year ended March 31, 2020, we recognized one-time tax benefits of $1.760 billion related to the $1.840 billion Swiss Deferred Tax Asset, partially offset by the $80 million one-time Altera opinion charge.

The components of net deferred tax assets, as of March 31, 2021 and 2020 consisted of (in millions):

	As of March 31,	
	2021	2020
Deferred tax assets:		
Accruals, reserves and other expenses	$ 158	$ 141
Tax credit carryforwards	161	137
Stock-based compensation	43	37
Net operating loss and capital loss carryforwards	258	195
Swiss intra-entity tax asset	1,781	1,818
Total	2,401	2,328
Valuation allowance	(230)	(288)
Deferred tax assets, net of valuation allowance	2,171	2,040
Deferred tax liabilities:		
Amortization and depreciation	(140)	(85)
ASC 606 Revenue Recognition	(21)	(43)
Other	(8)	(10)
Total	(169)	(138)
Deferred tax assets, net of valuation allowance and deferred tax liabilities	$ 2,002	$ 1,902

As of March 31, 2021, we have net operating loss carry forwards of approximately $2.1 billion of which approximately $1.8 billion is attributable to Switzerland and $146 million to California. Substantially all of these carryforwards, if not fully realized, will begin to expire in 2027. Switzerland has a seven-year carryforward period and does not permit the carry back of losses. We also have California credit carryforwards of $156 million. The California tax credit carryforwards can be carried forward indefinitely.

As of March 31, 2021, we maintained a total valuation allowance of $230 million related to certain U.S. state deferred tax assets, Swiss deferred tax asset, and foreign capital loss carryovers, due to uncertainty about the future realization of these assets.

The total unrecognized tax benefits as of March 31, 2021, 2020 and 2019 were $584 million, $983 million and $417 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, 2018	$	457
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		417
Increases in unrecognized tax benefits related to prior year tax positions		111
Decreases in unrecognized tax benefits related to prior year tax positions		(4)
Increases in unrecognized tax benefits related to current year tax positions		468
Decreases in unrecognized tax benefits related to settlements with taxing authorities		—
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations		(5)
Changes in unrecognized tax benefits due to foreign currency translation		(4)
Balance as of March 31, 2020		983
Increases in unrecognized tax benefits related to prior year tax positions		12
Decreases in unrecognized tax benefits related to prior year tax positions		(444)
Increases in unrecognized tax benefits related to current year tax positions		55
Decreases in unrecognized tax benefits related to settlements with taxing authorities		(2)
Reductions in unrecognized tax benefits due to lapse of applicable statute of limitations		(27)
Changes in unrecognized tax benefits due to foreign currency translation		7
Balance as of March 31, 2021	$	584

As of March 31, 2021, approximately $319 million of the unrecognized tax benefits would affect our effective tax rate, a portion of which would be impacted by a valuation allowance.

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 $34 million as of March 31, 2021 and $34 million as of March 31, 2020.

We file income tax returns in the United States, including various state and local jurisdictions. As of March 31, 2021, our subsidiaries file tax returns in various foreign jurisdictions, including Switzerland, Canada, Sweden, Italy, France, Germany, and the United Kingdom. We remain subject to income tax examination by the IRS for fiscal years after 2016. In addition, as of the period ended March 31, 2021, we remain subject to income tax examination for several other jurisdictions including in Switzerland for fiscal years after 2011, Canada for fiscal years after 2013, Sweden for fiscal years after 2015, Italy for fiscal years after 2017, France for fiscal years after 2017, Germany for fiscal years after 2016, and the United Kingdom for fiscal years after 2019.

We are also currently under income tax examination in the United States for fiscal year 2017, Italy for fiscal year 2016, and Spain for fiscal years 2017 and 2018.

The timing and potential resolution of income tax examinations is highly uncertain. While we continue to measure our uncertain tax positions, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued.

In fiscal year 2021, the Supreme Court of the United States denied Altera's appeal of the Altera opinion, resulting in a partial decrease of our unrecognized tax benefits. A complete resolution and settlement of the matters underlying the Altera opinion is reasonably possible within the next 12 months, which would result in an additional reduction of our gross unrecognized tax benefits. However, it is uncertain whether a complete resolution and settlement of such matters would also result in resolution of all related and unrelated U.S. positions for all applicable years. Therefore, it is not possible to provide a range of potential outcomes associated with a reversal of our gross unrecognized tax benefits for Altera uncertain tax positions.

It is also reasonably possible that an additional reduction of up to $5 million of unrecognized tax benefits may occur within the next 12 months, unrelated to the Altera opinion, a portion of which would impact our effective tax rate. The actual amount could vary significantly depending on the ultimate timing and nature of any settlements and tax interpretations.

(12) FINANCING ARRANGEMENTS

Senior Notes

In February 2021, we issued $750 million aggregate principal amount of 1.85% Senior Notes due February 15, 2031 (the "2031 Notes") and $750 million aggregate principal amount of 2.95% Senior Notes due February 15, 2051 (the "2051 Notes"). Our proceeds were $1,478 million, net of discount of $6 million and issuance costs of $16 million. Both the discount and issuance costs are being amortized to interest expense over the respective terms of the 2031 Notes and the 2051 Notes using the effective interest rate method. The effective interest rate is 1.98% for the 2031 Notes and 3.04% for the 2051 Notes. Interest is payable semiannually in arrears, on February 15 and August 15 of each year.

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"). 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 was 3.94% for the 2021 Notes and is 4.97% for the 2026 Notes. Interest is payable semiannually in arrears, on March 1 and September 1 of each year. We redeemed $600 million aggregate principal amount of the 2021 Notes on February 1, 2021 plus accrued and unpaid interest of $9 million.

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

	As of March 31, 2021	As of March 31, 2020
Senior Notes:		
4.80% Senior Notes due 2026	$ 400	$ 400
1.85% Senior Notes due 2031	750	—
2.95% Senior Notes due 2051	750	—
3.70% Senior Notes due 2021	—	600
Total principal amount	$ 1,900	$ 1,000
Unaccreted discount	(7)	(1)
Unamortized debt issuance costs	(17)	(3)
Net carrying value of Senior Notes	$ 1,876	$ 996
Fair value of Senior Notes (Level 2)	$ 1,873	$ 1,030

As of March 31, 2021, the remaining life of the 2026 Notes, 2031 Notes and 2051 Notes is approximately 4.9 years, 9.9 years, and 29.9 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 2026 Notes, 2031 Notes and 2051 Notes are redeemable at our option at any time prior to December 1, 2025, November 15, 2030, and August 15, 2050, respectively, subject to a make-whole premium. After such dates, we may redeem each such series of 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 each such series of Notes may require us to repurchase all or a portion of these Notes, at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. Each such series of Notes also include covenants that limit our ability to incur liens on assets and to enter into sale and leaseback transactions, subject to certain allowances.

Credit Facility

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

The 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 debt credit ratings. 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 at maturity. We may prepay the loans and terminate the commitments, in whole or in part, at any time without premium or penalty, subject to certain conditions. LIBOR is expected to be discontinued, and the Credit Facility contains a process by which we and the administrative agent agree on an alternate rate in such event. If we fail to agree on an alternate rate, then any loans will bear interest at a base rate tied to an ABR Borrowing rate, plus an applicable spread.

The credit agreement contains customary affirmative and negative covenants, including covenants that limit or restrict our ability to, among other things, incur subsidiary indebtedness, grant liens, and dispose of all or substantially all assets, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to maintain compliance with a debt to EBITDA ratio. As of March 31, 2021, we were in compliance with the debt to EBITDA ratio.

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 and an increase in the applicable interest rate.

As of March 31, 2021 and 2020, no amounts were outstanding under the Credit Facility. $2 million of debt issuance costs that were paid in connection with obtaining this credit facility are being amortized to interest expense over the 5-year term of the Credit Facility.

Interest Expense

The following table summarizes our interest expense recognized for fiscal years 2021, 2020, and 2019 that is included in interest and other income (expense), net on our Consolidated Statements of Operations (in millions):

	Year Ended March 31,		
	2021	2020	2019
Amortization of debt discount	$ —	$ —	$ (1)
Amortization of debt issuance costs	(2)	(2)	(2)
Coupon interest expense	(43)	(42)	(41)
Other interest expense	—	—	(1)
Total interest expense	$ (45)	$ (44)	$ (45)

(13) LEASES

On April 1, 2019, at the beginning of fiscal year 2020, we adopted ASC Topic 842, *Leases*. Our leases primarily consist of facility leases for our offices and development studios, data centers, and server equipment, with remaining lease terms of up to 16 years. Our lease terms may include options to extend or terminate the lease. When it is reasonably certain that we will exercise that option, we include the renewals or reduced lease terms in our calculation of operating lease liabilities. All of our leases are classified as operating leases.

We determine if an arrangement is or contains a lease at contract inception. The contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining if a contract is or contains a lease, we apply judgment whether the contract provides the right to obtain substantially all of the economic benefits, the right to direct, or control the use of the identified asset throughout the period of use.

Operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date based on the present value of future lease payments over the lease term. In determining the present value of the future lease payments, we use our incremental borrowing rate as none of our leases provide an implicit rate. Our incremental borrowing rate is an assumed rate based on our credit rating, credit history, current economic environment, and the lease term. Operating lease ROU assets are further adjusted for any payments made, incentives received, and initial direct costs incurred prior to the commencement date.

Operating lease ROU assets are amortized on a straight-line basis over the lease term and recognized as lease expense within cost of revenue or operating expenses on our Consolidated Statements of Operations. Operating lease liabilities decrease by lease payments we make over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

Some of our operating leases contain lease and non-lease components. Non-lease components primarily include fixed payments for common area maintenance and utilities. We elected to account for lease and non-lease components as a single lease component. Variable lease and non-lease components are recognized on our Consolidated Statements of Operations as incurred.

The components of lease expenses for the fiscal years ended March 31, 2021 and 2020 are as follows (in millions):

	Year Ended March 31,	
	2021	2020
Operating lease costs	$ 87	$ 70
Variable lease costs	21	37
Short-term lease costs	2	14
Total lease expense	$ 110	$ 121

Supplemental cash and noncash information related to our operating leases for the fiscal years ended March 31, 2021 and 2020 are as follows (in millions):

	Year Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liability	$ 85	$ 69
ROU assets obtained in exchange for new lease obligations	$ 90	$ 52

Weighted average remaining lease term and discount rate at March 31, 2021 and 2020 are as follows:

	At March 31, 2021	At March 31, 2020
Lease term	7.2 years	4.5 years
Discount rate	2.7 %	3.2 %

Operating lease ROU assets and liabilities recorded on our Consolidated Balance Sheets as of March 31, 2021 and 2020 are as follows (in millions):

	As of March 31,		Balance Sheet Classification
	2021	2020	
Operating lease ROU assets	$ 242	$ 193	Other assets
Operating lease liabilities	$ 76	$ 69	Accrued and other current liabilities
Noncurrent operating lease liabilities	202	155	Other liabilities
Total operating lease liabilities	$ 278	$ 224	

Future minimum lease payments under operating leases as of March 31, 2021 were as follows (in millions):

Fiscal Years Ending March 31,	
2022	$ 56
2023	72
2024	42
2025	34
2026	27
Thereafter	77
Total future lease payments	308
Less imputed interest	(30)
Total operating lease liabilities	$ 278

In addition to what is included in the table above, as of March 31, 2021, we have entered into six office leases and one equipment lease that have not yet commenced with aggregate future lease payments of approximately $163 million. These leases are expected to commence between fiscal year 2022 and fiscal year 2025, and will have lease terms ranging from 3 to 12 years.

(14) COMMITMENTS AND CONTINGENCIES

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

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

In addition, we have certain celebrity, league and content license contracts that contain minimum guarantee payments and marketing commitments that may not be dependent on any deliverables. Celebrities and organizations with whom we have contracts include, but are not limited to: FIFA (Fédération Internationale de Football Association), FIFPRO Foundation, FAPL (Football Association Premier League Limited), DFL Deutsche Fußball Liga E.V. (German Soccer League), and Liga Nacional De Futbol Profesional (professional soccer); National Basketball Association and National Basketball Players Association (professional basketball); National Hockey League and NHL Players' Association (professional hockey); NFL Properties LLC, NFL Players Association and NFL Players Inc. on behalf of OneTeam Partners, LLC (professional football); William Morris Endeavor Entertainment LLC (professional mixed martial arts); ESPN (content in EA SPORTS games); Disney Interactive (Star Wars); Formula One Digital Media Limited and Formula Motorsport Limited (professional racing); and PGA Tour, Inc. (professional golf). 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, 2021 (in millions):

		Fiscal Year Ending March 31,					
	Total	2022	2023	2024	2025	2026	Thereafter
Unrecognized commitments							
Developer/licensor commitments	$ 1,945	$ 297	$ 377	$ 377	$ 387	$ 294	$ 213
Marketing commitments	671	157	136	130	122	86	40
Senior Notes interest	897	56	55	55	55	54	622
Operating lease imputed interest	30	7	6	4	3	2	8
Operating leases not yet commenced	163	3	6	7	9	14	124
Other purchase obligations	216	47	43	124	1	1	—
Total unrecognized commitments	3,922	567	623	697	577	451	1,007
Recognized commitments							
Senior Notes principal and interest	1,907	7	—	—	—	400	1,500
Operating leases	278	49	66	38	31	25	69
Transition Tax and other taxes	44	24	3	4	6	7	—
Licensing commitments	27	27	—	—	—	—	—
Total recognized commitments	2,256	107	69	42	37	432	1,569
Total Commitments	$ 6,178	$ 674	$ 692	$ 739	$ 614	$ 883	$ 2,576

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, 2021; however, certain payment obligations may be accelerated depending on the performance of our operating results.

In addition to what is included in the table above, as of March 31, 2021, we had a liability for unrecognized tax benefits and an accrual for the payment of related interest totaling $292 million, of which we are unable to make a reasonably reliable estimate of when cash settlement with a taxing authority will occur.

Legal Proceedings

The Netherlands Gambling Authority ("NGA") has asserted that the randomized selection of virtual items in the FIFA Ultimate Team mode of our FIFA franchise contravenes the Dutch Betting and Gaming Act. On October 15, 2020, the District Court of the Hague affirmed the NGA's decision. We have appealed the District Court's order, and the NGA's decision is suspended through the appeals process. We do not believe that the operational or financial consequences from these proceedings will have a material adverse effect on our Consolidated Financial Statements. We do not believe that our products and services violate applicable gambling laws.

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

(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 2021, 2020, and 2019.

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,		
	2021	2020	2019
Risk-free interest rate	0.1%	1.5 - 1.9%	2.2 - 2.5%
Expected volatility	32 - 39%	23 - 37%	29 - 33%
Weighted-average volatility	36%	26%	33%
Expected term	6 - 12 months	6 - 12 months	6 - 12 months
Expected dividends	0.3%	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,		
	2021	2020	2019
Risk-free interest rate	0.2%	1.6 - 1.8%	2.6%
Expected volatility	23 - 63%	14 - 65%	16 - 47%
Weighted-average volatility	37%	29%	28%
Expected dividends	None	None	None

Summary of Plans and Plan Activity

Equity Incentive Plans

At our Annual Meeting of Stockholders, held on August 8, 2019, our stockholders approved the 2019 Equity Incentive Plan (the "2019 Equity Plan"), which replaced our 2000 Equity Incentive Plan, as amended (the "2000 Equity Plan"). Our 2019 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, up to a maximum of 13.5 million shares, plus any shares authorized for grant or subject to awards under the 2000 Equity Plan that are not delivered to participants for any reason. Pursuant to the 2019 Equity Plan, incentive stock options may be granted to employees and officers and non-qualified options may be granted to employees, officers, and directors, at not less than 100 percent of the fair market value on the date of grant.

Approximately 17.7 million options or 12.4 million restricted stock units were available for grant under our 2019 Equity Plan as of March 31, 2021.

Stock Options

Options granted under the 2019 Equity Plan and the 2000 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, 2021:

	Options (in thousands)	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2020	1,074	$ 30.85		
Granted	3	127.35		
Exercised	(810)	29.60		
Forfeited, cancelled or expired	—	—		
Outstanding as of March 31, 2021	267	$ 35.71	3.22	$ 27
Vested and expected to vest	267	$ 35.71	3.22	$ 27
Exercisable as of March 31, 2021	267	$ 35.71	3.22	$ 27

The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price as of March 31, 2021, 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 2021, 2020, and 2019 were $76 million, $22 million and $24 million, respectively. We issue new common stock from our authorized shares upon the exercise of stock options.

Restricted Stock Units

We grant restricted stock units under our 2019 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 35 months to four years.

Each restricted stock unit granted reduces the number of shares available for grant by 1.43 shares under our 2019 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, 2021:

	Restricted Stock Units (in thousands)		Weighted-Average Grant Date Fair Values
Outstanding as of March 31, 2020	6,217	$	100.42
Granted	3,322		127.27
Vested	(3,285)		103.68
Forfeited or cancelled	(490)		109.64
Outstanding as of March 31, 2021	5,764	$	113.25

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 2021, 2020, and 2019 were $127.27, $93.52 and $128.76 respectively. The fair values of restricted stock units that vested during fiscal years 2021, 2020, and 2019 were $420 million, $240 million and $300 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 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, 2021:

	Performance-Based Restricted Stock Units (in thousands)		Weighted-Average Grant Date Fair Value
Outstanding as of March 31, 2020	579	$	110.51
Granted	—		—
Forfeited or cancelled	—		—
Outstanding as of March 31, 2021	579	$	110.51

We expect approximately 266,000 of the 579,000 outstanding performance-based restricted stock units will be earned and vest on May 26,2021 and the remaining outstanding units will be cancelled.

Market-Based Restricted Stock Units

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

The following table summarizes our market-based restricted stock unit activity, presented with the maximum number of shares that could potentially vest, for the year ended March 31, 2021:

	Market-Based Restricted Stock Units (in thousands)		Weighted-Average Grant Date Fair Value
Outstanding as of March 31, 2020	1,898	$	128.41
Granted	874		145.78
Vested	(157)		113.72
Forfeited or cancelled	(420)		137.69
Outstanding as of March 31, 2021	2,195	$	134.60

The weighted-average grant date fair values of market-based restricted stock units granted during fiscal years 2021, 2020, and 2019 were $145.78, $109.04, and $185.24, respectively. The fair values of market-based restricted stock units that vested during fiscal years 2021, 2020, and 2019 were $19 million, $9 million, and $54 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, 2021, 2020 and 2019:

	Shares Issued (in millions)	Exercise Prices for Purchase Rights		Weighted-Average Fair Values of Purchase Rights
Fiscal Year 2019	0.5	$89.46 - $107.51	$	31.88
Fiscal Year 2020	0.7	$74.70 - $74.89	$	29.05
Fiscal Year 2021	0.7	$74.70 - $119.37	$	29.80

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, 2021, 4.9 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,					
	2021		2020		2019	
Cost of revenue	$	5	$	4	$	4
Research and development		285		229		184
Marketing and sales		46		37		33
General and administrative		99		77		63
Stock-based compensation expense	$	435	$	347	$	284

During the fiscal years ended March 31, 2021, 2020 and 2019, we recognized $56 million, $43 million and $40 million, respectively, of deferred income tax benefit related to our stock-based compensation expense.

As of March 31, 2021, our total unrecognized compensation cost related to restricted stock units, market-based restricted stock units, and performance-based restricted stock units was $558 million and is expected to be recognized over a weighted-average service period of 1.7 years. Of the $558 million of unrecognized compensation cost, $476 million relates to restricted stock units, $81 million relates to market-based restricted stock units, and $1 million relates to performance-based restricted stock units. As of March 31, 2021, 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 $18 million and $13 million as of March 31, 2021 and 2020, respectively. As of March 31, 2021 and 2020, $19 million and $14 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 may permit us to make discretionary contributions to employees' accounts based on our financial performance. We contributed an aggregate of $40 million, $29 million and $43 million to these plans in fiscal years 2021, 2020, and 2019, respectively.

Stock Repurchase Program

In May 2017, a Special Committee of our Board of Directors, on behalf of the full Board of Directors, authorized a two-year program to repurchase up to $1.2 billion of our common stock. We repurchased approximately 0.6 million shares for approximately $76 million under this program during the fiscal year ended March 31, 2019. 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 repurchased approximately 0.7 million, 12.3 million and 10.4 million shares for approximately $78 million, $1,207 million and $1,116 million under this program, respectively, during the fiscal years ended March 31, 2021, 2020 and 2019. We completed repurchases under the May 2018 program in April 2020.

In November 2020, our Board of Directors authorized a program to repurchase up to $2.6 billion of our common stock. This stock repurchase program expires on November 4, 2022. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, alternative investment opportunities and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time. We repurchased approximately 4.9 million shares for approximately $651 million under this program during the fiscal year ended March 31, 2021. We are actively repurchasing shares under this program.

The following table summarizes total shares repurchased during fiscal years 2021, 2020, and 2019:

	May 2017 Program		May 2018 Program		November 2020 Program		Total	
(In millions)	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Fiscal Year 2019	0.6	$ 76	10.4	$ 1,116	—	$ —	11.0	$ 1,192
Fiscal Year 2020	—	$ —	12.3	$ 1,207	—	$ —	12.3	$ 1,207
Fiscal Year 2021	—	$ —	0.7	$ 78	4.9	$ 651	5.6	$ 729

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

Interest and other income (expense), net, for the fiscal years ended March 31, 2021, 2020 and 2019 consisted of (in millions):

	Year Ended March 31,		
	2021	2020	2019
Interest expense	(45)	(44)	(45)
Interest income	24	100	88
Net gain (loss) on foreign currency transactions	9	11	(9)
Net gain (loss) on foreign currency forward contracts	(19)	(4)	50
Other income (expense), net	2	—	(1)
Interest and other income (expense), net	$ (29)	$ 63	$ 83

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

	Year Ended March 31,		
(In millions, except per share amounts)	2021	2020	2019
Net income	$ 837	$ 3,039	$ 1,019
Shares used to compute earnings per share:			
Weighted-average common stock outstanding — basic	289	293	303
Dilutive potential common shares related to stock award plans and from assumed exercise of stock options	3	2	3
Weighted-average common stock outstanding — diluted	292	295	306
Earnings per share:			
Basic	$ 2.90	$ 10.37	$ 3.36
Diluted	$ 2.87	$ 10.30	$ 3.33

For the fiscal years ended March 31, 2021, 2020 and 2019, two million of restricted stock units, market-based restricted stock units and performance-based restricted stock units were excluded from the treasury stock method computation of diluted shares, respectively, as their inclusion would have had an antidilutive effect.

(18) SEGMENT AND REVENUE INFORMATION

Our reporting segment is based upon: our internal organizational structure; the manner in which our operations are managed; the criteria used by our Chief Executive Officer, our Chief Operating Decision Maker ("CODM"), to evaluate segment performance; the availability of separate financial information; and overall materiality considerations. Our CODM currently reviews total company operating results to assess overall performance and allocate resources. As of March 31, 2021, we have only one reportable segment, which represents our only operating segment.

Information about our total net revenue by timing of recognition for the fiscal years ended March 31, 2021, 2020 and 2019 is presented below (in millions):

	Year Ended March 31,		
	2021	2020	2019
Net revenue by timing of recognition			
Revenue recognized at a point in time	$ 2,006	$ 2,043	$ 1,902
Revenue recognized over time	3,623	3,494	3,048
Net revenue	$ 5,629	$ 5,537	$ 4,950

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

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

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

Information about our total net revenue by composition for the fiscal years ended March 31, 2021, 2020 and 2019 is presented below (in millions):

	Year Ended March 31,		
	2021	2020	2019
Net revenue by composition			
Full game downloads	$ 918	$ 811	$ 681
Packaged goods	695	1,076	1,112
Full game	1,613	1,887	1,793
Live services and other	4,016	3,650	3,157
Net revenue	$ 5,629	$ 5,537	$ 4,950

Full game net revenue includes full game downloads and packaged goods. Full game downloads includes revenue from digital sales of full games on console, PC, and mobile phones and tablets. Packaged goods includes revenue from software that is sold physically. This includes (1) net revenue from game software sold physically through traditional channels such as brick and mortar retailers, and (2) software licensing revenue from third parties (for example, makers of console platforms, personal computers or computer accessories) who include certain of our full games for sale with their products (for example, OEM bundles).

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

Information about our total net revenue by platform for the fiscal years ended March 31, 2021, 2020 and 2019 is presented below (in millions):

	Year Ended March 31,		
	2021	2020	2019
Platform net revenue			
Console	$ 3,716	$ 3,774	$ 3,333
PC and other	1,195	1,036	793
Mobile	718	727	824
Net revenue	$ 5,629	$ 5,537	$ 4,950

Information about our operations in North America and internationally for the fiscal years ended March 31, 2021, 2020 and 2019 is presented below (in millions):

	Year Ended March 31,		
	2021	2020	2019
Net revenue from unaffiliated customers			
North America	$ 2,474	$ 2,270	$ 1,906
International	3,155	3,267	3,044
Net revenue	$ 5,629	$ 5,537	$ 4,950

	As of March 31,	
	2021	2020
Long-lived assets		
North America	$ 397	$ 375
International	94	74
Total	$ 491	$ 449

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 2021, 2020, and 2019 represents $2,731 million, $2,586 million and $2,303 million or 49 percent, 47 percent and 47 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 2021, our direct sales to Sony and Microsoft represented approximately 36 percent and 18 percent of total net revenue, respectively. In fiscal year 2020, our direct sales to Sony and Microsoft represented approximately 32 percent and 17 percent of total net revenue, respectively. In fiscal year 2019, our direct sales to Sony and Microsoft represented approximately 29 percent and 16 percent of total net revenue, respectively.

Reports 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 April 3, 2021 and March 28, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the fiscal years in the three fiscal year period ended April 3, 2021, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of April 3, 2021, 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 April 3, 2021 and March 28, 2020, and the results of its operations and its cash flows for each of the fiscal years in the three fiscal year period ended April 3, 2021, 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 April 3, 2021 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the Estimated Offering Period

As discussed in Note 2 to the consolidated financial statements, revenue for transactions that include future update rights and/or online hosting performance obligations are subject to deferral and recognized over the Estimated Offering Period. Determining the Estimated Offering Period is inherently subjective because it is not an explicitly defined period. The Company's determination of the Estimated Offering Period considers the following factors:

- the average period of time customers are online
- for physical games sold at retail, the 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
- known and expected online gameplay trends
- disclosed service periods for competitors' games.

The Company reported Net Revenue of $5,629 million for the year-ended April 3, 2021, and deferred net revenue of $1,636 million as of April 3, 2021.

We identified the assessment of the Estimated Offering Period as a critical audit matter. A high degree of audit effort and subjective and complex auditor judgment was required to evaluate the sufficiency of audit evidence obtained over the Estimated Offering Period, including whether historical experience and other qualitative factors, such as those described above, are indicative of the time period during which the Company's games and extra content are played by its customers.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to determine the Estimated Offering Period, including controls over the factors noted above and the Company's review of the Estimated Offering Period concluded for use in recognizing revenue. We evaluated the model the Company used to develop the Estimated Offering Period against the accounting requirements and for potential management bias. We computed the average period of time customers are online as well as the 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 by using the Company's internal data. We compared the results of these computations against the periods used by the Company in its Estimated Offering Period model. We obtained disclosed service periods for competitors' games and compared them against the data used by the Company. We compared known and expected online gameplay trends used in the determination of the Estimated Offering Period to historical Company information and publicly available industry information. We performed a sensitivity analysis over the Company's Estimated Offering Period to assess the impact of potential changes in the Estimated Offering Period on revenue. We assessed the sufficiency of evidence obtained related to the Estimated Offering Period by evaluating the results of the procedures performed.

Evaluation of the realizability of the Swiss deferred tax assets

As discussed in Notes 2 and 11 to the consolidated financial statements, during the year ended March 28, 2020, the Company recognized $1.840 billion of deferred tax benefits related to an intra-entity sale of some of its intellectual property rights to its Swiss subsidiary, which was net of the impact of a $131 million valuation allowance and a $393 million reduction due to the Altera opinion. The Company periodically performs an analysis to determine whether it is more likely than not that all or a portion of its Swiss deferred tax assets will be realized. The Company's realizability analysis considers whether sufficient taxable income will be generated by the Swiss subsidiary over the period that the

Swiss deferred tax assets will reverse. As of April 3, 2021, the Swiss intra-entity deferred tax asset balance was $1.781 billion.

We identified the evaluation of the realizability of the Company's Swiss deferred tax assets as a critical audit matter. This evaluation required especially challenging auditor judgment to assess the Company's estimated future Swiss taxable income over the period that the Swiss deferred tax assets will reverse. Specifically, the Company's assumptions of expected future growth rates of Swiss taxable income were based primarily on third-party market and industry growth data Changes in assumptions regarding estimated future Swiss taxable income could have a significant impact on the realization of the Company's Swiss deferred tax assets and the amount of the valuation allowance.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's income tax process over the valuation allowance, including controls over the process to develop estimates of future Swiss taxable income. We performed a sensitivity analysis of the valuation allowance to assess the impact of reasonably possible changes in expected future growth rates. We compared the Company's estimated future Swiss taxable income to historical growth rates and other projected financial information prepared by the Company. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the Company's benchmarking study of third-party market and industry growth data by assessing the relevance and reliability of the benchmarking data.

/s/ KPMG LLP

We have served as the Company's auditor since 1987.

Santa Clara, California
May 26, 2021

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 has concluded that, as of the end of our most recently completed fiscal year, our internal control over financial reporting was effective and provided a reasonable level of assurance.

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 83.

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, 2021 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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 2021 Proxy under the headings "Proxy Highlights" and "Board of Directors and 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 2021 Proxy under the headings "Director Compensation", "Executive Compensation Matters" 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 2021 Proxy under the headings "Executive Compensation Tables" and "Security Ownership of Certain Beneficial Owners and Management."

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 2021 Proxy under the headings "Director Independence," and "Related Persons Transaction Policy."

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 2021 Proxy and under the heading "Audit Matters."

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 42 of this report.

2. Financial Statement Schedules: The Financial Statement Schedules have been omitted because they are not applicable or are not required or are not present in material amounts or the information required to be set forth herein is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits: The exhibits listed in the accompanying index to exhibits on Page 89 are filed or incorporated by reference as part of this report.

ELECTRONIC ARTS INC.

2021 FORM 10-K ANNUAL REPORT

EXHIBIT INDEX

Number	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
2.01	Agreement and Plan of Merger, dated as of February 8, 2021, by and among Electronic Arts Inc., Giants Acquisition Sub, Inc. and Glu Mobile Inc.	8-K	000-17948	2/8/2021	
2.02	Rule 2.7 Announcement in connection with the Company's acquisition of Codemasters Group Holdings plc, dated December 14, 2020	8-K	000-17948	12/14/2020	
2.03	Co-operation Agreement, dated December 14, 2020, by and between Electronic Arts Inc., Codex Games Limited and Codemasters Group Holdings PLC	8-K	000-17948	12/14/2020	
3.01	Amended and Restated Certificate of Incorporation	8-K	000-17948	8/9/2019	
3.02	Amended and Restated Bylaws	8-K	000-17948	8/9/2019	
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	
4.05	Second Supplemental Indenture, dated as of February 11, 2021, between Electronic Arts Inc. and U.S. Bank National Association, as Trustee	8-K	000-17948	2/11/2021	
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	5/25/2021	
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 2020 Addendum	8-K	000-17948	5/20/2019	
10.08*	Form of 2019 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/20/2019	
10.09*	Form of Performance-Based Restricted Stock Unit Agreement	10-K	000-17948	5/20/2020	
10.10*	Form of Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	5/25/2021	
10.11*	Form of November 2019 Performance-Based Restricted Stock Unit Agreement	8-K	000-17948	11/12/2019	
10.12*	Form of Restricted Stock Unit Award Agreement for Outside Directors	10-Q	000-17948	11/7/2017	
10.13*	2000 Equity Incentive Plan, as amended, and related documents	8-K	000-17948	8/1/2016	

Number	Exhibit Title	Incorporated by Reference Form	File No.	Filing Date	Filed Herewith
10.14*	2000 Employee Stock Purchase Plan, as amended	8-K	000-17948	8/1/2016	
10.15*	2019 Equity Incentive Plan, and related documents	8-K	000-17948	8/9/2019	
10.16*	Offer Letter for Employment at Electronic Arts Inc. to Andrew Wilson, dated September 15, 2013	8-K	000-17948	9/17/2013	
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**	Xbox Console Publisher License Agreement, dated as of September 30, 2020, between Microsoft Corporation, Electronic Arts Inc. and EA Swiss Sàrl	10-Q	000-17948	11/10/2020	
10.23**	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	
10.24**	PlayStation 5 Amendment to the PlayStation Global Developer and Publisher Agreement, dated as of October 15, 2020, by and among Electronic Arts Inc., EA Swiss Sàrl, Sony Interactive Entertainment, Inc., Sony Interactive Entertainment LLC, and Sony Interactive Entertainment Europe Limited	10-Q	000-17948	11/10/2020	
10.25	Credit Agreement, dated August 29, 2019, 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	8/29/2019	
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

Number	Exhibit Title	Incorporated by Reference			Filed Herewith
		Form	File No.	Filing Date	
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document				X

* Management contract or compensatory plan or arrangement.

** Confidential portions of these documents have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

† Attached as Exhibit 101 to this Annual Report on Form 10-K for the year ended March 31, 2020 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 26, 2021

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 26th of May 2021.

Name	Title
/s/ Andrew Wilson Andrew Wilson	Chief Executive Officer
/s/ Blake Jorgensen Blake Jorgensen	Chief Operating Officer and Chief Financial Officer
/s/ Kenneth A. Barker Kenneth A. Barker	*Chief Accounting Officer* (Principal Accounting Officer)
Directors:	
/s/ Lawrence F. Probst III Lawrence F. Probst III	Chairman of the Board
/s/ Leonard S. Coleman Leonard S. Coleman	Director
/s/ Jay C. Hoag Jay C. Hoag	Director
/s/ Jeffrey T. Huber Jeffrey T. Huber	Director
/s/ Talbott Roche Talbott Roche	Director
/s/ Richard A. Simonson Richard A. Simonson	Director
/s/ Luis A. Ubiñas Luis A. Ubiñas	Director
/s/ Heidi Ueberroth Heidi Ueberroth	Director
/s/ Andrew Wilson Andrew Wilson	Director

Exhibit 4.02

DESCRIPTION OF SECURITIES

Under our Amended and Restated Certificate of Incorporation, the Company is authorized to issue up to 1,000,000,000 shares of common stock, par value $0.01 per share. The following is a summary of some of the terms of the Company's common stock, which is the Company's only class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended. The Company's common stock is listed on the NASDAQ Global Select Market under the symbol "EA". This summary is not complete, and is subject to and qualified by the provisions of our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws. The terms of our common stock are also subject to and qualified by the applicable provisions of the Delaware General Corporation Law.

Common Stock

As of May 24, 2021, there were approximately 286,191,176 shares of common stock issued and outstanding.

The holders of shares of common stock vote together as one class on all matters as to which common stockholders are entitled to vote. Each share of common stock is entitled to one vote in all elections of directors and on all other matters submitted to a stockholder vote. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of legally available funds therefore. In the event of our liquidation, dissolution or winding up, holders of the common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior liquidation rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The common stock currently outstanding is fully paid and nonassessable.

Anti-Takeover Effects of our Charter and Bylaws

Certain provisions of our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws could have the effect of delaying, deterring or preventing another party from acquiring or seeking to acquire control of the Company. For example, our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws include provisions that:

- require that actions to be taken by our stockholders must be taken at an annual or special meeting of our stockholders, and not by written consent;
- provide that, except as otherwise required by law, special meetings of the stockholders for any purpose or purposes may only be called by the chairman of our board of directors or by the board of directors upon written request by one or more stockholders owning, in the aggregate, at least 25% of the our outstanding shares entitled to vote on the matter or matters to be brought before the proposed special meeting, determined in accordance with the provisions of the our Amended and Restated Bylaws, and who otherwise comply with such other requirements and procedures set forth in our Amended and Restated Bylaws;
- provide that a stockholder, or group of up to 20 stockholders, that has owned continuously for at least three years shares of common stock representing an aggregate of at least 3% of the our outstanding shares of common stock, may nominate and include in our proxy materials director nominees; provided that the maximum number of such director nominees shall not exceed (A) two or (B) 20% of the board of directors, and provided further that the stockholder(s) and nominee(s) satisfy the requirements in the our Amended and Restated Bylaws
- establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors; and
- authorize the Company's board of directors to cause the issuance of, in one or more series, preferred stock and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof.

SUBSIDIARIES OF THE REGISTRANT **Exhibit 21.1**

Name in *Corporate Articles*	*Doing Business As*	Jurisdiction *of Incorporation*
Respawn Entertainment, LLC	Respawn Entertainment, LLC	California
Prairie-Winnetka Holdings, LLC (US)	Prairie-Winnetka Holdings, LLC (US)	California
BioWare ULC	BioWare ULC	Canada
Electronic Arts (Canada), Inc.	Electronic Arts (Canada), Inc.	Canada
EA Mobile (Canada) ULC	EA Mobile (Canada) ULC	Canada
Electronic Arts Computer Software (Shanghai) Co., Ltd.	Electronic Arts Computer Software (Shanghai) Co., Ltd.	China
Electronic Arts Proprietary Limited	Electronic Arts Proprietary Limited	Commonwealth of Australia
EA Entertainment, Inc.	EA Entertainment, Inc.	Delaware
EA Mobile (Canada Holdings) Inc.	EA Mobile (Canada Holdings) Inc.	Delaware
Electronic Arts Productions Inc.	Crocodile Productions	Delaware
Electronic Arts Redwood LLC	Electronic Arts Redwood LLC	Delaware
Giants Acquisition Sub, Inc.	Giants Acquisition Sub, Inc.	Delaware
PopCap Games, LLC	PopCap Games, LLC	Delaware
Electronic Arts Finland OY	Electronic Arts Finland OY	Finland
Electronic Arts - Tiburon, A Florida Corporation	Tiburon	Florida
Electronic Arts Publishing SARL	Electronic Arts Publishing SARL	France
Electronic Arts GmbH	Electronic Arts GmbH	Germany
PopCap Holdings (Hong Kong) Limited	PopCap Holdings (Hong Kong) Limited	Hong Kong
Electronic Arts Games (India) Private Limited	Electronic Arts Games (India) Private Limited	India
Electronic Arts Ireland Limited	Electronic Arts Ireland Limited	Ireland
Carpetville Limited	Carpetville Limited	Ireland
Electronic Arts Israel Ltd	Electronic Arts Israel Ltd	Israel
Electronic Arts Italia S.r.l.	EA Italy	Italy
Electronic Arts K.K.	Electronic Arts K.K.	Japan
IoTech Finance SARL	IoTech Finance SARL	Luxemburg
Codemasters Studios Sdn Bhd	Codemasters Studios Sdn Bhd	Malaysia
Codemasters (Malta) Limited	Codemasters (Malta) Limited	Malta
EA México S. de R.L. de C.V.	EA México S. de R.L. de C.V.	Mexico
Electronic Arts Polska Sp. Z.O.O.	EA Poland	Poland
Electronic Arts Romania SRL	Electronic Arts Romania SRL	Romania
Electronic Arts OOO	Electronic Arts OOO	Russia
Electronic Arts Asia Pacific Pte Ltd	Electronic Arts Asia Pacific Pte Ltd	Singapore
Electronic Arts Singapore Pte. Ltd.	Electronic Arts Singapore Pte. Ltd.	Singapore
Slightly Mad Studios Pte. Ltd.	Slightly Mad Studios Pte. Ltd.	Singapore
Electronic Arts Korea LLC	Electronic Arts Korea LLC	South Korea
Electronic Arts Software S.L.	Electronic Arts Software S.L.	Spain
Digital Illusions CE AB	Digital Illusion CE AB	Sweden
EA Digital Illusions CE AB	EA Digital Illusions CE AB	Sweden
Electronic Arts Sweden AB	EA Sweden	Sweden
EA Swiss Sárl	EA Swiss Sárl	Switzerland

SUBSIDIARIES OF THE REGISTRANT **Exhibit 21.1**

Name in Corporate Articles	Doing Business As	Jurisdiction of Incorporation
Electronic Arts Geneva Sàrl	Electronic Arts Geneva Sarl	Switzerland
Electronic Arts Nederland B.V.	Electronic Arts B.V.	The Netherlands
Playfish Limited	Playfish Limited	United Kingdom
Chillingo Limited	Chillingo Limited	United Kingdom
Criterion Software Limited	Criterion Software Limited	United Kingdom
Electronic Arts Limited	Electronic Arts Limited	United Kingdom
Electronic Arts Production Services (UK) Limited	Electronic Arts Production Services (UK) Limited	United Kingdom
Codex Games Limited	Codex Games Limited	United Kingdom
Codemasters Group Holdings PLC	Codemasters Group Holdings PLC	United Kingdom
The Codemasters Software Company Limited	The Codemasters Software Company Limited	United Kingdom
Codemasters Development Company Limited	Codemasters Development Company Limited	United Kingdom
IoTech Engine Limited	IoTech Engine Limited	United Kingdom
SMS Virgo Limited	SMS Virgo Limited	United Kingdom
SMS Phoenix Limited	SMS Phoenix Limited	United Kingdom
SMS Hydra Limited	SMS Hydra Limited	United Kingdom
Middleware Limited	Middleware Limited	United Kingdom
IoTech Studios Limited	IoTech Studios Limited	United Kingdom
SMS Apollo Limited	SMS Apollo Limited	United Kingdom
Slightly Mad Studios Limited	Slightly Mad Studios Limited	United Kingdom
Codemasters Holdings Limited	Codemasters Holdings Limited	United Kingdom
Codemasters Group Limited	Codemasters Group Limited	United Kingdom
Codemasters Limited	Codemasters Limited	United Kingdom

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-233182, 333-213044, 333-190355, 333-183077, 333-176181, 333-168680, 333-161229, 333-152757, 333-145182, 333-138532, 333-127156, 333-117990, 333-107710, 333-99525, 333-67430, 333-44222, 333-39432, and 333-255675) on Form S-8 and (No. 333-250800) on Form S-3 of our report dated May 26, 2021, with respect to the consolidated financial statements of Electronic Arts Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Santa Clara, California
May 26, 2021

Exhibit 31.1

ELECTRONIC ARTS INC.

Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Exchange Act
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew Wilson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Electronic Arts Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 26, 2021	By:	/s/ Andrew Wilson
		Andrew Wilson
		Chief Executive Officer

Exhibit 31.2

ELECTRONIC ARTS INC.

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Exchange Act
As Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Blake Jorgensen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Electronic Arts Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 26, 2021

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

Exhibit 32.1

ELECTRONIC ARTS INC.

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Electronic Arts Inc. on Form 10-K for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Wilson, Chief Executive Officer of Electronic Arts Inc., certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Electronic Arts Inc. for the periods presented therein.

/s/ Andrew Wilson
Andrew Wilson
Chief Executive Officer
Electronic Arts Inc.

May 26, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Electronic Arts and will be retained by Electronic Arts and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

ELECTRONIC ARTS INC.

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Electronic Arts Inc. on Form 10-K for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Blake Jorgensen, Chief Operating Officer and Chief Financial Officer of Electronic Arts Inc., certify, pursuant to *18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* ("*Section 906*"), that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Electronic Arts Inc. for the periods presented therein.

/s/ Blake Jorgensen

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

May 26, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Electronic Arts and will be retained by Electronic Arts and furnished to the Securities and Exchange Commission or its staff upon request.