2007 PROXY STATEMENT AND ANNUAL REPORT

Electronic Arts Inc.

Stockholder Letter

TO OUR STOCKHOLDERS:

Change.

Last night, a woman in Ohio earned 10,000 tokens playing *Poppit!* on Pogo.com. A student in Seoul won a tournament on *EA SPORTS FIFA Online*. A *Madden NFL* fan bought a virtual Patriots jersey. A girl in Paris arranged a wedding for her character in *The Sims*. And a teenager in Fresno downloaded *Tetris* on his mobile while his mom and dad played *Tiger Woods PGA TOUR* on the Wii.

Fiscal 2007 was a year that dramatically changed assumptions about the who, what, when and where of interactive entertainment. It was a year that taught us some lessons about consumer demand for casual games and showed us that EA is capable of building its business far beyond the installed base of consoles and PCs.

During the last console cycle, we were primarily focused on the western markets of North America and Europe and just three or four technology platforms. Today, EA's games are published on 11 gaming systems. Our online and casual games are growing from a niche to mainstream and some of our biggest growth opportunities are in Asia.

There is both upside and challenge to this change. We are optimistic that the opportunity for profitable growth is much greater than we might have originally imagined. These changes reaffirm the strategic investments EA has made in online gaming, mobile gaming, Asia and in creating new intellectual properties.

The challenge is that we are now on a path where change does not come every five years when we see a console transition. We are now in a world where change is constant.

Since I returned to EA earlier this year, I've spent time talking to employees, customers, investors and consumers. I've found a deep recognition that the industry is changing and there is a great appetite among all of EA's stakeholders for change. Our employees are ready to take on the challenges of this constantly changing world.

The Best Teams and Strongest Portfolio

One thing that is not changing is the enormous advantage EA holds with the breadth of our portfolio and the quality of our people. Creative people are the core strength of our company and EA is graced with an abundance of the most talented producers, game designers, programmers and artists in the industry. It is difficult to call out the achievement of any single team when so many contribute to our success. Here are just a few of our accomplishments in the past year:

- ***The Sims* —** created in Redwood Shores, California, this team delivered new games and content for the world's most popular PC franchise, crossed onto new platforms including mobile phones and is developing original titles for the Wii and Nintendo DS (NDS) handheld system.

- ***Madden NFL* —** developed by EA Tiburon in Orlando, Florida, was the best-selling game in North America at retail in calendar 2006. Year after year, critics say it can't get better, and every year the Tiburon team proves them wrong. This is one of the most feature-rich games on the market and includes a training level that makes Madden more accessible to newcomers.

- ***Need for Speed* —** produced by EA Blackbox in British Columbia, is a consistent global blockbuster. In fiscal 2007, *Need for Speed Carbon* was developed and released on 10 game systems worldwide including the Wii.

- ***FIFA Soccer* —** developed by EA Canada in British Columbia, captured the global excitement around "futball" with *FIFA 07, 2006 FIFA World Cup, UEFA Cup Champion's League 2006-2007*, and promising debuts for *EA SPORTS FIFA Online* in Korea and *2006 FIFA World Cup* for mobile phones in Europe.

- ***Battlefield 2142* —** created by EA Digital Illusions, in Stockholm, Sweden, continues to astonish critics and fans with its mastery of team-based online play. *Battlefield 2142* was also one of the first titles to feature dynamic in-game advertising. The game is a remarkable piece of engineering and a gorgeous piece of art.

In fiscal 2008, some of the industry's most innovative games will be coming from EA including *Boogie* and *Army of Two* from EA Montreal; *NBA Live* from EA Canada; *SKATE* from EA Blackbox; *Warhammer Online: Age of Reckoning* from EA Mythic; *The Simpsons* from EA Redwood Shores; *Burnout Paradise* from EA Criterion; and from EALA, *Medal of Honor Airborne* and a new Wii game from our collaboration with Steven Spielberg. In calendar year 2008, we are looking forward to the release of *SPORE* by Will Wright and the team at Maxis.

I want to stop and thank every one of the people who make, market, support and sell our games. You are the best in the business.

Performance in Fiscal Year 2007

Fiscal 2007 is best summarized as a year in which we exceeded our operating plan and made important strategic investments. We grew our mobile and online businesses, launched *EA SPORTS FIFA Online* in Asia and extended our creative capability with studio acquisitions.

The year marked the completion of the console transition — consumers now have three exciting new systems which are faster, more innovative, more powerful and more connected than anything we imagined just five years ago. EA was the number one publisher across all consoles combined but we hope to improve our performance on each individual platform in the year ahead.

Microsoft's Xbox 360 was the first in the market with an impressive suite of online features. In fiscal 2007, EA was the number one publisher on this system.

Sony's PLAYSTATION 3 got started a year after the Xbox 360, but is more powerful from a development standpoint. We completed our fiscal year as the number two developer on this system in North America and we estimate that we were number three in Europe.

Nintendo's Wii and the Nintendo DS handheld have revolutionized gaming with an innovative and simple approach to fun. EA initially underestimated the popularity of the Wii but we quickly deployed resources to provide more games as the installed base of players grew.

Our team in Japan and a newly acquired team, EA Headgate in Utah, have shown a particular expertise developing for Nintendo systems. We are currently creating original properties for the Wii and NDS such as *MySims* and *EA Playground*. Additionally for the Wii, we are also working on *Boogie* and a game from our collaboration with Steven Spielberg.

Overall, EA's business reflects a good balance between the present and future — we continue to generate industry-leading revenue from our traditional business while our investments incubate and contribute new sources of revenue, including mobile games and online advertising. Our net revenue was $3.091 billion, up five percent as compared with $2.951 billion for the prior year. Gross profit for the year was $1.879 billion, up six percent year-over-year. Net income for the year was $76 million as compared with $236 million for the prior year. The company incurred an after-tax stock-based compensation charge of $107 million, or $0.34 per share, for the year. Diluted earnings per share were $0.24 as compared with $0.75 for the prior year.

Our Priorities

Next Generation Consoles — Leadership on consoles is a long-standing pillar of EA's success. That's not going to change. Our goal is to be the leader on the Xbox 360 and PLAYSTATION 3 and to solidify our position as the top independent publisher on the Wii. We have the people and the content to make that happen.

Online — As more consumers connect, online has evolved from a niche for hard core players to a mainstream feature of many games — for instance, our Battlefield franchise is played almost exclusively online.

Last year, EA consumers purchased more than nine million digital items online for games like *EA SPORTS FIFA Online* in Korea, *Need for Speed Carbon,* and from our casual game offering, Pogo.

Online subscriptions to our Club Pogo suite of casual games have passed 1.5 million — up 23 percent in just one year. Additionally, Pogo began a roll out in Europe and a closed-beta test in the People's Republic of China. We estimate that more than half of all Pogo players are women over 30 who love the community aspects of the site as much as the games. And last year's acquisition of Mythic Entertainment sets up the fiscal 2008 launch of one of the industry's most anticipated massive-multiplayer subscription games, *Warhammer.*

Online advertising continues to grow with revenue from dynamic advertisements and banner ads on our websites. Dynamic in-game advertising — for instance billboards in *Need for Speed* show a soft drink promotion on the first lap, and a movie promo on the next — debuted in three of our games. While the initial revenue was small, over the long term we expect this opportunity to grow significantly.

Mobile — Games played on mobile phones are now a fundamental part of our business. A little over a year ago, EA acquired JAMDAT, the world's leading developer and publisher of games for mobile phones — a strategic investment that has exceeded our expectations in fiscal 2007. Today, we are the world leader in mobile gaming with annual revenue of $140 million. We've integrated EA content into the JAMDAT platform and now have more than ten EA franchises available for mobile phones.

Asia — We are working to build our online business in Asia where our sports and game franchises have a large following of eager fans. Today, broadband penetration and an explosion of internet game rooms make this a powerful opportunity for future growth.

Last year we made a breakthrough in navigating the complex business environment in Asia. In Korea, we acquired a 19 percent stake in Neowiz, a local operator which last year helped us make *EA SPORTS FIFA Online*. Together, with Neowiz, we achieved a dramatic success — more than ten percent of the population of Korea registered to play our game. In China, just recently, we acquired a 15 percent stake in The9, one of that country's top online publishers. Investing and partnering with established publishers gives us a much better understanding of how to succeed in Asia.

New Content — We tap three sources for game concepts — new concepts that spring from the ideas of our own creative people, licensed properties from other media like sports and movies, and publishing and distribution partnerships with independent developers.

Our teams have created a fantastic legacy of wholly-owned blockbuster franchises like The Sims, Need for Speed, Battlefield, Burnout and Command & Conquer. Today we have more than 15 new wholly owned properties in development including *Army of Two, SKATE, Boogie* and *EA Playground,* which will debut this year.

Games based on licensed content from sports, movies, books, TV and other formats are another pillar of EA's leadership and will always be part of our business model. Some of our most popular licensed franchises include Harry Potter, The Simpsons, The Lord of the Rings and sports leagues like the NFL, FIFA, PGA TOUR, the NBA and the NHL. These titles are extremely popular with our core audience and provide a great bridge for introducing new players to gaming.

Another great source of content is our partnerships with independent developers. EA Partners offers the independents access to the power of our global publishing and distribution reach in exchange for a royalty stream. EA has teamed up with some of the most exciting developers in the industry including Crytek (*Crysis*), Flagship (*Hellgate: London*), MTV/Harmonix (*Rock Band*), Pandemic (*Mercenaries 2*) and Valve (*Half Life 2 The Orange Box*).

Faster, Agile and More Accountable Management

In fiscal 2008, we are organizing our management structure to streamline decision making, manage costs, hold people accountable and allow good ideas to move quickly into the market.

We are in the process of organizing the company into four major divisions, or labels which act as aligned but vertical businesses with accountability for a P&L and aggressive growth targets. Each will have a president with studio and publishing teams working side by side. The four will be supported by centralized groups for Global Publishing, Central Development Services, Finance, HR and other functions.

Here is how the four labels will be organized:

THE SIMS — This team has created the template on which the new structure is modeled. It is a cohesive group with a global approach to growing the world's most popular PC franchise.

EA GAMES — This label includes an incredible portfolio of blockbusters such as *Need for Speed, Battlefield, Medal of Honor* and many more. EA Games will also be home to EA Partners.

EA SPORTS — Bar none, EA SPORTS is the strongest brand in the game business and the flagship of EA's global leadership — but it can be so much more. We plan to expand the sports experience with new content, new services and online integration.

EA CASUAL ENTERTAINMENT — This label will foster games made for non-traditional EA consumers — young people, older people and women and girls. It will include the casual offerings on our Pogo.com site, our mobile division and several of our more casual and family-oriented franchises. This label will make games for all platforms including the next generation consoles.

This re-organization is not a one-time event. It is an ongoing process that calls for our employees to constantly evaluate new technology and consumer trends, adapt new strategies and bring new ideas to the market.

Marking a Management Transition

Commitment, accountability, leadership — these are all qualities that we attribute to our Chairman and former CEO, Larry Probst.

Throughout his 23 years at EA and his 16 years as CEO, he set a standard of professionalism that has become as much a part of EA as any of our game franchises. His career includes many important milestones for the entire industry. During his tenure, EA's revenue grew from roughly $100 million to more than $3 billion and our market capitalization increased from $180 million to over $15 billion.

When he announced he was stepping back as EA's CEO, a journalist asked Larry what he thought was his greatest achievement at EA. Larry responded that helping to develop young managers into dynamic leaders was the most rewarding element of his job. Today, those managers form the nucleus of the next generation team that will drive EA to new levels of growth and profitability.

We thank him for the many contributions he has made to EA's success.

Looking Forward

EA has reached an inflection point.

We will continue making games for the roughly 150 million players who own consoles and high-end PCs. For these consumers, we will increase our commitment to making the highest quality and deepest interactive entertainment experiences.

However, we will also reach out to the two billion people who own a game-ready device like a household PC or a mobile phone.

We are going to offer games that are more accessible.

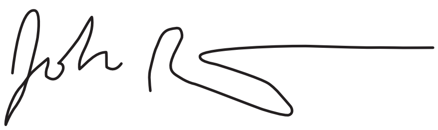
We are going to put more and better experiences online and on handsets.

We are going to increase our production of casual and family-oriented games.

Finally, we will continue to invest in the creativity and the entrepreneurial spirit of our employees. They are going to create more games with stories and characters that people care about.

I want to thank gamers, customers, shareholders and, most of all, the people who work at EA for having confidence in the future of our company.

Sincerely,



John S. Riccitiello
Chief Executive Officer

This Letter to Stockholders, as well as the discussion under the headings “Business” and “Management’s Discussion and Analysis” included in our Annual Report on Form 10-K for the year ended March 31, 2007, as well as the discussion under the heading “Compensation Discussion and Analysis” in our 2007 Proxy Statement, contain forward-looking statements about circumstances that have not yet occurred and are subject to change. All statements, trend analysis and other information related to industry prospects, our products and services, and trends in our financial performance, as well as other statements including such words as “anticipate”, “believe”, “estimate”, “expect”, “intend” (and the negative of any of these terms), “future” and statements in the future tense are forward-looking statements. These forward-looking statements are subject to business and economic risks and uncertainties that could cause actual events or actual future results to differ materially from the expectations set forth in the forward-looking statements. Some of the factors which could cause our results to differ materially from our expectations include, but are not limited to, those listed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended March 31, 2007. We undertake no obligation to update these forward-looking statements.

Electronic Arts Inc.

Notice of 2007 Annual Meeting and Proxy Statement

June 20, 2007

DEAR FELLOW STOCKHOLDERS:

You are cordially invited to join us at our 2007 Annual Meeting of Stockholders on July 26, 2007 at 2:00 p.m. The meeting will be held at the headquarters campus of Electronic Arts in Building 250 (please note that the street address for Building 250 is 250 Shoreline Drive, Redwood City, California). At this meeting, we are asking the stockholders to:

- Elect nine directors;
- Approve amendments to the 2000 Equity Incentive Plan and the 2000 Employee Stock Purchase Plan;
- Approve the adoption of the Electronic Arts Executive Bonus Plan, which is a cash bonus plan for executive officers of the Company that is compliant with Section 162(m) of the Internal Revenue Code; and
- Ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2008.

After the meeting, we will report on our performance in the last year and answer your questions.

Enclosed with this proxy statement are your proxy card, voting instructions and our 2007 annual report.

We encourage you to conserve natural resources, expedite the delivery of future communications, and help us reduce our printing and mailing costs, by signing up for electronic delivery of our stockholder communications. For more information, see *Electronic Delivery of Our Stockholder Communications* in the attached proxy statement.

We know that it is not practical for most stockholders to attend the Annual Meeting in person. If you would like to listen to the Annual Meeting via webcast, please visit our website at *investor.ea.com.* Whether or not you are able to attend in person, your vote is important. In addition to using the enclosed proxy card to vote your shares, you may also vote your shares via the Internet or a toll-free telephone number. Instructions for using these services are provided on your proxy card.

I look forward to seeing you at the meeting.

Sincerely,

John S. Riccitiello
Chief Executive Officer

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE STRONGLY ENCOURAGE YOU TO DESIGNATE THE PROXIES SHOWN ON THE ENCLOSED CARD SO THAT YOUR SHARES WILL BE REPRESENTED AT THE ANNUAL MEETING.

Notice of 2007 Annual Meeting of Stockholders

DATE: July 26, 2007

TIME: 2:00 p.m.

PLACE: ELECTRONIC ARTS' HEADQUARTERS
Building 250*
209 Redwood Shores Parkway
Redwood City, CA 94065

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

MATTERS TO BE VOTED UPON:

1. The election of nine directors to hold office for a one-year term;
2. Amendments to the 2000 Equity Incentive Plan to (a) increase by 9 million shares the number of shares that will be available for issuance under the Equity Plan, (b) decrease by 4 million shares — down to 11 million shares — the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan, and (c) revise the amount and nature of automatic grants to directors under the Equity Plan by adding restricted stock units and decreasing the size of stock option grants;
3. An amendment to the 2000 Employee Stock Purchase Plan to increase by 1.5 million the number of shares of common stock reserved for issuance under the Purchase Plan;
4. Adoption of the Electronic Arts Inc. Executive Bonus Plan, which is a cash bonus plan for executive officers of the Company that is designed to comply with Section 162(m) of the Internal Revenue Code;
5. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2008; and
6. Any other matters that may properly come before the meeting.

OUR BOARD OF DIRECTORS RECOMMENDS YOU VOTE **FOR** EACH OF THE NOMINEES AND **FOR** EACH PROPOSAL.

Stockholders of record at the close of business on June 1, 2007 are entitled to notice of the meeting and to attend and vote at the meeting. A complete list of these stockholders will be available at Electronic Arts' headquarters prior to the meeting.

By Order of the Board of Directors,

Stephen G. Bené
Senior Vice President, General Counsel and Secretary

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PROXY STATEMENT

Our Board of Directors is soliciting proxies for the 2007 Annual Meeting of Stockholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

The Board has set June 1, 2007 as the record date for the meeting. Stockholders who owned common stock on that date are entitled to notice of the meeting, and to attend and vote at the meeting, with each share entitled to one vote. There were 311,621,350 shares of common stock outstanding on the record date.

Voting materials, which include the proxy statement, proxy card and our 2007 annual report, were first mailed to stockholders on or about June 20, 2007.

In this proxy statement:

- "EA", "we", "our" and "the Company" mean Electronic Arts Inc.
- "2000 Equity Plan" and "Equity Plan" mean EA's 2000 Equity Incentive Plan.
- "2000 Purchase Plan" and "Purchase Plan" mean EA's 2000 Employee Stock Purchase Plan.
- "Executive Bonus Plan" means the Electronic Arts Inc. Executive Bonus Plan.
- Holding shares in "street name" means your EA shares are held in an account at a bank, brokerage firm or other nominee.
- "Common stock" means EA's common stock, as described in EA's current Amended and Restated Certificate of Incorporation.
- "Fiscal 2008", "fiscal 2007", "fiscal 2006", "fiscal 2005", "fiscal 2004" and "fiscal 2003" refer to EA's fiscal years ending or ended (as the case may be) on March 31, 2008, 2007, 2006, 2005, 2004 and 2003, respectively.
- We use "independent auditors" to refer to an independent registered public accounting firm.
- Unless otherwise noted, all share and per-share information has been adjusted to reflect the September 2000 and November 2003 two-for-one splits of our common stock.

HOW TO VOTE YOUR SHARES

We are pleased to offer you three options for designating the proxies and indicating your voting preferences:

(1) You may follow the instructions found on the enclosed proxy card and vote via the Internet;

(2) You may follow the instructions found on the proxy card and vote by telephone; or

(3) You may complete, sign, date and return by mail the proxy card.

If you choose to vote via the Internet or telephone, you will have a PIN number assigned to you on the proxy card that you will use to safeguard your vote.

ELECTRONIC DELIVERY OF OUR STOCKHOLDER COMMUNICATIONS

If you are a beneficial holder or your shares are held in "street name" (your shares are held by a bank, brokerage firm, or other nominee) and you received your annual meeting materials by mail, we encourage you to conserve natural resources, expedite the delivery of future communications, and help reduce our printing and mailing costs, by signing up to receive future stockholder communications via e-mail. With electronic delivery, you will be notified via e-mail as soon as EA's next annual report and proxy statement are available on the Internet, and you can easily submit your stockholder votes online. Electronic delivery can also help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, please visit *www.icsdelivery.com/erts* to enroll.

Your electronic delivery enrollment will be effective until you cancel it. If you have questions about electronic delivery, please contact our Investor Relations department at 650-628-7352.

COMMONLY ASKED QUESTIONS AND ANSWERS

Why am I receiving this proxy statement and proxy card?

This proxy statement describes proposals on which you, as a stockholder, are being asked to vote. It also gives you information on these proposals, as well as other information so that you can make an informed decision. You are invited to attend the Annual Meeting to vote on the proposals, but you do not need to attend in person in order to vote. You may, instead, follow the instructions below to vote by mail using the enclosed proxy card, or to vote by telephone or over the Internet. By doing so, you are giving a proxy appointing John S. Riccitiello (the Company's Chief Executive Officer) and Warren C. Jenson (the Company's Chief Financial and Administrative Officer) to vote your shares at the meeting as you have instructed. If a proposal comes up for vote at the meeting that is not on the proxy card, or if you do not indicate an instruction, Mr. Riccitiello and Mr. Jenson will vote your shares according to their best judgment. Even if you currently plan to attend the meeting, it is a good idea to complete and return your proxy card, or vote by telephone or on the Internet, before the meeting date just in case your plans change.

Who can vote at the Annual Meeting?

Stockholders who owned common stock on June 1, 2007 may attend and vote at the Annual Meeting. Each share of common stock is entitled to one vote. There were 311,621,350 shares of common stock outstanding on June 1, 2007.

What am I voting on?

We are asking you to:

- Elect nine directors;
- Approve amendments to the 2000 Equity Incentive Plan to (a) increase the number of shares authorized for issuance under the Equity Plan by 9 million, (b) decrease by 4 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan — from 15 million to 11 million shares, and (c) revise the amount and nature of automatic grants to directors under the Equity Plan by adding restricted stock units and decreasing the size of stock option grants;
- Approve an amendment to the 2000 Employee Stock Purchase Plan to increase by 1.5 million the number of shares of common stock reserved for issuance under the Purchase Plan;
- Approve the adoption of the Electronic Arts Inc. Executive Bonus Plan, which is a cash bonus plan for executive officers of the Company that is compliant with Section 162(m) of the Internal Revenue Code; and
- Ratify the appointment of KPMG LLP as our independent auditors for fiscal 2008.

How do I vote?

You may vote by mail.

Complete, date, sign and mail the enclosed proxy card in the postage pre-paid envelope provided. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

If you do not mark your voting instructions on the proxy card, your shares will be voted:

- **for** *the election of the nine nominees for director;*
- **for** *the proposed amendments to the 2000 Equity Incentive Plan;*

- **for** *the proposed amendment to the 2000 Employee Stock Purchase Plan;*
- **for** *the adoption of the Executive Bonus Plan; and*
- **for** *ratification of the appointment of KPMG LLP as our independent auditors for fiscal 2008.*

You may vote by telephone.

You may do this by following the "Vote by Telephone" instructions on your proxy card. If you vote by telephone, you do not have to mail in your proxy card.

You may vote on the Internet.

You may do this by following the "Vote by Internet" instructions on your proxy card. If you vote by Internet, you do not have to mail in your proxy card. The law of Delaware, where we are incorporated, allows a proxy to be sent electronically, so long as it includes or is accompanied by information that lets the inspector of elections determine that it has been authorized by the stockholder.

You may vote in person at the meeting.

You may complete the ballot we will pass out to any stockholder who wants to vote at the meeting. However, if you hold your shares in street name, you must obtain a proxy from the institution that holds your shares in order to vote at the meeting.

What does it mean if I receive more than one proxy card?

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

What if I change my mind after I give my proxy?

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

- Sending a signed statement to the Company that the proxy is revoked (you may send such a statement to the Company's Secretary at our corporate headquarters address listed on the Notice of Meeting);
- Signing another proxy with a later date;
- Voting by telephone or on the Internet at a later date (your latest vote is counted); or
- Voting in person at the meeting.

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

Who will count the votes?

An employee of Wells Fargo Shareowner Services will tabulate the votes and act as the inspector of election.

How many shares must be present to hold the meeting?

To hold the meeting and conduct business, a majority of EA's outstanding voting shares as of June 1, 2007 must be present or represented by proxies at the meeting. On this date a total of 311,621,350 shares of common stock were outstanding and entitled to vote. Shares representing a majority, or 155,810,676 shares, of these votes must be present. This is called a quorum.

Shares are counted as present at the meeting if:

- They are voted in person at the meeting, or
- The stockholder has voted via telephone or the Internet or properly submitted a proxy card.

Will my shares be voted if I do not sign and return my proxy card?

If your shares are registered in your name, they will not be voted unless you vote by telephone or on the Internet, submit your proxy card, or vote in person at the meeting.

How will my shares be voted if they are held in "street name"?

If your shares are held in "street name", you should have received voting instructions with these materials from your broker or other nominee. We urge you to instruct your broker or other nominee how to vote your shares by following those instructions. If you do not give your broker or nominee instructions as to how to vote your shares, they may be voted only on matters for which the broker or nominee has discretionary authority under applicable rules. These "broker non-votes" will be counted for purposes of determining whether a quorum is present but will not be counted for any other purpose with respect to Proposals 2, 3, 4 and 5.

How are votes counted?

You may vote "for", "against" or "abstain" on each of the proposals. Abstentions, although counted for purposes of determining whether a quorum is present, will not be counted for any other purpose. If you sign and return your proxy without voting instructions, your shares will be counted as a "for" vote in favor of each nominee and in favor of each of the other proposals.

How many votes must the nominees have to be elected as directors?

In an uncontested election (i.e., an election in which EA's Corporate Secretary has not received timely and proper notice from a stockholder indicating an intention to nominate one or more candidates to compete with the Board's nominees), EA's bylaws require each nominee to receive more votes cast "for" than "against" his or her election or re-election in order to be elected or re-elected to the Board. We expect that the election to be held at the 2007 Annual Meeting will be an uncontested election. In the event that the number of nominees for director exceeds the number of directors to be elected, however, directors will instead be elected by a plurality of the votes cast, meaning that the persons receiving the highest number of "for" votes, up to the total number of directors to be elected at the Annual Meeting, will be elected.

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

Shares represented by your proxy will be voted by EA's management "for" the election of the nine nominees recommended by EA's Board of Directors unless you vote against any or all of such nominees or you mark your proxy to "abstain" from so voting.

What happens if one or more of the nominees is unable to stand for election?

The Board may reduce the number of directors or select a substitute nominee. In the latter case, if you have completed and returned your proxy card, Mr. Riccitiello and Mr. Jenson shall have the discretion to vote your shares for a substitute nominee. They cannot vote for more than nine nominees.

How many votes are required to pass the amendments to the 2000 Equity Plan and 2000 Purchase Plan, the adoption of the Executive Bonus Plan, and to ratify the Company's selection of independent auditors?

The Equity Plan and Purchase Plan amendments, the adoption of the Executive Bonus Plan, and the ratification of independent auditors must receive a "for" vote of a majority of the voting shares present at the meeting in person or by proxy and voting for or against these proposals. Abstentions and broker non-votes will have no effect on the outcome of these proposals.

Where do I find the voting results of the meeting?

We will announce preliminary voting results at the meeting. We will also publish the final results in a quarterly report on Form 10-Q, which we will file with the Securities and Exchange Commission. Once filed, you can request a copy of the Form 10-Q by contacting our Investor Relations department at (650) 628-7352 or the SEC at (800) SEC-0330 for the location of its nearest public reference room. You can also get a copy on the Internet at *http://investor.ea.com* or through the SEC's electronic data system called EDGAR at *www.sec.gov*.

Why are you amending the Equity Plan?

We are proposing to amend the Equity Plan to increase by 9 million shares the number of shares available for issuance. We want to ensure that the Equity Plan includes enough shares for employees, officers and directors to be appropriately compensated under the Equity Plan going forward. We believe it is essential to be able to grant equity incentives to new and existing employees, officers and directors in order to recruit, retain and motivate key talent and to drive our performance.

We are also amending the Equity Plan to decrease the limit on the total number of shares underlying awards of restricted stock and restricted stock units — from 15 million to 11 million shares. We expect restricted stock and restricted stock units to remain an important form of equity incentive compensation. Nonetheless, given our current and anticipated usage of restricted stock and restricted stock units, we believe that the current limit is higher than necessary. By decreasing the limit to 11 million shares, we will continue to have an adequate amount of restricted stock and restricted stock units available for issuance and, as a consequence, will be able to increase the pool of overall shares available to be issued as stock options.

Finally, we are amending the Equity Plan to revise the amount and nature of annual automatic grants to our non-employee directors by adding restricted stock units and decreasing the size of stock option grants. As proposed to be amended, non-employee directors will be eligible to automatically receive an option grant to purchase 17,500 shares and 2,500 restricted stock units issued under the Equity Plan upon their initial appointment or election to the Board, and each continuing non-employee director will be eligible to automatically receive an annual option grant to purchase 8,400 shares and 1,200 restricted stock units upon his or her election or re-election to the Board.

For more information regarding the proposed amendments to the Equity Plan, please see *Proposal 2. Amendments to the 2000 Equity Incentive Plan* below.

Why are you amending the Purchase Plan?

We are amending the Purchase Plan to increase the number of shares available for issuance by an additional 1.5 million shares. The Purchase Plan enables our employees to purchase our common stock through payroll deductions and provides continuing opportunities for our employees to become stockholders. It also provides an incentive for continued employment. Since the adoption of the Purchase Plan, we have experienced significant growth in the number of employees who elect to participate in the Purchase Plan. We estimate that the proposed increase of shares available for issuance under the Purchase Plan will permit all current and potential future employees to fully participate in the Purchase Plan through at least the end of fiscal 2008, our current fiscal year.

For more information regarding the proposed amendment to the Purchase Plan, please see *Proposal 3. Amendment to the 2000 Employee Stock Purchase Plan* below.

Why are you adopting the Executive Bonus Plan?

We are adopting the Executive Bonus Plan because the Board believes that it is in the best interests of Electronic Arts and its stockholders to ensure that bonuses paid to our executive officers are generally deductible by Electronic Arts for federal income tax purposes. Accordingly, Electronic Arts has structured the Executive Bonus Plan to satisfy the requirements of Section 162(m) of the Internal Revenue Code (the "Code") for "performance-based" compensation. If the Executive Bonus Plan is approved by the stockholders, the compensation we pay pursuant to the Executive Bonus Plan, beginning with fiscal 2008, will not be subject to the corporate compensation deduction limits set forth in Section 162(m) of the Code. If the Executive Bonus Plan is not approved by the stockholders, any bonuses we pay to covered executive officers will be subject to the deduction limits of Section 162(m). Even if the Executive Bonus Plan is approved, we reserve the right to pay bonuses to our executive officers outside of the Executive Bonus Plan.

For more information regarding the proposed Executive Bonus Plan, please see *Proposal 4. Approval of the Electronic Arts Inc. Executive Bonus Plan* below.

Who will pay for this proxy solicitation?

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

Whom can I call with any questions about my shares?

You may contact your broker. If you don't own your shares through a broker but are a shareholder of record, you may also call our transfer agent, Wells Fargo Shareowner Services, at 1-800-468-9716 (or 1-651-450-4064 for international callers) or visit their web site at *www.wellsfargo.com/shareownerservices*.

PROPOSALS TO BE VOTED ON

PROPOSAL 1. ELECTION OF DIRECTORS

At the Annual Meeting, stockholders will elect nine directors to hold office for a one-year term until the next Annual Meeting (or until their respective successors are elected and qualified). All nominees have consented to serve a one-year term, if elected.

John S. Riccitiello was appointed as a director on April 2, 2007 and is standing for election to our Board of Directors for the first time. Mr. Riccitiello was appointed to the Board in connection with his selection as our Chief Executive Officer following a process led by Lawrence F. Probst III, our Chairman of the Board and former Chief Executive Officer, and Gary M. Kusin, our Lead Director. At the time of Mr. Riccitiello's appointment to the Board, the authorized size of our Board was temporarily increased from nine to ten directors. In May 2007, M. Richard Asher announced his retirement from the Board, effective as of the commencement of the 2007 Annual Meeting, and therefore will not be standing for re-election. Accordingly, immediately upon Mr. Asher's retirement at the commencement of the 2007 Annual Meeting, the authorized size of our Board will be reduced back to nine directors.

The Board has nominated the following directors to stand for re-election or, in the case of Mr. Riccitiello, election this year:

- Leonard S. Coleman
- Gary M. Kusin
- Gregory B. Maffei
- Timothy Mott
- Vivek Paul
- Lawrence F. Probst III
- John S. Riccitiello
- Richard A. Simonson
- Linda J. Srere

Additional Information Regarding the Board of Directors' Nomination of Timothy Mott

At our 2006 Annual Meeting of Stockholders, Mr. Mott was re-elected with approximately 70.4% of the votes cast "for" him and the remaining votes cast as "withheld". We believe the disproportionate number of votes withheld from Mr. Mott was primarily the result of the "withhold" recommendation he received from a proxy voting advisory service. Mr. Mott was a co-founder of Electronic Arts and served as an officer of the company until becoming a member of our Board of Directors in 1990. Mr. Mott has not been employed by, nor has he had any operating involvement with, Electronic Arts since 1990. Mr. Mott meets all of the requirements for an independent director under the NASDAQ Marketplace Rules, and our Board of Directors has determined him to be an "independent director".

Our Nominating and Governance Committee considered the number of withhold votes received by Mr. Mott at the 2006 Annual Meeting as part of its decision to recommend that Mr. Mott be nominated for re-election at the 2007 Annual Meeting. The Nominating and Governance Committee believed that the proxy voting advisory service's withhold recommendation failed to take into account relevant facts and is not in the best interests of the company or of our stockholders. Mr. Mott has made significant contributions to our Board of Directors during his tenure as a director, has a deep understanding of our industry, brings valuable experience to our Board, and continues to be an objective, engaged and active member of both the Board and the Nominating and Governance Committee. Our Board believes that his re-election is in the best interests of our company and our stockholders.

Required Vote and Board of Directors' Recommendation

In accordance with our bylaws, if EA's Corporate Secretary has not received timely and proper notice from a stockholder indicating an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if such stockholder has withdrawn all such nominations by the tenth day preceding the date on which we first mail our notice of meeting to stockholders, then the election of directors will be considered "uncontested". We did not receive notice from a stockholder indicating an intention to nominate one or more candidates for election at the 2007 Annual Meeting, therefore the 2007 election will be uncontested. As such, each nominee must receive more votes cast "for" than "against" his or her election or re-election in order to be elected or re-elected to the Board. Shares represented by your proxy will be voted by the proxy holders "for" the election of the nine nominees recommended by EA's Board of Directors unless you vote "against" any or all of such nominees or you mark your proxy to "abstain" from so voting.

In accordance with our Corporate Governance Guidelines, the Board expects a director to tender his or her resignation if he or she fails to receive the required number of votes for re-election in an uncontested election. The Board shall nominate for election or re-election as director only candidates who have previously tendered or, in the case of candidates who have not yet become members of the Board, have agreed to tender promptly following the annual meeting at which they are elected or re-elected as director, irrevocable resignations that will be effective upon (i) a failure to receive the required majority vote at the next annual or special meeting at which they face re-election in an uncontested election, and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of irrevocable resignation tendered by other directors in accordance with these guidelines.

If an incumbent director fails to receive the required majority vote in an uncontested election, the Nominating and Governance Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating and Governance Committee and the Board may consider any factors they deem relevant in deciding whether to recommend/accept a director's resignation. The Board will act on the Nominating and Governance Committee's recommendation within 90 days from the date of the certification of election results and will publicly disclose its decision promptly thereafter.

The Board recommends a vote FOR each of the nominees.

Director Biographies

Each of the following directors, other than Mr. Asher, has been nominated for election or re-election at the 2007 Annual Meeting.

M. Richard Asher
Director since 1984; retiring at the 2007 Annual Meeting
Mr. Asher, age 75, is presently an attorney, a consultant, and an affiliate professor with Florida Atlantic University. He was a senior executive officer and CEO in the music and record business with CBS, Warner Brothers and PolyGram Records for over 25 years. Mr. Asher is a director of several private companies and previously served as a director for a number of public companies.

Leonard S. Coleman
Director since 2001
Mr. Coleman, age 58, served as Senior Advisor to Major League Baseball from 1999 until 2005 and, from 2001 to 2002, was the Chairman of ARENACO, a subsidiary of Yankees/Nets. Mr. Coleman was President of The National League of Professional Baseball Clubs from 1994 to 1999, having previously served since 1992 as Executive Director, Market Development of Major League Baseball. Mr. Coleman serves on the Board of Directors of the following public companies: Avis Budget Group; Churchill Downs Inc.; H.J. Heinz Corporation; and Omnicom Group Inc.

Gary M. Kusin
Director since 1995; Lead Director since 2006
Mr. Kusin, age 56, has been a Partner at TPG (formerly Texas Pacific Group) since June 2006. He served as the President and Chief Executive Officer of Fedex Kinko's Office and Print Services, an operating division of Fedex, Inc. from August 2001 until February 2006. Fedex Kinko's is a leading provider of document solutions and business services. From September 1998 to July 2001, he was the Chief Executive Officer of HQ Global Workplaces, Inc., a global leader in office outsourcing. Prior to September 1998, Mr. Kusin was co-founder and Chairman of Kusin Gurwitch Cosmetics, LLC and co-founder and President of Babbages, Inc.

Gregory B. Maffei
Director since 2003
Mr. Maffei, age 47, has served as President and Chief Executive Officer of Liberty Media Corporation, which owns electronic retailing, media, communications and entertainment businesses and investments, since February 2006. He joined Liberty Media in November 2005 as CEO-Elect. From June 2005 until November 2005, Mr. Maffei served as President and Chief Financial Officer of Oracle Corporation. From 2000 until June 2005, Mr. Maffei served as Chief Executive Officer of 360networks Corporation, a broadband telecom service provider, and also became Chairman of the Board of 360networks in 2002. Previously, Mr. Maffei was with Microsoft Corporation from 1993 to 2000, in several positions, including Senior Vice President, Finance and Administration and Chief Financial Officer. Mr. Maffei also served as Chairman of Expedia, Inc. from 1999 to 2002. Mr. Maffei serves on the Board of Directors of Liberty Media.

Timothy Mott
Director since 1990
Mr. Mott, age 58, has been Chairman of All Covered, a nationwide information technology outsourcing company focused on small and mid-size businesses, since June 2000 and has served as Chief Executive Officer since September 2006 (a position he had previously held from November 2001 to February 2004). At various times prior to 1999, Mr. Mott co-founded and was Chairman of Audible Inc., co-founded and was Chief Executive Officer and Chairman of Macromedia Inc., co-founded and was Senior Vice President of Electronic Arts, and was a member of the research staff at Xerox PARC. Other than in his role as a director of EA, Mr. Mott has had no operating involvement with EA since he ceased serving as an executive officer in 1990.

Vivek Paul
Director since 2005
Mr. Paul, age 48, has been a partner at TPG (formerly Texas Pacific Group) since October 2005. From July 1999 to September 2005, Mr. Paul served as Vice Chairman of the Board of Directors of Wipro, Ltd., a provider of integrated business, technology and process solutions, and Chief Executive Officer of Wipro Technologies, Wipro's global information technology, product engineering, and business process services segments. From January 1996 to July 1999, Mr. Paul was General Manager of Global CT Business at General Electric, Medical Systems Division. From March 1993 to December 1995, he served as President and Chief Executive Officer of Wipro GE Medical Systems Limited. Mr. Paul holds a Bachelor of Engineering from the Birla Institute of Technology and Science, and an M.B.A. from the University of Massachusetts, Amherst.

Lawrence F. Probst III
Director since 1991
Mr. Probst, age 57, has been employed by EA since 1984. He has served as Chairman of the Board since July 1994 and, from May 1991 until April 2007, also served as our Chief Executive Officer. Previously Mr. Probst served as President from 1991 until 1998 and Senior Vice President of EA Distribution from 1987 to 1991. Mr. Probst holds a B.S. degree from the University of Delaware.

John S. Riccitiello

Director since 2007

Mr. Riccitiello, age 47, has served as Chief Executive Officer and a director of EA since April 2007. Prior to re-joining EA, he was a co-founder and Managing Partner at Elevation Partners, a private equity fund. From October 1997 to April 2004, Mr. Riccitiello served as President and Chief Operating Officer of EA. Prior to joining EA, Mr. Riccitiello served as President and Chief Executive Officer of the worldwide bakery division at Sara Lee Corporation. Before joining Sara Lee, he served as President and Chief Executive Officer of Wilson Sporting Goods Co. and has also held executive management positions at Haagen-Dazs, PepsiCo, Inc. and The Clorox Company. Mr. Riccitiello holds a B.S. degree from the University of California, Berkeley.

Richard A. Simonson

Director since 2006

Mr. Simonson, age 47, has served as Executive Vice President and Chief Financial Officer of Nokia Corporation, a manufacturer of mobile devices and a leader in mobile network equipment, solutions and services, since 2004. From 2001 until 2003, Mr. Simonson served as Vice President & Head of Customer Finance of Nokia. In 2001, Mr. Simonson was Managing Director of the Telecom & Media Investment Banking Group of Barclays Capital. Prior to joining Barclays Capital, Mr. Simonson spent 16 years at Bank of America Securities where he held various positions, including Managing Director & Head of Global Project Finance, Global Corporate & Investment Bank, San Francisco and Chicago. Mr. Simonson holds a B.S. degree from the Colorado School of Mines and an M.B.A. from Wharton School of Business at the University of Pennsylvania.

Linda J. Srere

Director since 2001

Ms. Srere, age 51, is currently a marketing and advertising consultant. Previously, Ms. Srere was President of Young & Rubicam Advertising. Since 1994, Ms. Srere held many positions with Young & Rubicam Inc. ("Y&R"), including Vice Chairman and Chief Client Officer, Executive Vice President and Director of Business Development, Group Managing Director, and in 1997, was named Chief Executive Officer of Y&R's New York office, becoming the first female CEO in the company's 75-year history. Ms. Srere also serves on the Board of Directors of aQuantive, Inc., a digital marketing services and technology company, and Universal Technical Institute, Inc., a technical education provider.

DIRECTOR INDEPENDENCE

Our Board has determined that each of our non-employee directors qualifies as an "independent director" as that term is used in the NASDAQ Marketplace Rules. In addition, prior to his departure from our Board at the 2006 Annual Meeting, our Board had determined that Robert Pittman was an "independent director". Mr. Probst and Mr. Riccitiello do not qualify as independent because they are EA employees. The NASDAQ Marketplace Rules have both objective tests and a subjective test for determining who is an "independent director". The objective tests state, for example, that a director is not considered independent if he or she is an employee of the company or is a partner in or executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year. The subjective test states that an independent director must be a person who lacks a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has not established categorical standards or guidelines to make these subjective determinations, but considers all relevant facts and circumstances.

In addition to the board-level standards for director independence, the directors who serve on the Audit Committee each satisfy standards established by the SEC providing that to qualify as "independent" for the purposes of membership on that Committee, members of audit committees may not accept directly or indirectly any consulting, advisory, or other compensatory fee from us other than their director compensation.

BOARD, BOARD MEETINGS, AND COMMITTEES

The Board meets on a fixed schedule four times each year and also occasionally holds special meetings and acts by written consent. In fiscal 2007, the Board met six times. At each regularly scheduled meeting, the independent members of the Board meet in executive session separately without management present. A Lead Director, elected by the independent directors and serving a two-year term, is responsible for chairing executive sessions of the Board and other meetings of the Board in the absence of the Chairman of the Board, serving as a liaison between the Chairman of the Board and the other independent directors, and overseeing the Board's stockholder communication policies and procedures (including, under appropriate circumstances, meeting with stockholders). Our Lead Director may also call meetings of the independent directors. The independent directors of the Board have elected Gary Kusin to serve as Lead Director for a two-year term ending with our 2008 Annual Meeting of Stockholders.

The Board currently has three committees, each of which operates under a charter approved by the Board: the Audit Committee; the Compensation Committee; and the Nominating and Governance Committee. The Board of Directors amended and restated the Audit Committee's charter in May 2006, amended the Compensation Committee's charter in November 2006, and adopted the Nominating and Governance Committee's charter in May 2003. Copies of the charters of each Committee may be found in the Investor Relations portion of our website at *http://investor.ea.com.* In accordance with the charters for each, and with current regulatory requirements, all members of these Committees are independent directors. During fiscal 2007, each director participated in at least 75% of all Board meetings and Committee meetings held during the period for which he or she was a member.

From July 27, 2006 (the date of the most recent Board election and beginning of the current Board year) through June 1, 2007, the Committee members were as follows:

July 2006 — July 2007 Committee Assignments

Audit	Gregory B. Maffei (Chair), Vivek Paul, and Richard A. Simonson
Compensation	M. Richard Asher (Chair), Leonard S. Coleman, and Linda J. Srere
Nominating and Governance	Gary M. Kusin (Chair), Leonard S. Coleman, Timothy Mott, and Linda J. Srere

Based on the recommendation of the Nominating and Governance Committee, and subject to the re-election of each of the directors named below, the Board will change Committee assignments following the 2007 Annual Meeting as follows:

July 2007 — July 2008 Committee Assignments

Audit	Gregory B. Maffei (Chair), Vivek Paul, and Richard A. Simonson
Compensation	Linda J. Srere (Chair), Leonard S. Coleman, and Richard A. Simonson
Nominating and Governance	Gary M. Kusin (Chair), Leonard S. Coleman, Timothy Mott, and Linda J. Srere

Audit Committee

The Audit Committee assists the Board in its oversight of the Company's financial reporting and other matters, and is directly responsible for the appointment, compensation and oversight of our independent auditors. The Audit Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements and the financial literacy standards of the NASDAQ Marketplace Rules, as well as the independence requirements of the SEC. In the opinion of the Board of Directors, Mr. Maffei and Mr. Simonson meet the criteria for an "audit committee financial expert" as set forth in applicable SEC rules. The Audit Committee met eight times in fiscal 2007. For further information about the Audit Committee, please see the *Report of the Audit Committee of the Board of Directors* below.

Compensation Committee

The Compensation Committee is responsible for setting the overall compensation strategy for the Company, for determining the compensation of the CEO (via recommendation to the Board) and other executive officers and for overseeing the Company's equity incentive plans and other benefit plans. In addition, the

Compensation Committee is responsible for reviewing and recommending to the Board compensation for non-employee directors. The Compensation Committee is comprised of three directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Marketplace Rules and qualifies as an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code, as amended. The Compensation Committee met five times in fiscal 2007 and also acted frequently by written consent. For further information about the Compensation Committee, please see the *Compensation Committee Report on Executive Compensation* below.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for recommending to the Board nominees for election to the Board of Directors, for appointing directors to Board Committees, and for reviewing developments in corporate governance, reviewing and ensuring the quality of the Company's succession plans, recommending formal governance standards to the Board, reviewing the performance of the CEO, and establishing the Board's criteria for selecting nominees for director and for reviewing from time to time the appropriate skills, characteristics and experience required of the Board as a whole, as well as its individual members. The Nominating and Governance Committee is comprised of four directors, each of whom in the opinion of the Board of Directors meets the independence requirements of the NASDAQ Marketplace Rules. The Nominating and Governance Committee met four times in fiscal 2007.

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

- the highest level of personal and professional ethics and integrity, including a commitment to EA's ACTION values (as set forth in EA's Global Code of Conduct);
- practical wisdom and mature judgment;
- broad training and significant leadership experience in business, entertainment, technology, finance, corporate governance, public interest or other disciplines relevant to the long-term success of EA;
- the ability to gain an in-depth understanding of EA's business; and
- a willingness to represent the best interests of all EA stockholders and objectively appraise management's performance.

In determining whether to recommend a director for re-election, the Nominating and Governance Committee will also consider the director's tenure on the Board, past attendance at meetings, participation in and contributions to the activities of the Board, the director's continued independence (including any actual, potential or perceived conflicts of interest), as well as the director's age and changes in his or her principal occupation or professional status.

The Nominating and Governance Committee believes that the continuing service of qualified incumbent directors promotes stability and continuity on the Board of Directors, contributing to the Board's ability to work effectively as a collective body, while providing EA with the benefits of familiarity and insight into EA's affairs that its directors have developed over the course of their service. Accordingly, consistent with past EA practice, the Nominating and Governance Committee will first consider recommending incumbent directors who wish to continue to serve on the Board for re-election at EA's annual meeting of stockholders.

In situations where the Nominating and Governance Committee determines not to recommend an incumbent director for re-election, an incumbent director declines to stand for re-election, or a vacancy arises on the Board for any reason (including the resignation, retirement, removal, death or disability of an incumbent director or a decision of the directors to expand the size of the Board), the Committee will commence a search for new director nominees. The Nominating and Governance Committee may, in its discretion, use a variety of means to identify and evaluate potential nominees for director. The Nominating and Governance Committee has used, and may continue to use, qualified search firms and may also work with members of EA's Human

Resources department to identify potential nominees meeting the Board's general membership criteria discussed above. The Nominating and Governance Committee may also consider potential nominees identified by other sources, including current directors, senior management and stockholders. In determining whether to recommend a candidate to the Board of Directors, the Nominating and Governance Committee will consider the current composition of the Board and capabilities of current directors, as well as any additional qualities or capabilities considered necessary or desirable in light of the existing or anticipated needs of the Board.

The Nominating and Governance Committee will evaluate candidates proposed by stockholders under criteria similar to the evaluation of other candidates, except that it may also consider as one of the factors in its evaluation, the amount of EA voting stock held by the stockholder and the length of time the stockholder has held such stock. Stockholders wishing to submit candidates for consideration by the Nominating and Governance Committee may do so by writing to EA's Corporate Secretary at 209 Redwood Shores Parkway, Redwood City, CA 94065, Attn: Director Nominations. To be considered by the Nominating and Governance Committee in connection with EA's annual meeting of stockholders, recommendations must be submitted in writing to EA not less than 120 calendar days prior to the anniversary of the date on which EA's proxy statement was released to stockholders in connection with the previous year's annual meeting (on or about February 21, 2008, for our 2008 Annual Meeting of Stockholders). Recommendations should include: (1) the stockholder's name, address and telephone number; (2) the amount and nature of record and/or beneficial ownership of EA securities held by the stockholder; (3) the name, age, business address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed candidate; (4) a description of the qualifications and background of the proposed candidate that addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time and set forth in EA's Corporate Governance Guidelines; (5) the amount and nature of record and/or beneficial ownership of EA securities held by the proposed candidate, if any; (6) a description of all arrangements or understandings between the stockholder and the proposed candidate relating to the proposed candidate's candidacy; (7) a statement as to whether the proposed candidate would be considered an independent director under applicable NASDAQ Marketplace Rules; (8) the consent of the proposed candidate (a) to be named in the proxy statement relating to EA's annual meeting of stockholders, and (b) to serve as a director if elected at such annual meeting; and (9) any other information regarding the proposed candidate that may be required to be included in a proxy statement by applicable SEC rules. The Nominating and Governance Committee may request any additional information reasonably necessary to assist it in assessing a proposed candidate.

Corporate Governance Guidelines

Our Board of Directors has adopted, upon the recommendation of the Nominating and Governance Committee, a formal set of Corporate Governance Guidelines. A complete copy of the Corporate Governance Guidelines is available in the Investor Relations portion of our website at *http://investor.ea.com.* Our Corporate Governance Guidelines contain policies relating to:

- Board membership and independence criteria;
- Election of directors;
- Director resignations;
- Executive sessions of independent directors led by a Lead Director;
- Authority to hire outside advisors;
- Director orientation and education;
- Board and Committee self-evaluations;
- Attendance at annual meetings of stockholders;
- Stock ownership guidelines for our directors and executive officers;

- Stockholder communications with the Board; and
- Access to management, CEO evaluation and management succession planning.

Global Code of Conduct

Our Global Code of Conduct (which includes code of ethics provisions applicable to our directors, principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers) is available in the Investor Relations section of our website at *http://investor.ea.com.* We will post amendments to our Global Code of Conduct in the Investor Relations section of our website. Copies of our charters and Global Code of Conduct are available without charge by contacting our Investor Relations department at (650) 628-7352.

Director Attendance at Annual Meetings

Our directors are expected to make every effort to attend our annual meeting of stockholders. Eight of the nine directors who were elected at the 2006 Annual Meeting of Stockholders attended the meeting.

Stockholder Communications with the Board of Directors

EA stockholders may communicate with the Board as a whole, with a committee of the Board, or with an individual director by sending a letter to EA's Corporate Secretary at Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065, or by sending an email to StockholderCommunications@ea.com. All stockholder communications received will be handled in accordance with procedures approved by the independent directors serving on the Board. For further information regarding the submission of stockholder communications, please visit the Investor Relations portion of our website at *http://investor.ea.com.*

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Our Compensation Committee is responsible for reviewing and recommending to our Board the compensation paid to our non-employee directors. Historically, our non-employee directors have been paid a mix of cash and equity compensation for their service as directors. Mr. Riccitiello and Mr. Probst do not receive any additional compensation for their services as directors. On July 27, 2006, our Board of Directors, upon a recommendation of the Compensation Committee, modified the cash and equity compensation paid to our non-employee directors. The table below reflects the annualized components of cash compensation for our non-employee directors that were in place during fiscal 2007. Because our Board year does not correspond to our fiscal year, actual amounts paid during fiscal 2007 were pro-rated based on the annualized figures in the following table (for more information regarding the specific compensation received by each non-employee director during fiscal 2007, see the "Fiscal 2007 Director Compensation Table" below).

Fiscal 2007 Annualized Components of Non-Employee Director Cash Compensation

	Prior to July 27, 2006	Following July 27, 2006
Annual Retainer	$35,000	$50,000
Service on the Audit Committee	$10,000	$10,000
Chair of the Audit Committee	$ 5,000	$10,000
Service on the Compensation Committee	$ 7,500	$ 7,500
Chair of the Compensation Committee	$ 2,500	$ 7,500
Service on the Nominating and Governance Committee	$ 7,500	$ 7,500
Chair of the Nominating and Governance Committee	$ 2,500	$ 2,500
Service as Lead Director	$ 0	$25,000

In addition, individual directors were eligible to earn up to $1,000 per day, with the approval of the Board of Directors, for special assignments, which may include providing advisory services to management in such areas as sales, marketing, public relations and finance (provided, however, no independent director is eligible for a special assignment if the assignment or payment for the assignment would prevent the director from being considered independent under applicable NASDAQ Marketplace or SEC rules). No directors earned any compensation for special assignments during fiscal 2007.

Stock Compensation

Prior to July 27, 2006, non-employee directors were eligible to receive an option grant to purchase 25,000 shares issued under the 2000 Equity Incentive Plan upon their initial appointment or election to the Board, and each continuing director was eligible to receive an annual option grant to purchase 10,000 shares upon his or her re- election to the Board. On July 27, 2006, our Board of Directors, upon the recommendation of the Compensation Committee, approved a grant of 700 restricted stock units to each non-employee director. On May 10, 2007, our Board of Directors approved a change in the mix of stock options and restricted stock units to be granted to our non-employee directors. Beginning with our 2007 Annual Meeting, non-employee directors will be eligible to automatically receive an option grant to purchase 17,500 shares and 2,500 restricted stock units issued under the 2000 Equity Incentive Plan upon their initial appointment or election to the Board, and each continuing non-employee director will be eligible to automatically receive an annual option grant to purchase 8,400 shares and 1,200 restricted stock units upon his or her election or re-election to the Board.

In fiscal 2007, annual option grants to purchase 10,000 shares of common stock were made under the Equity Plan to each of the non-employee directors who was re-elected at the 2006 Annual Meeting of Stockholders. Mr. Simonson, who was initially elected at the 2006 Annual Meeting, was granted an option to purchase 25,000 shares. All stock options were granted on July 27, 2006, the date of the directors' re-election to the Board, at an exercise price of $46.84 per share. In February 2007, each non-employee director was granted 700 restricted stock units.

Under the Equity Plan, non-employee directors may elect to receive all or part of their cash compensation in the form of common stock. As an incentive for our non-employee directors to increase their stock ownership in EA, non-employee directors making such an election receive shares of common stock valued at 110% of the cash compensation they would have otherwise received.

Deferred Compensation Plan

We maintain a Deferred Compensation Plan ("DCP") that allows our directors and certain employees, including our Named Executive Officers, to defer receipt of their salary into cash accounts that mirror the gains and/or losses of several different investment funds which correspond to the funds we have selected for our 401(k) plan. Participants may defer up to 75% of their salary and up to 100% of their bonuses and/or commissions until the date(s) they have specified. We are not required to make any contributions to the DCP and did not do so in fiscal 2007.

Stock Ownership Guidelines

Each non-employee director is required, within three years of becoming a director, to own shares of EA common stock having a value of at least 3 years' annual retainer for service on the Board. As of June 1, 2007, each of our directors had either fulfilled their ownership requirements or had not yet reached three years of service.

FISCAL 2007 DIRECTOR COMPENSATION TABLE

The following table shows compensation information for each of our non-employee directors during fiscal 2007.

Name	Fees Earned or Paid in Cash ($)[1]	Stock Awards ($)[2][3]	Options Awards ($)[4]	All Other Compensation ($)[5]	Total ($)
M. Richard Asher	—	10,631	181,249	68,776	260,656
Leonard S. Coleman	—	10,631	181,249	65,309	257,189
Gary M. Kusin	75,000	10,631	181,249	—	266,880
Gregory M. Maffei	65,000	10,631	214,184	—	289,815
Timothy Mott	53,750	10,631	181,249	—	245,630
Vivek Paul	—	10,631	250,726	59,147	320,504
Robert Pittman[6]	—	—	150,526	11,694	162,220
Richard A. Simonson[7]	13,500	10,631	69,273	34,604	128,008
Linda J. Srere	—	10,631	181,249	68,109	259,989

(1) The amounts presented in this column represent compensation that was earned and paid as cash. As described above and in footnote 5 below, our non-employee directors may elect to receive all or part of their cash compensation in the form of EA common stock. The value of the EA common stock received in lieu of cash payments during fiscal 2007 by our non-employees directors is reflected in the "All Other Compensation" column above.

(2) Represents awards of 700 restricted stock units granted under EA's 2000 Equity Incentive Plan. Each restricted stock unit award fully vests on the date of the 2007 Annual Meeting of Stockholders. Upon vesting, each restricted stock unit converts into the right to receive one share of EA common stock, and does not have an exercise price or expiration date. The restricted stock units are not entitled to receive dividends, if any, paid by EA on its common stock.

(3) Represents the expense recognized by EA for financial statement reporting purposes in accordance with Statement of Financial Accounting Standard No. 123 (revised 2004) ("SFAS No. 123(R)"), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of restricted stock units granted to the non-employee directors in fiscal 2007. No stock awards were forfeited by any of the non-employee directors in fiscal 2007. The amounts reflected above represent the value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by vesting in a restricted stock unit award). For additional information regarding the valuation methodology used by EA, see note 12, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

(4) Represents the expense recognized by EA for financial statement reporting purposes in accordance with SFAS No. 123(R), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of stock options granted to the non-employee directors in fiscal 2007 as well as prior fiscal years. With the exception of Mr. Pittman, no stock options were forfeited by any of the non-employee directors in fiscal 2007. Following his departure from our Board, Mr. Pittman forfeited unvested stock options to purchase 17,000 shares and allowed another vested stock option, the exercise price of which was underwater, to expire unexercised. The amounts reflected above represent the value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of EA's stock options, see note 12, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007. In fiscal 2007, each non-employee director, other than Mr. Simonson, received a stock option to purchase 10,000 shares of EA common stock. As a newly elected director, Mr. Simonson received an initial stock option grant to purchase 25,000 shares in fiscal 2007.

(5) Represents the value of shares of EA common stock elected to be received by a director in lieu of the cash fees to which they would have otherwise been entitled. Non-employee directors making such an election receive shares of common stock valued at 110% of the cash compensation they would have otherwise received. Such shares are awarded via the grant and immediate exercise of a stock option having an exercise price equal to the fair market value of our common stock on the date of grant. The following table presents the amount of cash each director was entitled to receive and the number of shares such director received in lieu of such cash:

Name	Cash Fees Earned ($)	Shares of EA Common Stock Received in Lieu of Cash Fees (#)
M. Richard Asher	62,500	1,353
Leonard S. Coleman	59,375	1,290
Vivek Paul	53,750	1,170
Robert Pittman(6)	10,625	213
Richard A. Simonson(7)	45,000	695
Linda J. Srere	61,875	1,341

(6) Mr. Pittman declined to stand for re-election at the 2006 Annual Meeting of Stockholders and therefore only served on the Board for a portion of fiscal 2007 (April 2, 2006 through July 27, 2006).

(7) Mr. Simonson elected to receive 30% of his compensation as cash and the remainder as shares of EA common stock.

Proxy Statement

PROPOSAL 2. AMENDMENTS TO THE 2000 EQUITY INCENTIVE PLAN

The 2000 Equity Incentive Plan, which initially was approved by the stockholders on March 22, 2000, continues EA's program of providing equity incentives to eligible employees, officers and directors. We offer these incentives in order to assist in recruiting, retaining and motivating qualified employees, officers and directors. Since the Equity Plan's adoption, 67,400,000 shares of common stock have been reserved for issuance. The following summary of the proposed amendments to the Equity Plan is subject to the specific provisions contained in the full text of the Equity Plan, as proposed to be amended, which we have filed with the Securities and Exchange Commission along with this proxy statement. For more information regarding the Equity Plan, we urge you to read the full text of the Equity Plan, as proposed to be amended, or the summary of its material terms, as proposed to be amended, included as Appendix A of this proxy statement.

We are proposing amendments to the 2000 Equity Incentive Plan that would:

- ***Increase the number of shares authorized under the Equity Plan by 9,000,000 shares to a total of 76,400,000 shares.***

  We continue to believe that alignment of the interests of our stockholders and our employees, officers and directors is best advanced through the issuance of equity incentives as a portion of their total compensation. In this way, we reinforce the link between our stockholders and our employees', officers' and directors' focus on personal responsibility, creativity and stockholder returns. We also believe that delivering a portion of their total compensation in the form of long-term equity compensation helps encourage a long-term view in an industry that is subject to lengthy business cycles. Equity incentives such as stock options and restricted stock units also play an important role in our recruitment and retention strategies, as the competition for creative and technical talent and leadership in our industry is intense.

  While equity is a strategic tool for recruitment and retention, we also carefully manage stock option and restricted stock unit issuances and strive to keep the dilutive impact of the equity incentives we offer within a reasonable range. Historically, we have made a significant portion of our equity grants in a given fiscal year in connection with our annual reviews and merit increases. In calendar 2007, we re-aligned our annual review cycle to more closely follow our fiscal year. As part of this re-alignment, we moved the date of our annual equity grants from March to June and, as a result, did not make any annual equity grants in fiscal 2007. During fiscal 2007, a year in which our employee base grew by over 700 people, we granted stock options to purchase a total of 4,372,775 shares and restricted stock units to acquire a total of 1,362,439 shares (excluding 444,760 shares underlying restricted stock and restricted stock unit awards which were granted as part of the Option Exchange Program in which 1,778,780 options were cancelled). Together these stock option and restricted stock unit grants represent approximately 1.8% of our total shares outstanding. Excluding stock options and restricted stock units we assumed in connection with our acquisition of JAMDAT Mobile Inc., during fiscal 2006, we granted stock options and restricted stock units representing approximately 2.7% of our total shares outstanding. Going forward, we intend to continue to responsibly manage issuances of equity incentive awards under the Equity Plan.

  The Equity Plan also contains several features designed to protect stockholders' interests. For example, the Equity Plan does not allow any options to be granted at less than 100% of fair market value, and the exercise price of outstanding options issued under the Equity Plan may not be reduced without stockholder approval. The Equity Plan does not contain an "evergreen" provision whereby the number of authorized shares is automatically increased on a regular basis. In addition, the Equity Plan prohibits us from loaning, or guaranteeing the loan of, funds to participants under the Equity Plan.

- ***Decrease by 4 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan — from 15 million to 11 million shares.***

  In May 2005, we began granting restricted stock units to certain of our U.S.-based employees, and in March 2006, we began offering restricted stock units to our employees throughout the world. We expect restricted stock, restricted stock units and stock options to remain an important form of equity incentive compensation.

Nonetheless, given our current and anticipated usage of restricted stock and restricted stock units, we believe that the current limit is higher than necessary. By decreasing the limit to 11 million shares, we will continue to have an adequate amount of restricted stock and restricted stock units available for issuance and, as a consequence, will be able to increase the pool of overall shares available to be issued as stock options.

- ***Revise the amount and nature of automatic initial and annual grants to our non-employee directors by adding restricted stock units and decreasing the size of stock option grants.***

  The Equity Plan currently provides that new non-employee directors will be eligible to automatically receive a stock option grant to purchase 25,000 shares and continuing non-employee directors are eligible to automatically receive an annual option grant to purchase 10,000 shares upon their re-election to the Board. As proposed to be revised, non-employee directors will be eligible to automatically receive an option grant to purchase 17,500 shares and 2,500 restricted stock units issued under the Equity Plan upon their initial appointment or election to the Board, and each continuing non-employee director will be eligible to automatically receive an annual option grant to purchase 8,400 shares and 1,200 restricted stock units upon his or her re-election to the Board.

Plan Benefits

Except for the proposed automatic stock option and restricted stock units grants to non-employee directors described above, the amount and timing of awards granted under the Equity Plan are determined in the sole discretion of the administrator and therefore cannot be determined in advance. The future awards that would be received under the Equity Plan by executive officers and other employees are discretionary and are therefore not determinable at this time.

Required Vote and Board of Directors' Recommendation

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting on this proposal.

The Board recommends a vote FOR the amendments to the 2000 Equity Incentive Plan.

PROPOSAL 3. AMENDMENT TO THE 2000 EMPLOYEE STOCK PURCHASE PLAN

The 2000 Employee Stock Purchase Plan, which initially was approved by the stockholders on July 27, 2000, provides our employees with a convenient means of purchasing equity in the Company through payroll deductions. It also provides an incentive for continued employment. Since its adoption, 6,800,000 shares of common stock have been reserved for issuance under the Purchase Plan.

Since the adoption of the Purchase Plan, we have experienced significant growth in the number of employees who elect to participate in the Purchase Plan. The following table presents information since the beginning of fiscal 2005 relating to the aggregate number of shares purchased under the Purchase Plan, as well as the number of employees who have participated in the Purchase Plan.

	Shares Purchased Pursuant to 2000 Purchase Plan	No. of Employees Participating as of the Last Purchase Date in Fiscal Year
Fiscal 2005	623,693	3,615
Fiscal 2006	624,629	4,281
Fiscal 2007	705,188	4,255
Fiscal 2008	[1]	4,663[2]

[1] Fiscal 2008 purchases under the 2000 Purchase Plan will be made in August 2007 and February 2008.

[2] Represents estimated number of participants in the 2000 Purchase Plan as of June 1, 2007. Participants have the right to withdraw from the 2000 Purchase Plan at any time prior to a purchase date. The number of participants may increase or decrease prior to February 2008, the last purchase date in fiscal 2008.

The proposed amendment would increase the number of shares authorized under the Purchase Plan by 1,500,000 to a total of 8,300,000, an amount that we expect will permit all current and potential future employees to fully participate in the Purchase Plan at least through fiscal 2008.

For more information about the Purchase Plan, we urge you to read the summary of its material terms included as Appendix B to this proxy statement.

Required Vote and Board of Directors' Recommendation

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting on this proposal.

The Board recommends a vote FOR the amendment to the 2000 Employee Stock Purchase Plan.

PROPOSAL 4. APPROVAL OF THE ELECTRONIC ARTS INC. EXECUTIVE BONUS PLAN

In May 2007, the Board unanimously approved, subject to stockholder approval, the Electronic Arts Inc. Executive Bonus Plan (the "Executive Bonus Plan") and directed that the Executive Bonus Plan be submitted to our stockholders at the Annual Meeting. Stockholder approval of the Executive Bonus Plan will allow bonuses paid under it to be considered "performance-based compensation" within the meaning of Section 162(m) of the Code and therefore fully deductible by Electronic Arts for federal income tax purposes.

The Board believes that it is in the best interests of Electronic Arts and its stockholders to ensure that bonuses paid to covered employees (as defined in Section 162(m)) who are participants are fully deductible by Electronic Arts for federal income tax purposes. For purposes of Section 162(m), a covered employee is any employee of ours if, as of the close of our taxable year, such employee is our principal executive officer (or an individual acting in such a capacity) or if the total compensation of such employee for that taxable year is required to be reported to our stockholders under applicable securities rules by reason of such employee being among the three highest compensated officers for the taxable year (other than our principal executive officer or the principal financial officer). Accordingly, Electronic Arts has structured the Executive Bonus Plan to satisfy the requirements of Section 162(m) of the Code for "performance-based" compensation.

Stockholders are requested to approve the adoption of the Executive Bonus Plan. If the Executive Bonus Plan is approved by the stockholders, compensation paid by Electronic Arts pursuant to the Executive Bonus Plan, beginning with our 2008 fiscal year, to covered employees will not be subject to the corporate compensation deduction limits set forth in Section 162(m) of the Code. If the Executive Bonus Plan is not approved by our stockholders, it will not become effective.

Summary of the Executive Bonus Plan

The following paragraphs provide a summary of the principal features of the Executive Bonus Plan. The Executive Bonus Plan is attached to this proxy statement as Appendix C. This summary is qualified in its entirety by the Executive Bonus Plan.

Purpose. The purpose of the Executive Bonus Plan is to provide eligible employees with incentive compensation based upon the level of achievement of financial, business and other performance criteria. It is intended that bonuses awarded under the Executive Bonus Plan to covered employees will qualify as deductible "performance-based compensation" within the meaning of Section 162(m) of the Code.

Eligibility. Eligible participants in the Executive Bonus Plan are senior executives of Electronic Arts or of an affiliate who are chosen solely at the discretion of the Compensation Committee. It is expected that participation in the Executive Bonus Plan will generally be limited to our CEO and those executives who directly report to our CEO.

Administration. The Executive Bonus Plan will be administered by our Compensation Committee (or a subcommittee thereof), which is comprised solely of two or more "outside" directors (within the meaning of Section 162(m)). The Compensation Committee has the authority, in its discretion, to make any and all decisions regarding the administration of the Executive Bonus Plan, including selecting employees eligible to receive awards, establishing performance goals and maximum bonus awards for each participant, construing and interpreting the terms of the Executive Bonus Plan and bonuses awarded thereunder, decreasing, paying or declining to pay bonuses under the Executive Bonus Plan, and establishing additional terms, conditions, rules, or procedures for the administration of the Executive Bonus Plan. All determinations of the Compensation Committee that are not inconsistent with the Executive Bonus Plan will be final and binding on all persons.

Establishment of Bonuses. Each performance period, the Compensation Committee will select the individuals to participate in the Executive Bonus Plan, assign each participant a maximum award level and establish the performance goal or goals that must be achieved before an award actually will be paid to the participant. Bonuses are payable in cash.

Performance Goals. Under the Executive Bonus Plan, participants will be eligible to receive cash awards based upon the attainment and certification of certain performance goals established by the Compensation

Committee over the applicable performance period. The performance goals that may be selected by the Compensation Committee include one or more of the following: cash flow (including operating cash flows or free cash flow), revenue (on an absolute basis or adjusted for currency effects), gross margin, operating expenses or operating expenses as a percentage of revenue, earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings, and may be determined in accordance with GAAP or revised to reflect any or all non-GAAP adjustments), earnings per share (on a GAAP or non GAAP basis), growth in any of the foregoing measures, stock price, return on equity or average stockholders' equity, total stockholder return, growth in stockholder value relative to the moving average of the S&P 500 Index or another index, return on capital, return on assets or net assets, return on investment, economic value added, operating income, operating profit, controllable operating profit, or net operating profit, net profit, net income, operating margin, cash conversion cycle, market share, contract awards or backlog, overhead or other expense reduction, credit rating, strategic plan development and implementation, succession plan development and implementation, improvement in workforce diversity, customer indicators, new product invention or innovation, attainment of research and development milestones, improvements in productivity, attainment of objective operating goals and employee metrics.

The performance goals may be measured either on an absolute basis or relative to a pre-established target, to a previous period's results, or to a designated comparison group and may differ for each participant. For example, the Compensation Committee may appropriately adjust any evaluation of performance under a performance goal to exclude any of the following events that occurs during a performance period: the effects of currency fluctuations; any or all adjustments that are reflected in the calculation of non-GAAP earnings as presented in any Electronic Arts press release or Form 8-K filing relating to an earnings announcement; asset write-downs; litigation or claim judgments or settlements; the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; and any other extraordinary or non-operational items. Additionally, the Compensation Committee may decide to ignore the effect of mergers or acquisitions in their evaluation of performance goals.

The Compensation Committee will establish the performance goals with respect to each participant in writing not later than 90 days after the commencement of the period of service to which the performance goals relate, provided that the outcome of the performance goals is substantially uncertain at the time of their establishment. A performance period shall generally be a fiscal year, but may also be any such other period of time as determined in the sole and absolute discretion of the Compensation Committee.

Determination of Bonuses. As soon as practicable after the end of each performance period, the Compensation Committee will certify in writing the extent to which the pre-established performance goals actually were achieved and the amount of the bonus to be paid. The Compensation Committee reserves the discretion to reduce or eliminate any actual award under the Bonus Plan. The payment of a cash bonus under the Executive Bonus Plan requires that the participant be actively employed when the bonus is paid. The Compensation Committee, however, may make exceptions to the general rule that a participant must be actively employed when a cash bonus is payable in the case of retirement, death or disability, or in the event of a change in control. Additionally, if a participant incurs a change in status that results in him or her being ineligible to participate in this Plan during a performance period, he or she may receive a pro-rated bonus (as determined at the end of the performance period to which such bonus relates). The method in which a bonus is pro-rated is determined in the sole discretion of the Compensation Committee.

Payment of Bonuses. All awards will be paid in cash as soon as is practicable after the Compensation Committee has certified that the applicable performance goals have been achieved, determined the bonus amounts, and authorized the payment of the corresponding bonuses, but in no event later than 2½ months after the end of the calendar year in which the applicable performance period ends. Receipt of a bonus may be deferred, however, to the extent a participant has made a timely election to defer payment and pursuant to the terms and conditions of the Electronic Arts Inc. Deferred Compensation Plan or any successor plan and in compliance with Section 409A of the Code.

Maximum Award. The maximum bonus payment that any participant may receive under the Executive Bonus Plan for any performance period is 300% of their base salary for such period, but in no event will a participant's bonus under the Executive Bonus Plan exceed $5,000,000 during any fiscal year.

Term of Executive Bonus Plan. The Executive Bonus Plan shall first apply to fiscal 2008. The Executive Bonus Plan shall terminate with respect to fiscal 2008 and all subsequent years unless it is approved at the 2007 Annual Meeting. Once approved by our stockholders, the Executive Bonus Plan shall continue until the earlier of (i) the date as of which the Compensation Committee terminates the Executive Bonus Plan, (ii) the date any stockholder approval requirement under Section 162(m) of the Code ceases to be met, or (iii) the date that is five years after the 2007 Annual Meeting.

Amendment and Termination. The Compensation Committee may amend, modify, suspend or terminate the Executive Bonus Plan, in whole or in part, at any time and in any respect, including the adoption of amendments deemed necessary or desirable to correct any defect or supply omitted data or to reconcile any inconsistency in the Executive Bonus Plan or in any award granted thereunder. However, in no event may any such amendment, modification, suspension or termination result in an increase in the amount of compensation payable pursuant to any award under the Executive Bonus Plan or cause compensation that is, or may become, payable under the Executive Bonus Plan to fail to qualify as deductible "performance-based compensation" within the meaning of Section 162(m) of the Code. To the extent required by applicable law, amendments to the Executive Bonus Plan are subject to stockholder approval.

Federal Income Tax Consequences. Under present federal income tax law, an Executive Bonus Plan participant will be taxed at ordinary income rates on the cash bonus in the year in which such cash is received. If a participant elects to defer all or a portion of the bonus, the participant may be entitled to defer the recognition of income. However, bonus deferrals are subject to applicable required withholdings, and Electronic Arts will withhold such amounts from the amount of the bonus deferral. Generally, and subject to the provisions of Section 162(m) of the Code, Electronic Arts will receive a federal income tax deduction corresponding to the amount of income recognized by the 162(m) Bonus Plan participants.

Bonuses to be Paid to Certain Individuals and Groups

Awards under the Executive Bonus Plan are determined based on actual future performance. Accordingly, it is not possible to determine the awards that would have been made had the Executive Bonus Plan been in effect for fiscal 2007. Notwithstanding the foregoing, the maximum bonus payment that any participant may receive under the Executive Bonus Plan for any performance period is 300% of their base salary for such period, but in no event will a participant's bonus under the Executive Bonus Plan exceed $5,000,000 during any fiscal year. For fiscal 2007, we have paid discretionary bonuses or other types of compensation. See "Fiscal 2007 Summary Compensation Table" below for a description of bonuses paid to our Named Executive Officers in fiscal 2007. Though no participants have been definitively identified as of the filing of this proxy statement, our Compensation Committee intends to choose participants in the Executive Bonus Plan and set their bonus amounts in the near future.

Required Vote and Board of Directors' Recommendation

Approval of this proposal requires the affirmative vote of a majority of the voting shares present at the meeting in person or by proxy and voting on this proposal.

The Board recommends a vote FOR approval of the Executive Bonus Plan.

PROPOSAL 5. RATIFICATION OF THE APPOINTMENT OF KPMG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP has audited the financial statements of EA and its consolidated subsidiaries since fiscal 1987. The Board, through the Audit Committee, has appointed KPMG LLP as EA's independent registered public accounting firm ("independent auditors") for fiscal 2008. The Audit Committee and the Board believe that KPMG LLP's long-term knowledge of EA and its subsidiaries is valuable to the Company. Representatives of KPMG LLP have direct access to members of the Audit Committee and the Board. Representatives of KPMG LLP will attend the Annual Meeting in order to respond to appropriate questions from stockholders, and may make a statement if they desire to do so.

Ratification of the appointment of KPMG LLP as our independent auditors is not required by our bylaws or otherwise. The Board of Directors has determined to submit this proposal to the stockholders as a matter of good corporate practice. If the stockholders do not ratify the appointment, the Audit Committee will review their future selection of auditors. Even if the appointment is ratified, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and the stockholders.

Fees of Independent Auditors

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

Description of Fees	Year Ended March 31, 2007	Year Ended March 31, 2006
Audit[1]		
– Worldwide audit fee	$4,175,000	$4,428,000
– Accounting concurrence and regulatory matters	157,000	67,000
Total audit fees	4,332,000	4,495,000
Audit-Related Fees[2]		
– Benefit plan audit	29,000	27,000
Total audit-related fees	29,000	27,000
Tax[3]		
– Compliance	410,000	618,000
– Planning	—	55,000
Total tax fees	410,000	673,000
All Other Fees[4]		
Total all other fees	216,000	—
Total All Fees	$4,987,000	$5,195,000

(1) Audit Fees: This category includes the annual audit of the Company's financial statements and management's assessment of internal control over financial reporting (including required quarterly reviews of financial statements included in the Company's quarterly reports on Form 10-Q), and services normally provided by the independent auditors in connection with regulatory filings. This category also includes consultation on matters that arose during, or as a result of the audit or review of financial statements, statutory audits required for our non-US subsidiaries, and services associated with our periodic reports and other documents filed with the SEC and foreign filings, as well as Sarbanes-Oxley Section 404 ("Section 404") compliance consultation.

(2) Audit-Related Fees: This category consists primarily of fees related to the annual audit of our 401(k) benefit plan.

(3) Tax Services: This category includes compliance services rendered for US and foreign tax compliance and returns, and transfer pricing documentation, as well as planning and advice which consists primarily of technical tax consulting.

(4) Other: In fiscal 2007, this category included accounting due diligence related to potential business combinations. No products or services were provided in this category in fiscal 2006.

Services Provided by the Independent Auditors

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

The Audit Committee considered and determined that fees for services other than audit and audit-related services are compatible with maintaining KPMG LLP's independence.

Required Vote and Board of Directors' Recommendation

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

The Board recommends a vote FOR the ratification of KPMG LLP as our independent auditors for fiscal 2008.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following Report of the Audit Committee shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that EA specifically incorporates it by reference into a filing.

The Audit Committee of the Board of Directors operates under a written charter, which is reviewed on an annual basis and was most recently amended in May 2006. The Audit Committee is comprised of three non-employee directors, each of whom in the opinion of the Board of Directors meets the current independence requirements and financial literacy standards of the NASDAQ Marketplace Rules, as well as the independence requirements of the Securities and Exchange Commission ("SEC"). From April 1, 2006 (the first day of fiscal 2007) through July 27, 2006, the Audit Committee consisted of M. Richard Asher, Gary M. Kusin and Gregory B. Maffei; from July 27, 2006 through April 1, 2007 (the last day of fiscal 2007), the Audit Committee consisted of Mr. Maffei, Vivek Paul and Richard A. Simonson. In the opinion of the Board of Directors, Mr. Maffei and Mr. Simonson each meet the criteria for a "financial expert" as set forth in applicable SEC rules as well as the above-mentioned independence requirements.

EA's management is primarily responsible for the preparation, presentation and integrity of the Company's financial statements. EA's independent registered public accounting firm, KPMG LLP ("independent auditors"), is responsible for performing an independent audit of the Company's (i) financial statements and expressing an opinion as to the conformity of the financial statements with generally accepted accounting principles, and (ii) internal control over financial reporting in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and issuing a report thereon.

The function of the Audit Committee is to assist the Board of Directors in its oversight responsibilities relating to the integrity of EA's accounting policies, internal controls and financial reporting. The Audit Committee reviews EA's quarterly and annual financial statements prior to public earnings releases and submission to the SEC; reviews and evaluates the performance of EA's internal audit function; reviews and evaluates the performance of EA's independent auditors; consults with the independent auditors and EA's internal audit function regarding internal controls and the integrity of the Company's financial statements; assesses the independence of the independent auditors; and is responsible for the selection of the independent auditors. In this context, the Audit Committee has met and held discussions with members of management, EA's internal audit function and the independent auditors. Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. Management has also represented to the Audit Committee that the Company's internal control over financial reporting was effective as of the end of the Company's most recently-completed fiscal year, and the Audit Committee has reviewed and discussed the Company's internal control over financial reporting with management and the independent auditors. The Audit Committee also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, including the quality and acceptability of the Company's financial reporting process and internal controls. The Audit Committee has also discussed with the Company's independent auditors the overall scope and plans for their annual audit and reviewed the results of that audit with management and the independent auditors.

In addition, the Audit Committee has discussed with the independent auditors the auditors' independence from the Company and its management, including the matters in the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee has also considered whether the provision of any non-audit services (as described above under "Proposal 5. Ratification of the Appointment of KPMG LLP, Independent Registered Public Accounting Firm" — "Fees of Independent Auditors") and the employment of former KPMG LLP employees by the Company is compatible with maintaining the independence of KPMG LLP.

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

In reliance on the reviews and discussions referred to in this report and in light of its role and responsibilities, the Audit Committee recommended to the Board of Directors that the audited financial statements of the Company as of and for each of the last three years ended March 31, 2007 be included for filing with the SEC in the Company's Annual Report on Form 10-K for the year ended March 31, 2007. The Audit Committee has also approved the selection of KPMG LLP as the Company's independent auditors for fiscal 2008.

AUDIT COMMITTEE

Gregory B. Maffei (Chairman)

Vivek Paul

Richard A. Simonson

PRINCIPAL STOCKHOLDERS

Common Stock

The following table shows, as of June 1, 2007, the number of shares of our common stock owned by our directors, executive officers named in the Summary Compensation Table below, our current directors and executive officers as a group, and beneficial owners known to us holding more than 5% of our common stock. As of June 1, 2007, there were 311,621,350 shares of our common stock outstanding. Except as otherwise indicated, the address for each of our directors and executive officers is c/o Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065.

Stockholder Name	Shares Owned[(1)(2)]	Right to Acquire[(3)]	Percent of Outstanding Shares[(4)]
Legg Mason Capital Management, Inc.[(5)]	19,511,254	—	6.3
FMR Corp.[(6)]	18,759,311	—	6.0
Lawrence F. Probst III[(7)]	929,247	3,648,500	1.5
M. Richard Asher	201,293	110,380	*
Timothy Mott[(8)]	118,624	103,340	*
John S. Riccitiello	27,294	0	*
Warren C. Jenson	20,252	738,250	*
V. Paul Lee[(9)]	15,216	1,459,450	*
Gregory B. Maffei	10,000	83,313	*
Gerhard Florin	8,100	354,847	*
Leonard S. Coleman, Jr.	5,530	115,052	*
Linda J. Srere	4,894	115,052	*
Gary M. Kusin	4,574	75,820	*
Vivek Paul	2,012	24,033	*
Richard A. Simonson	927	7,200	*
Mitch Lasky[(10)]	0	106,392	*
All executive officers and directors as a group (22 persons)[(2)(11)]	1,470,712	8,073,644	3.0

* Less than 1%

(1) Unless otherwise indicated in the footnotes, includes shares for which the named person has sole voting and investment power, or has shared voting and investment power with his or her spouse. Excludes shares that may be acquired through stock option exercises.

(2) Includes unvested shares of restricted stock acquired by the following individuals in connection with EA's 2006 stock option exchange program: Mr. Barker, 12,500 shares; Mr. Gibeau, 25,000 shares; Mr. Linzner, 25,000 shares; and Mr. Schappert, 24,421 shares.

(3) Represents shares of common stock that may be acquired through stock option exercises within 60 days of June 1, 2007. Each of EA's non-employee directors holds 700 restricted stock units that vest within 60 days of June 1, 2007.

(4) Calculated based on the total number of shares owned plus the number of shares that may be acquired through stock option exercises and the vesting of restricted stock units within 60 days of June 1, 2007.

(5) Based on information contained in a report on Schedule 13G filed with the SEC on February 15, 2007, in which Legg Mason indicated that it held shared voting and dispositive power over 19,511,254 shares. The address for Legg Mason, Inc. is 100 Light Street, Baltimore, MD 21202.

(6) Based on information contained in a report on Schedule 13G filed with the SEC on February 14, 2007, in which FMR Corp. indicated that it had (i) sole power to vote or direct the vote of 3,337,187 shares, (ii) no shared power to vote or direct the vote of any shares, and (iii) sole power to dispose or direct the disposition of 18,759,311 shares. The address for FMR Corp is 82 Devonshire Street, Boston, MA 02109.

(7) Includes 87,886 shares of common stock held by Mr. Probst's grantor's retained annuity trust, 16,669 shares held by Mr. Probst's spouse, and 469,713 shares held by the Probst Family LP, of which Mr. Probst is a partner.

(8) Includes 36,656 shares of common stock held in trust for the benefit of Mr. Mott's son for which Mr. Mott is the trustee.

(9) Includes 15 shares of common stock held by VPL Investments, of which Mr. Lee is the sole shareholder, and 12,803 shares held by Briel Investments, of which Mr. Lee is the sole shareholder.

(10) Mr. Lasky ceased serving as an executive officer of EA on April 2, 2007.

(11) Includes all executive officers and directors of EA as of June 1, 2007.

COMPENSATION OF EXECUTIVE OFFICERS

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

Our success as a global leader in the interactive entertainment industry depends heavily on attracting, motivating and retaining the best executive talent available from many diverse industries and backgrounds. Likewise, our leading position within the interactive entertainment industry makes us a prime target for recruiting of executives and key creative talent. Our compensation philosophy, designed to attract, motivate and retain the best executive talent, relies on two basic principles. First, a significant portion of each executive's compensation should be in the form of equity to align the executive's interests with those of EA's stockholders. Second, a significant portion of each executive's cash compensation should be performance-based and "at risk" — varying from year to year depending on EA's financial and operational performance and on the individual meeting financial and other performance measures. Consistent with this philosophy, we regularly consider and implement creative new methods of using our compensation programs to successfully recruit new, and retain existing, talent into the organization while maintaining parity with compensation of current key executives.

AUTHORITY FOR EXECUTIVE COMPENSATION DECISIONS

Compensation Committee

The Compensation Committee is charged with establishing EA's compensation philosophy and strategy for our senior officers. Consistent with this purpose, the Committee has adopted a "pay-for-performance" philosophy designed to ensure that each executive officer's compensation will reflect the performance of both EA and the executive officer.

The Committee's scope of authority includes the oversight and review of all compensation, equity and employee benefit plans and programs. For fiscal 2007, the Compensation Committee reviewed and approved the salaries, bonuses and equity compensation of each of our executive officers, other than the Chief Executive Officer whose salary, bonus and equity compensation were reviewed by the Compensation Committee and approved by the independent members of the Board of Directors after discussing the Compensation Committee's recommendation. The Compensation Committee also administers our equity compensation plans and the bonus plan for executive officers and all significant or non-standard equity grants for other employees.

The Compensation Committee has delegated limited authority for determining and approving equity grants for non-executive employees, consisting of pre-defined size limits and vesting schedules, to a committee consisting of our CEO and our Executive Vice President in charge of Human Resources, which we refer to as the "Management Committee". The Management Committee is generally responsible for all equity grants to employees below the Senior Vice President level, up to an annual grant limit of stock options to purchase 30,000 shares or 10,000 restricted stock units ("RSU Awards"), using vesting schedules previously approved by the Compensation Committee. The Management Committee reports on its activities to the Compensation Committee on at least an annual basis.

Compensation Consultant

The Compensation Committee has the authority to engage the services of outside advisors. During fiscal 2007, the Compensation Committee engaged Compensia, Inc., as an independent advisor to assist the Committee in its review of the compensation for executive officers and other elements of our total compensation strategy. Compensia also advised and counseled the Committee regarding updated executive compensation disclosure requirements and its related responsibilities. Compensia works directly with the Committee Chair and Committee members and sends all invoices, including descriptions of services rendered, to the Committee Chair for review and payment approval. Compensia performed no work for company management during fiscal 2007. Our management also engages separate consulting services in the preparation and recommendation of executive compensation levels to the Committee. In fiscal 2007, management retained Aon/Radford

Consulting (to provide data, analyze and recommend executive compensation changes) and Frederic W. Cook & Co. (to assist management and the Compensation Committee with a review of compensation levels for members of the Board of Directors).

Role of Company Management in Establishing Executive Compensation

Certain of our executives are involved in the development and recommendation of executive compensation levels to the Committee and/or the Board.

Our Executive Vice President of Human Resources is responsible for conducting the analysis of market trends, providing documentation of individual executive performance, and creating initial recommendations of executive salary adjustments, potential cash bonus awards, and potential stock awards. She oversees the preparation of the Committee's meeting materials, works with the Committee Chair to set the meeting agenda, and attends all Committee Meetings.

Our Chief Executive Officer reviews and provides input to all executive compensation recommendations (except his own) prior to and during review by the Committee.

Compensation Committee Activity

The Compensation Committee meets at scheduled times throughout the year and also takes action by written consent, often after informal telephone discussions amongst the members of the Committee. The Committee met five times in fiscal 2007, four of which were regularly scheduled quarterly meetings and once in a special session to consider our stock option exchange proposal to stockholders (the "Exchange Program") and to review and approve a targeted retention stock option and restricted stock unit grant program ("Retention Award Program"). For its regular meetings, the Committee maintains a calendar to help guide the meeting agendas and to ensure fulfillment of all responsibilities outlined in its charter. In fiscal 2007, the calendar included a comprehensive review of EA's total rewards programs, review of compensation levels for members of our Board of Directors, review and approval of all executive offers and promotions, review and approval of fiscal 2006 cash bonuses, review and approval of the August 2006 retention grant recommendations, a review of all actions taken by management using authority delegated by the Committee, and a review of the new disclosure rules related to executive compensation.

Also of note in fiscal 2007, the Committee approved a move from twice monthly stock option grant dates to once per month for administrative efficiency. Previously, we had granted new hire and promotional stock options to non-executive employees on the 1st and 16th (or the next business day after the 1st or the 16th, as the case may be) of each month following the event and had granted restricted stock units on the 16th (or the next business day thereafter) of each month following the event. Grants to executive officers had been tied to the actual hire or promotion date of the executive and were, in all cases, approved by the Committee in advance of the grant date. Except as described in the next sentence, following the move to a single monthly grant date, all new hire and promotional grants, including executive grants, have been and will continue to be made on the 16th of each month (or the next business day thereafter). The sole exception to this policy related to the new hire grants we made to Mr. Riccitiello, which were approved in February 2007 for grant on the second trading day following the public release of our earnings results for fiscal 2007.

KEY ELEMENTS OF OUR COMPENSATION PROGRAMS

The Compensation Committee awards executive compensation in three components: base salary, cash incentive bonus and equity incentives.

In fiscal 2007, the Compensation Committee approved a new annual merit increase effective date of June 1 (other than equity grants, which will be made on June 16th, or the first business day thereafter, as described above) for all executive officers. This date is the same for all EA employees, and was selected to allow adequate review and consideration of the company's full fiscal year performance when determining compensation awards. Previously, annual merit increases and equity grants were made on March 1 of each year and cash incentive bonuses were paid in May.

Benchmarking of Compensation

In fiscal 2006 and 2007, at the direction of the Compensation Committee, EA's Human Resources Department gathered executive compensation data from nationally recognized surveys and provided a comprehensive analysis of this data to the Compensation Committee and its independent compensation consulting firm. The factors used to determine the participants in the survey included industry type, annual revenues, industry growth rate and geography. Companies included in this data were from technology (primarily software developers), entertainment and selected packaged goods companies as reference points. We deemed additional companies included in the survey group to be relevant because they compete with us for executive talent.

The peer group of companies included:

- Activision
- Adobe
- Autodesk
- CACI International
- CMGI
- Dreamworks Animation
- eBay
- Google
- Hasbro
- Intuit
- Liberty Media Corp
- Mattel
- Perot Systems
- Scripps EW
- Symantec
- Synopsys
- Take Two Interactive
- THQ
- Univision Communications
- WebMD
- Yahoo

Our executive level positions, including Chief Executive Officer, were compared to similar survey positions and competitive market compensation levels to determine base salary ranges, target incentives and target total cash compensation. Our Human Resources Department participated in comprehensive surveys such as the IPAS Technology Survey and the Radford High Tech Executive Compensation Survey to assist in determining appropriate equity compensation levels. This competitive market data was reviewed by the Human Resources Department with our CEO for each benchmark executive-level position, and with the Compensation Committee for the CEO and other key executives. The Compensation Committee also considers each executive's responsibility level and EA's fiscal year performance compared to pre-determined objectives and potential performance targets for the subsequent year.

Base Salary

We believe that a competitive base salary is the essential foundation to providing a compelling total compensation package for our executives. In reviewing executive base salaries, the Compensation Committee considered each executive's performance over the last year as reported by the Chief Executive Officer and the Executive Vice President of Human Resources, each executive's responsibility level, and the third quartile (50th to 75th percentile) of base salaries reported in the competitive market compensation surveys noted above. We target salaries to fall within the third quartile to reflect the minimum salary levels necessary to attract, motivate and retain highly qualified executives while also allowing flexibility to recognize executives such as those with additional responsibilities or skills which are critical to the success of the company. For fiscal 2007, those eligible executives, including the Named Executive Officers, received an increase to their base salary during the Committee's February 2006 compensation review. Annual salary increases for EA's executives were, at 3.5% in aggregate, approximately the same on a percentage basis as annual salary increases received by the overall non-executive employee population.

For fiscal 2008, those eligible executives, including the Named Executive Officers, received a salary increase during the Committee's May 2007 compensation review. Employee salary increases, including those for executives, were pro-rated to account for the additional time between the last annual review on February 15, 2006 and the new annual review date of June 1, 2007. The salary increases for EA's executives were, at 4.6% in aggregate, approximately the same on a percentage basis as salary increases received by the overall non-executive employee population.

Incentive Bonus

We use cash incentives to deliver competitive total cash compensation that is linked to annual financial and individual executive performance. For fiscal 2007, the Compensation Committee reviewed and approved target bonuses for each executive (expressed as a percentage of that executive's base salary) designed to deliver total target cash compensation (base salary plus target bonus) in the third quartile of the competitive market compensation surveys noted above. As with our targeted salary positions, we target total cash compensation positions within the third quartile to reflect target cash compensation opportunity levels necessary to attract, motivate and retain highly qualified executives while also allowing flexibility to recognize executives such as those who have additional responsibilities or skills which are critical to the success of the company.

Incentive bonus payouts to executive officers are determined in accordance with the company's Discretionary Bonus Program, and are reviewed and approved by the Compensation Committee. Under the Discretionary Bonus Program, each executive is assigned a bonus target (expressed as a percentage of the executive's base salary), which is then adjusted to reflect (i) EA's performance as a whole, (ii) in certain cases, an executive's business unit performance, and (iii) the executive's individual performance.

The bonus component relating to EA's performance as a whole was determined by comparing EA's fiscal 2007 operating performance to a fiscal 2007 business and financial plan target, both of which were based on a measure of EA's earnings per share, adjusted to reflect, among other things, the impact of foreign exchange fluctuations, stock-based compensation, acquisition-related expenses, restructuring charges, tax rate fluctuations, and the impact of bonus accruals. The fiscal 2007 the plan target was established in May 2006, at which time it was expected to be challenging yet achievable. For fiscal 2007, EA's operating performance exceeded the fiscal 2007 plan target. An executive's business unit performance may include financial performance criteria such as business unit operating profit or non-financial measures such as the quality and timeliness of products released to market. An executive's individual performance is measured on the basis of achievement of individual objectives and milestones identified for the fiscal year.

Stock-Based Compensation

We believe that alignment of the interests of our stockholders and our officers is significantly advanced through the issuance of equity incentives as a portion of their total compensation. In this way, we reinforce the link between our stockholders and our executive officers' focus on personal responsibility, creativity and stockholder returns. We also believe that delivering a portion of their total compensation in the form of long-term equity compensation helps encourage a long-term view in an industry that is subject to lengthy business cycles. Equity incentives such as stock options and restricted stock units also play an important role in our recruitment and retention strategies, as the competition for creative and technical talent and leadership in our industry is intense.

Historically, the Compensation Committee had granted stock options, but not RSU awards, to executive officers (i) when they first join EA, (ii) in connection with a significant change in responsibilities, (iii) annually to provide incentives for continued performance and retention of employment and, (iv) occasionally, to achieve internal parity between different positions within EA. The target value granted to each executive is based upon a combination of comparable external market benchmarks, such as the ongoing stock option grant value at the market 75th percentile, and internal parity among similarly situated executives.

In February 2006, the Compensation Committee began granting the total equity grant value as a mix of stock options and RSU awards to certain executive officers (other than the CEO). The total equity grant value is designed to deliver 70% of the target value in stock options and 30% of the value in RSU awards. This mix of stock options and RSU awards reflects the Compensation Committee's belief that (i) stock options are an important vehicle for encouraging equity ownership by executive officers and aligning their interests with EA's stockholders', whereas (ii) RSU awards allow the Company to keep abreast of competitive trends in equity compensation, particularly in light of the implementation of SFAS No. 123(R), and to strengthen the retention of key employees. The Compensation Committee also reviews the estimated total pool of stock options and RSU awards to be granted to executives and other employees to ensure that share consumption remains in line with internal targets. The Compensation Committee determined that, unlike other executives, the CEO's equity compensation should be structured to achieve maximum alignment with the interests of EA's stockholders. As a result, the Compensation Committee recommended to our Board of Directors that Mr. Probst's March 2006 equity grant and Mr. Riccitiello's May 2007 new hire equity grants should consist solely of stock options.

All stock options granted to the Named Executive Officers in fiscal 2007 were made at fair market value on the date of grant and vest as described in the "Fiscal 2007 Grants of Plan-Based Awards Table" below. RSU awards granted in fiscal 2007 to the Named Executive Officers vest as described in the footnotes to the Summary Compensation Table below.

Personal Benefits and Perquisites

We believe we have taken a conservative approach with respect to our use of executive perquisites and other personal benefits. Our executive officers receive the same benefits package that is available to other regular full time employees of the company. In addition, all executive officers, including our Named Executive Officers, have access to a company-paid executive physical program, receive company-paid supplemental long term disability insurance, and receive paid parking at locations where free parking is not available. We consider these programs to be standard components of a competitive executive total compensation package. For the supplemental long-term disability insurance, the primary goal is to provide the same level of coverage as is available to all other employees but is limited in the general policy due to covered earnings caps.

We do provide certain additional benefits and perquisites related to international and domestic assignments and relocations, including housing allowance, car allowance and tax protection to offset costs incurred by executive officers associated with his or her assignment. In fiscal 2007, Dr. Florin was the only Named Executive Officer to receive assignment-related benefits and perquisites, which are reflected in the Fiscal 2007 Summary Compensation Table below.

Retirement and Other Benefits

We do not offer a retirement plan to our executive officers other than through participation in the defined contribution plans we offer to all eligible employees.

We maintain a Deferred Compensation Plan ("DCP") that allows directors and certain employees, including our Named Executive Officers, to defer receipt of their salary into cash accounts that mirror the gains and/or losses of several different investment funds which correspond to the funds we have selected for our 401(k) plan. Participants may defer up to 75% of their salary and up to 100% of their bonuses and/or commissions until the date(s) they have specified. We are not required to make any contributions to the DCP and did not do so in fiscal 2007. None of our Named Executive Officers participated in the DCP during fiscal 2007.

FISCAL 2007 COMPENSATION

For fiscal 2007, the Compensation Committee reviewed and, where appropriate, adjusted executive base salary, reviewed and approved cash bonus awards, and reviewed and approved annual equity compensation grants at its February 2006 meeting. In an effort to retain and motivate a select group of key employees, including certain executive officers, in June 2006, our Compensation Committee approved the Retention Award Program pursuant to which equity awards were granted on August 16, 2006, the first regular grant date following our earnings release for the quarter ended June 30, 2006.

For fiscal 2008, the Compensation Committee reviewed and, where appropriate, adjusted executive base salary, reviewed and approved cash bonus awards, and reviewed and approved equity compensation grants at a meeting held in May 2007.

Lawrence F. Probst III — Chief Executive Officer during fiscal 2007

Mr. Probst served as our Chief Executive Officer through the end of fiscal 2007.

In February 2006, based on a recommendation from the Compensation Committee, our Board of Directors (i) approved a market-based salary adjustment of 3.5% for Mr. Probst, increasing his salary to $734,850, and (ii) awarded a stock option to purchase 225,000 shares, which vests as to 24% on the first anniversary of February 1, 2006 and then 2% monthly thereafter.

In May 2006, in light of EA's fiscal year performance and based on a recommendation from the Compensation Committee, our Board of Directors decided not to award a cash bonus to Mr. Probst for fiscal 2006 performance.

In May 2007, based on a recommendation from the Compensation Committee, our Board of Directors decided to award a $993,517 cash bonus based on (i) EA's fiscal 2007 performance, as described above, (ii) Mr. Probst's achievement of specific performance goals in fiscal 2007, and (iii) Mr. Probst's bonus target of 100% of his base salary. In addition, based on a recommendation of the Compensation Committee, the Board of Directors reduced Mr. Probst's salary to $367,426 to reflect his ongoing responsibilities as Chairman of the Board following his retirement as Chief Executive Officer.

Warren C. Jenson — Chief Financial and Administrative Officer

In February 2006, the Compensation Committee reviewed and approved the following compensation actions for Mr. Jenson:

- A merit salary increase of 3.5% to $569,400
- A stock option to purchase 52,500 shares, which vests as to 24% on the first anniversary of February 1, 2006 and then 2% monthly thereafter
- A restricted stock unit award of 7,500 shares, which vests as to 25% of the shares on each of the first and second anniversaries of the grant date, and 50% of the shares on the third anniversary

In May 2006, in light of EA's fiscal year performance, the Compensation Committee decided not to award a cash bonus to Mr. Jenson for fiscal 2006.

In May 2007, the Compensation Committee reviewed and approved for Mr. Jenson a $637,226 cash bonus based on (i) EA's fiscal 2007 performance, as described above, (ii) Mr. Jenson's achievement of specific performance goals in fiscal 2007, and (iii) Mr. Jenson's bonus target of 75% of his base salary.

In June 2002, we hired Mr. Jenson as Chief Financial and Administrative Officer. As part of our efforts to recruit Mr. Jenson, we agreed to loan him $4 million, to be forgiven over four years based on his continuing employment. The loan did not bear interest. The loan was made prior to enactment of the Sarbanes-Oxley Act of 2002 and its prohibition on loans to executive officers. The Compensation Committee did review this proposed arrangement in light of the then-current environment and sensitivity to transactions with management and determined the environment for recruiting highly regarded and talented chief financial officers was, and has been, intensely competitive, and the Compensation Committee believed that a competitive compensation offer tied to continuing service was in EA's best interests and significantly more beneficial to the Company than unrestricted cash payments. In June 2004, pursuant to the terms of his offer letter and the loan agreement, we forgave $2 million of the loan and provided Mr. Jenson approximately $1.6 million to offset the tax implications of the forgiveness. The remaining outstanding loan balance of $2 million was forgiven on June 24, 2006. No additional funds were provided to Mr. Jenson to offset the tax implications of the forgiveness of the remaining $2 million.

In connection with our recruitment of Mr. Jenson, we also agreed to pay certain relocation-related costs. In fiscal 2007, we paid a total of $68,143 on behalf of Mr. Jenson in relocation-related costs, including storage and shipping of household goods and the related tax gross-up.

Paul Lee — President, Worldwide Studios

In February 2006, the Compensation Committee reviewed and approved the following compensation actions for Mr. Lee:

- A merit salary increase of 3.5% to $591,983
- A stock option to purchase 52,500 shares, which vests as to 24% on the first anniversary of February 1, 2006 and then 2% monthly thereafter

- A restricted stock unit award of 7,500 shares, which vests as to 25% of the shares on each of the first and second anniversaries of the grant date, and 50% of the shares on the third anniversary

In May 2006, in light of EA's fiscal year performance, the Compensation Committee decided not to award a cash bonus to Mr. Lee for fiscal 2006.

In July 2006, the Compensation Committee reviewed and approved a special retention stock grant for Mr. Lee delivered as:

- A stock option to purchase 56,000 shares, which vests as to 25% of the shares on each of the first, second, third and fourth anniversaries of July 1, 2006

- An RSU award of 8,000 shares, which vests as to 25% of the shares on each of the first and second anniversaries of the grant date and 50% of the shares on the third anniversary

In May 2007 the Compensation Committee reviewed and approved for Mr. Lee a $639,020 cash bonus based on (i) EA's fiscal 2007 performance, as described above, (ii) Mr. Lee's achievement of specific performance goals in fiscal 2007, and (iii) Mr. Lee's bonus target of 80% of his base salary.

Gerhard Florin — Executive Vice President, General Manager, International Publishing

In February 2006, the Compensation Committee reviewed and approved the following compensation actions for Dr. Florin:

- A merit salary increase of 3.5% to 325,663 British pounds

- A stock option to purchase 35,000 shares, which vests as to 24% on the first anniversary of February 1, 2006 and then 2% monthly thereafter

- An RSU award of 5,000 shares, which vests as to 25% of the shares on each of the first and second anniversaries of the grant date, and 50% of the shares on the third anniversary

In May 2006, in light of EA's fiscal year performance, the Compensation Committee decided not to award a cash bonus to Dr. Florin for fiscal 2006.

In July 2006, the Compensation Committee reviewed and approved a special retention stock grant for Dr. Florin delivered as:

- A stock option to purchase 52,500 shares, which vests as to 25% of the shares on each of the first, second, third and fourth anniversaries of July 1, 2006

- An RSU award of 7,500 shares, which vests as to 25% of the shares on each of the first and second anniversaries of the grant date and 50% of the shares on the third anniversary

In September 2006, an exchange rate adjustment of 1.5% was made to Dr. Florin's salary, bringing it to 729,485 Swiss francs, in connection with Dr. Florin's move to Geneva, Switzerland as part of the relocation of our international publishing headquarters.

In May 2007 the Compensation Committee reviewed and approved for Dr. Florin a $526,874 cash bonus based on (i) EA's fiscal 2007 performance, as described above, (ii) Dr. Florin's achievement of specific performance goals in fiscal 2007, and (iii) Dr. Florin's bonus target of 60% of base salary.

Beginning in September 2006, in connection with his relocation to Geneva, Switzerland, Dr. Florin received a total of $383,022 for assignment-related expenses, including a housing allowance, temporary living reimbursement, cultural training, dependent education reimbursement, tax preparation assistance and household goods shipping and storage. Dr. Florin will continue to receive assignment-related benefits in fiscal 2008.

Mitch Lasky — Executive Vice President, EA Mobile

In May 2006, in light of EA's fiscal year performance, the Compensation Committee decided not to award a cash bonus to Mr. Lasky for fiscal 2006.

In August 2006, the Compensation Committee reviewed and approved the following compensation actions for Mr. Lasky:

- A stock option to purchase 70,000 shares, which vests as to 25% of the shares on each of the first, second, third and fourth anniversaries of July 1, 2006
- An RSU award of 10,000 shares, which vests as to 25% of the shares on each of the first and second anniversaries of the grant date and 50% of the shares on the third anniversary

In September 2006, Mr. Lasky was promoted to Executive Vice President of EA Mobile. In connection with his promotion, the Compensation Committee reviewed and approved the following compensation actions for Mr. Lasky:

- A promotional salary increase of $25,000 to $450,000 effective September 4, 2006
- An increase of Mr. Lasky's target bonus to 60% of his base salary
- A stock option to purchase 70,000 shares, which vests as to 50% of the shares on the second anniversary of September 18, 2006 then an additional 25% on each of the third and fourth anniversaries
- An RSU award of 10,000 shares, which vests as to 50% of the shares on the second anniversary of the grant date and 25% of the shares on each of the third and fourth anniversaries

In May 2007 the Compensation Committee reviewed and approved for Mr. Lasky a $352,365 cash bonus based on (i) EA's fiscal 2007 performance, as described above, (ii) Mr. Lasky's achievement of specific performance goals in fiscal 2007, and (iii) Mr. Lasky's bonus target of 60% of base salary.

At the time of our acquisition of JAMDAT, Mr. Lasky held a number of shares of unvested JAMDAT restricted stock. In accordance with the terms of the acquisition agreement we entered into with JAMDAT, Mr. Lasky's shares of restricted stock were cancelled and automatically converted into rights to receive $27.00 per share, subject to the same terms and conditions that had been applicable to the restricted stock immediately prior to the acquisition, including vesting schedules and repurchase rights. As such, we were required to pay $27.00 for each share of JAMDAT restricted stock that was cancelled but would have vested as a result of Mr. Lasky's continued employment with EA following the acquisition. In fiscal 2007, we paid Mr. Lasky a total of $1,437,048 for cancelled shares of JAMDAT restricted stock.

Effective April 2, 2007, Mr. Lasky resigned from EA.

EMPLOYMENT AGREEMENTS, CONTINGENT COMPENSATION AND OTHER MATTERS

Change of Control, Arrangements

We have not entered into any arrangements with the Named Executive Officers that provide for any benefits in connection with a change of control of EA.

Severance Arrangements

On September 26, 2006, in connection with his relocation to Geneva, Switzerland, we entered into an agreement with Dr. Florin setting forth the terms and conditions of his employment. The agreement provides for (i) a notice period of six months in the event of termination of Dr. Florin's employment (other than for gross misconduct on the part of Dr. Florin); (ii) a redundancy payment of 16 weeks salary (determined by the number of years of Dr. Florin's previous service to the Company according to EA's standard policy regarding the calculation of redundancy payments) in the event that Dr. Florin is made redundant (i.e., the Company no longer requires the services for which Dr. Florin is employed, or his position is relocated to another EA entity) within 3 years after the effective date of the agreement; and (iii) payment of air fare and relocation of household goods for Dr. Florin and his family back to the UK in the event that Dr. Florin is made redundant within 2 years after the effective date of the agreement.

Retirement

The Company has implemented a special retirement provision related to the exercise of outstanding vested stock options after a qualifying termination of employment. All employees, including our Named Executive Officers, are eligible for this provision. Normally, an employee has three months after employment terminates to exercise their stock options that were vested on their termination date. After three months, those options expire.

For an employee or director whose length of service plus age equals 60, and whose length of service is at least 10 years, a retirement provision applies that allows exercise of stock options that were vested on their termination date for a period up to 60 months after their termination of employment.

Dr. Florin participated in an executive defined contribution plan in the United Kingdom during the first half of fiscal 2007, which allowed him to make larger contributions into his plan than he would have been able to make under the standard employee plan, which has a cap on contributions. Under the executive plan, Dr. Florin was able to contribute up to 5% of his salary, which is the same maximum contribution rate used by employees under the standard plan, and the Company contributed 7% of his salary, which is the same contribution rate used for Company contributions under the standard plan for employees contributing at the 5% level. Dr. Florin currently participates in a defined contribution plan in Switzerland for which all of the Company's Swiss employees are eligible.

Non-competition Agreements

As part of our acquisition of JAMDAT Mobile Inc. on February 15, 2006, we entered into a non-competition agreement with Mr. Lasky, which provided that, for a period of three years, Mr. Lasky would not: (i) participate in any business that engages in the development and distribution of downloadable wireless entertainment applications for mobile telephone devices carried on by JAMDAT at the time of the acquisition, including, without limitation, games for use on mobile telephones and other handheld mobile devices; (ii) induce any EA employee to terminate employment with EA to accept employment in any business that engages in the activities described in clause (i), or (iii) solicit EA employees for employment.

Dr. Florin's employment agreement contains the following restrictions: (i) a six-month period following the termination of Dr. Florin's employment during which he is prohibited from soliciting or providing goods or services to, in competition with EA, certain customers of EA, (ii) a six-month period following the termination of Dr. Florin's employment during which he is prohibited from contracting with or engaging, in competition with EA, certain suppliers of EA; (iii) a six-month period following the termination of Dr. Florin's employment during which he is prohibited from employing, or engaging or offering employment to certain employees of EA; and (iv) a six-month period following termination of Dr. Florin's employment during which he is restricted from competing with EA in Switzerland.

Executive Ownership Requirements

In fiscal 2004, the Board of Directors implemented EA stock ownership requirements for all Section 16 executive officers. These ownership requirements are based on multiples of the executive's base pay, ranging from one to six times the executive's annual salary depending on the executive's level within the organization. In some cases, the ownership requirements are phased in on the basis of the executive's tenure. The Compensation Committee monitors these ownership guidelines and believes they further align the interests of EA's stockholders and executives. As of March 31, 2007, each of EA's executives had either met their then-applicable stock ownership requirements or had not yet reached the date on which they are required to meet their ownership requirements.

Trading Policy

We have a policy designed to promote compliance by all EA personnel with insider trading laws. Under the policy, certain employees (including all executive officers) who regularly have access to material, non-public information are prohibited from buying or selling EA common stock during periods when EA's trading window is closed (unless such transactions are made pursuant to a pre-approved 10b5-1 trading plan). When the trading window is open, these employees are prohibited from buying or selling EA common stock while in possession of material, non-public information and must request a trading clearance from EA's General Counsel prior to buying or selling EA common stock (unless such transactions are made pursuant to a pre-approved 10b5-1 trading plan). In addition, because we believe it is improper and inappropriate for any EA personnel to engage in any transaction designed to result in a benefit from a decline in the trading price of EA's common stock, EA's directors, executive officers and other employees may not engage in short sales of EA common stock under any circumstances, including trading in puts and calls.

IMPACT OF REGULATORY REQUIREMENTS ON COMPENSATION

Tax Law Limits on Executive Compensation

Section 162(m) of the Internal Revenue Code limits deductions for executive compensation in excess of $1 million except for certain compensation which qualifies for a performance-based exception. Certain types of compensation in excess of $1 million are deductible by the Company if performance criteria are specified in detail and are contingent on stockholder approval of the compensation arrangement. The Company and the Compensation Committee have endeavored to structure executive compensation plans to achieve maximum deductibility under Section 162(m) with minimal sacrifices of flexibility and impact on corporate objectives.

The Compensation Committee has structured the current use of stock option arrangements in a manner intended to achieve tax deductibility of such amounts. Although the Compensation Committee has the ability to grant restricted stock units subject to performance factors in order to achieve maximum deductibility under Section 162(m), it elected not to do so in fiscal 2007. With respect to non-equity compensation arrangements, the Compensation Committee has reviewed the terms of those arrangements most likely to be subject to the deduction limitation of Section 162(m). In fiscal 2007, the following compensation paid to EA's Named Executive Officers exceeded the Section 162(m) thresholds: (i) Mr. Probst's cash compensation; and (ii) Mr. Lasky's cash compensation and the cash payments he received for cancelled shares of JAMDAT restricted stock that would have vested during fiscal 2007. Pursuant to recent guidance from the Internal Revenue Service, Mr. Jenson, our Chief Financial Officer, is not considered to be a covered employee for purposes of Section 162(m).

For fiscal 2008, our Board has adopted an executive bonus plan under which payments made to covered executive officers in excess of $1 million would be deductible. The executive bonus plan is subject to approval by our stockholders at the 2007 Annual Meeting. For further information regarding the executive bonus plan, see *Proposal 4. Approval of the Electronic Arts Inc. Executive Bonus Plan* above.

While the Compensation Committee will continue to consider deductibility under Section 162(m) with respect to future compensation arrangements with executives, deductibility will not be the only factor used in ascertaining appropriate levels or modes of compensation. Since corporate objectives may not always be consistent with the requirements for full deductibility, it is possible that the Committee may, if consistent with EA's "pay-for-performance" philosophy described above, enter into compensation arrangements in the future under which payments are not fully deductible under Section 162(m).

Accounting for Stock-Based Compensation

In fiscal 2007, we began accounting for stock-based compensation in accordance with the requirements of SFAS No. 123(R). During calendar year 2005, we began granting restricted stock units to certain overtime-eligible employees. In calendar year 2006, we expanded the use of restricted stock units to all employee groups including the Named Executive Officers. The comparable expense of restricted stock units and stock options we recognize under SFAS No. 123(R) removed a financial reporting disincentive to use restricted stock units that existed before we began expensing stock options granted to employees and directors.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The following Compensation Committee Report on Executive Compensation shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that EA specifically incorporates it by reference into a filing.

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

COMPENSATION COMMITTEE

M. Richard Asher (Chairman)

Leonard S. Coleman, Jr.

Linda J. Srere

FISCAL 2007 SUMMARY COMPENSATION TABLE

The following table shows information concerning the compensation earned during fiscal 2007 by our Chief Executive Officer, our Chief Financial and Administrative Officer and our next three most highly compensated executive officers. We refer to these individuals collectively as the "Named Executive Officers".

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	All Other Compensation ($)	Total ($)
LAWRENCE F. PROBST III Chief Executive Officer and Chairman of the Board(4)	2007	738,462	993,517	—	3,920,576	14,298(5)	5,666,853
WARREN C. JENSON Executive Vice President, Chief Financial and Administrative Officer	2007	571,392	637,226	203,242	2,080,784	2,126,071(5)(6)	5,618,715
V. PAUL LEE President, Worldwide Studios	2007	591,648	639,020	288,806	2,574,804	8,183(5)	4,102,461
GERHARD FLORIN Executive Vice President and General Manager, International Publishing	2007	558,679(7)	526,874	215,712	1,805,005	501,172(8)	3,607,442
MITCH LASKY Executive Vice President, EA Mobile(9)	2007	440,376	352,365	178,407	2,100,571	1,438,146(5)(10)	4,509,865

(1) Represents amounts awarded under EA's Discretionary Bonus Plan for fiscal 2007.

(2) Represents the expense recognized by EA for financial statement reporting purposes in accordance with SFAS No. 123(R), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of restricted stock units granted to the Named Executive Officers in fiscal 2007 as well as prior fiscal years. No stock awards were forfeited by any of the Named Executive Officers in fiscal 2007, however, following his resignation on April 2, 2007, Mr. Lasky forfeited all unvested restricted stock units. The amounts reflected above represent the value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by vesting in a restricted stock unit award). For additional information regarding the valuation methodology used by EA, see note 12, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended

March 31, 2007. For additional information regarding the specific terms of restricted stock units granted to the Named Executive Officers in fiscal 2007, see the "Fiscal 2007 Grants of Plan-Based Awards" table below.

(3) Represents the expense recognized by EA for financial statement reporting purposes in accordance with SFAS No. 123(R), as modified to exclude the impact of estimated forfeitures related to service-based vesting conditions, for awards of stock options granted to the Named Executive Officers in fiscal 2007 as well as prior fiscal years. No stock options were forfeited by any of the Named Executive Officers in fiscal 2007, however, following his resignation on April 2, 2007, Mr. Lasky forfeited all unvested stock options. The amounts reflected above represent the value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards (such as by exercising stock options). For a more detailed discussion on the valuation model and assumptions used to calculate the fair value of EA's stock options, see note 12, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007. For additional information regarding the specific terms of stock options granted to the Named Executive Officers in fiscal 2007, see the "Fiscal 2007 Grants of Plan-Based Awards" table below.

(4) Mr. Probst retired as EA's Chief Executive Officer effective April 2, 2007.

(5) Includes (a) $1,098 of term life insurance and disability premiums paid for the benefit of Mr. Probst, Mr. Jenson and Mr. Lasky in fiscal 2007; (b) company-matching 401(k) contributions of $13,200 earned by Mr. Probst and Mr. Jenson in fiscal 2007; and (c) $8,183 in company-matching contributions to Canadian deferred profit-sharing plan earned by Mr. Lee in fiscal 2007.

(6) Includes (a) $2,000,000 forgiveness of Mr. Jenson's loan; (b) $43,630 in imputed interest income on the loan; (c) $26,648 paid on behalf of Mr. Jenson for relocation-related costs, including storage and shipping of household goods; and (d) $41,495 for the tax gross-up related to relocation costs incurred during and prior to fiscal 2007. For more information regarding the loan to Mr. Jenson, see "Compensation Discussion and Analysis" above.

(7) During fiscal 2007, Dr. Florin was on payroll in the United Kingdom from April 1, 2006 through August 31, 2006, and on payroll in Geneva, Switzerland from September 1, 2006 through March 31, 2007. As such, Dr. Florin's salary and other compensation (other than equity awards) were paid in either British pounds or Swiss francs. The amounts reflected in the Summary Compensation Table above (other than equity awards and Dr. Florin's fiscal 2007 bonus) were converted into U.S. dollars based on exchange rates in effect on March 31, 2007.

(8) Includes (a) $383,022 in company-paid relocation and international assignment expenses, of which $198,418 was paid in the form of a housing allowance, $49,118 paid as a one-time cash relocation allowance, $45,997 related to storage and shipping of household goods, $25,693 related to temporary living expenses, $24,846 related to dependent education, $12,260 related to tax preparation assistance, and the remainder related to various other relocation-related expenses; (b) $80,865 in company-matching defined contribution plan contributions; (c) $23,309 in automobile and fuel allowance received by Dr. Florin for which all senior employees and members of management resident in the UK and Switzerland are generally eligible; and (d) $13,976 of company-paid medical and life insurance premiums and related benefits.

(9) Mr. Lasky resigned from EA effective April 2, 2007.

(10) Includes $1,437,048 paid to Mr. Lasky for cancelled shares of JAMDAT restricted stock he held that would have vested during fiscal 2007. For more information regarding Mr. Lasky's cancelled shares of JAMDAT restricted stock, see "Compensation Discussion and Analysis" above.

FISCAL 2007 GRANTS OF PLAN-BASED AWARDS TABLE

The following table shows information regarding equity awards granted to the Named Executive Officers during fiscal 2007.

Name	Grant Date[1]	Approval Date[1]	All Other Stock Awards: Number of Shares of Stock or Units (#)[2]	All Other Option Awards: Number of Securities Underlying Options (#)[3]	Exercise or Base Price of Option Awards ($/Sh)[4]	Grant Date Fair Value of Stock and Option Awards ($)[5]
Lawrence F. Probst III	—	—	—	—	—	—
Warren C. Jenson	—	—	—	—	—	—
V. Paul Lee	8/16/2006	8/10/2006	8,000[6]	—	—	413,120
	8/16/2006	8/10/2006	—	56,000[7]	51.64	995,982
Gerhard Florin	8/16/2006	8/10/2006	7,500[6]	—	—	387,300
	8/16/2006	8/10/2006	—	52,500[7]	51.64	933,734
Mitch Lasky[8]	8/16/2006	8/10/2006	10,000[6]	—	—	516,400
	9/18/2006	8/31/2006	10,000[9]	—	—	538,100
	8/16/2006	8/10/2006	—	70,000[7]	51.64	1,244,978
	9/18/2006	8/31/2006	—	70,000[10]	53.81	1,327,228

(1) Each grant was approved on the approval date indicated above by our Compensation Committee for grant on the specific grant date indicated above. For more information regarding our grant date policy, see "Compensation Discussion and Analysis" above.

(2) Represents awards of restricted stock units under our 2000 Equity Incentive Plan, as amended. Upon vesting, each restricted stock unit automatically converts into one share of EA common stock, and does not have an exercise price or expiration date. The restricted stock units are not entitled to receive dividends, if any, paid by EA on its common stock.

(3) Represents stock options granted under our 2000 Equity Incentive Plan, as amended.

(4) The exercise price of all stock options was 100% of the fair market value on the date of grant (based on the closing price of our common stock on the NASDAQ Global Select Market on the date of grant).

(5) Represents the value estimated by EA for reporting purposes only in accordance with SFAS No. 123(R) for awards of stock options and restricted stock units. The amounts reflected above represent the value determined by EA for reporting purposes only and do not reflect whether the recipient has actually realized a financial benefit from the awards. For additional information regarding the valuation methodology used by EA, see note 12, "Stock-Based Compensation and Employee Benefit Plans", of the Consolidated Financial Statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2007.

(6) Restricted stock unit vests as to 25% of the shares on each of the first and second anniversaries of the grant date and 50% of the shares on the third anniversary of the grant date.

(7) Stock option vests as to 25% of the shares on each of the first, second, third and fourth anniversaries of July 1, 2006.

(8) Mr. Lasky resigned from EA effective April 2, 2007, at which time he forfeited all of his outstanding unvested stock options and restricted stock units.

(9) Restricted stock unit vests as to 50% of the shares on each of the second anniversary of the grant date and 25% of the shares on each of the third and fourth anniversaries of the grant date.

(10) Stock option vests as to 50% of the shares on the second anniversary of September 18, 2006, then an additional 25% on each of the third and fourth anniversaries.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table shows information regarding all outstanding equity awards held by the Named Executive Officers as of the end of fiscal 2007.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#)(1) Exercisable	Number of Securities Underlying Unexercised Options (#)(1) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(2)
Lawrence F. Probst III	700,000(3)	0	8.75	9/25/2007		
	340,000(3)	0	10.91	9/24/2008		
	340,000(3)	0	14.94	8/13/2009		
	500,000	0	24.66	9/29/2010		
	400,000	0	23.27	10/5/2011		
	300,000	0	23.27	10/5/2011		
	400,000	0	31.32	10/7/2012		
	400,000	0	31.32	10/7/2012		
	168,000	32,000(4)	48.79	10/24/2013		
	50,000	150,000(5)	64.92	3/1/2015		
	50,000	50,000(6)	64.92	3/1/2015		
	58,500	166,500(7)	52.03	3/1/2016		
Warren C. Jenson	350,000	0	30.82	6/24/2012		
	235,000	0	30.82	6/24/2012		
	100,800	19,200(4)	48.79	10/24/2013		
	25,000	75,000(5)	64.92	3/1/2015		
	13,650	38,850(7)	52.03	3/1/2016		
					5,625(8)	283,275
V. Paul Lee	170,800(3)	0	10.91	9/24/2008		
	160,000(3)	0	14.94	8/13/2009		
	160,000	0	24.66	9/29/2010		
	160,000	0	23.27	10/5/2011		
	100,000	0	23.27	10/5/2011		
	300,000	0	31.32	10/7/2012		
	200,000	0	31.32	10/7/2012		
	111,600	22,400(4)	48.79	10/24/2013		
	25,000	75,000(5)	64.92	3/1/2015		
	25,000	25,000(6)	64.92	3/1/2015		
	0	150,000(9)	57.42	9/2/2015		
	13,650	38,850(7)	52.03	3/1/2016		
	0	56,000(10)	51.64	8/16/2016		
					5,625(8)	283,275
					8,000(11)	402,880
Gerhard Florin	18,473	0	30.60	6/20/2011		
	100,000	0	31.32	10/7/2012		
	50,000	0	31.32	10/7/2012		
	40,000	0	48.79	10/24/2013		
	67,200	12,800(4)	48.79	10/24/2013		
	18,750	56,250(5)	64.92	3/1/2015		
	25,000	25,000(6)	64.92	3/1/2015		
	0	75,000(9)	57.42	9/2/2015		
	9,100	25,900(7)	52.03	3/1/2016		
	0	52,500(10)	51.64	8/16/2016		
					3,750(8)	188,850
					7,500(11)	377,700
Mitch Lasky(12)	5,056(13)	18,202(14)	31.65	9/28/2011		
	28,314(13)	72,806(15)	53.03	1/13/2016		
	50,000(13)	0	53.36	2/15/2016		
	19,500(13)	55,500(16)	53.36	2/15/2016		
	0	70,000(10)	51.64	8/16/2016		
	0	70,000(17)	53.81	9/18/2016		
					10,000(11)	503,600
					10,000(17)	503,600

(1) Unless otherwise noted, all stock options and restricted stock units were granted pursuant to EA's 2000 Equity Incentive Plan.

(2) Represents restricted stock units. The market value was calculated by multiplying the number of unvested restricted stock units by $50.36, the closing price of EA's common stock on March 30, 2007, the last trading day of our fiscal year.

(3) Granted pursuant to EA's 1991 Stock Option Plan.

(4) Option vests and becomes exercisable as to 2% of the original grant each month until November 1, 2007.

(5) Options vested and became exercisable as to 25% of the original grant on March 1, 2007, and will continue to vest as to an additional 25% on March 1, 2008, and then to the remaining 50% on March 1, 2009.

(6) Option vests and becomes exercisable as to 2% of the original grant each month until April 1, 2009.

(7) Option vests and becomes exercisable as to 2% of the original grant each month until April 1, 2010.

(8) Restricted stock units vested as to 25% of the original grant on March 1, 2007, and will continue to vest as to an additional 25% on March 1, 2008, and then to the remaining 50% on March 1, 2009.

(9) Option vests and becomes exercisable as to 100% of the original grant on September 2, 2009.

(10) Option vests and becomes exercisable as to 25% of the original grant on each of the first, second, third and fourth anniversaries of July 1, 2006.

(11) Restricted stock units vest as to 25% of the original grant on August 16, 2007, then vest as to an additional 25% on August 16, 2008, and to the remaining 50% on August 16, 2009.

(12) Mr. Lasky resigned from EA effective April 2, 2007, at which time he forfeited all of his outstanding unvested stock options and restricted stock units.

(13) Granted pursuant to the JAMDAT 2004 Equity Incentive Plan assumed in connection with the acquisition of JAMDAT Mobile Inc. in February 2006.

(14) Option would have vested and become exercisable as to 2% of the original grant each month until September 28, 2008.

(15) Option would have vested and become exercisable as to 2% of the original grant each month until March 1, 2010.

(16) Option would have vested and become exercisable as to 2% of the original grant each month until April 1, 2010.

(17) Options and restricted stock units would have vested and become exercisable as to 50% of the original grant on September 18, 2008, and would have continued to vest as to an additional 25% on September 18, 2009, and then to the remaining 25% on September 18, 2010.

FISCAL 2007 OPTION EXERCISES AND STOCK VESTED TABLE

The following table shows all stock options exercised and value realized upon exercise and all restricted stock units vested and value realized upon vesting by the Named Executive Officers during fiscal 2007.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)[2]	Value Realized on Vesting ($)[3]
Lawrence F. Probst III	200,300	8,910,085	—	—
Warren C. Jenson	250,000	7,034,564	1,875	94,538
V. Paul Lee	—	—	1,875	94,538
Gerhard Florin	—	—	1,250	63,025
Mitch Lasky	9,101	248,576	—	—

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

(2) Represents restricted stock units that vested during fiscal 2007. Shares of EA common stock, net of shares withheld for tax purposes, are issued upon vesting of restricted stock units.

(3) The value realized upon vesting of restricted stock units is calculated by multiplying the number of restricted stock units vested by the closing price of EA common stock on the vest date.

EQUITY COMPENSATION PLAN INFORMATION

Common Stock

We have five equity incentive plans (excluding plans assumed by EA in acquisitions, as described in footnote 1 below) under which our common stock is or has been authorized for issuance to employees or directors: the 1991 Stock Option Plan; Directors' Stock Option Plan; 1998 Directors' Stock Option Plan; 2000 Equity Incentive Plan; and the 2000 Employee Stock Purchase Plan. Each of these plans has been approved by our stockholders.

In the past, we have granted options to certain individuals (not employees or directors) under our Celebrity and Artist Stock Option Plan. This plan was not approved by the stockholders, has since expired, and no further grants will be issued under it.

The following table gives aggregate information regarding grants under all of our equity incentive plans as of the end of fiscal 2007, including the 2000 Equity Incentive and 2000 Employee Stock Purchase Plans, which are proposed to be amended at the 2007 Annual Meeting as described in "Proposals To Be Voted On" and Appendices A and B.

Plan Category[1]	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A) (C)
Equity compensation plans approved by security holders[2]	36,199,736[3]	$40.82[4]	18,467,081
Equity compensation plans not approved by security holders[5]	160,350	$10.42	0
Total	36,360,086		18,467,081

(1) The table does not include information for equity incentive plans we assumed in connection with our acquisitions of Maxis in 1997, Criterion Software in 2004, and JAMDAT Mobile Inc. in February 2006. As of March 31, 2007, a total of: (a) 308,548 shares of common stock were issuable upon exercise of outstanding options issued under the 1995 Maxis stock option plan, with a weighted average exercise price of $26.99; (b) a total of 8,213 shares were issuable upon exercise of outstanding options issued under the Criterion stock option plan, with a weighted average exercise price of $1.61; (c) a total of 18,017 shares were issuable upon exercise of outstanding options issued under the JAMDAT Amended and Restated 2000 Stock Incentive Plan, with a weighted average exercise price of $2.09; and (d) a total of 953,720 shares were issuable upon exercise of outstanding options with a weighted average exercise price of $48.80, and 3,400 unvested restricted stock units were outstanding under the JAMDAT 2004 Equity Incentive Plan. No shares remain available for issuance under the Maxis, Criterion or JAMDAT plans.

(2) As of March 31, 2007, a total of: (a) 4,137,707 shares of common stock were issuable upon exercise of outstanding options under the 1991 Stock Option Plan, with a weighted average exercise price of $15.64; (b) a total of 12,000 shares of common stock were issuable upon exercise of outstanding options under the Directors' Stock Option Plan, with a weighted average exercise price of $8.36; (c) 484,410 shares of

common stock were issuable upon exercise of outstanding options under the 1998 Directors' Stock Option Plan, with a weighted average exercise price of $29.09; and (d) 29,782,810 shares of common stock were issuable upon exercise of outstanding options with a weighted average exercise price of $44.53, and 1,782,809 unvested restricted stock units were outstanding under the 2000 Equity Incentive Plan. The 1991 Stock Option Plan and the Directors' Stock Option Plan have expired and no further grants may be made under them. As of March 31, 2007, 41,379 shares remained available for issuance under the 1998 Directors' Plan, however, we do not expect to make any future grants under this plan. As of March 31, 2007, 15,307,843 shares remained available for issuance under the 2000 Equity Incentive Plan, and 3,117,859 shares remained available for purchase by our employees under the 2000 Employee Stock Purchase Plan.

(3) Does not include 347,623 shares of unvested shares of restricted stock issued pursuant to the 2000 Equity Incentive Plan.

(4) Restricted stock unit awards do not have an exercise price and therefore are not included in the calculation of the weighted average exercise price.

(5) The Celebrity and Artist Stock Option Plan ("Artist Plan") was adopted by our Board of Directors in July 1994 and expired in July 2004. The Artist Plan was established as a plan to attract, retain and provide equity incentives to selected artists and celebrities associated with EA and certain employees of companies providing services to EA and in which we hold a minority equity interest. The terms regarding the exercise price of options, vesting, changes in capital structure, assumption of options and acceleration of vesting, and prohibitions on "repricing" under the Artist Plan are substantially similar to the terms of the 2000 Equity Incentive Plan, contained in Appendix A. As of March 31, 2007, a total of 160,350 shares of common stock were issuable upon exercise of outstanding options under the Artist Plan, with a weighted average exercise price of $10.42. No further grants will be made under the Artist Plan.

See also Note 12 to the Consolidated Financial Statements included in EA's Annual Report on Form 10-K for the period ended March 31, 2007 for additional information about these plans.

OTHER INFORMATION

RELATED PERSON TRANSACTIONS POLICY

Our Board of Directors has adopted a written Related Person Transactions Policy. The purpose of the policy is to describe the procedures used to identify, review, approve or ratify and, if necessary, disclose (i) any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which EA (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds $120,000, and in which any "related person" had, has or will have a direct or indirect interest, or (ii) any transaction for which EA's Global Code of Conduct would require approval of the Board of Directors. For purposes of the policy, a "related person" is (a) any person who is, or at any time since the beginning of EA's last fiscal year was, a director or executive officer of EA or a nominee to become a director of EA, (b) any person who is known to be the beneficial owner of more than 5% of any class of EA's voting securities, (c) any immediate family member or person sharing the household (other than a tenant or employee) of any of the foregoing persons, and (d) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

Once a potential related person transaction has been identified, the Audit Committee (if the transaction involves an executive officer of EA) or the Nominating and Governance Committee (if the transaction involves a director of EA) will review the transaction at the next scheduled meeting of such committee. In those instances in which it is not practicable or desirable to wait until the next scheduled committee meeting, the chairperson of the applicable committee shall consider the matter and report back to the relevant committee at the next scheduled meeting.

In determining whether to approve or ratify a related person transaction, the Audit Committee or Nominating and Governance Committee (or the relevant chairperson of such committee) shall consider all of the relevant facts and circumstances available. No member of the Audit Committee or Nominating and Governance

Committee shall participate in any review, consideration or approval of any related person transaction with respect to which such member or any of his or her immediate family members is the related person. The Audit Committee and Nominating and Governance Committee (or the relevant chairperson) shall approve only those related person transactions that are in, or are not inconsistent with, the best interests of EA and its stockholders, as determined in good faith.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

We enter into indemnification agreements with each of the members of our Board of Directors at the time they join the Board to indemnify them to the extent permitted by law against any and all liabilities, costs, expenses, amounts paid in settlement and damages incurred by the directors as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors are sued or charged as a result of their service as members of our Board of Directors.

In June 2002, we hired Mr. Jenson as Chief Financial and Administrative Officer. As part of our efforts to recruit Mr. Jenson, we agreed to loan him $4 million, to be forgiven over four years based on his continuing employment. The loan did not bear interest. The loan was made prior to enactment of the Sarbanes-Oxley Act of 2002 and its prohibition on loans to executive officers. Although the loan was made prior to the adoption of our related person transactions policy, our Compensation Committee did review this proposed arrangement in light of the then-current environment and sensitivity to transactions with management and determined the environment for recruiting highly regarded and talented chief financial officers was, and has been, intensely competitive, and the Compensation Committee believed that a competitive compensation offer tied to continuing service was in EA's best interests and significantly more beneficial to EA than unrestricted cash payments. In June 2004, pursuant to the terms of his offer letter and the loan agreement, we forgave $2 million of the loan and provided Mr. Jenson approximately $1.6 million to offset the tax implications of the forgiveness. The remaining outstanding loan balance of $2 million was forgiven on June 24, 2006. No additional funds were provided to Mr. Jenson to offset the tax implications of the forgiveness of the remaining $2 million.

The sister of Nancy Smith, an executive officer of EA, was an employee of EA until February 2007. During fiscal 2007, Ms. Smith's sister was paid cash compensation, including salary, bonus, vacation accrual payout, and a severance payment, of approximately $299,000 (of this amount, approximately $54,000 was paid in connection with a bonus she earned during fiscal 2004, which vested over time and was paid in fiscal 2007). Ms. Smith's sister did not report directly or indirectly to Ms. Smith at any time during fiscal 2007. Ms. Smith's sister's employment with EA commenced prior to the adoption of our related person transactions policy and was therefore not approved pursuant to such policy.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

From April 1, 2006 (the first day of fiscal 2007) through July 27, 2006, the Compensation Committee consisted of M. Richard Asher, Robert W. Pittman and Linda J. Srere; from July 27, 2006 through April 1, 2007 (the last day of fiscal 2007), the Compensation Committee consisted of Mr. Asher, Ms. Srere and Leonard S. Coleman, Jr. None of these individuals is an employee or current or former officer of EA. No EA officer serves or has served since the beginning of fiscal 2007 as a member of the board of directors or the compensation committee of a company at which a member of EA's Compensation Committee is an employee or officer.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires EA's directors and executive officers, and persons who own more than ten percent of a registered class of EA's equity securities, to file reports of ownership and changes in ownership of common stock and other equity securities of EA. We have adopted procedures to assist EA's directors and officers in complying with these requirements, which include assisting officers and directors in preparing forms for filing.

To EA's knowledge, based solely upon review of such reports furnished to us and written representations that no other reports were required, we believe that, except as described in the following sentence, during the fiscal year ended March 31, 2007, all Section 16(a) filing requirements applicable to our officers, directors and greater-than-ten-percent stockholders were complied with on a timely basis. As the result of an administrative error, a late Form 4 was filed on May 23, 2006, for Kenneth A. Barker to report his receipt of a stock option on April 18, 2006 to purchase 20,000 shares.

STOCKHOLDER PROPOSALS FOR 2008 ANNUAL MEETING

If you would like us to consider a proposal to be included in our 2008 proxy statement and proxy card, you must deliver it to the Company's Corporate Secretary at our principal executive office no later than February 21, 2008.

Stockholders who otherwise wish to present a proposal at the 2008 Annual Meeting of Stockholders must deliver written notice of the proposal to our Corporate Secretary c/o Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065, no earlier than March 22, 2008 and no later than April 21, 2008 (provided, however, that if the 2008 Annual Meeting is held earlier than June 26, 2008 or later than August 25, 2008, proposals must be received no earlier than the close of business on the later of the 90th day prior to the 2008 Annual Meeting or the 10th day following the day on which public announcement of the 2008 Annual Meeting is first made). The submission must include certain information concerning the stockholder and the proposal, as specified in the Company's amended and restated bylaws. Our amended and restated bylaws are included as an exhibit to a Current Report on Form 8-K we filed with the SEC on November 13, 2006, which you may access through the SEC's electronic data system called EDGAR at *www.sec.gov*. You may also request a copy of our amended and restated bylaws by contacting our Corporate Secretary at the address above.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as "householding", potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are EA stockholders will be "householding" our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement and annual report, please notify your broker, direct your written request to our Corporate Secretary at our principal executive office, or contact our Corporate Secretary at (650) 628-1500. Stockholders who currently receive multiple copies of the proxy statement and annual report at their address and would like to request "householding" of their communications should contact their broker.

REQUESTS TO THE COMPANY

The Company will provide without charge, to each person to whom a proxy statement is delivered, upon request of such person and by first class mail within one business day of receipt of such request, a copy of the 2000 Equity Incentive Plan and 2000 Employee Stock Purchase Plan. Any such request should be directed as follows: Stock Administration Department, Electronic Arts Inc., 209 Redwood Shores Parkway, Redwood City, CA 94065 — telephone number (650) 628-1500.

OTHER BUSINESS

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

By Order of the Board of Directors,

Stephen G. Bené
Senior Vice President, General Counsel and Secretary

Appendix A

GENERAL DESCRIPTION OF THE 2000 EQUITY INCENTIVE PLAN

History

The Company's 2000 Equity Incentive Plan (the "Equity Plan") was adopted by our Board of Directors on January 27, 2000 and approved by our stockholders on March 22, 2000. The Equity Plan has been amended several times since it was initially adopted. The following general description of the Equity Plan includes all prior amendments as well as amendments proposed to be adopted by the Company's stockholders at the 2007 Annual Meeting.

Shares Subject to the Equity Plan

The stock subject to issuance under the Equity Plan consists of shares of the Company's authorized but unissued common stock. The Equity Plan, as amended to date, authorizes the issuance of up to 67,400,000 shares of common stock pursuant to awards of stock options, stock appreciation rights, restricted stock and restricted stock units. As proposed to be amended, the number of shares authorized for issuance under the Equity Plan would be increased to 76,400,000. In addition, shares are again available for grant and issuance under the Equity Plan that (a) were subject to an option granted under the Equity Plan that terminated, to the extent then unexercised, (b) were subject to a restricted stock or restricted stock unit award under the Equity Plan that is subsequently forfeited or repurchased by us at the original issue price, if any, or (c) are subject to an award of restricted stock or restricted stock units under the Equity Plan that otherwise terminates without shares being issued. The following types of shares are not available for future grant or issuance as awards under the Equity Plan: (x) shares that are not issued or delivered as a result of the net settlement of a stock option or stock appreciation right; (y) shares that are used to pay the exercise price or withholding taxes related to an award granted under the Equity Plan; and (z) shares that are repurchased by us with the proceeds of a stock option exercise.

The number of shares issuable under the Equity Plan, and under outstanding options and other awards, is subject to proportional adjustment to reflect stock splits, stock dividends and other similar events.

Limitation on Number of Shares Subject to Restricted Stock Awards and Restricted Stock Unit Awards.

The number of shares of common stock that may be issued pursuant to awards of restricted stock and restricted stock units may not exceed 15,000,000 in the aggregate. As proposed to be amended, the number of shares that would be issuable pursuant to awards of restricted stock and restricted stock units would be decreased to 11,000,000 in the aggregate.

Eligibility

The Equity Plan provides for the issuance of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units. The Equity Plan provides that employees (including officers and directors who are also employees) of EA or any parent or subsidiary of EA may receive incentive stock options under the Equity Plan. Nonqualified stock options, stock appreciation rights, restricted stock, and restricted stock units may be granted to employees and directors of EA or any parent or subsidiary of EA. As of June 1, 2007, approximately 7,100 persons were in the class of persons eligible to participate in the Equity Plan. No person is eligible to receive more than 1,400,000 shares of common stock (of which no more than 400,000 shares may be covered by awards of restricted stock) in any calendar year, other than new employees who will be eligible to receive up to 2,800,000 shares of common stock (of which no more than 800,000 shares may be covered by awards of restricted stock) in the calendar year in which they commence employment. No awards of restricted stock or stock appreciation rights have been made to date under the Equity Plan. A participant may hold more than one award granted under the Equity Plan.

Administration

The Equity Plan is administered by our Compensation Committee. All of the members of the Compensation Committee are "non-employee" and "independent directors" under applicable federal securities laws and NASDAQ listing requirements, and "outside directors" as defined under applicable federal tax laws. The Compensation Committee has the authority to construe and interpret the Equity Plan, grant awards and make all other determinations necessary or advisable for the administration of the Equity Plan. The members of the Compensation Committee receive no compensation for administering the Equity Plan other than their compensation for being Board and Committee members. The Company bears all expenses in connection with administration of the Equity Plan and has agreed to indemnify members of the Compensation Committee in connection with their administration of the Equity Plan. The Compensation Committee may delegate to one or more officers of the Company the authority to grant Awards under the Equity Plan to participants who are not executive officers of the Company.

Stock Options

Stock options granted under the Equity Plan may be either incentive stock options or nonqualified stock options. The exercise period of stock options is determined by the Compensation Committee but, in no event, may stock options be exercisable more than ten years from the date they are granted. The Equity Plan provides the Compensation Committee with the ability, at its discretion, to grant performance-based options subject to the achievement of one or more of the performance factors described under the heading "Performance Factors" below.

Exercise Price

The Compensation Committee determines the exercise price of each option granted under the Equity Plan. The option exercise price for each incentive and nonqualified stock option share must be no less than 100% of the "fair market value" (as defined in the Equity Plan) of a share of common stock at the time the stock option is granted. In the case of an incentive stock option granted to a stockholder that owns more than 10% of the total combined voting power of all classes of stock of EA or any parent or subsidiary of EA (a "Ten Percent Stockholder"), the exercise price for each such incentive stock option must be no less than 110% of the fair market value of a share of common stock at the time the incentive stock option is granted.

The exercise price of options and purchase price of shares granted under the Equity Plan may be paid as approved by the Compensation Committee at the time of grant: (a) in cash (by check); (b) by cancellation of indebtedness of the Company to the award holder; (c) by surrender of shares that either: (1) have been owned by the award holder for more than six (6) months and have been paid for within the meaning of SEC Rule 144; or (2) were obtained by the award holder in the public market; (d) by waiver of compensation due or accrued for services rendered; (e) with respect only to purchases upon exercise of an option, and provided that a public market for the Company's stock exists: (1) subject to applicable laws, by a "same-day sale" commitment from the optionee and a National Association of Securities Dealers, Inc. ("NASD") broker; or (2) by a "margin" commitment from the optionee and an NASD broker; (f) by withholding from the shares to be issued upon exercise of an award that number of shares having a fair market value equal to the minimum amount required to satisfy the exercise price or purchase price; (g) by any combination of the foregoing; or (h) such other consideration and method of payment for issuance of shares to the extent permitted by applicable laws.

No Repricings or Exchanges of Awards Without Stockholder Approval

The Compensation Committee may, at any time or from time to time, authorize the Company, with the consent of the affected Equity Plan participants, to issue new awards in exchange for the surrender and cancellation of any or all outstanding awards; *provided, however,* that no such exchange program may, without the approval of the Company's stockholders, allow for the cancellation of an outstanding option followed by its immediate replacement with a new option having a lower exercise price. The Compensation Committee may also, subject to approval by the Company's stockholders, at any time buy a previously granted award with payment in cash, shares (including restricted stock) or other consideration, based on such terms and conditions as the Committee and the Participant may agree.

Outside Directors

Our non-employee directors are entitled to receive automatic annual grants of options to purchase shares of our common stock under the Equity Plan. Each non-employee director who first becomes a member of the Board of Directors is granted an option to purchase 25,000 shares of common stock. Upon re-election to our Board of Directors following each annual meeting of our stockholders, each non-employee director is automatically granted an additional option to purchase 10,000 shares of common stock. As proposed to be amended, (a) each non-employee director who first becomes a member of the Board of Directors would be granted an option to purchase 17,500 shares of common stock and 2,500 restricted stock units, and (b) upon election (following an earlier appointment) or re-election to our Board of Directors following each annual meeting of our stockholders, each non-employee director would automatically be granted an additional option to purchase 8,400 shares of common stock and 1,200 restricted stock units. If a non-employee director has not served on our Board of Directors for a full year at the time of the annual meeting of our stockholders, such director will receive a pro-rated annual grant.

Options issued to outside directors upon their initial election to the Board are exercisable as to 2% of the shares on the date of grant and as to an additional 2% of the shares on the first day of each calendar month after the date of grant so long as the outside director continues as a member of the Board. The vesting schedule for all restricted stock units and annual stock option grants made to directors upon their re-election to the Board is subject to the discretion of the Compensation Committee.

In the event of our dissolution or liquidation or a "change in control" transaction, options granted to our non-employee directors under the Equity Plan will become 100% vested and exercisable in full.

In addition, our non-employee directors may elect to receive all or a portion of their cash compensation in shares of common stock. Directors making this election are entitled to receive shares having a value equal to 110% of the amount of the cash compensation foregone.

Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights (a "SAR" or "SARs") as stand-alone awards or in addition to, or in tandem with, other awards under the Equity Plan under such terms, conditions and restrictions as the Compensation Committee may determine; provided, however, that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. A SAR is an award which provides the holder with the right to receive the appreciation in value of a set number of shares of company stock over a set period of time. A SAR is similar to an option in that the holder benefits from any increases in stock price above the exercise price set forth in the award agreement. However, unlike an option, the holder is not required to pay an exercise price to exercise a SAR, but simply receives the net amount of the increase in stock price in the form of cash or stock. The exercise price for a SAR must be no less than 100% of the "fair market value" (as defined in the Equity Plan) of a share of common stock at the time the SAR is granted. In addition, the Compensation Committee may, at its discretion, subject SARs to the achievement of one or more of the performance factors described under the heading "Performance Factors" below.

Restricted Stock Awards

The Compensation Committee may grant restricted stock awards either in addition to, or in tandem with, other awards under the Equity Plan under such terms, conditions and restrictions as the Compensation Committee may determine. A restricted stock award is an offer by Electronic Arts to award shares of common stock that are subject to restrictions established by the Compensation Committee. These restrictions may be based upon completion by the award holder of a specified number of years of service or by the attainment of one or more of the performance factors described under the heading "Performance Factors" below. The purchase price, if any, for each such award is determined by the Compensation Committee at the time of grant. In the case of an award to a Ten Percent Stockholder, the purchase price must be 100% of fair market value. The purchase price, if any, may be paid for in any of the forms of consideration listed in items under "Exercise Price" above, as are approved by the Compensation Committee at the time of grant.

Restricted Stock Units

The Compensation Committee may grant restricted stock unit awards either in addition to, or in tandem with, other awards under the Equity Plan under such terms, conditions and restrictions as the Compensation Committee may determine. A restricted stock unit award is similar to a restricted stock award (and may be awarded subject to any or all of the performance goals established by the Committee described under the heading "Performance Factors" below) except the stock is not delivered to the participant unless and until all restrictions have terminated.

Performance Factors

The Compensation Committee may grant, in its sole discretion, performance-based stock options, stock appreciation rights, restricted stock and restricted stock unit awards with vesting and/or exercisability conditioned on one or more of the following permissible performance factors, to be measured over a specified performance period that may be as short as a quarter or as long as five years (unless tied to a specific and objective milestone or event), to the extent applicable on an absolute basis or relative to a pre-established target: (a) net revenue; (b) earnings before interest, income taxes, depreciation and amortization; (c) operating income; (d) operating margin; (e) net income; (f) earnings per share; (g) total stockholder return; (h) the Company's stock price; (i) growth in stockholder value relative to a pre-determined index; (j) return on equity; (k) return on invested capital; (l) operating cash flow; (m) free cash flow; (n) economic value added; and (o) individual confidential business objectives. In addition, the Committee may, in its sole discretion and in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the performance factors to preserve the Committee's original intent regarding the performance factors at the time of the initial award grant.

Mergers, Consolidations, Change of Control

Except for automatic grants to non-employee directors, in the event of a merger, consolidation, dissolution or liquidation of EA, the sale of substantially all of its assets or any other similar corporate transaction, the successor corporation may assume, replace or substitute equivalent awards in exchange for those granted under the Equity Plan or provide substantially similar consideration, shares or other property as was provided to our stockholders (after taking into account the provisions of the awards). In the event that the successor corporation does not assume, replace or substitute awards, such awards will accelerate and all options will become exercisable in full prior to the consummation of the transaction at the time and upon the conditions as the Compensation Committee determines. Any awards not exercised prior to the consummation of the transaction will terminate.

Transferability

Incentive stock options granted under the Equity Plan are not transferable other than by means of a distribution upon the optionee's death. Nonqualified stock options, stock appreciation rights, restricted stock, and restricted stock unit awards are subject to similar restrictions on transfer unless otherwise determined by the Compensation Committee and except that nonqualified stock options may be transferred to family members and trusts or foundations controlled by, or primarily benefiting, family members of the optionee.

Term of the Equity Plan

Unless terminated earlier as provided in the Equity Plan, the Equity Plan expires in 2010, ten (10) years from the date it was adopted by the Board of Directors.

United States Federal Income Tax Information

THE FOLLOWING IS A GENERAL SUMMARY AS OF THE DATE OF THIS PROXY STATEMENT OF THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THE COMPANY AND PARTICIPANTS UNDER THE EQUITY PLAN. THE FEDERAL TAX LAWS MAY CHANGE AND THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES FOR ANY PARTICIPANT WILL DEPEND UPON HIS OR HER INDIVIDUAL CIRCUMSTANCES. IN ADDITION, THE INTERNAL REVENUE SERVICE COULD, AT ANY TIME, TAKE A POSITION CONTRARY TO THE INFORMATION DESCRIBED IN THE FOLLOWING SUMMARY. ANY TAX EFFECTS THAT ACCRUE TO FOREIGN PARTICIPANTS AS A RESULT OF PARTICIPATING IN THE EQUITY PLAN ARE GOVERNED BY THE TAX LAWS OF THE COUNTRIES IN WHICH SUCH PARTICIPANT RESIDES OR IS OTHERWISE SUBJECT. EACH PARTICIPANT WILL BE ENCOURAGED TO SEEK THE ADVICE OF A QUALIFIED TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PARTICIPATION IN THE EQUITY PLAN.

Incentive Stock Options

A participant will recognize no income upon grant or vesting of an incentive stock option and will generally not incur tax on its exercise. Unless the participant is subject to the alternative minimum tax ("AMT"), the participant will recognize income only when the shares acquired upon the exercise of an incentive stock option (the "ISO Shares") are sold or otherwise disposed of. If the participant holds ISO Shares for more than one year after the date the option was exercised and for more than two years after the date the option was granted, the participant will realize a long-term capital gain or loss (rather than ordinary income) upon disposition of the ISO Shares. This long-term capital gain or loss will be equal to the difference between the amount realized upon such disposition and the amount paid for the ISO Shares.

If the participant disposes of ISO Shares prior to the expiration of either the one-year or two-year required holding period (a "disqualifying disposition"), the gain realized upon such disposition, up to the difference between the fair market value of the ISO Shares on the date of exercise (or, if less, the amount realized on a sale of such shares) and the option exercise price, will be treated as ordinary income. Any additional gain will be capital gain, taxed at a rate that depends upon the amount of time the ISO Shares were held by the participant.

Alternative Minimum Tax

The Alternative Minimum Tax ("AMT") is a separately computed tax which was devised to ensure that at least a minimum amount of income tax is paid. AMT is imposed only if and to the extent that a participant would pay more tax if his or her income tax were calculated pursuant to the AMT rules than if calculated in the regular manner. The difference between the option exercise price and the fair market value of the ISO Shares on the date of exercise is includable as income for purposes of calculating the AMT for both a (i) a vested ISO and (ii) an unvested ISO for which the participant makes a timely election under Section 83(b) of the U.S. Internal Revenue Code (an "83(b) election"). If a participant exercises an ISO before it has fully vested but does not make an 83(b) election, as the ISO Shares vest and the Company's right to repurchase the ISO Shares at the original issue price lapses, the participant will incur an AMT liability on the difference between the option exercise price and the fair market value of the ISO Shares at vesting.

Alternative minimum taxable income is determined by adjusting regular taxable income for certain items, increasing that income by certain tax preference items (including the difference between the fair market value of the ISO Shares on the date of exercise and the exercise price) and reducing this amount by the applicable exemption amount. The exemption amount for 2007 is $45,000 in the case of a joint return, subject to reduction under certain circumstances. The AMT (imposed to the extent it exceeds the taxpayer's regular income tax) is 26% of an individual taxpayer's alternative minimum taxable income (28% in the case of alternative minimum taxable income in excess of $175,000 in the case of married individuals filing a joint return). If a disqualifying disposition of the ISO Shares occurs in the same calendar year as the exercise of an incentive stock option, those ISO Shares are not included in the AMT calculation.

If a participant has to pay AMT, he or she is entitled to a credit against income tax (but not AMT) in later years. Also, upon a sale of ISO Shares that is not a disqualifying disposition, alternative minimum taxable income is reduced in the year of sale by the amount that was previously included in alternative minimum taxable income in the year of exercise, the excess of the fair market value of the ISO Shares at exercise of the amount paid for the ISO Shares.

Nonqualified Stock Options

A participant will generally not recognize any taxable income at the time a nonqualified stock option ("NQSO") is granted or vests provided the exercise price is no less than the fair market value of the underlying shares on the grant date. Upon exercise of a vested NQSO, the participant will include in income as compensation an amount equal to the difference between the fair market value of the shares on the date of exercise and the participant's exercise price. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the award or withholding out of the participant's salary). If a participant exercises an NQSO before it has vested, the participant may incur an income tax liability as the shares vest and the Company's right to repurchase the shares at the original price lapses, unless the participant makes a timely 83(b) election. Upon resale of the shares by the participant, any subsequent appreciation or depreciation in the value of the shares will be treated as a capital gain or loss, taxable at a rate that depends upon the length of time the shares were held by the participant.

Restricted Stock Awards

A participant who receives a restricted stock award will include the amount of the award in income as compensation at the time that any forfeiture restrictions on the shares of stock lapse, unless the participant makes a timely 83(b) election. If the participant does not timely make an 83(b) election, the participant will include in income the fair market value of the shares of stock on the date that the restrictions lapse as to those shares, less any purchase price paid for such shares. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the participant's award or withholding out of the participant's salary).

If the participant makes a timely 83(b) election, the participant will, at the time the award is received, include the fair market value of the shares of stock on the date of receipt of the award (determined without regard to lapse restrictions), less any purchase price paid for such shares in income as compensation. The income will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the participant's salary or withholding out of the participant's award). If the award is subsequently forfeited, the participant will not receive any deduction for the amount previously taxed as ordinary income.

Restricted Stock Units

A participant will recognize income as compensation with respect to an award of restricted stock units at the time that the restrictions lapse, provided the shares are issued on the date the restrictions lapse. The participant will include in income the fair market value of the shares of stock on the date that the restrictions lapse as to those shares, less any purchase price paid for such shares. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the participant's award or withholding out of the participant's salary).

Stock Appreciation Rights

Assuming that a stock appreciation right ("SAR") is granted at an exercise price that is not less than the fair market value of the underlying shares on the grant date, a participant will not recognize any taxable income at the time a SAR is granted or when the SAR vests. However, upon exercise of a vested SAR, an amount equal to the difference between the fair market value of the shares on the date of exercise and the participant's exercise price will be included in income as compensation to the participant. The included amount will be taxed as ordinary income to the participant and will be subject to withholding by the Company or its subsidiary (by payment in cash, withholding out of the award or withholding out of the participant's salary). Upon resale of the shares issued to the participant at the time of exercise, any subsequent appreciation or depreciation in the value of the shares will be treated as capital gain or loss, taxable at a rate that depends upon the length of time the shares were held by the participant.

Internal Revenue Code Section 409A

At the present time, the Company intends to grant equity awards to participants which are either outside the scope of Section 409A of the U.S. Internal Revenue Code or are exempted from the application of Section 409A. If the equity award is subject to Section 409A and the requirements of Section 409A are not met, participants may suffer adverse tax consequences with respect to the equity award. Such consequences may include taxation at the time of the vesting of the award, an increased tax rate and interest and penalties on any deferred income.

Tax Treatment of the Company

To the extent that the participant recognizes ordinary income and the Company properly reports such income to the Internal Revenue Service (the "IRS"), the Company generally will be entitled to a deduction in connection with the exercise of a NQSO or a SAR by a participant or upon the lapse of restrictions with respect to a participant's restricted stock or restricted stock unit award. The Company will be entitled to a deduction in connection with the disposition of ISO Shares only to the extent that the participant recognizes ordinary income on a disqualifying disposition of the ISO Shares and provided that the Company properly reports such income to the IRS.

ERISA

The Equity Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974 and is not qualified under Section 401(a) of the Code.

Outstanding Equity Awards Granted Under the Equity Plan

As of March 31, 2007, 19,993,932 shares had been issued pursuant to exercises of stock options under the Equity Plan by award recipients, 5,838 persons held NQSOs under the Equity Plan to purchase an aggregate of 29,782,810 shares of common stock, with a weighted average exercise price of $44.53 per share, 4,929 persons held restricted stock units to acquire 1,782,809 shares, 337 persons held 348,066 shares of restricted stock, and there were 15,307,843 shares of common stock available for future awards under the Equity Plan. An aggregate of 67,400,000 shares of the Company's authorized common stock have been reserved for issuance under the Equity Plan.

Proposed Amendments to the Equity Plan

At the 2007 Annual Meeting, stockholders will be asked to approve amendments to the Equity Plan as follows:

- Increase the number of shares authorized and reserved for issuance under the Equity Plan by 9,000,000 shares to a total of 76,400,000 shares;
- Decrease by 4 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan — from 15 million to 11 million; and
- Revise the amount and nature of annual automatic grants to our non-employee directors by adding restricted stock units and decreasing the size of stock option grants. As proposed to be revised, non-employee directors will be eligible to automatically receive an option grant to purchase 17,500 shares and 2,500 restricted stock units issued under the Equity Plan upon their initial appointment or election to the Board, and each continuing non-employee director will be eligible to automatically receive an annual option grant to purchase 8,400 shares and 1,200 restricted stock units upon his or her election or re-election to the Board.

Appendix B

GENERAL DESCRIPTION OF THE 2000 EMPLOYEE STOCK PURCHASE PLAN

2000 Employee Stock Purchase Plan, as Amended

History. The 2000 Purchase Plan was adopted by the Board on May 25, 2000, approved by the Stockholders on July 27, 2000, and has been subsequently amended. The following discussion describes the material terms of the Purchase Plan, as amended to date.

Purpose. The purpose of the Purchase Plan is to provide employees of the Company with a convenient means of acquiring common stock of the Company through payroll deductions, to enhance the employees' sense of participation in the affairs of the Company and subsidiaries, and to provide an incentive for continued employment.

Administration. The Purchase Plan is administered on behalf of the Board by the Compensation Committee of the Board. The interpretation by the Compensation Committee of any provision of the Purchase Plan is final and binding on all participating employees.

Eligibility. All employees of the Company (including directors who are employees), or any parent or subsidiary, are eligible to participate in the Purchase Plan except the following: (i) employees who are not employed by the Company on the 15th day of the month before the beginning of an Offering Period (as defined below); (ii) employees who are customarily employed for less than 20 hours per week; (iii) employees who are customarily employed for less than 5 months in a calendar year; and (iv) employees who, pursuant to Section 424(d) of the Code, own or hold options to purchase or who, as a result of participation in the Purchase Plan, would own stock or hold options to purchase stock representing 5% or more of the total combined voting power or value of all classes of stock of the Company or any parent or subsidiary. As of June 1, 2007, the Company estimates that approximately 8,100 persons were eligible to participate in the Purchase Plan.

Participation. Each offering of the Company's common stock under the Purchase Plan is for a period of one year (the "Offering Period"). Offering Periods commence on the first business day of March and September of each year. The first day of each Offering Period is the "Offering Date" for such Offering Period. An employee cannot participate simultaneously in more than one Offering Period. Each Offering Period consists of two six-month purchase periods (each a "Purchase Period") commencing on the first business day of March and September. The last day of each Purchase Period is a "Purchase Date."

Employees may participate in the Purchase Plan during each pay period through payroll deductions. An employee sets the rate of such payroll deductions, which may not be less than 2% nor more than 10% of the employee's base salary, wages, commissions, overtime, shift premiums and bonuses plus draws against commissions, unreduced by the amount by which the employee's salary is reduced pursuant to Sections 125 or 401(k) of the Code. Eligible employees may elect to participate in any Offering Period by enrolling as provided under the terms of the Purchase Plan. Once enrolled, a participating employee will automatically participate in each succeeding Offering Period unless such employee withdraws from the Offering Period. After the rate of payroll deductions for an Offering Period has been set by an employee, that rate continues to be effective for the remainder of the Offering Period (and for all subsequent Offering Periods in which the employee is automatically enrolled) unless otherwise changed by the employee. The employee may increase or lower the rate of payroll deductions for any subsequent Offering Period but may only lower the rate of payroll deductions during the current Purchase Period. Not more than one change may be made effective during any one Purchase Period.

In any given Purchase Period, no employee may purchase more than (a) twice the number of shares that could have been purchased with the payroll deductions if the purchase price were determined by using 85% of the fair market value of a share of the Company's common stock on the Offering Date or (b) the maximum number of shares set by the Board. In addition, no employee may purchase shares at a rate that, when aggregated with all other rights to purchase stock under all other employee stock purchase plans of the

Company, or any parent or subsidiary of the Company, exceeds $25,000 in fair market value (determined on the Offering Date) for each year.

Purchase Price. The purchase price of shares that may be acquired in any Purchase Period under the Purchase Plan is 85% of the lesser of (a) the fair market value of the shares on the Offering Date of the Offering Period in which the participant is enrolled or (b) the fair market value of the shares on the Purchase Date. The fair market value of the common stock on a given date is the closing price of the common stock on the immediately preceding business day as quoted on the NASDAQ Global Select Market.

Purchase of Stock. The number of whole shares an employee may purchase in any Purchase Period is determined by dividing the total amount of payroll deductions withheld from the employee during the Purchase Period pursuant to the Purchase Plan by the price per share determined as described above, subject to the limitations described above. The purchase takes place automatically on the last day of the Purchase Period.

Withdrawal. An employee may withdraw from any Offering Period at any time at least 15 days prior to the end of an Offering Period. No further payroll deductions for the purchase of shares will be made for the succeeding Offering Period unless the employee enrolls in the new Offering Period in the same manner as for initial participation in the Purchase Plan.

Termination of Employment. Termination of an employee's employment for any reason, including retirement or death, immediately cancels the employee's participation in the Purchase Plan. In such event, the payroll deductions credited to the employee's account will be returned to such employee or, in case of death, to the employee's legal representative.

Adjustment Upon Changes in Capitalization. The number of shares subject to any purchase, and the number of shares issuable under the Purchase Plan, is subject to adjustment in the event of a recapitalization of the Company's common stock. In the event of a proposed dissolution or liquidation of the Company, the Offering Period will terminate and the Board may, in its sole discretion, give participants the right to purchase shares that would not otherwise be purchasable until the last day of the applicable Purchase Period.

Tax Treatment of U.S.-based Participants. Participating employees in the U.S. will not recognize income for federal income tax purposes either upon enrollment in the Purchase Plan or upon the purchase of shares. All federal income tax consequences are deferred until a participating U.S. employee sells the shares, disposes of the shares by gift, or dies.

If shares are held for more than one year after the date of purchase and more than two years from the beginning of the applicable Offering Period, or if the employee dies while owning the shares, the employee realizes ordinary income on a sale (or a disposition by way of gift or upon death) to the extent of the lesser of: (i) 15% of the fair market value of the shares at the beginning of the Offering Period; or (ii) the actual gain (the amount by which the market value of the shares on the date of sale, gift or death, exceeds the purchase price). All additional gain upon the sale of shares is treated as long-term capital gain. If the shares are sold and the sale price is less than the purchase price, there is no ordinary income, and the employee has a long-term capital loss for the difference between the sale price and the purchase price.

If the shares are sold or are otherwise disposed of, including by way of gift (but not death, bequest or inheritance), prior to the expiration of either the one-year or the two-year holding periods described above (in any case a "disqualifying disposition"), the employee will realize ordinary income at the time of sale or other disposition taxable to the extent that the fair market value of the shares at the date of purchase was greater than the purchase price. This excess will constitute ordinary income in the year of the sale or other disposition even if no gain is realized on the sale or if a gratuitous transfer is made. The difference, if any, between the proceeds of sale and the fair market value of the shares at the date of purchase is a capital gain or loss. Capital gains may be offset by capital losses, and up to $3,000 of capital losses in excess of capital gains may be offset annually against ordinary income. Ordinary income recognized by an employee upon a disqualifying disposition constitutes taxable compensation that will be reported on a W-2 form. The Company takes the position that any ordinary income recognized upon a sale or other disposition is not subject to withholding.

Tax Treatment of non-U.S.-based Participants. For participants residing outside the U.S., the Company will assess its requirements regarding tax, social insurance and other applicable taxes in connection with participation in the Purchase Plan. These requirements may change from time to time as laws or interpretations change.

Tax Treatment of the Company. The Company is entitled to a deduction in connection with the disposition of shares acquired under the Purchase Plan only to the extent that the employee recognized ordinary income on a disqualifying disposition of the shares. The Company treats any transfer of record ownership of shares, including transfer to a broker or nominee or into "street name," as a disposition, unless it is notified to the contrary. In order to enable the Company to learn of disqualifying dispositions and ascertain the amount of the deductions to which it is entitled, employees are required to notify the Company in writing of the date and terms of any disposition of shares purchased under the Purchase Plan.

Proposed Amendment of the 2000 Employee Stock Purchase Plan

At the 2007 Annual Meeting, stockholders will be asked to approve an amendment to the Purchase Plan to increase by 1,500,000 the number of shares of the Company's common stock reserved for issuance under the Purchase Plan. None of these proposed shares have been granted or issued on the basis of such proposed approval.

Appendix C

ELECTRONIC ARTS INC.
EXECUTIVE BONUS PLAN

Adopted by the Board of Directors May 29, 2007
Effective April 1, 2007

1. **Purpose.** The purpose of this Plan is to provide certain employees of the Company and its subsidiaries with incentive compensation based upon the level of achievement of financial, business and other performance criteria. This Plan is intended to permit the payment of bonuses that may qualify as performance-based compensation under Code Section 162(m).

2. **Definitions.**

   (a) **"Affiliate"** means any corporation or other entity (including, but not limited to, partnerships and joint ventures) controlled by the Company.

   (b) **"Board"** means the Board of Directors of the Company.

   (c) **"Bonus"** means a cash payment made pursuant to this Plan with respect to a particular Performance Period, determined pursuant to Section 8 below; provided, however, that a Bonus shall not be greater than an amount equal to two hundred percent (200%) of the Bonus Target, and notwithstanding the foregoing, in any event the Bonus shall not exceed $5,000,000 in any Fiscal Year.

   (d) **"Bonus Target"** shall mean a Bonus amount that may be paid if one hundred percent (100%) of all the applicable Performance Measures are achieved at target in the Performance Period. The Bonus Target shall be equal to a fixed percentage of the Participant's base salary for such Performance Period, and such fixed percentage shall not exceed one hundred and fifty percent (150%) of a Participant's base pay. Such percentage shall be determined by the Committee prior to the Predetermination Date.

   (e) **"Bonus Formula"** means as to any Performance Period, the formula established by the Committee pursuant to Section 6 in order to determine the Bonus amounts, if any, to be paid to Participants based upon the level of achievement of targeted goals for the selected Performance Measures. The formula may differ from Participant to Participant or business group to business group. The Bonus Formula shall be of such a nature that an objective third party having knowledge of all the relevant facts could determine whether targeted goals for the Performance Measures have been achieved.

   (f) **"Code"** means the United States Internal Revenue Code of 1986, as amended.

   (g) **"Company"** means Electronic Arts Inc., a Delaware corporation.

   (h) **"Committee"** means the Compensation Committee of the Board, or any other subcommittee of the Board or Compensation Committee, who shall be comprised solely of "outside directors" within the meaning of Code section 162(m).

   (i) **"Fiscal Year"** means the 52- or 53-week period that ends on the Saturday nearest March 31.

   (j) **"Participant"** means any senior executive of the Company or of an Affiliate who has been selected by the Committee to participate in the Plan for a given Performance Period.

   (k) **"Performance-Based Compensation"** means compensation that qualifies as "performance-based compensation" within the meaning of Code Section 162(m).

   (l) **"Performance Measure"** means any one or more of the following performance criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, Affiliate, region, or business segment, either individually, alternatively or in any combination, and measured either on an absolute basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, in each case as specified by the Committee: cash flow (including operating cash flows or free cash flow), revenue (on an absolute basis or adjusted for currency effects), gross margin, operating expenses or operating expenses as a percentage of revenue, earnings (which may include earnings before interest and taxes, earnings before taxes, and net earnings, and may be determined in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") or adjusted to exclude any or all non-GAAP items), earnings per share (on a GAAP or non-GAAP basis), growth in any of the foregoing measures, stock price, return on equity or average stockholders' equity, total stockholder return, growth in stockholder value relative to the moving average of the S&P 500 Index or another index, return on capital, return on assets or net assets, return on investment, economic value added, operating income, operating profit, controllable operating profit, or net operating profit, net profit, net income, operating margin, cash conversion cycle, market share, contract awards or backlog, overhead or other expense reduction, credit rating, strategic plan development and implementation, succession plan development and implementation, improvement in workforce diversity, customer indicators, new product invention or innovation, attainment of research and development milestones, improvements in productivity, attainment of objective operating goals and employee metrics.

(m) **"Performance Period"** means any Fiscal Year or such other period as determined by the Committee.

(n) **"Plan"** means this Electronic Arts Inc. Executive Bonus Plan.

(o) **"Predetermination Date"** means, for a Performance Period, (i) the earlier of 90 days after commencement of the Performance Period or the expiration of 25% of the Performance Period, provided that the achievement of targeted goals under the selected Performance Measures for the Performance Period is substantially uncertain at such time; or (ii) such other date on which a performance goal is considered to be pre-established pursuant to Code Section 162(m).

3. Eligibility. Participants are eligible to participate in this Plan for a given Performance Period.

4. Plan Administration.

(a) The Committee shall be responsible for the requirements for qualifying compensation as Performance-Based Compensation. Subject to the limitations on Committee discretion imposed under Code Section 162(m), the Committee shall have such powers as may be necessary to discharge its duties hereunder. The Committee shall be responsible for the general administration and interpretation of this Plan and for carrying out its provisions, including the authority to construe and interpret the terms of this Plan, determine the manner and time of payment of any Bonuses, prescribe forms and procedures for purposes of Plan participation and distribution of Bonuses and adopt rules, regulations and to take such actions as it deems necessary or desirable for the proper administration of this Plan. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company; provided, however, that the Committee may not delegate its authority and/or powers with respect to awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code.

(b) Any rule or decision by the Committee or its delegate(s) that is not inconsistent with the provisions of this Plan shall be conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

5. Term. This Plan shall be effective as of April 1, 2007. Notwithstanding the foregoing, this Plan shall terminate unless it is approved at the next Company annual stockholders meeting following the date that the Board adopts this Plan. Once approved by the Company's stockholders, this Plan shall continue until the earlier of (i) a termination under Section 9 of this Plan, (ii) the date any stockholder approval requirement under Code Section 162(m) ceases to be met or (iii) the date that is five years after the stockholder meeting in fiscal 2008.

6. Bonuses. Prior to the Predetermination Date for a Performance Period, the Committee shall designate or approve in writing, the following:

(a) Performance Period;

(b) Positions or names of employees who will be Participants for the Performance Period;

(c) Targeted goals for selected Performance Measures during the Performance Period;

(d) Bonus Target for each Participant or group of Participants; and

(e) Applicable Bonus Formula for each Participant, which may be for an individual Participant or a group of Participants.

7. Determination of Amount of Bonus.

(a) **Calculation.** After the end of each Performance Period, the Committee shall certify in writing (to the extent required under Code Section 162(m)) the extent to which the targeted goals for the Performance Measures applicable to each Participant for the Performance Period were achieved or exceeded. The Bonus for each Participant shall be determined by applying the Bonus Formula to the level of actual performance that has been certified by the Committee. Notwithstanding any contrary provision of this Plan, the Committee, in its sole discretion, may eliminate or reduce the Bonus payable to any Participant below that which otherwise would be payable under the Bonus Formula.

The Committee may appropriately adjust any evaluation of performance under a Performance Measure to exclude any of the following events that occurs during a Performance Period: (A) the effects of currency fluctuations, (B) any or all items that are excluded from the calculation of non-GAAP earnings as reflected in any Electronic Arts press release and Form 8-K filing relating to an earnings announcement, (C) asset write-downs, (D) litigation or claim judgments or settlements, (E) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (F) accruals for reorganization and restructuring programs, and (G) any other extraordinary or non-operational items.

(b) **Right to Receive Payment.** Each cash portion of a Bonus under this Plan shall be paid solely from general assets of the Company and its Affiliates. This Plan is unfunded and unsecured; nothing in this Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right to, or form of, payment of a Bonus other than as an unsecured general creditor with respect to any payment to which he or she may be entitled. Except as may otherwise be provided for in Section 8 below, in the event a Participant terminates employment with the Company (or any Affiliate) prior to the end of a Performance Period he or she shall not be entitled to the payment of a Bonus for the applicable Performance Period.

8. Payment of Bonuses.

(a) **Timing of Distributions.** The Company and its Affiliates shall distribute amounts payable to Participants as soon as is administratively practicable following the determination and written certification of the Committee for a Performance Period, but in no event later than two and one-half months after the end of the calendar year in which the Performance Period ends, except to the extent a Participant has made a timely election to defer the payment of all or any portion of such Bonus under the Electronic Arts Inc. Deferred Compensation Plan or any other Company approved deferred compensation plan or arrangement.

(b) **Payment.** The payment of a Bonus, if any (as determined by the Committee at the end of the Performance Period), with respect to a specific Performance Period requires that the employee be an active employee on the Company's or its Affiliate's payroll on the date that such Bonus is paid, subject to subsection (d), below. Additionally, the Committee may make exceptions to the foregoing active employment requirement in the case of retirement, death or disability, or in the case of a corporate change in control, in each case as determined by the Committee.

(c) The Bonus shall be payable in cash in a single lump sum.

(d) **Change in Status.** A Participant who has a change in status that results in being ineligible to participate in this Plan in a Performance Period may receive a prorated Bonus, if any (as determined by the Committee at the end of the Performance Period, in its sole discretion), under this Plan; the method in which a Bonus is prorated shall be determined by the Committee in its sole discretion.

(e) **Code Section 409A.** To the extent that any Bonus under the Plan is subject to Code Section 409A, the terms and administration of such Bonus shall comply with the provisions of such Section, applicable IRS guidance and good faith reasonable interpretations thereof, and, to the extent necessary to achieve compliance, shall be modified, replaced, or terminated at the discretion of the Committee.

9. Amendment and Termination.

(a) The Committee may amend, modify, suspend or terminate this Plan, in whole or in part, at any time, including the adoption of amendments deemed necessary or desirable to correct any defect or to supply omitted data or to reconcile any inconsistency in this Plan or in any Bonus granted hereunder; provided, however, that no amendment, alteration, suspension or discontinuation shall be made which would (i) increase the amount of compensation payable pursuant to such Bonus, or (ii) cause compensation that is, or may become, payable hereunder to fail to qualify as Performance-Based Compensation. Notwithstanding the foregoing, the Committee may any amend, modify, suspend or terminate this Plan if any such action is required by law. To the extent required under applicable law, including Code section 162(m), Plan amendments shall be subject to stockholder approval. At no time before the actual distribution of funds to Participants under this Plan shall any Participant accrue any vested interest or right whatsoever under this Plan except as otherwise stated in this Plan.

(b) In the case of Participants employed outside the United States, the Company or its Affiliate may vary the provisions of this Plan as deemed appropriate to conform with, as required by, or made desirable by, local laws, practices and procedures.

10. Withholding. Distributions pursuant to this Plan shall be subject to all applicable taxes and contributions required by law to be withheld in accordance with procedures established by the Company.

11. No Additional Participant Rights. The selection of an individual for participation in this Plan shall not give such Participant any right to be retained in the employ of the Company or any of its Affiliates, and the right of the Company and any such Affiliate to dismiss such Participant or to terminate any arrangement pursuant to which any such Participant provides services to the Company, with or without cause, is specifically reserved. No person shall have claim to a Bonus under this Plan, except as otherwise provided for herein, or to continued participation under this Plan. There is no obligation for uniformity of treatment of Participants under this Plan. The benefits provided for Participants under this Plan shall be in addition to and shall in no way preclude other forms of compensation to or in respect of such Participants. The employment of a Participant is terminable at the will of either party and, if such Participant is a party to an employment contract with the Company or one of its Affiliates, in accordance with the terms and conditions of the Participant's employment agreement.

12. Successors. All obligations of the Company or its Affiliates under this Plan, with respect to awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

13. Nonassignment. The rights of a Participant under this Plan shall not be assignable or transferable by the Participant except by will or the laws of descent and distribution.

14. Severability. If any portion of this Plan is deemed to be in conflict with local law, that portion of the Plan, and that portion only, will be deemed void under local law. All other provisions of the Plan will remain in effect. Furthermore, if any provision of this Plan would cause Bonuses not to constitute Performance-Based Compensation, that provision shall be severed from, and shall be deemed not to be a part of, the Plan, but the other provisions hereof shall remain in full force and effect.

15. Governing Law. This Plan shall be governed by the laws of the State of Delaware.

Electronic Arts Inc.

2007 Annual Report on Form 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended March 31, 2007

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. 0-17948

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	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	The NASDAQ Stock Market LLC

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

Annual Report

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

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

The aggregate market value of the registrant's common stock, $0.01 par value, held by non-affiliates of the registrant as of September 29, 2006, the last business day of the second fiscal quarter, was $17,149,452,000.

As of May 24, 2007 there were 311,473,084 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 2007 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

ELECTRONIC ARTS INC.
2007 FORM 10-K ANNUAL REPORT

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PART I

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Report are forward looking. We use words such as "anticipate", "believe", "expect", "intend", "estimate" (and the negative of any of these terms), "future" and similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk and reflect management's current expectations, and involve subjects that are inherently uncertain and difficult to predict. Our actual results could differ materially. We will not necessarily update information if any forward-looking statement later turns out to be inaccurate. Risks and uncertainties that may affect our future results include, but are not limited to, those discussed under the heading "Risk Factors", beginning on page 13.

Item 1: *Business*

Overview

Electronic Arts develops, markets, publishes and distributes interactive software games and content that are playable by consumers on the following devices:

- Video game consoles such as the Sony PlayStation® 2 and PLAYSTATION® 3, Microsoft Xbox® and Xbox 360™ and Nintendo Wii™,
- Personal computers (PCs),
- Mobile platforms including cellular handsets and handheld game players such as the PlayStation® Portable ("PSP™"), Nintendo DS™ and Game Boy® Advance and iPod®, and
- Online (over the Internet and other proprietary online networks).

We also sell advertising in many of our games and on our websites.

We refer to consoles, PCs, mobile platforms and online collectively as "platforms". In fiscal 2007, we developed or published products for 13 different platforms. Since our inception, we have published games for over 50 different platforms. This platform diversification continues to be a cornerstone of our product strategy.

The interactive software games that we develop and publish are broken down into two major categories: (1) games developed by our EA Studios, and (2) games that we co-publish with, or distribute on behalf of, another company through our EA Partners group. Our EA Studios games are either developed internally at our development and production studios located in the United States, Canada, England, Sweden, Germany, Singapore, China, Romania and India, or by third parties whom we engage to develop games on our behalf at their own development and production studios. We market, publish and distribute games in over 30 countries throughout the world.

We market the products produced by our studios under the EA™, EA SPORTS™, EA SPORTS BIG™, and POGO™ brands.

We were initially incorporated in California in 1982. In September 1991, we 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.

Development of Our Games

The console, handheld, PC and online games we publish are developed primarily by our EA Studios, while the games we offer for cellular handsets are developed primarily by third parties. In addition, through our EA Partners group, we team with other game development companies to assist them with the development of games on our behalf. For the fiscal years ended March 31, 2007, 2006 and 2005, research and development expenses were $1,041 million, $758 million and $633 million, respectively.

EA Studios

We develop packaged goods games internally at our development and production studios located in the United States, Canada, England, Sweden, Germany, Singapore and China. We invest in the creation of software tools to more efficiently develop games for multiple platforms. We also make investments in facilities and equipment that allow us to create and edit video and audio recordings that are used in our games. Employees whom we call "executive producers" are responsible for overseeing the development of one or more products or "franchises" (a series of sequeled or related products). We also engage third parties to develop games on our behalf at their own development and production studios.

Following our acquisition of JAMDAT Mobile Inc. in February 2006, we merged our existing cellular handset software game development and publishing business into JAMDAT's to establish our EA Mobile business. We engage third parties to develop games for cellular handsets on our behalf at their own development and production studios and, to a lesser extent, we develop cellular handset games internally at our development and production studios located in the United States, Canada, England, Romania and India.

We develop online games and content internally at our development and production studios located in the United States, Canada and Singapore. In fiscal 2007, we acquired Mythic Entertainment, Inc., a developer and publisher of massively multiplayer online role-playing games. We also engage third parties to develop online games on our behalf at their own development and production studios.

In fiscal 2007, we generated approximately 65 percent of our net revenue from games developed by our EA Studios that were initially released during the year, as compared to approximately 73 percent in fiscal 2006. Excluding titles developed for cellular handsets, during fiscal 2007 we released 32 EA Studio titles compared to 31 EA Studio titles in fiscal 2006. In fiscal 2007, we released over 190,000 stock keeping units, or SKUs (a version of a title designed for play on a particular platform), for cellular handsets.

Co-publishing, Distribution and Third Party Development

Through our EA Partners group, we team with other game development companies to assist with the development of their own interactive software games, which we then publish, market and distribute. We refer to these types of arrangements as "co-publishing". For example, in fiscal 2007, we signed a co-publishing agreement with NAMCO BANDAI Games America for *Hellgate: London*™, which is being developed by Flagship Studios.

We also distribute interactive software games that are developed and published by other companies. An example of one of our recent distribution products is *Half-Life® 2: Episode One*, which was developed and published by Valve and distributed worldwide by us.

We also engage third parties to develop games on our behalf.

Publishing Our Games — Marketing, Market Segments and Distribution

We market our products under four major brand names:

- EA — we publish a variety of games under our EA brand. Some of our products published under the EA brand include *Need for Speed*™ *Carbon*, *The Sims*™ *2* and *The Godfather*™ *The Game*;
- EA SPORTS — sports simulation games. Some of our products published under the EA SPORTS brand include *Madden NFL 07*, *FIFA Soccer 07* and *Tiger Woods PGA TOUR® 07*;
- EA SPORTS BIG — arcade-style extreme sports and modified traditional sports games. Some of our products published under the EA SPORTS BIG brand include *Def Jam: Icon*™, *NBA STREET Homecourt* and *FIFA Street 2*; and
- POGO — Online casual games and downloadable casual games.

In addition, our EA Partners group operates under a variety of deal types and structures with the intent of making available our publishing marketing and distribution services to game developers who may not have the scale of our resources.

In fiscal 2007, we had two titles, *Need for Speed Carbon* and *Madden NFL 07*, published on 10 different platforms, each of which represented approximately 11 percent of our total net revenue. In fiscal 2006, we had one title, *Need for Speed Most Wanted*, published on eight different platforms, which represented approximately 10 percent of our total net revenue. In fiscal 2005, we had one title, *Need for Speed Underground 2*, published on five different platforms, which represented approximately 11 percent of our total net revenue.

Packaged Goods

The console, PC and handheld games that we publish are made available to consumers as packaged goods (usually Blu-ray Disc, CD, DVD, cartridge or Universal Media Disc format) that are typically sold in retail stores and through online stores (including our own online store). In North America and Europe, our largest markets, we sell these packaged goods products primarily to retailers, including mass market retailers (such as Wal-Mart), electronics specialty stores (such as Best Buy) or game software specialty stores (such as GameStop). Many of our PC products can also be purchased over the Internet through digital download.

We generated approximately 95 percent of our North American packaged goods net revenue from direct sales to retailers, with the remaining net revenue being generated through a limited number of specialized and regional distributors and rack jobbers in markets where we believe direct sales would not be economical. Outside of North America, we derive packaged goods revenue primarily from direct sales to retailers. In a few of our smaller markets, we sell our packaged goods products through distributors with whom we have written agreements or informal arrangements, depending on the business customs of the territories. We also distribute products of other companies through our rack jobbing business in Switzerland. We had direct sales to Wal-Mart Stores, Inc. which represented approximately 13 percent of total net revenue in both fiscal 2007 and 2006, and approximately 14 percent of total net revenue in fiscal 2005. We also had direct sales to GameStop Corp. which represented approximately 12 percent of total net revenue in fiscal 2007.

Video Games — Consoles, Handhelds and PCs. Historically, there have been multiple video game consoles and handheld game players available to consumers, and there has been vigorous competition among manufacturers. While Sony's PlayStation® and PlayStation 2 consoles have significantly outsold their competitors in the past, the PLAYSTATION 3 faces very strong competition from new platforms such as Microsoft's Xbox 360 and the Nintendo Wii. The PC also continues to be a strong interactive game platform. Similarly, while Nintendo's Game Boy® Advance and Nintendo DS are current and historic leaders in the handheld game player market, Sony's PlayStation Portable is also a competitor in this segment.

Video game consoles have historically had a life cycle of four to six years, which causes the video game software market to be cyclical as well. With the release of Microsoft's Xbox 360 in 2005 and the releases of Sony's PLAYSTATION 3 and Nintendo's Wii in 2006, our industry is at the beginning of a new cycle. As such, in fiscal 2008, we expect to release fewer titles for the PlayStation 2 than in fiscal 2007, a very small number of titles for the Xbox, and no titles for the Nintendo GameCube™. The following table details select information on some of the console platforms for which we have published titles:

Manufacturer	Video Game Console/Platform Name	Year Introduced	Number of EA Titles Published in Fiscal 2007
Sony	PlayStation 2	2000	22
Nintendo	Nintendo GameCube	2001	5
Microsoft	Xbox	2001	11
Microsoft	Xbox 360	2005	18
Sony	PLAYSTATION 3	2006	7
Nintendo	Wii	2006	6

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The following table details select information on some of the handheld video game players for which we have published titles:

Manufacturer	Mobile Game Machine/Platform Name	Year Introduced	Number of EA Titles Published in Fiscal 2007
Nintendo	Game Boy Advance	2001	6
Nintendo	Nintendo DS	2004	8
Sony	PSP	2005	18

In fiscal 2007, we published 26 EA titles for the PC.

Cellular Handsets

Through EA Mobile, we are a leading global publisher of interactive entertainment software playable on cellular handsets, including games, ring tones, images and other content. Our customers typically purchase and download our games through a wireless carrier's branded e-commerce service accessed directly from their cellular handsets. These wireless carrier services include, among others, Verizon Wireless' *Get It Now*, Sprint PCS *Vision*, Cingular *MEdia* and Vodafone *live!*. Our customers are charged either a one-time or a monthly subscription fee on their cellular service invoice for the game. The wireless carriers generally retain a percentage of the fee and pay the remainder to us. The wireless distribution of our games eliminates traditional publishing complexities, including physical production, packaging, shipping, inventory management and return processing. Our customers may also purchase and download games directly from our website.

Many of our games are designed to take advantage of multimedia enhancements in the latest generation of cellular handsets, including high-resolution color displays, increased processing power, improved audio capabilities and increased memory capabilities. We publish games in multiple categories designed to appeal to a broad range of wireless subscribers. Our portfolio is primarily based on intellectual properties that we create and own, and well-established brands and content that we license from third parties.

Online

We publish four types of games that are played online by consumers — online casual games, massively multiplayer online games, mid-session games, and online-enabled packaged goods. We derive revenue from these games primarily through paid subscriptions, advertising and sales of digital content.

Online Casual Games. We offer online casual games such as card games, puzzle games and word games on our website, pogo.com, and on certain online services provided by third parties. We had over 1.5 million paying Club Pogo subscribers as of March 31, 2007, up from 1.2 million paying subscribers as of March 31, 2006.

Massively Multiplayer Online Games. Players experience online-only "massively multiplayer online games" (sometimes called "persistent state world games" or "MMOs") as interactive virtual worlds where thousands of other players can interact with one another. After installing the software on their PCs, players are able to subscribe and interact with other players online. We currently offer three MMO games: *Ultima Online*™*, Dark Age of Camelot*® and *The Sims Online*™, and we are in the process of developing *Warhammer*® *Online.*

Mid-session games. Players experience mid-session games as interactive virtual worlds where players form small groups and interact with one another. We currently offer one mid-session game, *EA Sports*™ *FIFA Online,* but anticipate offering more in future years. Although we offer *EA Sports FIFA Online* for free, players may purchase additional in-game content from us through micro-transactions.

Online-Enabled Packaged Goods. We include online functionality in certain of our PC, PLAYSTATION 3, PlayStation 2, Xbox 360, Xbox and PSP products, which enable consumers to participate in online communities and play against one another via the Internet.

Digital Content. We offer full-game downloads and additional content (such as booster packs, expansion packs and smaller pieces of game content referred to as micro-transactions) for our PC and console-based games through our EA.com website and online interfaces within game consoles. In addition, our POGO games are offered through third-party websites.

Advertising. We derive revenue from advertising in our games and on our websites.

Competition

We compete in the entertainment industry for the leisure time and discretionary spending of consumers with other forms of media, such as motion pictures, television, social networking and music. Our competitors vary in size and cost structure from very small companies with limited resources to very large, diversified corporations with greater financial and marketing resources than ours. For example, we compete with venture capital funded start-ups, traditional independent video game publishers, hardware and software manufacturers, casual entertainment websites, social networking websites, mobile games developers, foreign games developers and large media companies. We also compete with satellite radio, traditional radio and all other forms of entertainment.

Our business is characterized by the continuous introduction of innovative new titles and the development of new technologies. Competition is also based on product quality and features, timing of product releases, brand-name recognition, quality of in-game content, access to distribution channels, effectiveness of marketing and price.

In addition to competing for product sales, we face heavy competition from other software game companies and large media companies to obtain license agreements granting us the right to use intellectual property included in our products. Some of these content licenses are controlled by the diversified media companies, which, in some cases, have decided to publish their own games based on popular entertainment properties that they control, rather than licensing the content to a software game company such as us. See "Intellectual Property" below.

Sales of Packaged Goods

The market for our packaged goods products is also characterized by significant price competition and we regularly face pricing pressures from our competitors. These pressures have, from time to time, required us to reduce our prices on certain products. Our experience has been that software game prices tend to decline once a generation of consoles has been in the market for a significant period of time due to the increasing number of software titles competing for acceptance by consumers and the introduction of new consoles. As our industry has transitioned to a new generation of consoles over the past two years, we have experienced this kind of price erosion with respect to games for the prior generation of consoles (e.g., PlayStation 2, Xbox and Nintendo GameCube).

For sales of packaged goods, we compete directly with Sony, Microsoft and Nintendo, each of which develop and publish software for their respective console platforms. We also compete with numerous companies which, like us, develop and publish software games that operate on their consoles. These competitors include Activision, Atari, Capcom, Koei, Konami, LucasArts, Midway, Namco, Sega, Take-Two Interactive, THQ and Ubisoft, among others. As discussed above, diversified media companies such as Fox, Disney, Time Warner, Viacom and Vivendi are also expanding their software game publishing efforts.

Sales for Cellular Handsets

The wireless entertainment applications market segment, for which we develop and publish games, ring tones and wallpapers for cellular handsets, is highly competitive and characterized by frequent product introductions, evolving wireless platforms and new technologies. As demand for applications continues to increase, we expect new competitors to enter the market and existing competitors to allocate more resources to develop and market applications. As a result, we expect competition in the wireless entertainment market segment to intensify.

The current and potential competition in the wireless entertainment applications market segment includes major media companies, traditional video game publishing companies, wireless carriers, wireless software providers and other companies that specialize in wireless entertainment applications. We also compete with wireless content aggregators, who pool applications from multiple developers (and sometimes publishers) and offer them to carriers or through other sales channels. In addition, new and existing competitors are beginning to offer wireless entertainment applications on an ad-supported basis. Currently, we consider our primary competitors in the wireless entertainment applications market segment to be Disney, Fox Mobile Entertainment, Gameloft, Glu Mobile, Hands-On Mobile, Namco, Sony Pictures and THQ Wireless.

Online Sales

The online games market segment is also highly competitive and characterized by frequent product introductions, new business models and new platforms. As the proportion of households with a broadband connection increases, we expect new competitors to enter the market and existing competitors to allocate more resources toward developing online games. As a result, we expect competition in the online games market segment to intensify.

Our current and potential competitors in the online games market segment include major media companies, traditional video game publishing companies, and companies that specialize in online games. Our competitors in the casual games segment include MSN, Popcap, Real, AOL and Yahoo!. In the massively multiplayer online game segment our competitors include Atari, Midway, NC Soft, Sony and Vivendi Games. In the mid-session game segment our competitors include Nexon.

Intellectual Property

Like other entertainment companies, our business is significantly based on the creation, acquisition, exploitation and protection of intellectual property. Some of this intellectual property is in the form of software code, patented technology, and other technology and trade secrets that we use to develop our games and to make them run properly on the platforms. Other intellectual property is in the form of audio-visual elements that consumers can see, hear and interact with when they are playing our games — we call this form of intellectual property “content”.

Each of our products embodies a number of separate forms of intellectual property protection: the software and the content of our products are copyrighted; our products may use patented inventions or trade secrets; our product brands and names may be trademarks of ours or others; our products may contain voices and likenesses of actors, athletes and/or commentators (which may be protected by personal publicity rights) and often contain musical compositions and recordings that are also copyrighted. Our products also may contain content licensed from others, such as trademarks, fictional characters, storylines and software code.

We acquire the rights to include wholly-owned intellectual property in our products by creating the intellectual property within our EA Studios. We also acquire the rights to include proprietary intellectual property in our products through acquisitions. We also enter into content license agreements such as those with sports leagues and player associations, movie studios and performing talent, music labels, music publishers and musicians. These licenses are typically limited to use of the licensed rights in products for specific time periods. In addition, our products that play on game consoles, handhelds and cellular handsets include technology that is owned by the console manufacturer and licensed non-exclusively to us for use. While we may have renewal rights for some licenses, our business and the justification for the development of many of our products is dependent on our ability to continue to obtain the intellectual property rights from the owners of these rights at reasonable rates.

Our products are susceptible to unauthorized copying. We typically distribute our PC products using copy protection technology that we license from other companies. In addition, console manufacturers, such as Sony, typically incorporate security devices in their consoles in an effort to prevent the use of unlicensed products. Our primary protection against unauthorized use, duplication and distribution of our products is enforcement of our copyright and trademark interests. We typically own the copyright to the software code as well as the brand or title name trademark under which our products are marketed. We register our copyrights and trademarks in the United States and other countries.

Significant Relationships

Hardware Platform Companies

Sony. Under the terms of agreements we have entered into with Sony Computer Entertainment Inc. and its affiliates, we are authorized to develop and distribute disk-based software products and online content compatible with the PlayStation 2, PLAYSTATION 3 and PSP. Pursuant to these agreements, we engage Sony to supply PlayStation 2, PLAYSTATION 3 and PSP disks for our products.

Microsoft. Under the terms of agreements we have entered into with Microsoft Corporation and its affiliates, we are authorized to develop and distribute DVD-based software products and online content compatible with the Xbox and Xbox 360.

Nintendo. Under the terms of agreements we have entered into with Nintendo Co., Ltd. and its affiliates, we are authorized to develop and distribute proprietary optical format disk products and cartridges compatible with the Nintendo GameCube, the Wii, the Nintendo DS and Game Boy Advance. Pursuant to these agreements, we engage Nintendo to supply Wii proprietary optical format disk products and Nintendo DS cartridges for our products.

Cellular Handsets

We have agreements to distribute our wireless applications through more than 110 carriers in over 40 countries. Our customers download our applications to their cellular handsets and their wireless carrier invoices them a one-time fee or monthly subscription fee. Our carrier distribution agreements establish the fees to be retained by the carrier for distributing our applications. These arrangements are typically terminable on short notice. The agreements generally do not obligate the carriers to market or distribute any of our applications.

Content Licensors

Many of our products are based on or incorporate content and trademarks owned by others. For example, our EA, EA SPORTS and EA SPORTS BIG products include rights licensed from third parties, including major studios, publishers, artists, authors, celebrities, athletes and the major sports leagues and players associations.

Inventory, Working Capital, Backlog, Manufacturing and Suppliers

We manage inventory by communicating with our customers prior to the release of our products, and then using our industry experience to forecast demand on a product-by-product and territory-by-territory basis. Historically, we have experienced high turnover of our products, and the lead times on re-orders of our products are generally short, approximately two to three weeks. Further, as discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations", we have practices in place with our customers (such as stock balancing and price protection) that reduce product returns.

We typically ship orders immediately upon receipt. To the extent that any backlog may or may not exist at the end of a reporting period, it would be both coincidental and an unreliable indicator of future results of any period.

The suppliers we use to manufacture our games and related materials include independent third parties, Sony and Nintendo.

In many instances, we are able to acquire materials on a volume-discount basis. We have multiple potential sources of supply for most materials, except for the disk component of our PLAYSTATION 3, PlayStation 2, PSP and Wii and Nintendo DS cartridges.

Our online games and cellular handset applications are delivered digitally, and therefore, are not manufactured.

International Operations

We conduct business and have wholly-owned subsidiaries throughout the world, including offices in Europe, Australia, Asia and Latin America. International net revenue increased by 4 percent to $1.425 billion, or

46 percent of total net revenue in fiscal 2007, compared to $1.367 billion, or 46 percent of total net revenue in fiscal 2006.

The amounts of net revenue and long-lived assets attributable to each of our geographic regions for each of the last three fiscal years are set forth in Note 18 of the Notes to Consolidated Financial Statements, included in Item 8 of this report.

Seasonality

Our business is highly seasonal. We typically experience our highest sales volume in the holiday season quarter ending in December and a seasonal low in sales volume in the quarter ending in June. Starting in fiscal 2008, we expect to defer the recognition of a significant amount of net revenue related to our online-enabled packaged goods over an extended period of time (which we currently estimate to be six months). As a result, the quarter in which we generate the highest sales volume may be different than the quarter in which we recognize the highest net revenue. Our results can also vary based on a number of factors, including title release dates, consumer demand for our products, shipment schedules and our revenue recognition policies.

Employees

As of March 31, 2007, we employed approximately 7,900 people, of whom over 4,500 were outside the United States. We believe that our ability to attract and retain qualified employees is a critical factor in the successful development of our products and that our future success will depend, in large measure, on our ability to continue to attract and retain qualified employees. Less than 3 percent of our employees, all of whom work for our Swedish development subsidiary, are represented by a union, guild or other collective bargaining organization.

Executive Officers

The following table sets forth information regarding our executive officers, who are appointed by and serve at the discretion of the Board of Directors as of May 29, 2007:

Name	Age	Position
John S. Riccitiello	47	Chief Executive Officer
V. Paul Lee	42	President, Worldwide Studios
Gerhard Florin	48	Executive Vice President, General Manager, International Publishing
Frank D. Gibeau	38	Executive Vice President, General Manager, North America Publishing
Warren C. Jenson	50	Executive Vice President, Chief Financial and Administrative Officer
Joel Linzner	55	Executive Vice President, Business and Legal Affairs
Nancy L. Smith	54	Executive Vice President, General Manager, The Sims Franchise
Gabrielle Toledano	40	Executive Vice President, Human Resources
Kenneth A. Barker	40	Senior Vice President, Chief Accounting Officer
Stephen G. Bené	43	Senior Vice President, General Counsel and Corporate Secretary
Michael Marchetti	38	Senior Vice President and General Manager, EA Mobile
John Schappert	36	Senior Vice President, Chief Operating Officer, Worldwide Studios

Mr. Riccitiello has served as Chief Executive Officer and a Director of Electronic Arts since April 2007. Prior to re-joining Electronic Arts, he was a co-founder and Managing Partner at Elevation Partners, a private equity fund. From October 1997 to April 2004, he served as President and Chief Operating Officer of Electronic Arts. Prior to joining Electronic Arts, Mr. Riccitiello served as President and Chief Executive Officer of the worldwide bakery division at Sara Lee Corporation. Before joining Sara Lee, he served as President and CEO of Wilson Sporting Goods Co. and has also held executive management positions at Haagen-Dazs, PepsiCo, Inc. and The Clorox Company. Mr. Riccitiello holds a B.S. degree from the University of California, Berkeley.

Mr. Lee was named President, Worldwide Studios, in September 2005. He served as Executive Vice President and Chief Operating Officer, Worldwide Studios from August 2002 to September 2005. From 1998 to August 2002, he was Senior Vice President and Chief Operating Officer, Worldwide Studios. Prior to this, he served as General Manager of EA Canada, Chief Operating Officer of EA Canada, Chief Financial Officer of EA Sports and Vice President, Finance and Administration of EA Canada. Mr. Lee was a principal of Distinctive Software Inc. until it was acquired by Electronic Arts in 1991. Mr. Lee holds a Bachelor of Commerce degree from the University of British Columbia and is a Chartered Financial Analyst.

Dr. Florin has served as Executive Vice President, General Manager, International Publishing since September 2005. Previously he was Senior Vice President and Managing Director, European Publishing since April 2003. Prior to this, he served as Vice President, Managing Director for European countries since 2001. From the time he joined Electronic Arts in 1996 to 2001, he was the Managing Director for German speaking countries. Prior to joining Electronic Arts, Dr. Florin held various positions at BMG, the global music division of Bertelsmann AG, and worked as a consultant with McKinsey. Dr. Florin holds Masters and Ph.D. degrees in Economics from the University of Augsburg, Germany.

Mr. Gibeau has served as Executive Vice President, General Manager, North America Publishing since September 2005. Previously he was Senior Vice President of North American Marketing, a position he held since 2002. Mr. Gibeau has held various publishing positions since joining the company in 1991. Mr. Gibeau holds a B.S. degree from the University of Southern California and an M.B.A. from Santa Clara University.

Mr. Jenson joined Electronic Arts in June 2002 as Executive Vice President, Chief Financial and Administrative Officer. Before joining Electronic Arts, he was the Senior Vice President and Chief Financial Officer for Amazon.com from 1999 to 2002. From 1998 to 1999, he was the Chief Financial Officer and Executive Vice President for Delta Air Lines. Prior to that, he worked in several positions as part of the General Electric Company. Most notably, he served as Chief Financial Officer and Senior Vice President for the National Broadcasting Company, a subsidiary of General Electric. Mr. Jenson earned his Masters of Accountancy-Business Taxation, and B.S. in Accounting from Brigham Young University.

Mr. Linzner has served as Executive Vice President, Business and Legal Affairs since March 2005. From April 2004 to March 2005, he served as Senior Vice President, Business and Legal Affairs. From October 2002 to April 2004, Mr. Linzner held the position of Senior Vice President of Worldwide Business Affairs and from July 1999 to October 2002, he held the position of Vice President of Worldwide Business Affairs. Prior to joining Electronic Arts in July 1999, Mr. Linzner served as outside litigation counsel to Electronic Arts and several other companies in the video game industry. Mr. Linzner earned his J.D. from Boalt Hall at the University of California, Berkeley, after graduating from Brandeis University. He 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.

Ms. Smith was named Executive Vice President, General Manager, The Sims Franchise in September 2005. Prior to this position, she served as Executive Vice President and General Manager, North American Publishing since March 1998. From October 1996 to March 1998, Ms. Smith served as Executive Vice President, North American Sales. She previously held the position of Senior Vice President of North American Sales and Distribution from July 1993 to October 1996 and as Vice President of Sales from 1988 to 1993. Ms. Smith has also served as Western Regional Sales Manager and National Sales Manager since she joined Electronic Arts in 1984. Ms. Smith holds a B.S. degree in management and organizational behavior from the University of San Francisco.

Ms. Toledano has served as Executive Vice President, Human Resources since April 2007. From February 2006 to April 2007, Ms. Toledano held the position of Senior Vice President, Human Resources. Prior to joining Electronic Arts, Ms. Toledano worked at Siebel Systems, Inc. from July 2002 to February 2006 where she held a number of positions, including Senior Vice President of Human Resources. From September 2000 to June 2002, she served as Senior Director of Human Resources for Microsoft Corporation, and from September 1998 until September 2000, she served as Director of Human Resources and Recruiting for Microsoft. Ms. Toledano earned both her undergraduate degree in Humanities and her graduate degree in Education from Stanford University.

Mr. Barker has served as Senior Vice President, Chief Accounting Officer since April 2006. From June 2003 to April 2006, Mr. Barker held the position of Vice President, Chief Accounting Officer. Prior to joining Electronic Arts, Mr. Barker was employed at Sun Microsystems, Inc., as Vice President and Corporate Controller from October 2002 to June 2003 and Assistant Corporate Controller from April 2000 to September 2002. Prior to that, he was an audit partner at Deloitte. Mr. Barker graduated from the University of Notre Dame with a B.A. degree in Accounting.

Mr. Bené has served as Senior Vice President, General Counsel and Corporate Secretary since October 2004. From April 2004 to October 2004, Mr. Bené held the position of Vice President, Acting General Counsel and Corporate Secretary, and from June 2003 to April 2004, he held the position of Vice President and Associate General Counsel. Prior to June 2003, Mr. Bené had served as internal legal counsel since joining the Company in March 1995. Mr. Bené earned his J.D. from Stanford Law School, and received his B.S. in Mechanical Engineering from Rice University. Mr. Bené is a member of the Bar of the State of California.

Mr. Marchetti was named Senior Vice President and General Manager of EA Mobile in April 2007. He joined Electronic Arts in February 2006 as Vice President and Chief Operating Officer of EA Mobile. From December 2000 to February 2006, he served as Chief Financial Officer of JAMDAT Mobile Inc. Prior to this, Mr. Marchetti served as Vice President Finance for eCompanies LLC from April 2000 to December 2000. Mr. Marchetti served as a Vice President in the Emerging Telecommunications and the Global Leveraged Finance groups of Merrill Lynch, where he worked from July 1996 to April 2000. Prior to Merrill Lynch, Mr. Marchetti practiced law at Cahill Gordon & Reindel from 1994 to 1996. Mr. Marchetti earned a J.D. from Brooklyn Law School, cum laude, and received his B.A. degree from Brooklyn College City University, magna cum laude.

Mr. Schappert was named Senior Vice President, Chief Operating Officer, Worldwide Studios in November 2006. Prior to being named to this position, from January 2003 to October 2006, Mr. Schappert served as Senior Vice President, Group General Manager, Worldwide Studios. Mr. Schappert served as Vice President, General Manager of EA Canada from July 2002 to January 2003, and Vice President, General Manager of EA Tiburon from April 1998 to July 2002. Mr. Schappert founded Tiburon Entertainment in 1994, which was acquired by Electronic Arts in 1998.

Investor Information

We file various reports with, or furnish them to, the Securities and Exchange Commission (the "SEC"), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports. These reports are available free of charge on the Investor Relations section of our website, http://investor.ea.com, as soon as reasonably practicable after we electronically file the reports with, or furnish them to, the SEC.

The charters of our Audit, Compensation, and Nominating and Governance committees of our Board of Directors, as well as our Global Code of Conduct (which includes code of ethics provisions applicable to our directors, principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers), are available in the Investor Relations section of our website at http://investor.ea.com. We will post amendments to our Global Code of Conduct in the Investor Relations section of our website. Copies of our charters and Global Code of Conduct are available without charge by contacting our Investor Relations department at (650) 628-1500.

Stockholders of record may hold their shares of our common stock in book-entry form. This eliminates costs related to safekeeping or replacing paper stock certificates. In addition, stockholders of record may request electronic movement of book-entry shares between their account with our stock transfer agent and their broker.

Stock certificates may be converted to book-entry shares at any time. Questions regarding this service may be directed to our stock transfer agent, Wells Fargo Bank, N.A., at 1-800-468-9716.

Item 1A: *Risk Factors*

Our business is subject to many risks and uncertainties, which may affect our future financial performance. If any of the events or circumstances described below occurs, our business and 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 are material that may harm our business and financial performance.

Our business is highly dependent on the success and availability of video game hardware systems manufactured by third parties, as well as our ability to develop commercially successful products for these systems.

We derive most of our revenue from the sale of products for play on video game hardware systems (which we also refer to as “platforms”) manufactured by third parties, such as Sony’s PlayStation 2 and PLAYSTATION 3, Microsoft’s Xbox 360 and Nintendo’s Wii. The success of our business is driven in large part by the commercial success and adequate supply of these video game hardware systems, our ability to accurately predict which systems will be successful in the marketplace, and our ability to develop commercially successful products for these systems. We must make product development decisions and commit significant resources well in advance of anticipated product ship dates. A platform for which we are developing products may not succeed or may have a shorter life cycle than anticipated. If consumer demand for the systems for which we are developing products are lower than our expectations, our revenue will suffer, we may be unable to fully recover the investments we have made in developing our products, and our financial performance will be harmed. Alternatively, a system for which we have not devoted significant resources could be more successful than we had initially anticipated, causing us to miss out on meaningful revenue opportunities.

Our industry is cyclical and is beginning its next cycle. During the transition, consumers may be slower to adopt new video game systems than we anticipate, and our operating results may suffer and become more difficult to predict.

Video game hardware systems have historically had a life cycle of four to six years, which causes the video game software market to be cyclical as well. Microsoft launched the Xbox 360 in November 2005, while Sony and Nintendo launched the PLAYSTATION 3 and the Wii, respectively, in November 2006. We have continued to develop and market new titles for prior-generation video game systems such as the PlayStation 2 while also making significant investments in products for the new systems. As the prior-generation systems reach the end of their life cycle and the installed base of the new systems continues to grow, our sales of video games for prior-generation systems will continue to decline as (1) we produce fewer titles for prior-generation systems, (2) consumers replace their prior-generation systems with the new systems, and/or (3) consumers defer game software purchases until they are able to purchase a new video game hardware system. This decline in prior-generation product sales may be greater than we anticipate, and sales of products for the new platforms may be lower than we anticipate. Moreover, we expect development costs for the new video game systems to be greater on a per-title basis than development costs for prior-generation video game systems. As a result of these factors, during the next several quarters, we expect our operating results to be more volatile and difficult to predict, which could cause our stock price to fluctuate significantly.

If we do not consistently meet our product development schedules, our operating results will be adversely affected.

Our business is highly seasonal, with the highest levels of consumer demand and a significant percentage of our sales occurring in the December quarter. In addition, we seek to release many of our products in conjunction with specific events, such as the release of a related movie or the beginning of a sports season or major sporting event. If we miss these key selling periods for any reason, including product delays or delayed introduction of a new platform for which we have developed products, our sales will suffer disproportionately.

Likewise, if a key event to which our product release schedule is tied were to be delayed or cancelled, our sales would also suffer disproportionately. Our ability to meet product development schedules is affected by a number of factors, including the creative processes involved, the coordination of large and sometimes geographically dispersed development teams required by the increasing complexity of our products and the platforms for which they are developed, and the need to fine-tune our products prior to their release. We have experienced development delays for our products in the past, which caused us to push back release dates. In the future, any failure to meet anticipated production or release schedules would likely result in a delay of revenue and/or possibly a significant shortfall in our revenue, harm our profitability, and cause our operating results to be materially different than anticipated.

Our business is intensely competitive and "hit" driven. If we do not continue to deliver "hit" products and services or if consumers prefer our competitors' products or services over our own, our operating results could suffer.

Competition in our industry is intense and we expect new competitors to continue to emerge in the United States and abroad. While many new products and services are regularly introduced, only a relatively small number of "hit" titles accounts for a significant portion of total revenue in our industry. Hit products or services offered by our competitors may take a larger share of consumer spending than we anticipate, which could cause revenue generated from our products and services to fall below expectations. If our competitors develop more successful products or services, offer competitive products or services at lower price points or based on payment models perceived as offering a better value proposition (such as pay-for-play or subscription-based models), or if we do not continue to develop consistently high-quality and well-received products and services, our revenue, margins, and profitability will decline.

Technology changes rapidly in our business and if we fail to anticipate or successfully implement new technologies or the manner in which people play our games, the quality, timeliness and competitiveness of our products and services will suffer.

Rapid technology changes in our industry require us to anticipate, sometimes years in advance, which technologies we must implement and take advantage of in order to make our products and services competitive in the market. Therefore, we usually start our product development with a range of technical development goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly and effectively than we can. In either case, our products and services may be technologically inferior to our competitors', less appealing to consumers, or both. If we cannot achieve our technology goals within the original development schedule of our products and services, then we may delay their release until these technology 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.

The video game hardware manufacturers set the royalty rates and other fees that we must pay to publish games for their platforms, and therefore have significant influence on our costs. If one or more of these manufacturers adopt a different fee structure for future game consoles, our profitability will be materially impacted.

In order to publish products for a video game system such as the Xbox 360, PLAYSTATION 3 or Wii, we must take a license from the manufacturer, which gives it the opportunity to set the fee structure that we must pay in order to publish games for that platform. Similarly, certain manufacturers have retained the flexibility to change their fee structures, or adopt different fee structures for online gameplay and other new features for their consoles. The control that hardware manufacturers have over the fee structures for their platforms and online access makes it difficult for us to predict our costs, profitability and impact on margins. Because publishing products for video game systems is the largest portion of our business, any increase in fee structures would significantly harm our ability to generate revenues and/or profits.

The video game hardware manufacturers are among our chief competitors and frequently control the manufacturing of and/or access to our video game products. If they do not approve our products, we will be unable to ship to our customers.

Our agreements with hardware licensors (such as Sony for the PLAYSTATION 3, Microsoft for the Xbox 360, and Nintendo for the Wii) typically give significant control to the licensor over the approval and manufacturing of our products, which could, in certain circumstances, leave us unable to get our products approved, manufactured and shipped to customers. These hardware licensors are also among our chief competitors. Generally, control of the approval and manufacturing process by the hardware licensors increases both our manufacturing lead times and costs as compared to those we can achieve independently. While we believe that our relationships with our hardware licensors are currently good, the potential for these licensors to delay or refuse to approve or manufacture our products exists. Such occurrences would harm our business and our financial performance.

We also require compatibility code and the consent of Microsoft, Sony and Nintendo in order to include online capabilities in our products for their respective platforms. As online capabilities for video game systems become more significant, Microsoft, Sony and Nintendo could restrict the manner in which we provide online capabilities for our products. If Microsoft, Sony or Nintendo refused to approve our products with online capabilities or significantly impacted the financial terms on which these services are offered to our customers, our business could be harmed.

If we are unable to maintain or acquire licenses to intellectual property, we will publish fewer hit titles and our revenue, profitability and cash flows will decline. Competition for these licenses may make them more expensive and increase our costs.

Many of our products are based on or incorporate intellectual property owned by others. For example, our EA SPORTS products include rights licensed from major sports leagues and players' associations. Similarly, many of our other hit franchises, such as The Godfather, Harry Potter and Lord of the Rings, are based on key film and literary licenses. Competition for these licenses is intense. If we are unable to maintain these licenses or obtain additional licenses with significant commercial value, our revenues and profitability will decline significantly. Competition for these licenses may also drive up the advances, guarantees and royalties that we must pay to the licensor, which could significantly increase our costs.

Our business is subject to risks generally associated with the entertainment industry, any of which could significantly harm our operating results.

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

If we do not continue to attract and retain key personnel, we will be unable to effectively conduct our business.

The market for technical, creative, marketing and other personnel essential to the development and marketing of our products and management of our businesses is extremely competitive. Our leading position within the interactive entertainment industry makes us a prime target for recruiting of executives and key creative talent. If we cannot successfully recruit and retain the employees we need, or replace key employees following their departure, our ability to develop and manage our businesses will be impaired.

If patent claims continue to be asserted against us, we may be unable to sustain our current business models or profits, or we may be precluded from pursuing new business opportunities in the future.

Many patents have been issued that may apply to widely-used game technologies, or to potential new modes of delivering, playing or monetizing game software products. For example, infringement claims under many issued patents are now being asserted against interactive software or online game sites. Several such claims have been asserted against us. We incur substantial expenses in evaluating and defending against such claims, regardless of the merits of the claims. In the event that there is a determination that we have infringed a third-party patent, we could incur significant monetary liability and be prevented from using the rights in the future, which could negatively impact our operating results. We may also discover that future opportunities to provide new and innovative modes of game play and game delivery to consumers may be precluded by existing patents that we are unable to license on reasonable terms.

Other intellectual property claims may increase our product costs or require us to cease selling affected products.

Many of our products include extremely realistic graphical images, and we expect that as technology continues to advance, images will become even more realistic. Some of the images and other content are based on real-world examples that may inadvertently infringe upon the intellectual property rights of others. Although we believe that we make reasonable efforts to ensure that our products do not violate the intellectual property rights of others, it is possible that third parties still may claim infringement. From time to time, we receive communications from third parties regarding such claims. Existing or future infringement claims against us, whether valid or not, may be time consuming and expensive to defend. Such claims or litigations could require us to stop selling the affected products, redesign those products to avoid infringement, or obtain a license, all of which would be costly and harm our business.

From time to time we may become involved in other legal proceedings which could adversely affect us.

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

Our business, our products and our distribution are subject to increasing regulation of content, consumer privacy, distribution and online hosting and delivery in the key territories in which we conduct business. If we do not successfully respond to these regulations, our business may suffer.

Legislation is continually being introduced that may affect both the content of our products and their distribution. For example, data and consumer protection laws in the United States and Europe impose various restrictions on our web sites. Those rules vary by territory although the Internet recognizes no geographical boundaries. Other countries, such as Germany, have adopted laws regulating content both in packaged games and those transmitted over the Internet that are stricter than current United States laws. In the United States, the federal and several state governments are continually considering content restrictions on products such as ours, as well as restrictions on distribution of such products. For example, recent legislation has been adopted in several states, and could be proposed at the federal level, that prohibits the sale of certain games (e.g., violent games or those with "M (Mature)" or "AO (Adults Only)" ratings) to minors. Any one or more of these factors could harm our business by limiting the products we are able to offer to our customers, by limiting the size of the potential market for our products, and by requiring costly additional differentiation between products for different territories to address varying regulations.

If one or more of our titles were found to contain hidden, objectionable content, our business could suffer.

Throughout the history of our industry, many video games have been designed to include certain hidden content and gameplay features that are accessible through the use of in-game cheat codes or other technological means that are intended to enhance the gameplay experience. However, in several recent cases, hidden content or features have been found to be included in other publishers' products by an employee who was not authorized to do so or by an outside developer without the knowledge of the publisher. From time to time, some hidden content and features have contained profanity, graphic violence and sexually explicit or otherwise objectionable material. In a few cases, the Entertainment Software Ratings Board ("ESRB") has reacted to discoveries of hidden content and features by reviewing the rating that was originally assigned to the product, requiring the publisher to change the game packaging and/or fining the publisher. Retailers have on occasion reacted to the discovery of such hidden content by removing these games from their shelves, refusing to sell them, and demanding that their publishers accept them as product returns. Likewise, consumers have reacted to the revelation of hidden content by refusing to purchase such games, demanding refunds for games they've already purchased, and refraining from buying other games published by the company whose game contained the objectionable material.

We have implemented preventative measures designed to reduce the possibility of hidden, objectionable content from appearing in the video games we publish. Nonetheless, these preventative measures are subject to human error, circumvention, overriding, and reasonable resource constraints. If a video game we published were found to contain hidden, objectionable content, the ESRB could demand that we recall a game and change its packaging to reflect a revised rating, retailers could refuse to sell it and demand we accept the return of any unsold copies or returns from customers, and consumers could refuse to buy it or demand that we refund their money. This could have a material negative impact on our operating results and financial condition. In addition, our reputation could be harmed, which could impact sales of other video games we sell. If any of these consequences were to occur, our business and financial performance could be significantly harmed.

If we ship defective products, our operating results could suffer.

Products such as ours are extremely complex software programs, and are difficult to develop, manufacture and distribute. We have quality controls in place to detect defects in the software, media and packaging of our products before they are released. Nonetheless, these quality controls are subject to human error, overriding, and reasonable resource constraints. Therefore, these quality controls and preventative measures may not be effective in detecting defects in our products before they have been reproduced and released into the marketplace. In such an event, we could be required to recall a product, or we may find it necessary to voluntarily recall a product, and/or scrap defective inventory, which could significantly harm our business and operating results.

Our international net revenue is subject to currency fluctuations.

For the fiscal year ended March 31, 2007, international net revenue comprised 46 percent of our total net revenue. We expect foreign sales to continue to account for a significant portion of our total net revenue. Such sales may be subject to unexpected regulatory requirements, tariffs and other barriers. Additionally, foreign sales are primarily made in local currencies, which may fluctuate against the U.S. dollar. While we utilize foreign exchange forward contracts to mitigate some foreign currency risk associated with foreign currency denominated assets and liabilities (primarily certain intercompany receivables and payables) and, from time to time, foreign currency option contracts to hedge foreign currency forecasted transactions (primarily related to a portion of the revenue and expenses denominated in foreign currency generated by our operational subsidiaries), our results of operations, including our reported net revenue and net income, and financial condition would be adversely affected by unfavorable foreign currency fluctuations, particularly the Euro, British pound sterling and Canadian dollar.

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

We are subject to income taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes, and, in the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain.

We are also required to estimate what our taxes will be in the future. Although we believe our tax estimates are reasonable, the estimation process and applicable laws are inherently uncertain, and our estimates are not binding on tax authorities. Our effective tax rate could be adversely affected by our profit level, by changes in our business, including the mix of earnings in countries with differing statutory tax rates, changes in the elections we make, changes in applicable tax laws as well as other factors. Further, our tax determinations are regularly subject to audit by tax authorities and developments in those audits could adversely affect our income tax provision. Should our ultimate tax liability exceed our estimates, our income tax provision and net income or loss could be materially affected.

We incur certain tax expenses that do not decline proportionately with declines in our consolidated pre-tax income or loss. As a result, in absolute dollar terms, our tax expense will have a greater influence on our effective tax rate at lower levels of pre-tax income or loss than higher levels. In addition, at lower levels of pre-tax income or loss, our effective tax rate will be more volatile.

In addition, the rules for tax accounting have recently been changed. In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") No. 48, "*Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109*", which provides new rules for the accounting for uncertainty in income taxes recognized in financial statements in accordance with Statement of Financial Accounting Standard ("SFAS") No. 109, "*Accounting for Income Taxes*" (see Note 10 of the Notes to Consolidated Financial Statements). We are evaluating what impact the adoption of FIN No. 48 will have on our Consolidated Financial Statements as it becomes effective in the first quarter of fiscal 2008. This impact could be material and our future effective tax rates could be more volatile.

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

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

As a result of the enactment of the Sarbanes-Oxley Act and the review of accounting policies by the SEC and national and international accounting standards bodies, the frequency of accounting policy changes may accelerate. For example, as discussed above, FIN No. 48 will affect the way we account for income taxes and could have a material impact on our financial results. Similarly, changes in accounting standards relating to stock-based compensation require us to recognize significantly greater expense than we had been recognizing prior to the adoption of the new standard. Likewise, policies affecting software revenue recognition have and could further significantly affect the way we account for revenue related to our products and services. For example, as our industry transitions to new video game hardware systems, we expect a more significant portion of our console and PC games will be online-enabled and, as a result, we will be required to recognize the related revenue over an extended period of time rather than at the time of sale. As we enhance, expand and diversify our business and product offerings, the application of existing or future financial accounting standards, particularly those relating to the way we account for revenue and taxes, could have a significant adverse effect on our reported results although not necessarily on our cash flows.

We have begun the implementation of a new set of financial information systems in anticipation of a significant increase in deferred net revenue, which, if not completed in a successful and timely manner, could impede our ability to accurately process, prepare and analyze important financial data.

We have begun to implement a new set of financial information systems and processes designed to help us accurately process, prepare and analyze the significant amount of net revenue from online-enabled packaged goods we expect to recognize on a deferred basis beginning in fiscal 2008. The successful implementation of these systems and processes entails a number of risks due to the complexity of the systems, the number of people affected company-wide, and the implementation process itself. While testing of these new systems and processes and training of employees are done in advance of implementation, there are inherent limitations in our ability to simulate a full-scale operating environment in advance of implementation. There can be no assurance that the implementation of these financial information systems and processes will not impede our ability to accurately and timely process, prepare and analyze the financial data we use in making operating decisions and which form the basis of the financial information we include in the periodic reports we file with the SEC.

Changes in our worldwide operating structure or the adoption of new products and distribution models could have adverse tax consequences.

As we expand our international operations, adopt new products and new distribution models, implement changes to our operating structure or undertake intercompany transactions in light of changing tax laws, expiring rulings, acquisitions and our current and anticipated business and operational requirements, our tax expense could increase. For example, in the fourth quarter of fiscal 2006, we repatriated $375 million under the America Jobs Creation Act of 2004. As a result, we recognized an additional one-time tax expense in fiscal 2006 of $17 million.

The majority of our sales are made to a relatively small number of key customers. If these customers reduce their purchases of our products or become unable to pay for them, our business could be harmed.

In our fiscal year ended March 31, 2007, over 70 percent of our U.S. sales were made to seven key customers. In Europe, our top ten customers accounted for approximately 31 percent of our sales in that territory during the year ended March 31, 2007. Worldwide, we had direct sales to two customers, Wal-Mart Stores and GameStop Corp., Inc., which represented approximately 13 percent and 12 percent, respectively, of total net revenue in the year ended March 31, 2007. Though our products are available to consumers through a variety of retailers, the concentration of our sales in one, or a few, large customers could lead to a short-term disruption in our sales if one or more of these customers significantly reduced their purchases or ceased to carry our products, and could make us more vulnerable to collection risk if one or more of these large customers became unable to pay for our products. Additionally, our receivables from these large customers increase significantly in the December quarter as they stock up for the holiday selling season. Also, having such a large portion of our total net revenue concentrated in a few customers could reduce our negotiating leverage with these customers.

Acquisitions, investments and other strategic transactions could result in operating difficulties, dilution to our investors and other negative consequences.

We have engaged in, evaluated, and expect to continue to engage in and evaluate, a wide array of potential strategic transactions, including (i) acquisitions of companies, businesses, intellectual properties, and other assets, (ii) minority investments in strategic partners, and (iii) investments in new interactive entertainment businesses (for example, online and mobile games). Any of these strategic transactions could be material to our financial condition and results of operations. Although we regularly search for opportunities to engage in strategic transactions, we may not be successful in identifying suitable opportunities. We may not be able to consummate potential acquisitions or investments or an acquisition or investment may not enhance our business or may decrease rather than increase our earnings. In addition, the process of integrating an acquired company or business, or successfully exploiting acquired intellectual property or other assets, could divert a significant amount of our management's time and focus and may create unforeseen operating difficulties and expenditures. Additional risks we face include:

- The need to implement or remediate controls, procedures and policies appropriate for a public company in an acquired company that, prior to the acquisition, lacked these controls, procedures and policies,
- Cultural challenges associated with integrating employees from an acquired company or business into our organization,
- Retaining key employees from the businesses we acquire,
- The need to integrate an acquired company's accounting, management information, human resource and other administrative systems to permit effective management, and
- To the extent that we engage in strategic transactions outside of the United States, we face additional risks, including risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

Future acquisitions and investments could involve the issuance of our equity securities, potentially diluting our existing stockholders, the incurrence of debt, contingent liabilities or amortization expenses, write-offs of goodwill, intangibles, or acquired in-process technology, or other increased expenses, any of which could harm our financial condition. Our stockholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments.

Our products are subject to the threat of piracy by a variety of organizations and individuals. If we are not successful in combating and preventing piracy, our sales and profitability could be harmed significantly.

In many countries around the world, more pirated copies of our products are sold than legitimate copies. Though we believe piracy has not had a material impact on our operating results to date, highly organized pirate operations have been expanding globally. In addition, the proliferation of technology designed to circumvent the protection measures we use in our products, the availability of broadband access to the Internet, the ability to download pirated copies of our games from various Internet sites, and the widespread proliferation of Internet cafes using pirated copies of our products, all have contributed to ongoing and expanding piracy. Though we take steps to make the unauthorized copying and distribution of our products more difficult, as do the manufacturers of consoles on which our games are played, these efforts may not be successful in controlling the piracy of our products. This could have a negative effect on our growth and profitability in the future.

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

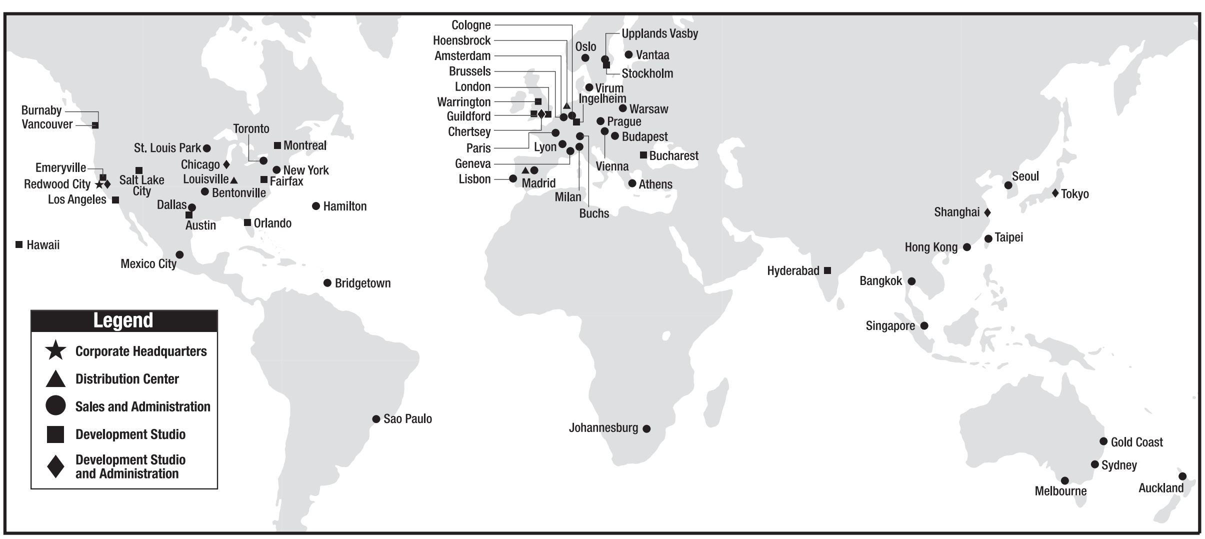
The market price of our common stock historically has been, and we expect will continue to be, subject to significant fluctuations. These fluctuations may be due to factors specific to us (including those discussed in the risk factors above as well as others not currently known to us or that we currently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

Item 1B: *Unresolved Staff Comments*

None.

Item 2: *Properties*

The following diagram depicts the locations of our most significant facilities throughout the world:



We currently own a 418,000-square-foot product development studio facility in Burnaby, British Columbia, Canada and a 122,000-square-foot administrative, sales and development facility in Chertsey, England. In addition to the properties we own, we lease approximately 2.7 million square feet of facilities, including significant leases for our headquarters in Redwood City, California, our studios in Los Angeles, California and Orlando, Florida, and our distribution center in Louisville, Kentucky. Our leased space is summarized as follows (in square feet):

Purpose	North America	Europe	Asia	Total
Distribution	250,000	86,735	—	336,735
Sales & Administrative	730,563	235,001	100,221	1,065,785
Studio Development	1,119,127	191,190	36,338	1,346,655
Total Leased Square Footage	2,099,690	512,926	136,559	2,749,175

Redwood City Headquarters

In February 1995, we entered into a build-to-suit lease ("Phase One Lease") with a third-party lessor for our headquarters facilities in Redwood City, California ("Phase One Facilities"). The Phase One Facilities comprise a total of approximately 350,000 square feet and provide space for sales, marketing, administration and research and development functions. In July 2001, the lessor refinanced the Phase One Lease with Keybank National Association through July 2006. The Phase One Lease expires in January 2039, subject to early termination in the event the underlying financing between the lessor and its lenders is not extended. Subject to certain terms and conditions, we may purchase the Phase One Facilities or arrange for the sale of the Phase One Facilities to a third party.

Pursuant to the terms of the Phase One Lease, we have an option to purchase the Phase One Facilities at any time for a purchase price of $132 million. In the event of a sale to a third party, if the sale price is less than $132 million, we will be obligated to reimburse the difference between the actual sale price and $132 million, up to a maximum of $117 million, subject to certain provisions of the Phase One Lease, as amended.

On May 26, 2006, the lessor extended its loan financing underlying the Phase One Lease with its lenders through July 2007, and on May 14, 2007, the lenders extended this financing again for an additional year through July 2008. We may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009; otherwise the lease will terminate. We account for the Phase One Lease arrangement as an operating lease in accordance with SFAS No. 13, *"Accounting for Leases"*, as amended.

In December 2000, we entered into a second build-to-suit lease ("Phase Two Lease") with Keybank National Association for a five and one-half year term beginning in December 2000 to expand our Redwood City, California headquarters facilities and develop adjacent property ("Phase Two Facilities"). Construction of the Phase Two Facilities was completed in June 2002. The Phase Two Facilities comprise a total of approximately 310,000 square feet and provide space for sales, marketing, administration and research and development functions. Subject to certain terms and conditions, we may purchase the Phase Two Facilities or arrange for the sale of the Phase Two Facilities to a third party.

Pursuant to the terms of the Phase Two Lease, we have an option to purchase the Phase Two Facilities at any time for a purchase price of $115 million. In the event of a sale to a third party, if the sale price is less than $115 million, we will be obligated to reimburse the difference between the actual sale price and $115 million, up to a maximum of $105 million, subject to certain provisions of the Phase Two Lease, as amended.

On May 26, 2006, the lessor extended the Phase Two Lease through July 2009 subject to early termination in the event the underlying loan financing between the lessor and its lenders is not extended. Concurrently with the extension of the lease, the lessor extended the loan financing underlying the Phase Two Lease with its lenders through July 2007. On May 14, 2007 the lenders extended this financing again for an additional year through July 2008. We may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009, otherwise the lease will terminate. We account for the Phase Two Lease arrangement as an operating lease in accordance with SFAS No. 13, as amended.

We believe that, as of March 31, 2007, the estimated fair values of both properties under these operating leases exceeded their respective guaranteed residual values.

Guildford, Orlando, Los Angeles and Vancouver Studios; Louisville Distribution Center

In February 2006, we entered into an agreement with an independent third party to lease a studio facility in Guildford, Surrey, United Kingdom, which commenced in June 2006 and will expire in May 2016. The facility comprises a total of approximately 95,000 square feet, which we use for research and development functions. Our rental obligation under this agreement is approximately $33 million over the initial ten-year term of the lease.

In June 2004, we entered into a lease agreement, amended in December 2005, with an independent third party for a studio facility in Orlando, Florida. The lease commenced in January 2005 and expires in June 2010, with one five-year option to extend the lease term. The campus facilities comprise a total of 140,000 square feet and provide space for research and development functions. Our rental obligation over the initial five-and-a-half year term of the lease is $15 million.

In July 2003, we entered into a lease agreement with an independent third party (the "Landlord") for a studio facility in Los Angeles, California, which commenced in October 2003 and expires in September 2013 with two five-year options to extend the lease term. Additionally, we have options to purchase the property after five and ten years based on the fair market value of the property at the date of sale, a right of first offer to purchase the property upon terms offered by the Landlord, and a right to share in the profits from a sale of the property. Existing campus facilities comprise a total of 243,000 square feet and provide space for research and development functions. Our rental obligation under this agreement is $50 million over the initial ten-year term of the lease. This commitment is offset by expected sublease income of $6 million for a sublease to an affiliate of the Landlord of 18,000 square feet of the Los Angeles facility, which commenced in October 2003 and expires in September 2013, with options of early termination by the affiliate after five years and by us after four and five years.

In October 2002, we entered into a lease agreement, with an independent third party for a studio facility in Vancouver, British Columbia, Canada, which commenced in May 2003 and expires in April 2013. We amended the lease in October 2003. The facility comprises a total of approximately 65,000 square feet and provides space for research and development functions. Our rental obligation under this agreement is approximately $16 million over the initial ten-year term of the lease.

Our North American distribution is supported by a centralized warehouse facility that we lease in Louisville, Kentucky, occupying 250,000 square feet.

In addition to the properties discussed above, we have other properties under lease which have been included in our restructuring costs as discussed in Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of this report. While we continually evaluate our facility requirements, we believe that suitable additional or substitute space will be available as needed to accommodate our future needs.

Item 3: ***Legal Proceedings***

On September 14, 2006, we received an informal inquiry from the Securities and Exchange Commission requesting certain documents and information relating to our stock option grant practices from January 1, 1997 through the date of the letter. We have cooperated to date with all matters related to this request. We most recently provided the SEC with information in December 2006. The SEC has not asked for any further information since that time.

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

Item 4: ***Submission of Matters to a Vote of Security Holders***

There were no matters submitted to a vote of our security holders during the quarter ended March 31, 2007.

PART II

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

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol "ERTS". The following table sets forth the quarterly high and low sales price per share of our common stock from April 1, 2005 through March 31, 2007.

	Prices	
	High	**Low**
Fiscal Year Ended March 31, 2006:		
First Quarter	$59.83	$47.45
Second Quarter	63.12	55.22
Third Quarter	61.97	51.04
Fourth Quarter	58.59	50.14
Fiscal Year Ended March 31, 2007:		
First Quarter	$57.80	$39.99
Second Quarter	57.74	41.37
Third Quarter	59.85	50.21
Fourth Quarter	54.43	47.96

Holders

There were approximately 1,722 holders of record of our common stock as of May 24, 2007. In addition, we believe that a significant number of beneficial owners of our common stock hold their shares in street name.

Dividends

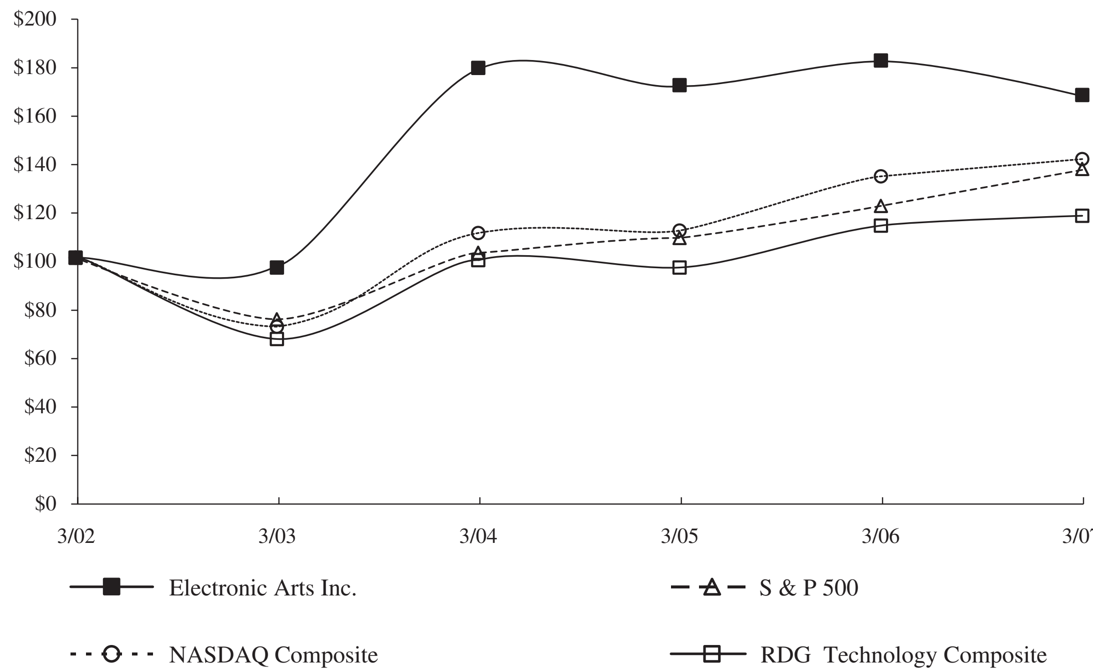
We have not paid any cash dividends and do not anticipate paying cash dividends in the foreseeable future.

Stock Performance Graph

The following information shall not be deemed to be "filed" with the Securities and Exchange Commission nor shall this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, 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, 2002 through March 31, 2007, for our common stock, the NASDAQ Market Composite Index, the S&P 500 Index (to which EA was added in July 2002) and the RDG Technology Index, each of which assumes an initial value of $100. Each measurement point is as of the end of each fiscal year ended March 31. 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 NASDAQ Composite Index,
The S&P 500 Index and The RDG Technology Composite Index



* $100 invested on 3/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending March 31.

	March 31,					
	2002	2003	2004	2005	2006	2007
Electronic Arts Inc.	$100	$96	$177	$170	$180	$166
NASDAQ Composite	100	72	110	111	133	140
S&P 500	100	75	102	108	121	136
RDG Technology Composite	100	67	99	96	113	117

Item 6: ***Selected Financial Data***

ELECTRONIC ARTS INC. AND SUBSIDIARIES

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA
(In millions, except per share data)

	Year Ended March 31,				
STATEMENTS OF OPERATIONS DATA	**2007[(a)]**	**2006**	**2005**	**2004**	**2003**
Net revenue	$3,091	$2,951	$3,129	$2,957	$2,482
Cost of goods sold	1,212	1,181	1,197	1,103	1,073
Gross profit	1,879	1,770	1,932	1,854	1,409
Operating expenses:					
Marketing and sales	466	431	391	370	332
General and administrative	288	215	221	185	131
Research and development	1,041	758	633	511	401
Amortization of intangibles	27	7	3	3	8
Acquired in-process technology	3	8	13	—	—
Restructuring charges	15	26	2	9	15
Asset impairment charges	—	—	—	—	66
Total operating expenses	1,840	1,445	1,263	1,078	953
Operating income	39	325	669	776	456
Interest and other income, net	99	64	56	21	5
Income before provision for income taxes and minority interest	138	389	725	797	461
Provision for income taxes	66	147	221	220	143
Income before minority interest	72	242	504	577	318
Minority interest	4	(6)	—	—	(1)
Net income	$ 76	$ 236	$ 504	$ 577	$ 317
Net income (loss) per share:					
Common stock:					
Net income:					
Basic	$ 76	$ 236	$ 504	$ 577	$ 329
Diluted	$ 76	$ 236	$ 504	$ 577	$ 317
Net income per share:					
Basic	$ 0.25	$ 0.78	$ 1.65	$ 1.95	$ 1.17
Diluted	$ 0.24	$ 0.75	$ 1.59	$ 1.87	$ 1.08
Number of shares used in computation:					
Basic	308	304	305	295	282
Diluted	317	314	318	308	293
Class B common stock:					
Net loss, net of retained interest in EA.com	N/A	N/A	N/A	N/A	$ (12)
Net loss per share:					
Basic	N/A	N/A	N/A	N/A	$ (2.77)
Diluted	N/A	N/A	N/A	N/A	$ (2.77)
Number of shares used in computation:					
Basic	N/A	N/A	N/A	N/A	4
Diluted	N/A	N/A	N/A	N/A	4

ELECTRONIC ARTS INC. AND SUBSIDIARIES

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA (Continued)
(In millions)

BALANCE SHEET DATA	Year Ended March 31, 2007[(a)]	2006	2005	2004	2003
Cash and cash equivalents	$1,371	$1,242	$1,270	$2,150	$ 950
Short-term investments	1,264	1,030	1,688	264	638
Marketable equity securities	341	160	140	1	1
Working capital	2,571	2,143	2,899	2,185	1,334
Total assets	5,146	4,386	4,370	3,464	2,429
Long-term liabilities	88	97	54	42	54
Total liabilities	1,114	966	861	786	640
Minority interest	—	12	11	—	4
Total stockholders' equity	4,032	3,408	3,498	2,678	1,785

(a) Beginning in fiscal 2007, we adopted Statement of Financial Accounting Standard No. 123 (revised 2004) ("SFAS No. 123(R)"), *"Share-Based Payment"*. Accordingly, in fiscal 2007, we recognized stock-based compensation expense of $133 million, pre-tax, and $107 million, net of tax. See Note 12 of the Notes to Consolidated Financial Statements for a detailed functional line-item breakdown of our stock-based compensation expense.

Annual Report

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

OVERVIEW

The following overview is a top-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 is important in order to understand our results for the fiscal year ended March 31, 2007, 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations", or the Consolidated Financial Statements and related notes.

About Electronic Arts

We develop, market, publish and distribute interactive software games that are playable by consumers on video game consoles (such as the Sony PlayStation 2 and PLAYSTATION 3, Microsoft Xbox 360 and Nintendo Wii), personal computers, mobile platforms (including cellular handsets and handheld game players such as the PlayStation Portable ("PSP") and the Nintendo DS) and online (over the Internet and other proprietary online networks). Some of our games are based on content that we license from others (e.g., Madden NFL Football, The Godfather and FIFA Soccer), and some of our games are based on our own wholly-owned intellectual property (e.g., The Sims and Need for Speed). Our goal is to publish titles with mass-market appeal, which often means translating and localizing them for sale in non-English speaking countries. In addition, we also attempt to create software game "franchises" that allow us to publish new titles on a recurring basis that are based on the same property. Examples of this franchise approach are the annual iterations of our sports-based products (e.g., Madden NFL Football, NCAA® Football and FIFA Soccer), wholly-owned properties that can be successfully sequeled (e.g., The Sims, Need for Speed and Battlefield) and titles based on long-lived literary and/or movie properties (e.g., Lord of the Rings and Harry Potter).

Overview of Financial Results

Total net revenue for the fiscal year ended March 31, 2007 was $3.091 billion, up 5 percent as compared to the fiscal year ended March 31, 2006. Total net revenue for the fiscal year ended March 31, 2007 was driven by sales of *Madden NFL 07*, *Need for Speed Carbon*, *FIFA 07*, *The Sims 2 Pets*, and *NCAA® Football 07.* Four titles sold more than five million units in the fiscal year ended March 31, 2007 — *Madden NFL 07*, *Need for Speed Carbon*, *FIFA 07*, and *The Sims 2 Pets.*

Net income for the fiscal year ended March 31, 2007 was $76 million as compared to $236 million for the fiscal year ended March 31, 2006. Diluted net income per share for the fiscal year ended March 31, 2007 was $0.24 as compared to $0.75 for the fiscal year ended March 31, 2006. Although net revenue increased in fiscal 2007 as compared to fiscal 2006, net income decreased due to an increase in our operating expenses as a result of our adoption of SFAS No. 123 (revised 2004) ("SFAS No. 123(R)"), "*Share Based Payment*", an increase in our annual bonus expense and an increase in additional personnel-related costs due to an increase in headcount. These increases were further mitigated by a decrease in our income tax provision.

We generated $397 million of cash from operating activities during the year ended March 31, 2007, as compared to $596 million for fiscal 2006. The decrease in cash generated from operating activities was primarily due to the timing of the collection of our receivables as a result of collecting a greater amount of our receivables during fiscal 2006 as compared to fiscal 2007.

Stock-Based Compensation. Beginning in fiscal 2007, we adopted SFAS No. 123(R) which requires us to recognize the cost resulting from all share-based payment transactions in our financial statements using a fair-value-based method. See Note 12 of the Notes to Consolidated Financial Statements. The following table summarizes our stock-based compensation expense resulting from stock options, restricted stock, restricted stock units and our employee stock purchase plan included in our Consolidated Statements of Operations for the fiscal years ended March 31, 2007, 2006 and 2005 (in millions):

	Year Ended March 31,		
	2007	2006	2005
Cost of goods sold	$ 2	$ —	$ —
Marketing and sales	17	—	—
General and administrative	37	1	—
Research and development	77	2	6
Stock-based compensation expense	133	3	6
Benefit from income taxes	(26)	(1)	(2)
Stock-based compensation expense, net of tax	$107	$ 2	$ 4

As of March 31, 2007, our total unrecognized compensation cost related to stock options was $153 million and is expected to be recognized over a weighted-average service period of 1.6 years. As of March 31, 2007, our total unrecognized compensation cost related to restricted stock and restricted stock units (collectively referred to as "restricted stock rights") was $82 million and is expected to be recognized over a weighted-average service period of 2.3 years.

Management's Overview of Historical and Prospective Business Trends

Transition to A New Generation of Consoles. Video game hardware systems have historically had a life cycle of four to six years, which causes the video game software market to be cyclical as well. Microsoft launched the Xbox 360 in November 2005, while Sony and Nintendo launched the PLAYSTATION 3 and the Wii, respectively, in November 2006. We have continued to develop and market new titles for prior-generation video game systems such as the PlayStation 2 while also making significant investments in products for the new systems. As the prior-generation systems reach the end of their life cycle and the installed base of the new systems continues to grow, our sales of video games for prior-generation systems will continue to decline as (1) we produce fewer titles for prior-generation systems, (2) consumers replace their prior-generation systems with the new systems, and/or (3) consumers reduce game software purchases for certain prior-generation consoles generally, for example, until they are able to purchase a new video game hardware system. This decline in prior-generation product sales could ultimately be greater than we anticipate, and sales of products for the new platforms may be lower than we anticipate. Moreover, we expect development costs for the new video game systems to be greater on a per-title basis than development costs for prior-generation video game systems.

We have incurred increased costs during this transition as we have continued to develop and market new titles for certain prior-generation video game platforms while also making significant investments in products for the new generation platforms. As we move through the life cycle of prior-generation consoles, we will continue to devote significant resources to the development of prior-generation titles while at the same time spending more for the new generation of platforms and technology. As a result of these factors, we expect research and development expenses to increase in fiscal 2008.

Investment in Online. Today, we generate net revenue from a variety of online products and services, including casual games and downloadable content marketed under our Pogo brand, persistent state world games such as *Ultima Online* and *Dark Age of Camelot,* PC-based downloadable content and online-enabled packaged goods. As the nature of online game offerings expands and evolves, we anticipate long-term opportunities for growth in this area. For example, we expect that consumers will take advantage of the online connectivity of the new generation of consoles at a much higher rate than they have on prior-generation consoles, allowing more consumers to enhance their gameplay experience through multiplayer activity, community-building and downloading content. We plan to increase the amount of content available for download on the PC, consoles and cell phones, increase the number of games with dynamic in-game advertising and to increase the number of PC-based games that can be downloaded digitally. In addition, we plan to expand our casual game offerings internationally and to invest in growing genres such as mid-session games. To further enhance our online offerings, we acquired Mythic, a developer and publisher of massively multiplayer online role-playing games, in July 2006. We intend to make significant investments in online products, infrastructure and services and believe that online gameplay will become an increasingly important part of our business in the long term.

Significantly Increased Deferred Revenue for Online-Enabled Games. The ubiquity of high-speed Internet access and the integration of network connectivity into new generation game consoles are expected to increase demand for games with online-enabled features. To address this demand, many of our software products are developed with the ability to be connected to and played via the Internet. In order for consumers to participate in online communities and play against one another via the Internet, we (or through outsourced arrangements with third parties) have servers which support the various online services we provide to consumers such as matchmaking, roster updates, tournaments and player rankings. In situations where we do not separately sell these online services, we consider the sale of the software product as a "bundle" sale or multiple element arrangement in which we sell both the software product and the online service for one combined price.

Through fiscal 2007, for accounting purposes, vendor specific objective evidence of fair value existed for the online service. Accordingly, we allocated the revenue collected from the sale of the software product between the online service and the software product and recognized the amounts allocated to each element separately. However, starting in fiscal 2008, for accounting purposes, the required vendor specific objective evidence of fair value will not exist for the online services. This will prevent us from allocating and recognizing revenue related to the software product and the online services separately. Accordingly, we will begin to recognize all of the revenue from the sale of our online-enabled software products related to the PC, PlayStation 2, PLAYSTATION 3 and the PSP platforms over the estimated online service period (currently expected to be recognized over six months after the month of sale). We anticipate that, in fiscal 2008, we will likely defer approximately $400 to $500 million in net revenue from the sale of these online-enabled software products into fiscal 2009. On a quarterly basis, this amount will vary significantly depending upon the timing of the release of the online-enabled software product and the sales volume of such products. In addition, we will expense the cost of goods sold related to these transactions when delivered. As of March 31, 2007, deferred net revenue related to packaged goods and digital content (i.e., content delivered to the consumer via the Internet including (1) digital downloads and (2) certain incremental content related to our core subscription services playable only online, which are types of "micro-transactions") was $23 million.

Expansion of Mobile Platforms. Advances in mobile technology have resulted in a variety of new and evolving platforms for on-the-go interactive entertainment that appeal to a broader demographic of consumers. Our efforts to capitalize on the growth in mobile interactive entertainment are focused in two broad areas — packaged goods games for handheld game systems and downloadable games for cellular handsets.

We have developed and published games for a variety of handheld platforms, including the Nintendo Game Boy and Game Boy Advance, for several years. The introductions of the Sony PSP and the Nintendo DS, with their enhanced graphics, deeper gameplay, and online functionality, provide a richer mobile gaming experience for consumers.

We expect sales of games for cellular handsets to continue to be an increasingly important part of our business worldwide. To accelerate our position in this growing segment, in February 2006, we acquired JAMDAT Mobile Inc., a global publisher of wireless games and other wireless entertainment applications. As a result of this acquisition, our net revenue from games for cellular handsets increased significantly in fiscal 2007 as compared to prior years. Likewise, the acquisition, along with the additional investment required to grow this portion of our business globally, resulted in increased license royalties, development and operating expenses in fiscal 2007.

As mobile technology continues to evolve and the installed base of both handheld game systems and game-enabled cellular phones continues to expand, we anticipate that sales of our titles for mobile platforms — for both handhelds and cellular handsets — will become an increasingly important part of our business.

Acquisitions, Investments and Strategic Transactions. We have engaged in, evaluated, and expect to continue to engage in and evaluate, a wide array of potential strategic transactions, including (1) acquisitions of companies, businesses, intellectual properties, and other assets, and (2) investments in new interactive entertainment businesses, such as online and mobile games. In May 2007, we announced that we entered into a licensing agreement with and expect to make a strategic equity investment in The9 Limited, a leading online game operator in China, on or around May 29, 2007. The licensing agreement gives The9 exclusive publishing rights for *EA SPORTS FIFA Online* in mainland China. In April 2007, we expanded our commercial agreements with and made strategic equity investments in Neowiz Corporation and its online gaming subsidiary, Neowiz Games. Based in Korea, Neowiz is an online media and gaming company with which we partnered in 2006 to launch *EA Sports FIFA Online* in Korea. In October 2006, the remaining outstanding shares of Digital Illusions C.E. ("DICE") were purchased, thereby completing the acquisition of the remaining minority interest of DICE. In July 2006, we acquired Mythic as part of our efforts to accelerate our growth in the massively multiplayer online role-playing market. In fiscal 2007, we also acquired SingShot Media, a San Francisco-based online karaoke community, as well as substantially all of the assets of Headgate Studios, a Utah-based developer with which we had partnered since 2000 to develop certain EA franchises, and Phenomic Game Development, a developer of Real Time Strategy games based in Germany. In fiscal 2006, we acquired JAMDAT as part of our efforts to accelerate our growth in mobile gaming.

International Expansion. We expect international sales to remain a fundamental part of our business. As part of our international expansion strategy, we may seek to partner with established local companies through acquisitions, joint ventures, minority investments or other similar arrangements. We are planning to expand our development and business activities internationally. We believe that in order to succeed internationally, it is important to locally develop content that is specifically directed toward local cultures and consumers. As such, we expect to continue to devote resources to hiring local development talent and expanding our infrastructure.

Sales of "Hit" Titles. Sales of "hit" titles, several of which were top sellers in a number of countries, contributed significantly to our net revenue in fiscal 2007. Our top-selling titles across all platforms worldwide during the year ended March 31, 2007 were *Madden NFL 07*, *Need for Speed Carbon*, *FIFA 07*, *The Sims 2 Pets* and *NCAA Football 07*. Hit titles are important to our financial performance because they benefit from overall economies of scale. We have developed, and it is our objective to continue to develop, many of our hit titles to become franchise titles that can be regularly iterated.

Increasing Licensing Costs. We generate a significant portion of our net revenue and operating income from games based on licensed content, such as FIFA Soccer. We have recently entered into new licenses and renewed older licenses, some of which may contain higher royalty rates or guarantees than similar license agreements we have entered into in the past. We believe these licenses, and the product franchises they support, will continue to be important to our future operations, but the higher costs of these licenses will negatively impact our gross margins.

Foreign Currency Exchange Impact. Net revenue from international sales accounted for approximately 46 percent of our total net revenue during both fiscal 2007 and 2006. Our international net revenue was primarily driven by sales in Europe and, to a much lesser extent, in Asia. Year-over-year, foreign exchange rates had a favorable impact on our net revenue of $53 million, or 2 percent, for the year ended March 31, 2007.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States. 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 judgment and estimates of matters that are inherently uncertain and unknown. As a result, actual results may differ materially from our estimates.

Revenue Recognition, Sales Returns, Allowances and Bad Debt Reserves

We principally derive revenue from sales of interactive software games designed for play on video game consoles (such as the PLAYSTATION 3, Xbox 360 and Wii), PCs and mobile platforms including handheld game players (such as the Sony PSP, Nintendo DS and Nintendo Game Boy Advance) and cellular handsets. We evaluate the recognition of revenue based on the criteria set forth in Statement of Position ("SOP") 97-2, *"Software Revenue Recognition"*, as amended by SOP 98-9, *"Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions"* and Staff Accounting Bulletin ("SAB") No. 104, *"Revenue Recognition"*. We evaluate revenue recognition using the following basic criteria and recognize revenue when all four of the following criteria are met:

- *Evidence of an arrangement.* Evidence of an agreement with the customer that reflects the terms and conditions to deliver products must be present in order to recognize revenue.
- *Delivery.* Delivery is considered to occur when a product is shipped and the risk of loss and rewards of ownership have been transferred to the customer. For online game services, delivery is considered to occur as the service is provided.
- *Fixed or determinable fee.* If a portion of the arrangement fee is not fixed or determinable, we recognize revenue as the amount becomes fixed or determinable.
- *Collection is deemed probable.* We conduct a credit review of each customer involved in a significant transaction to determine the creditworthiness of the customer. Collection is deemed probable if we expect the customer to be able to pay amounts under the arrangement as those amounts become due. If we determine that collection is not probable, we recognize revenue when collection becomes probable (generally upon cash collection).

Determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report. For example, for multiple element arrangements, we must make assumptions and judgments in order to: (1) determine whether and when each element has been delivered; (2) determine whether undelivered products or services are essential to the functionality of the delivered products and services; (3) determine whether vendor-specific objective evidence of fair value ("VSOE") exists for each undelivered element; and (4) allocate the total price among the various elements we must deliver. Changes to any of these assumptions or judgments, or changes to the elements in a software arrangement, could cause a material increase or decrease in the amount of revenue that we report in a particular period. For example, some of our packaged goods products are sold with online services. Prior to, and through fiscal 2007, we had been able to determine VSOE for the online services to be delivered; therefore, we have been able to allocate the total price received from the combined product and online service sale between these two elements and recognize the related revenue separately. However, starting in fiscal 2008, VSOE will not exist for the online services to be delivered for certain platforms and all revenue from these transactions will be recognized over the estimated online service period. More specifically, we will begin to recognize the revenue from sales of certain online-enabled packaged goods on a straight-line basis over six months after the month of sale. Accordingly, this relatively small change (from having VSOE for online hosting services to no longer having VSOE) will have a significant effect on our reported results.

Determining whether a transaction constitutes an online game service transaction or a download of a product requires judgment and can be difficult. The accounting for these transactions is significantly different. Revenue from product downloads is recognized when the download occurs (assuming all other recognition criteria are met). Revenue from online game services is recognized as the services are rendered. If the service period is not defined, we recognize the revenue over the estimated service period. Determining the estimated service period is inherently subjective and is subject to regular revision based on historical online usage.

Product revenue, including sales to resellers and distributors ("channel partners"), is recognized when the above criteria are met. We reduce product revenue for estimated future returns, price protection, and other offerings, which may occur with our customers and channel partners. In certain countries, we have stock-balancing programs for our PC and video game system products, which allow for the exchange of these products by resellers under certain circumstances. It is our general practice to exchange products or give credits rather than to give cash refunds.

In certain countries, from time to time, we decide to provide price protection for both our PC and video game system products. When evaluating the adequacy of sales returns and price protection allowances, we analyze historical returns, current sell-through of distributor and retailer inventory of our products, current trends in retail and the video game segment, changes in customer demand and 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 costs in subsequent periods.

In the future, actual returns and price protections may materially exceed our estimates as unsold products in the distribution channels are exposed to rapid changes in consumer preferences, market conditions or technological obsolescence due to new platforms, product updates or competing products. For example, the risk of product returns and/or price protection for our products may continue to increase as the PlayStation 2 console moves through its lifecycle. While we believe we can make reliable estimates regarding these matters, these estimates are inherently subjective. Accordingly, if our estimates changed, our returns and price protection reserves would change, which would impact the total net revenue we report. For example, if actual returns and/or price protection were significantly greater than the reserves we have established, our actual results would decrease our reported total net revenue. Conversely, if actual returns and/or price protection were significantly less than our reserves, this would increase our reported total net revenue.

Significant judgment is required to estimate our allowance for doubtful accounts in any accounting period. We determine our allowance for doubtful accounts by evaluating customer creditworthiness in the context of current economic trends and historical experience. Depending upon the overall economic climate and the financial condition of our customers, the amount and timing of our bad debt expense and cash collection could change significantly.

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 product.

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 goods sold generally at the greater of the contractual rate or an effective royalty rate based on expected net product sales. Significant judgment is required to estimate the effective royalty rate for a particular contract. Because the computation of effective royalty rates requires us to project future revenue, it is inherently subjective as our future revenue projections must anticipate a number of factors, including (1) the total number of titles subject to the contract, (2) the timing of the release of these titles, (3) the number of software units we expect to sell which can be impacted by a number of variables, including product quality and competition, and (4) future pricing. Determining the effective royalty rate for our titles is particularly challenging due to the inherent difficulty in predicting the popularity of entertainment products. Accordingly, if our future revenue projections change, our effective royalty rates would change, which could impact the royalty expense we recognize. Prepayments made to thinly capitalized independent software developers and co-publishing affiliates are generally made in connection with the development of a particular product and, therefore, we are generally subject to development risk prior to the release of the product. Accordingly, payments that are due prior to completion of a product are generally amortized 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 goods sold.

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. Minimum royalty payment obligations are classified as current liabilities to the extent such royalty payments are contractually due within the next twelve months. As of March 31, 2007 and 2006, approximately $9 million of minimum guaranteed royalty obligations had been recognized in each period.

Each quarter, we also evaluate the future realization of our royalty-based assets as well as any unrecognized minimum commitments not yet paid to determine amounts we deem unlikely to be realized through product sales. Any impairments determined before the launch of a product are charged to research and development expense. Impairments determined post-launch are charged to cost of goods sold. In either case, we rely on estimated revenue to evaluate the future realization of prepaid royalties and commitments. If actual sales or revised revenue estimates fall below the initial revenue estimate, then the actual charge taken may be greater in any given quarter than anticipated. We had no impairments during fiscal 2007. During fiscal 2006 and 2005, we recorded impairment charges of $16 million and $8 million, respectively.

Valuation of Long-Lived Assets, including goodwill and other intangible assets

We evaluate both purchased intangible assets and other long-lived assets in order to determine if events or changes in circumstances indicate a potential impairment in value exists. This evaluation requires us to estimate, among other things, the remaining useful lives of the assets and future cash flows of the business. These evaluations and estimates require the use of judgment. Our actual results could differ materially from our current estimates.

Under current accounting standards, we make judgments about the recoverability of purchased intangible assets and other long-lived assets whenever events or changes in circumstances indicate a potential impairment in the remaining value of the assets recorded on our Consolidated Balance Sheets. In order to determine if a potential impairment has occurred, management makes various assumptions about the future value of the asset by evaluating future business prospects and estimated cash flows. Our future net cash flows are primarily dependent on the sale of products for play on proprietary video game consoles, handheld game players, PCs, and cellular handsets (“platforms”). The sales of our products are affected by our ability to accurately predict which platforms and which products we develop will be successful. Also, our revenue and earnings are dependent on our ability to meet our product release schedules. Due to product sales shortfalls, we may not realize the future net cash flows necessary to recover our long-lived assets, which may result in an impairment charge being recorded in the future. We recognized an insignificant amount of impairment in fiscal 2007, 2006 and 2005.

SFAS No. 142, *“Goodwill and Other Intangible Assets”* requires at least an annual assessment for impairment of goodwill by applying a fair-value-based test. A two-step approach is required to test goodwill for impairment for each reporting unit. The first step tests for impairment by applying fair value-based tests at the reporting unit level. The second step (if necessary) measures the amount of impairment by applying fair value-based tests to individual assets and liabilities within each reporting unit. Application of the goodwill impairment test requires judgment, including identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated using a discounted cash flow methodology which requires significant judgment to estimate the future cash flows, determine the appropriate discount rates, growth rates and other assumptions. The determination of fair value for each reporting unit could be materially affected by changes in these estimates and assumptions which could trigger impairment. In fiscal 2007, we completed the first step of the annual goodwill impairment testing as of January 1, 2007 and found no indicators of impairment of our recorded goodwill. We did not recognize an impairment loss on goodwill in fiscal 2007, 2006 or 2005. Future impairment tests may result in a charge to earnings and there is a potential for a write-down of goodwill in connection with the annual impairment test.

Stock-Based Compensation

On April 1, 2006, we adopted SFAS No. 123(R) and applied the provisions of SAB No. 107, "*Share-Based Payment*", on our adoption of SFAS No. 123(R). SFAS No. 123(R) requires that the cost resulting from all share-based payment transactions be recognized in the financial statements using a fair-value-based method. We elected to use the modified prospective transition method of adoption. SFAS No. 123(R) requires us to measure compensation cost for all outstanding unvested stock-based awards made to our employees and directors based on estimated fair values and recognize compensation over the service period for awards expected to vest. We recognized $133 million of stock-based compensation related to employee stock options, restricted stock units, restricted stock awards and our employee stock purchase plan ("ESPP") during the fiscal year ended March 31, 2007. We recognized $3 million of stock-based compensation related to employee restricted stock units, stock options assumed in connection with our acquisition of JAMDAT and non-employee stock options during the fiscal year ended March 31, 2006. We recognized $6 million of stock-based compensation related to stock options assumed in connection with our acquisition of Criterion Software Group Ltd. and non-employee stock options and warrants during the fiscal year ended March 31, 2005.

For options and ESPP, we use the Black-Scholes option valuation model to determine the grant date fair value. The Black-Scholes option valuation model requires us to make certain assumptions about the future. The determination of fair value is affected by our stock price as well as assumptions regarding subjective and complex variables such as expected employee exercise behavior and our expected stock price volatility over the term of the award. Generally, our assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes. We estimated the following key assumptions for the Black-Scholes valuation calculation:

- *Risk-free interest rate.* 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.* We use our historical stock price volatility and consider the implied volatility computed based on the price of short-term options publicly traded on our common stock for our expected volatility assumption.
- *Expected term.* The expected term represents the weighted-average period the stock options are expected to remain outstanding. The expected term is determined based on historical exercise behavior, post-vesting termination patterns, options outstanding and future expected exercise behavior.
- *Expected dividends.*

As required by SFAS No. 123(R), employee stock-based compensation expense recognized in fiscal 2007 was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures. Forfeitures are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates and an adjustment will be recognized at that time.

Changes to our underlying stock price, our assumptions used in the Black-Scholes option valuation calculation and our forfeiture rate as well as future grants of equity could significantly impact compensation expense to be recognized in fiscal 2008 and future periods.

Income Taxes

In the ordinary course of our business, there are many transactions and calculations where the tax law and ultimate tax determination is uncertain. As part of the process of preparing our Consolidated Financial Statements, we are required to estimate our income taxes in each of the jurisdictions 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 current tax exposures in each jurisdiction where we operate. These estimates involve complex issues, require extended periods of time to resolve, and require us to make judgments, such as anticipating the positions that we will take on tax returns prior to our actually preparing the returns and the outcomes of disputes with tax authorities. We are also required to make determinations of the need to record deferred tax liabilities and the recoverability of deferred tax assets. A valuation allowance is established to the extent recovery of deferred tax assets is not likely based on our estimation of future taxable income in each jurisdiction.

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 income tax rate. As with fiscal 2007, we expect our effective tax rate to be unusually volatile and subject to significant fluctuation.

RESULTS OF OPERATIONS

Our fiscal year is reported on a 52 or 53-week period that, historically, ended on the final Saturday of March in each year. Beginning with the fiscal year ended March 31, 2006, our fiscal year ends on the Saturday nearest March 31. As a result, fiscal 2006 contained 53 weeks with the first quarter containing 14 weeks. Our results of operations for the fiscal years ended March 31, 2008, 2007, 2006 and 2005 contain the following number of weeks:

Fiscal Year Ended	Number of Weeks	Fiscal Period End Date
March 31, 2008	52 weeks	March 29, 2008
March 31, 2007	52 weeks	March 31, 2007
March 31, 2006	53 weeks	April 1, 2006
March 31, 2005	52 weeks	March 26, 2005

For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

Beginning in fiscal 2007, we adopted SFAS No. 123(R) and applied the provisions of SAB No. 107 to our adoption of SFAS No. 123(R). We elected to use the modified prospective transition method of adoption which requires that compensation expense be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption. Accordingly, prior periods are not restated for the effect of SFAS No. 123(R). Prior to our adoption of SFAS No. 123(R), we valued our stock options based on the multiple-award valuation method and recognized the expense using the accelerated approach over the requisite service period. In conjunction with our adoption of SFAS No. 123(R), we changed our method of recognizing our stock-based compensation expense to the straight-line approach over the requisite service period; however, we continue to value our stock options based on the multiple-award valuation method.

Prior to fiscal 2007, we accounted for stock-based awards to employees using the intrinsic value method in accordance with Accounting Principles Board No. 25, "*Accounting for Stock Issued to Employees*" and adopted the disclosure-only provisions of SFAS No. 123, "*Accounting for Stock-Based Compensation*", as amended. Also, as required by SFAS No. 148, "*Accounting for Stock-Based Compensation — Transition and Disclosure*", we provided pro forma net income and net income per common share disclosures for stock-based awards as if the fair-value-based method defined in SFAS No. 123 had been applied. As a result, prior periods are not restated for the effect of SFAS No. 123(R). Pre-tax stock-based compensation expense for the fiscal years ended March 31, 2007, 2006 and 2005 was $133 million, $3 million and $6 million, respectively.

Comparison of Fiscal 2007 to Fiscal 2006

Net Revenue

We derive net revenue principally from sales of interactive software games designed for play on video game consoles (such as the PlayStation 2, PLAYSTATION 3, Xbox 360 and Wii), PCs and handheld game players (such as the Sony PSP, Nintendo DS and Nintendo Game Boy Advance) and cellular handsets. We also derive net revenue from selling services in connection with some of our online games, programming third-party web sites with our game content, allowing other companies to manufacture and sell our products in conjunction with other products, and selling advertisements on our online web pages and in our games.

From a geographical perspective, our total net revenue for fiscal years ended March 31, 2007 and 2006 was as follows (in millions):

	Year Ended March 31,				Increase /	%
	2007		2006		(Decrease)	Change
North America	$1,666	54%	$1,584	54%	$ 82	5%
Europe	1,261	41%	1,174	40%	87	7%
Asia	164	5%	193	6%	(29)	(15%)
International	1,425	46%	1,367	46%	58	4%
Total Net Revenue	$3,091	100%	$2,951	100%	$140	5%

North America

For fiscal 2007, net revenue in North America was $1,666 million, driven primarily by (1) our packaged goods business led by sales of *Madden NFL 07*, *Need for Speed Carbon*, and *NCAA Football 07*, and (2) to a lesser extent, growth in our cellular handset games business resulting from our February 2006 acquisition of JAMDAT. Overall, net revenue increased $82 million, or 5 percent, as compared to fiscal 2006.

The increase in net revenue for fiscal 2007, as compared to fiscal 2006 was driven primarily by (1) a $95 million increase in cellular handset net revenue, and (2) a $43 million increase in catalog[a] net revenue. These increases were partially offset by a $79 million decrease in frontline[b] net revenue.

[a] We refer to "catalog net revenue" as net revenue derived from an EA Studio SKU (a version of a title designed for play on a particular platform) for consoles, PC, PSP, Nintendo DS, and Game Boy Advance subsequent to the fiscal period presented in which the SKU was initially launched.

[b] We refer to "frontline net revenue" as net revenue derived from an EA Studio SKU for consoles, PC, PSP, Nintendo DS, and Game Boy Advance during the same fiscal period presented as the SKU was launched.

Europe

For fiscal 2007, net revenue in Europe was $1,261 million, driven primarily by sales of *FIFA 07* and *Need for Speed Carbon.* Overall, net revenue increased $87 million, or 7 percent, as compared to fiscal 2006. We estimate that foreign exchange rates (primarily the Euro and the British pound sterling) increased reported European net revenue by approximately $57 million, or 5 percent, for fiscal 2007 as compared to fiscal 2006. Excluding the effect of foreign exchange rates, we estimate that European net revenue increased by approximately $30 million, or 2 percent, for fiscal 2007.

The increase in net revenue for fiscal 2007, as compared to fiscal 2006 was driven primarily by (1) a $64 million increase in catalog net revenue, and (2) a $25 million increase in cellular handset net revenue. These increases were partially offset by a $7 million decrease in frontline net revenue.

Asia

For fiscal 2007, net revenue in Asia was $164 million, driven primarily by sales of *Need for Speed Carbon.* Overall, net revenue decreased by $29 million, or 15 percent, as compared to fiscal 2006. The decrease in net revenue for fiscal 2007 was driven primarily by (1) a $21 million decrease in co-publishing and distribution net revenue, and (2) a $20 million decrease in frontline net revenue. These decreases were partially offset by a $13 million increase in catalog net revenue. We estimate that changes in foreign exchange rates decreased reported net revenue in Asia by approximately $4 million, or 2 percent, for fiscal 2007. Excluding the effect of foreign exchange rates, we estimate that Asia net revenue decreased by approximately $25 million, or 13 percent, for fiscal 2007 as compared to fiscal 2006.

Our total net revenue by platform for fiscal years 2007 and 2006 was as follows (in millions):

	Year Ended March 31, 2007		2006		Increase/ (Decrease)	% Change
Consoles						
PlayStation 2	$ 886	29%	$1,127	38%	$(241)	(21%)
Xbox 360	480	15%	140	5%	340	243%
Xbox	157	5%	400	13%	(243)	(61%)
PLAYSTATION 3	94	3%	—	—	94	N/M
Wii	65	2%	—	—	65	N/M
Nintendo GameCube	60	2%	135	5%	(75)	(56%)
Other Consoles	—	—	1	—	(1)	(100%)
Total Consoles	1,742	56%	1,803	61%	(61)	(3%)
PC	498	16%	418	14%	80	19%
Mobility						
PSP	258	8%	252	9%	6	2%
Cellular Handsets	140	6%	19	1%	121	637%
Nintendo DS	104	3%	67	2%	37	55%
Game Boy Advance	38	1%	55	2%	(17)	(31%)
Total Mobility	540	18%	393	14%	147	37%
Co-publishing and Distribution	175	6%	213	7%	(38)	(18%)
Internet Services, Licensing and Other						
Subscription Services	79	2%	61	2%	18	30%
Licensing, Advertising and Other	57	2%	63	2%	(6)	(10%)
Total Internet Services, Licensing and Other	136	4%	124	4%	12	10%
Total Net Revenue	$3,091	100%	$2,951	100%	$ 140	5%

PlayStation 2

For fiscal 2007, net revenue from sales of titles for the PlayStation 2 was $886 million, driven primarily by sales of *Madden NFL 07, Need for Speed Carbon*, and *FIFA 07.* Overall, PlayStation 2 net revenue decreased $241 million, or 21 percent, compared to fiscal 2006. Although we are unable to specifically quantify the impact, we believe the decrease was primarily due to the transition to new generation consoles.

We expect PlayStation 2-related net revenue to continue to decline in fiscal 2008 as consumers increasingly migrate to new platforms, we publish fewer titles (as compared to fiscal 2007) and we defer a greater percentage of our net revenue due to the change in our online-enabled packaged goods business model.

Xbox 360

The Xbox 360 was launched in North America, Europe and Japan during the three months ended December 31, 2005 and in the rest of Asia during the three months ended March 31, 2006. For fiscal 2007, net revenue from sales of titles for the Xbox 360 was $480 million driven primarily by sales of *Madden NFL 07, Need for Speed Carbon*, and *FIFA 07.*

We expect net revenue from sales of titles for the Xbox 360 to increase as the installed base grows and we release more titles.

Xbox

For fiscal 2007, net revenue from sales of titles for the Xbox was $157 million, driven primarily by sales of *Madden NFL 07*, *Need for Speed Carbon*, and *NCAA Football 07*. Overall, Xbox net revenue decreased $243 million, or 61 percent, as compared to fiscal 2006. Although we are unable to specifically quantify the impact, we believe the decrease was primarily due to the transition to new generation consoles.

We expect Xbox-related net revenue to continue to decline as consumers increasingly migrate to new platforms and we publish significantly fewer titles (as compared to fiscal 2007).

PLAYSTATION 3

The PLAYSTATION 3 launched in North America and Japan during the three months ended December 31, 2006 and Europe and the rest of Asia during the three months ended March 31, 2007. Net revenue from sales of titles for the PLAYSTATION 3 was $94 million for fiscal 2007, driven by sales of *Need for Speed Carbon*, *Madden NFL 07*, and *EA SPORTS™ Fight Night Round 3*.

We expect net revenue from sales of titles for the PLAYSTATION 3 to increase as the installed base grows and we release more titles. The increase will be partially offset by our deferral of net revenue resulting from certain online-enabled PLAYSTATION 3 games.

Wii

The Wii launched in North America, Europe and parts of Asia during the three months ended December 31, 2006. Net revenue from sales of titles for the Wii was $65 million for fiscal 2007, driven by sales of *Need for Speed Carbon*, *Madden NFL 07*, and *Tiger Woods PGA® TOUR 07*.

We expect net revenue from sales of titles for the Wii to increase as the installed base grows and we release more titles.

Nintendo GameCube

For fiscal 2007, net revenue from sales of titles for the Nintendo GameCube was $60 million, driven primarily by sales of *Madden NFL 07*, *Need for Speed Carbon*, and *FIFA 07*. Overall, Nintendo GameCube net revenue decreased $75 million, or 56 percent, as compared to fiscal 2006. Although we are unable to specifically quantify the impact, we believe the decrease was primarily due to the transition to new generation consoles.

We expect Nintendo GameCube-related net revenue to continue to decline as consumers increasingly migrate to new platforms. We will no longer release titles for the Nintendo GameCube, which will also contribute to our expected net revenue decline from this platform.

PC

For fiscal 2007, net revenue from sales of titles for the PC was $498 million driven primarily by sales of titles from The Sims, Battlefield, and Command and Conquer franchises. Overall, PC net revenue increased $80 million, or 19 percent, as compared to fiscal 2006. The increase was due to a $62 million increase in frontline net revenue and an $18 million increase in catalog net revenue.

Mobile Platforms

Net revenue from mobile products, which consist of packaged goods games for handheld systems and downloadable games for cellular handsets, increased from $393 million in fiscal 2006 to $540 million in fiscal 2007. The increase was primarily due to a $121 million year-over-year growth in our cellular handset games business resulting from our acquisition of JAMDAT and an increase of $37 million in net revenue from sales of titles for the Nintendo DS.

We expect sales of games for cellular handsets to continue to be an increasingly important part of our business worldwide.

Co-Publishing and Distribution

Net revenue from co-publishing and distribution products, which consists of packaged goods games we co-develop and co-publish with as well as distribute on behalf of other companies and revenue generated from our Switzerland distribution business, decreased from $213 million in fiscal 2006 to $175 million in fiscal 2007. The decrease was primarily due to a decline in sales from two titles which were released in fiscal 2006 but had no corresponding releases in fiscal 2007: (1) *Half-Life 2*, sales of which decreased by $19 million and (2) *Black & White 2*™, sales of which decreased by $15 million.

We expect sales of titles for co-publishing products to increase in fiscal 2008.

Cost of Goods Sold

Cost of goods sold for our packaged-goods business consists of (1) product costs, (2) certain royalty expenses for celebrities, professional sports and other organizations and independent software developers, (3) manufacturing royalties, net of volume discounts and other vendor reimbursements, (4) expenses for defective products, (5) write-offs of post-launch prepaid royalty costs, (6) amortization of certain intangible assets, and (7) operational expenses. 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 goods sold for our online products consists primarily of data center and bandwidth costs associated with hosting our web sites, credit card fees and royalties for use of third-party properties. Cost of goods sold for our web site advertising business primarily consists of ad-serving costs.

Cost of goods sold for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	% Change	Change as a % of Net Revenue
$1,212	39.2%	$1,181	40.0%	2.6%	(0.8%)

In fiscal 2007, cost of goods sold decreased by 0.8 percentage points as a percentage of total net revenue as compared to fiscal 2006. This decrease was primarily due to lower average product costs as a percentage of total net revenue primarily driven by (1) fewer returns and lower pricing actions taken, or expected to be taken, in fiscal 2007 as compared to fiscal 2006 and (2) improved inventory management. As a result, we estimate average product costs as a percentage of total net revenue decreased by approximately 2 percent in fiscal 2007 as compared to fiscal 2006.

As a percentage of total net revenue, the decrease in average product costs was partially offset by an estimated 1 percent increase in license royalties during fiscal 2007 as compared to fiscal 2006 primarily due to (1) license agreements associated with our EA SPORTS titles and (2) from our acquisition of JAMDAT. This was partially offset by lower license royalties from movie-based titles in fiscal 2007.

Although there can be no assurance, and our actual results could differ materially, in the short-term we expect our gross margin to decline as a result of (1) increased deferred net revenue related to certain online-enabled packaged goods (we will expense the cost of goods sold related to these transactions when delivered), (2) a higher mix of co-publishing and distribution net revenue that has a lower gross margin, and (3) higher license royalty rates.

Marketing and Sales

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

Marketing and sales expenses for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$466	15%	$431	15%	$35	8%

Marketing and sales expenses increased by $35 million, or 8 percent, in fiscal 2007 as compared to fiscal 2006. The increase was primarily due to (1) an increase of $17 million in stock-based compensation expense recognized as a result of our adoption of SFAS No. 123(R), (2) an increase of $10 million in our annual bonus expense, and (3) $10 million in additional personnel-related costs primarily resulting from an increase in headcount. These increases were partially offset by a decrease of $9 million in our marketing, advertising, promotional and related services as a result of higher advertising in the prior year to support our product releases, primarily from our Harry Potter and BLACK franchises.

Marketing and sales expenses included vendor reimbursements for advertising expenses of $28 million and $41 million in fiscal 2007 and 2006, respectively.

We expect marketing and sales expenses to increase in absolute dollars in fiscal 2008 primarily to support our titles.

General and Administrative

General and administrative expenses consist of personnel and related expenses of executive and administrative staff, fees for professional services such as legal and accounting, and allowances for doubtful accounts.

General and administrative expenses for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$288	9%	$215	7%	$73	34%

General and administrative expenses increased by $73 million, or 34 percent, in fiscal 2007 as compared to fiscal 2006 primarily due to (1) an increase of $36 million in stock-based compensation expense recognized as a result of our adoption of SFAS No. 123(R), (2) a $14 million increase in our annual bonus expense, (3) an $11 million increase in additional personnel-related costs to help support our administrative functions worldwide, and (4) an increase of $11 million in professional and contracted services in support of our technology infrastructure.

We expect general and administrative expenses to increase in absolute dollars in fiscal 2008 primarily due to an increase in personnel-related costs.

Research and Development

Research and development expenses consist of expenses incurred by our production studios for personnel-related costs, contracted services, equipment depreciation and any impairment of prepaid royalties for pre-launch products. Research and development expenses for our online business 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 the development of web site content, network infrastructure direct expenses, software licenses and maintenance, and network and management overhead.

Research and development expenses for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$1,041	34%	$758	26%	$283	37%

Research and development expenses increased by $283 million, or 37 percent, in fiscal 2007 as compared to fiscal 2006. The increase was primarily due to (1) an increase of $75 million in stock-based compensation expense recognized as a result of our adoption of SFAS No. 123(R), (2) a $59 million increase in our annual bonus expense, (3) $54 million in additional personnel-related costs, primarily due to a 14 percent increase in headcount related in part to our acquisitions of JAMDAT and Mythic, and partially to support development of games for the new generation of consoles, (4) an increase of $50 million in external development expenses primarily due to a greater number of projects in development as compared to the prior year as well as expenses in our cellular handset business resulting from our acquisition of JAMDAT, and (5) an increase of $45 million in facilities-related expenses in support of our research and development functions worldwide.

We expect research and development expenses to increase in absolute dollars in fiscal 2008 primarily to support our development of titles for the new generation of consoles.

Amortization of Intangibles

Amortization of intangibles for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$27	1%	$7	—	$20	286%

For fiscal 2007, amortization of intangibles resulted from our acquisitions of JAMDAT, Mythic and others. For fiscal 2006, amortization of intangibles resulted from our acquisitions of JAMDAT, Criterion and others. Amortization of intangibles increased by $20 million, or 286 percent, in fiscal 2007 as compared to fiscal 2006 primarily due to the amortization of intangibles related to our acquisitions of JAMDAT and Mythic. See Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this report.

We expect amortization of intangible expenses to increase slightly in fiscal 2008 primarily due to the amortization of intangibles related to our acquisition of Mythic, which will be included in our results for a full year in fiscal 2008.

Acquired In-process Technology

Acquired in-process technology charges for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$3	—	$8	—	$(5)	(63%)

The acquired in-process technology charge we incurred in fiscal 2007 resulted from our acquisitions of Mythic and the remaining minority interest in DICE. The acquired in-process technology charge we incurred in fiscal 2006 resulted primarily from our acquisition of JAMDAT. Acquired in-process technology includes the value of products in the development stage that are not considered to have reached technological feasibility or have an alternative future use. Accordingly, upon consummation of these acquisitions, we incurred a charge for the acquired in-process technology, as reflected in our Consolidated Statement of Operations. See Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this report.

Restructuring Charges

Restructuring charges for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$15	—	$26	1%	$(11)	(42%)

During the fourth quarter of fiscal 2006, we recorded a total pre-tax restructuring charge of $10 million, consisting entirely of one-time benefits related to headcount reductions, which is included in restructuring charges in our Consolidated Statement of Operations. These headcount reductions related to our decision in the fourth quarter of fiscal 2006 to realign our resources with our product plan for fiscal 2007 and strategic opportunities for the new generation of consoles, online and mobile platforms.

During fiscal 2006, restructuring charges related to the establishment of our international publishing headquarters in Geneva, Switzerland were approximately $14 million, of which $8 million was for the closure of certain United Kingdom facilities. During fiscal 2007, restructuring charges related to the establishment of our international publishing headquarters in Geneva, Switzerland were approximately $15 million, of which $10 million was for employee-related expenses.

In connection with our fiscal 2006 international publishing reorganization, in fiscal 2008, we expect to incur between $5 million and $10 million of restructuring costs. Overall, including charges incurred through March 31, 2007, we expect to incur between $50 million and $55 million of restructuring costs in connection with our fiscal 2006 international publishing reorganization, substantially all of which will result in cash expenditures by 2017. These restructuring costs will consist primarily of employee-related relocation assistance (approximately $30 million), facility exit costs (approximately $15 million), as well as other reorganization costs (approximately $7 million).

Interest and Other Income, Net

Interest and other income, net, for fiscal years 2007 and 2006 was as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$99	3%	$64	2%	$35	55%

For fiscal 2007, interest and other income, net, increased by $35 million, or 55 percent, as compared to fiscal 2006 primarily due to an increase of $30 million in interest income as a result of higher yields on our cash, cash equivalent and short-term investment balances and a $7 million decrease in realized net losses recognized on investments.

Income Taxes

Income taxes for fiscal years 2007 and 2006 were as follows (in millions):

March 31, 2007	Effective Tax Rate	March 31, 2006	Effective Tax Rate	% Change
$66	48.2%	$147	37.6%	(55%)

Our effective income tax rates were 48.2 percent and 37.6 percent for fiscal 2007 and fiscal 2006, respectively. For fiscal 2007, our effective income tax rate was higher than the U.S. statutory rate of 35.0 percent due to a number of factors, including certain non-deductible stock based compensation expenses related to SFAS No. 123(R) and additional charges resulting from certain non-deductible acquisition-related costs during the fourth quarter of fiscal 2007. For fiscal 2006, our effective income tax rate is higher than the U.S. statutory rate of 35.0 percent for fiscal 2006 due to a number of factors, including the repatriation of foreign earnings in connection with the American Jobs Creation Act of 2004 (the "Jobs Act"), as discussed below, and additional charges resulting from certain non-deductible acquisition-related costs during the second and fourth quarters of fiscal 2006, which were partially offset by other items.

Our effective income tax rates for fiscal 2008 and future periods will depend on a variety of factors. For example, changes in our business such as acquisitions and intercompany transactions (for example, the acquisition of and intercompany transactions related to Mythic and DICE), changes in our international structure, changes in the geographic location of business functions or assets, changes in the geographic mix of income, as well as changes in, or termination of, 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. Also, variations in the estimated and actual level of annual pre-tax income can affect the overall effective income tax rate for future fiscal years. We incur certain tax expenses that do not decline proportionately with declines in our consolidated income or increase in consolidated loss. As a result, in absolute dollar terms, our tax expense will have a greater influence on our effective tax rate at lower levels of pre-tax income than higher levels. In addition, at lower levels of pre-tax income, our effective tax rate will be more volatile.

We historically have considered undistributed earnings of our foreign subsidiaries to be indefinitely reinvested and, accordingly, no U.S. taxes have been provided thereon. With the exception of taking advantage of the one-time opportunity afforded to us by the Jobs Act, we currently intend to continue to indefinitely reinvest the undistributed earnings of our foreign subsidiaries.

In July 2006, FASB issued FIN No. 48 which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under FIN No. 48, the evaluation of a tax position is a two-step process. The first step is a recognition process where we are required to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, it is presumed that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is a measurement process whereby a tax position that meets the more-likely-than-not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. FIN No. 48 also requires new tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the reporting period. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006. As such, we are required to adopt it in our first quarter of fiscal year 2008. Any changes to our income taxes due to the adoption of FIN No. 48 are treated as the cumulative effect of a change in accounting principle. We are evaluating what impact the adoption of FIN No. 48 will have on our Consolidated Financial Statements. This impact could be material and our future effective tax rates could be more volatile.

Net Income

Net income for fiscal years 2007 and 2006 was as follows (in millions):

March 31, 2007	% of Net Revenue	March 31, 2006	% of Net Revenue	$ Change	% Change
$76	2%	$236	8%	$(160)	(68%)

Net income decreased by $160 million, or 68 percent, in fiscal 2007 as compared to fiscal 2006. The decrease was due to a $395 million increase in our operating expenses primarily due to (1) an increase of $128 million in stock-based compensation expense recognized as a result of our adoption of SFAS No. 123(R), (2) an $83 million increase in our annual bonus expense, and (3) a $75 million increase in additional personnel-related costs due to an increase in headcount (related in part to our acquisitions and growth in our EA Mobile business). These increases in operating expenses were mitigated by (1) a $140 million increase in net revenue and (2) an $81 million decrease in our income tax provision.

We expect net earnings to decrease in fiscal 2008 primarily as a result of (1) the fact that during fiscal 2008, we expect to recognize the cost of goods sold and direct marketing and selling costs related to certain online-enabled packaged goods for which a portion of the corresponding net revenue will be deferred and not recognized until fiscal 2009, and (2) an increase in our research and development expense.

Comparison of Fiscal 2006 to Fiscal 2005

Net Revenue

From a geographical perspective, our total net revenue for the fiscal years ended March 31, 2006 and 2005 was as follows (in millions):

	Year Ended March 31,				Increase/ (Decrease)	% Change
	2006		2005			
North America	$1,584	54%	$1,665	53%	$ (81)	(5%)
Europe	1,174	40%	1,284	41%	(110)	(9%)
Asia	193	6%	180	6%	13	7%
International	1,367	46%	1,464	47%	(97)	(7%)
Total Net Revenue	$2,951	100%	$3,129	100%	$(178)	(6%)

North America

For fiscal 2006, net revenue in North America was $1,584 million, driven primarily by sales of (1) *Madden NFL 06, Need for Speed Most Wanted, NBA LIVE 06, NCAA® Football 06* and *The Sims 2,* (2) titles for the PSP, which was launched in North America in March 2005, and (3) titles for the Xbox 360, which launched in November 2005. Overall, net revenue decreased $81 million, or 5 percent, as compared to fiscal 2005. Our net revenue was adversely impacted by the transition to next-generation consoles in fiscal 2006 as overall net revenue from sales of our titles for the PlayStation 2, Xbox and Nintendo GameCube decreased. While sales of titles for the PSP and the Xbox 360 helped to mitigate the impact of the transition in fiscal 2006, they were not enough to offset the overall decrease in net revenue in North America.

From a title and franchise perspective, the decrease in net revenue was primarily due to (1) lower sales from our NFL Street, NBA Street, Def Jam and The Urbz™ franchises as there were no corresponding titles released during fiscal 2006, and (2) lower sales from our Lord of the Rings franchise which was released on multiple platforms during fiscal 2005 as compared to two platforms, the PSP and PC, during fiscal 2006. The overall decrease in net revenue was mitigated by (1) sales of *Battlefield 2*™ on the PC which was released during the first quarter of fiscal 2006 and *Battlefield 2: Modern Combat*™ on the PlayStation 2 and Xbox released during the third quarter of fiscal 2006, (2) increased net revenue from our Madden franchise primarily resulting from the release of *Madden NFL 06* on the Xbox 360 and PSP in fiscal 2006, and (3) increased net revenue from our Burnout franchise primarily resulting from the release of *Burnout*™ *Revenge* on the Xbox 360 and *Burnout*™ *Legends* on the PSP in fiscal 2006.

Europe

For fiscal 2006, net revenue in Europe was $1,174 million, driven primarily by sales of *Need for Speed Most Wanted, FIFA 06, The Sims 2, Harry Potter and the Goblet of Fire*, as well as sales of titles for the PSP and Xbox 360 which were both introduced in Europe during fiscal 2006. Overall, net revenue declined $110 million, or 9 percent, as compared to fiscal 2005. We estimate that foreign exchange rates (primarily the Euro and the British pound sterling) decreased reported European net revenue by approximately $36 million, or 3 percent, net of realized gains from hedging activities, for the fiscal 2006 as compared to fiscal 2005. Excluding the effect of foreign exchange rates, we estimate that European net revenue decreased by approximately $74 million, or 6 percent, for fiscal 2006. Our net revenue in Europe was adversely impacted by the transition to next-generation consoles in fiscal 2006 as overall net revenue from sales of our titles for the PlayStation 2, Xbox and Nintendo GameCube decreased. Sales of titles for the PSP, Nintendo DS, and the Xbox 360, however, were enough to offset the overall decrease in net revenue from sales of titles for current-generation consoles.

From a title and franchise perspective, the overall decrease in net revenue was primarily due to (1) lower sales from our Lord of the Rings and The Sims franchises, (2) the release of *The Urbz*™*: Sims in the City*™ during the three months ended December 31, 2004 as there was no corresponding title released during fiscal 2006, and (3) higher fiscal 2005 sales of *UEFA Euro 2004*™, which was released in the three months ended June 30, 2004 in conjunction with the UEFA Euro 2004 football tournament held in Europe. The overall decrease in net revenue was mitigated by increased net revenue from our Battlefield franchise due to the release of multiple titles during fiscal 2006 and our FIFA Street franchise due to the initial release of *FIFA Street* late in the fourth quarter of fiscal 2005 which benefited fiscal 2006 and the release of *FIFA Street 2* earlier in the fourth quarter of fiscal 2006.

Asia

For fiscal 2006, net revenue in Asia increased by $13 million, or 7 percent, as compared to fiscal 2005. The increase in net revenue for fiscal 2006 was driven primarily by sales of titles for the PSP, which launched in the fourth quarter of fiscal 2005. We estimate that the foreign exchange rate impact on Asia net revenue was not material for fiscal 2006 as compared to fiscal 2005.

Our total net revenue by product line for fiscal years 2006 and 2005 was as follows (in millions):

	Year Ended March 31,				Increase/	%
	2006		2005		(Decrease)	Change
Consoles						
PlayStation 2	$1,127	38%	$1,330	43%	$(203)	(15%)
Xbox	400	13%	516	16%	(116)	(22%)
Xbox 360	140	5%	—	—	140	N/M
Nintendo GameCube	135	5%	212	7%	(77)	(36%)
Other consoles	1	—	10	—	(9)	(90%)
Total Consoles	1,803	61%	2,068	66%	(265)	(13%)
PC	418	14%	531	17%	(113)	(21%)
Mobility						
PSP	252	9%	18	1%	234	1,300%
Nintendo DS	67	2%	23	1%	44	191%
Game Boy Advance and Game Boy Color	55	2%	77	2%	(22)	(29%)
Cellular Handsets	19	1%	—	—	19	N/M
Total Mobility	393	14%	118	4%	275	233%
Co-publishing and Distribution	213	7%	283	9%	(70)	(25%)
Internet Services, Licensing and Other						
Subscription Services	61	2%	55	2%	6	11%
Licensing, Advertising and Other	63	2%	74	2%	(11)	(15%)
Total Internet Services, Licensing and Other	124	4%	129	4%	(5)	(4%)
Total Net Revenue	$2,951	100%	$3,129	100%	$(178)	(6%)

PlayStation 2

For fiscal 2006, net revenue from sales of titles for the PlayStation 2 was $1,127 million, driven primarily by sales of *Need for Speed Most Wanted, Madden NFL 06, FIFA 06, NCAA Football 06* and *NBA LIVE 06.* We released 28 titles for the PlayStation 2 during fiscal 2006, as compared to 27 titles in fiscal 2005. Overall, PlayStation 2 net revenue decreased $203 million, or 15 percent, as compared to fiscal 2005. We believe the transition to next-generation consoles adversely impacted our net revenue from sales of titles for the PlayStation 2 in fiscal 2006. From a title and franchise perspective, the decrease in net revenue was primarily due to (1) lower sales from our Lord of the Rings, The Urbz, Def Jam, NFL Street and NBA Street franchises, none of which had fiscal 2006 releases, and (2) lower sales of fiscal 2006 releases from our Need for Speed and Bond franchises as well as lower sales of our Fight Night franchise from which two titles were released in fiscal 2005 as compared to one title in fiscal 2006. The overall decrease in net revenue was mitigated by the releases of *The Godfather™ The Game*, *BLACK™*, *Medal of Honor European Assault™*, and *Battlefield 2: Modern Combat* none of which had a corresponding release in fiscal 2005.

Xbox

For fiscal 2006, net revenue from sales of titles for the Xbox was $400 million, driven primarily by sales of *Madden NFL 06, Need for Speed Most Wanted, NCAA Football 06* and *Burnout Revenge.* We released 28 titles for the Xbox during fiscal 2006, as compared to 26 titles in fiscal 2005. Overall, Xbox net revenue decreased $116 million, or 22 percent, as compared to fiscal 2005. We believe the transition to next-generation consoles, particularly the launch of the Xbox 360 during the last half of fiscal 2006, adversely impacted our net revenue from sales of titles for the Xbox in fiscal 2006. From a title and franchise perspective, the decrease in net revenue was primarily due to (1) lower sales from our Lord of the Rings, NFL Street, Def Jam, NBA Street and The Urbz franchises, none of which had fiscal 2006 releases, and (2) lower sales of fiscal 2006 releases from our Need for Speed and Bond franchises as well as lower sales of our Fight Night franchise from which two titles were released in fiscal 2005 as compared to one title in fiscal 2006. The overall decrease in net revenue was mitigated by the release of *Battlefield 2: Modern Combat, BLACK* and *The Godfather The Game*, none of which had a corresponding release in fiscal 2005.

Xbox 360

The Xbox 360 was launched in North America, Europe and Japan during the three months ended December 31, 2005, and in the rest of Asia during the three months ended March 31, 2006. As of March 31 2006, the installed base of the Xbox 360 continued to be small compared to the installed base of the Xbox. Net revenue from sales of titles for the Xbox 360 was $140 million for fiscal 2006, driven by sales of *Need for Speed Most Wanted*, *Madden NFL 06* and *EA SPORTS Fight Night Round 3.* We released seven titles for the Xbox 360 in fiscal 2006.

Nintendo GameCube

For fiscal 2006, net revenue from sales of titles for the Nintendo GameCube was $135 million, driven primarily by sales of *Need for Speed Most Wanted, Harry Potter and the Goblet of Fire* and *Madden NFL 06.* We released 14 titles for the Nintendo GameCube during fiscal 2006, as compared to 20 titles in fiscal 2005. Overall, Nintendo GameCube net revenue decreased $77 million, or 36 percent, as compared to fiscal 2005, consistent with the percentage decline in the number of titles we released for this platform. We believe the transition to next-generation consoles adversely impacted our net revenue from sales of titles for the Nintendo GameCube in fiscal 2006. From a title and franchise perspective, the decrease in net revenue in fiscal 2006 was primarily due to (1) lower sales from our Lord of the Rings, The Urbz, NBA Street, NFL Street and Def Jam franchises, none of which had fiscal 2006 releases, and (2) lower sales of fiscal 2006 releases from our Need for Speed and Bond franchises.

PC

For fiscal 2006, net revenue from sales of titles for the PC was $418 million, driven primarily by sales of titles from The Sims franchise and *Battlefield 2.* We released 22 titles for the PC during fiscal 2006, as compared to 21 titles in fiscal 2005. Overall, PC net revenue decreased $113 million, or 21 percent, as compared to fiscal 2005. The decrease was primarily due to (1) significantly higher fiscal 2005 sales of *The Sims 2,* (2) lower sales from our Medal of Honor™ franchise as there were no corresponding titles released during fiscal 2006, and (3) lower sales from our Lord of the Rings franchise. The overall decrease in net revenue was mitigated by sales of products from our Battlefield franchise in fiscal 2006. On January 27, 2005, we began consolidating the financial results of DICE into our financial statements, and, therefore, have characterized *Battlefield 2* PC-based revenue as part of our PC product line. Prior to consolidating DICE's financial results, we classified revenue from the Battlefield franchise as co-publishing and distribution revenue.

Mobile Platforms

Net revenue from mobile products — consisting of packaged goods games for handheld systems and downloadable games for cellular handsets — increased from $118 million in fiscal 2005 to $393 million in fiscal 2006. The increase was primarily due to sales of titles released in fiscal 2006 for the PSP, and the Nintendo DS, both of which were launched in fiscal 2005 in certain countries. We released 16 titles for the PSP during fiscal 2006, as compared to three titles in fiscal 2005. Overall, PSP net revenue increased $234 million, driven primarily by sales of titles from our Need for Speed, FIFA, Burnout and Madden franchises. We released ten titles for the Nintendo DS during fiscal 2006, as compared to three titles in fiscal 2005. Nintendo DS net revenue increased $44 million, driven primarily by sales of titles from our Need for Speed, The Sims and Madden franchises. The increase in PSP and Nintendo DS net revenue was partially offset by lower sales of titles for the Game Boy Advance.

Co-Publishing and Distribution

Net revenue from co-publishing and distribution products decreased from $283 million in fiscal 2005 to $213 million in fiscal 2006. The decrease was primarily due to (1) the change in our classification of sales of products from our Battlefield franchise, which, as discussed above, we no longer classify as co-publishing and distribution revenue, and (2) overall higher fiscal 2005 sales of various co-publishing and distribution titles. The overall decrease in net revenue was mitigated by sales of *Half-Life 2* in fiscal 2006.

Subscription Services

Net revenue from subscription services increased from $55 million in fiscal 2005 to $61 million in fiscal 2006. The increase in net revenue was primarily due to an increase in the number of paying subscribers to Club Pogo™, partially offset by a decrease in net revenue from *Ultima Online*.

Licensing, Advertising and Other

Net revenue from licensing, advertising and other decreased from $74 million in fiscal 2005 to $63 million in fiscal 2006. The decrease in net revenue was primarily due to Nokia N-Gage license revenue in fiscal 2005.

Cost of Goods Sold

Cost of goods sold for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	% Change
$1,181	40.0%	$1,197	38.2%	(1.3%)

In fiscal 2006, cost of goods sold as a percentage of total net revenue increased 1.8 percent from 38.2 percent to 40.0 percent. As a percentage of total net revenue, the increase was primarily due to an increase in our license royalties associated with new license agreements for our football titles.

Marketing and Sales

Marketing and sales expenses for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$431	15%	$391	13%	$40	10%

Marketing and sales expenses increased by $40 million, or 10 percent, in fiscal 2006 as compared to fiscal 2005. The increase was primarily due to (1) an increase of $30 million in our marketing and advertising, promotional and related contracted service expenses as a result of increased advertising to support our titles, and (2) an increase of $11 million in personnel-related costs resulting from an increase in facilities and headcount-related expenses in support of our marketing and sales functions worldwide.

Marketing and sales expenses included vendor reimbursements for advertising expenses of $41 million and $42 million in fiscal 2006 and 2005, respectively.

General and Administrative

General and administrative expenses for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$215	7%	$221	7%	$(6)	(3%)

General and administrative expenses decreased by $6 million, or 3 percent, in fiscal 2006 as compared to fiscal 2005 primarily due to a decrease in employee-related costs resulting from charges taken in connection with certain employee-related litigation matters in fiscal 2005. This decrease was partially offset by an increase in personnel-related expenses due to an increase in headcount costs as well as an increase in professional and contracted services to support our business.

Research and Development

Research and development expenses for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$758	26%	$633	20%	$125	20%

Research and development expenses increased by $125 million, or 20 percent, in fiscal 2006 as compared to fiscal 2005. The increase is primarily due to an increase of $124 million in personnel-related costs resulting from an increase in employee headcount in our Canadian and European studios as we increased our internal development efforts and invested in next-generation tools, technologies and titles, as well as consolidation of DICE. To a lesser extent, these increases were also due to higher facilities-related costs offset by lower third-party development costs.

Amortization of Intangibles

Amortization of intangibles for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$7	—	$3	—	$4	133%

For fiscal 2006, amortization of intangibles resulted from our acquisitions of JAMDAT, Criterion and others. For fiscal 2005, amortization of intangibles resulted from our acquisition of Criterion and others. See Note 5 of the Notes to Consolidated Financial Statements included in Item 8 of this report.

Acquired In-process Technology

Acquired in-process technology charges for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$8	—	$13	1%	$(5)	(38%)

The acquired in-process technology charge we incurred in fiscal 2006 was primarily the result of our acquisition of JAMDAT. The acquired in-process technology charge we incurred in fiscal 2005 was the result of our acquisitions of Criterion and a majority stake of the outstanding shares of DICE. Acquired in-process technology includes the value of products in the development stage that are not considered to have reached technological feasibility or have an alternative future use. Accordingly, upon consummation of these acquisitions, we incurred a charge for the acquired in-process technology, as reflected in our Consolidated Statement of Operations. See Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this report.

Restructuring Charges

Restructuring charges for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$26	1%	$2	—	$24	1,200%

In November 2005, we announced plans to establish an international publishing headquarters in Geneva, Switzerland. Through our quarter ended September 30, 2006, we relocated certain employees to our new facility in Geneva, closed certain facilities in the United Kingdom, and made other related changes in our international publishing business.

During fiscal 2006, restructuring charges were approximately $14 million, of which $8 million was for the closure of certain United Kingdom facilities, $3 million for employee-related expenses, and $3 million in other costs relating to our international publishing reorganization.

During the fourth quarter of fiscal 2006, we aligned our resources with our product plan for fiscal 2007 and strategic opportunities relating to next-generation consoles, online and mobile platforms. As part of this alignment we recorded a total pre-tax restructuring charge of $10 million, consisting entirely of one-time benefits related to headcount reductions, which is included in restructuring charges in our Consolidated Statement of Operations.

Interest and Other Income, Net

Interest and other income, net, for fiscal years 2006 and 2005 was as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$64	2%	$56	2%	$8	14%

For fiscal 2006, interest and other income, net, increased by $8 million, or 14 percent, as compared to fiscal 2005 primarily due to an increase of $31 million in interest income as a result of higher yields on our cash, cash equivalent and short-term investment balances, partially offset by a net loss of $22 million in investments and foreign currency activities.

Income Taxes

Income taxes for fiscal years 2006 and 2005 were as follows (in millions):

March 31, 2006	Effective Tax Rate	March 31, 2005	Effective Tax Rate	% Change
$147	37.6%	$221	30.5%	(33%)

Our effective income tax rates were 37.6 percent and 30.5 percent for fiscal 2006 and fiscal 2005, respectively. For fiscal 2006, our effective income tax rate was higher than the U.S. statutory rate of 35.0 percent for fiscal 2006 due to a number of factors, including the repatriation of foreign earnings in connection with the American Jobs Creation Act of 2004, and additional charges resulting from certain non-deductible acquisition-related costs during the second and fourth quarters of fiscal 2006, which were partially offset by other items.

Net Income

Net income for fiscal years 2006 and 2005 was as follows (in millions):

March 31, 2006	% of Net Revenue	March 31, 2005	% of Net Revenue	$ Change	% Change
$236	8%	$504	16%	$(268)	(53%)

Net income decreased by $268 million, or 53 percent, in fiscal 2006 as compared to fiscal 2005. The decrease was primarily due to a decrease in our net revenue and growth in our operating expenses. The growth in our operating expenses was primarily driven by an increase in research and development expenses as we increased our internal development efforts and invested in next-generation tools, technologies and titles, while at the same time we continued to support current-generation product development.

Impact of Recently Issued Accounting Standards

In February 2006, the FASB issued SFAS No. 155, *"Accounting for Certain Hybrid Financial Instruments — An Amendment of FASB Statements No. 133 and 140"*. SFAS No. 155 (1) permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (2) clarifies that interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"*, (3) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (4) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (5) amends SFAS No. 140, *"Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — A Replacement of FASB Statement No. 125"* to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. In December 2006, the FASB cleared guidance in Derivatives Implementation Group Statement 133 Implementation Issue No. B40, *"Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets"*. FASB concluded that a securitized interest in prepayable financial assets is not subject to the conditions in paragraph 13(b) of SFAS No. 133 if it meets the two criteria outlined in the Statement 133 Implementation Issue No. B40. SFAS No. 155 is effective for all financial instruments acquired or issued for fiscal years beginning after September 15, 2006. The guidance in the Statement 133 Implementation Issue No. B40 is applicable upon adoption of SFAS No. 155, although the FASB provides certain exceptions as described in the Statement 133 Implementation Issue No. B40. We do not expect the adoption of SFAS No. 155 or Statement 133 Implementation Issue No. B40 to have a material impact on our Consolidated Financial Statements.

In July 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "*Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109*". FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes*". FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under FIN No. 48, the evaluation of a tax position is a two-step process. The first step is a recognition process where we are required to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, it is presumed that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is a measurement process whereby a tax position that meets the more-likely-than-not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. FIN No. 48 also requires new tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the reporting period. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006. As such, we are required to adopt it in our first quarter of fiscal year 2008. Any changes to our income taxes due to the adoption of FIN No. 48 are treated as the cumulative effect of a change in accounting principle. We are evaluating what impact the adoption of FIN No. 48 will have on our Consolidated Financial Statements. This impact could be material and our future effective tax rates could be more volatile.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. SFAS No. 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Fair value measurements would be separately disclosed by level within the fair value hierarchy. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of SFAS No. 157 to have a material impact on our Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS No. 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. This Statement should not be applied retrospectively to fiscal years beginning prior to the effective date, except as permitted with early adoption. We are evaluating if we will adopt SFAS No. 159 and what impact the adoption will have on our Consolidated Financial Statements if we adopt. If we adopt SFAS No. 159, it may have a material impact on our Consolidated Financial Statements.

In March 2007, the Emerging Issues Task Force ("EITF") issued a tentative conclusion on EITF 07-03, "*Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development*" and the FASB ratified the tentative conclusion. The FASB exposed the EITF tentative conclusion for public comment. The comment period was expected to end in May 2007. EITF 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under this tentative conclusion, an entity would defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. If a final consensus is reached on this tentative conclusion, EITF 07-03 would be effective for interim or annual reporting periods in fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF 07-03 to have a material impact on our Consolidated Financial Statements if ratified by the FASB as currently proposed.

LIQUIDITY AND CAPITAL RESOURCES

(In millions)	Year Ended March 31, 2007	Year Ended March 31, 2006	Increase
Cash and cash equivalents	$1,371	$1,242	$ 129
Short-term investments	1,264	1,030	234
Marketable equity securities	341	160	181
Total	$2,976	$2,432	$ 544
Percentage of total assets	58%	55%	

(In millions)	Year Ended March 31, 2007	Year Ended March 31, 2006	Increase / (Decrease)
Cash provided by operating activities	$ 397	$ 596	$(199)
Cash used in investing activities	(487)	(108)	(379)
Cash provided by (used in) financing activities	190	(503)	693
Effect of foreign exchange on cash and cash equivalents	29	(13)	42
Net increase (decrease) in cash and cash equivalents	$ 129	$ (28)	$ 157

Changes in Cash Flow

During fiscal 2007, we generated $397 million of cash from operating activities as compared to $596 million for fiscal 2006. The decrease in cash generated from operating activities was primarily due to the timing of the collection of our receivables as a result of collecting a greater amount of our receivables during fiscal 2006 as compared to fiscal 2007. We expect cash from operating activities to increase in fiscal 2008.

For fiscal 2007, we generated $1,315 million of cash proceeds from maturities and sales of short-term investments and $168 million in proceeds from sales of common stock through our stock-based compensation plans. Our primary use of cash in non-operating activities consisted of (1) $1,522 million used to purchase short-term investments, (2) $178 million in capital expenditures primarily related to investments in our worldwide development tools, technologies and equipment and expansions of our Vancouver and United Kingdom studios, as well as (3) $103 million primarily for the acquisitions of Mythic and the remaining minority interest in DICE. During fiscal 2008, we anticipate making continued capital investments in our studios, investments in the new generation of consoles, online infrastructure and mobile platforms. In addition, we have engaged in, evaluated, and expect to continue to engage in and evaluate, a wide array of potential strategic transactions.

In April 2007, we expanded our commercial agreements with and made strategic equity investments in Neowiz Corporation and its online gaming subsidiary, Neowiz Games. We purchased stock representing in aggregate approximately 19 percent of each of Neowiz and Neowiz Games for approximately $108 million. Based in Korea, Neowiz is an online media and gaming company with which we partnered in 2006 to launch *EA Sports FIFA Online* in Korea.

Short-term investments and marketable equity securities

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, 2007, our short-term investments had gross unrealized gains of $2 million, or less than 1 percent of the total in short-term investments, and gross unrealized losses of approximately $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. Depending on which short-term investments we liquidate to fund these activities, we could recognize a portion, or all, of the gross unrealized gains or losses.

Marketable equity securities increased to $341 million as of March 31, 2007, from $160 million as of March 31, 2006, due to an increase in the fair value of our investment in Ubisoft Entertainment.

Receivables, net

Our gross accounts receivable balances were $470 million and $431 million as of March 31, 2007 and 2006, respectively. The increase in our accounts receivable balance was primarily due to a higher percentage of net revenue recognized in the last month of our fourth quarter of fiscal 2007 as compared to the fourth quarter of fiscal 2006. Reserves for sales returns, pricing allowances and doubtful accounts decreased in absolute dollars from $232 million as of March 31, 2006 to $214 million as of March 31, 2007. As a percentage of trailing nine month net revenue, reserves decreased from 9 percent as of March 31, 2006, to 8 percent as of March 31, 2007. We believe these reserves are adequate based on historical experience and our current estimate of potential returns, pricing allowances and doubtful accounts.

Inventories

Inventories increased slightly to $62 million as of March 31, 2007 from $61 million as of March 31, 2006. Other than *Need for Speed Carbon*, no single title represented more than $3 million of inventory as of March 31, 2007.

Other current assets

Other current assets decreased to $219 million as of March 31, 2007, from $234 million as of March 31, 2006, primarily due to the timing of the collection of advertising credits owed to us by our vendors that were earned in fiscal 2007, partially offset by an increase in value added taxes receivable.

Accounts payable

Accounts payable increased to $180 million as of March 31, 2007, from $163 million as of March 31, 2006, primarily due to higher inventory purchases to support our business in the fourth quarter of fiscal 2007 as compared to the fourth quarter of fiscal 2006.

Accrued and other current liabilities

Our accrued and other liabilities increased to $823 million as of March 31, 2007 from $697 million as of March 31, 2006. The increase was primarily due to an increase of (1) $84 million in accrued compensation and benefits and (2) $50 million in income taxes payable.

Deferred income taxes, net

Our long-term position of deferred income taxes changed by $46 million, from a liability position as of March 31, 2006 to a net asset position as of March 31, 2007 primarily due to the addition of assets related to our adoption of SFAS No. 123(R) and the reduction of liabilities due to the amortization of purchased intangibles.

Financial Condition

We believe that existing cash, cash equivalents, short-term investments, marketable equity securities and cash generated from operations will be sufficient to meet our operating requirements for at least the next twelve months, including working capital requirements, capital expenditures, and potential future acquisitions or strategic investments. We may choose at any time to raise additional capital to strengthen our financial position, facilitate expansion, pursue strategic acquisitions and investments 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.

The loan financing arrangements supporting our Redwood City headquarters leases with Keybank National Association, described in the "Off-Balance Sheet Commitments" section below, are scheduled to expire in July 2008. Upon expiration of the financing, we may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009, otherwise the leases will terminate. Upon expiration of the leases, we may purchase the facilities for $247 million, or arrange for a sale of the facilities to a third party. In the event of a sale to a third party, if the sale price is less than $247 million, we will be obligated to reimburse the difference between the actual sale price and $247 million, up to maximum of $222 million, subject to certain provisions of the leases.

As of March 31, 2007, approximately $1,108 million of our cash, cash equivalents, short-term investments and marketable equity securities that was generated from operations was domiciled in foreign tax jurisdictions. While we have no plans to repatriate these funds to the United States in the short term, if we choose to do so, we would accrue and pay additional taxes on any portion of the repatriation where no United States income tax had been previously provided. During the fourth quarter of fiscal 2006, we repatriated $375 million of foreign earnings in fiscal 2006 under the Jobs Act. We completed the repatriation in fiscal 2006 which resulted in a tax expense of $17 million.

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 up to a total amount of $2 billion. 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, including for working capital, financing capital expenditures, research and development, marketing and distribution efforts and, if opportunities arise, for acquisitions or strategic alliances. Pending such uses, we may invest the net proceeds in interest-bearing securities. In addition, we may conduct concurrent or other financings at any time.

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

Contractual Obligations and Commercial Commitments

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: FIFA, FIFPRO Foundation, UEFA and FAPL (Football Association Premier League Limited) (professional soccer); NASCAR (stock car racing); National Basketball Association (professional basketball); PGA TOUR and Tiger Woods (professional golf); National Hockey League and NHL Players' Association (professional hockey); Warner Bros. (Harry Potter, Batman and Superman); New Line Productions and Saul Zaentz Company (The Lord of the Rings); Red Bear Inc. (John Madden); National Football League Properties and PLAYERS Inc. (professional football); Collegiate Licensing Company (collegiate football, basketball and baseball); Simcoh (Def Jam); Viacom Consumer Products (The Godfather); ESPN (content in EA SPORTS™ games); Twentieth Century Fox Licensing and Merchandising (The Simpsons); and Marvel Entertainment, Inc. (Marvel character fighting games). 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.

The following table summarizes our minimum contractual obligations and commercial commitments as of March 31, 2007, and the effect we expect them to have on our liquidity and cash flow in future periods (in millions):

	Contractual Obligations			Commercial Commitments	
Fiscal Year Ending March 31,	Leases[1]	Developer/ Licensor Commitments[2]	Marketing	Letter of Credit, Bank and Other Guarantees	Total
2008	$ 56	$ 200	$ 58	$ 7	$ 321
2009	54	202	31	—	287
2010	39	166	31	—	236
2011	27	263	31	—	321
2012	23	27	17	—	67
Thereafter	46	697	169	—	912
Total	$245	$1,555	$337	$ 7	$2,144

(1) See discussion on operating leases in the "Off-Balance Sheet Commitments" section below for additional information.

(2) Developer/licensor commitments include $9 million of commitments to developers or licensors that have been recorded in current and long-term liabilities and a corresponding amount in current and long-term assets in our Consolidated Balance Sheets as of March 31, 2007 because payment is not contingent upon performance by the developer or licensor.

The amounts represented in the table above reflect our minimal cash obligations for the respective fiscal years, but do not necessarily represent the periods in which they will be expensed in our Consolidated Financial Statements.

Lease commitments include contractual rental commitments of $15 million under real estate leases for unutilized office space resulting from our restructuring activities. These amounts, net of estimated future sub-lease income, were expensed in the periods of the related restructuring and are included in our accrued and other current liabilities reported on our Consolidated Balance Sheets as of March 31, 2007. See Note 6 of the Notes to Consolidated Financial Statements.

Related Person Transaction

On June 24, 2002, we hired Warren C. Jenson as our Executive Vice President, Chief Financial and Administrative Officer and agreed to loan him $4 million to be forgiven over four years based on his continuing employment. The loan did not bear interest. On June 24, 2004, pursuant to the terms of the loan agreement, we forgave $2 million of the loan and provided Mr. Jenson approximately $1.6 million to offset the tax implications of the forgiveness. On June 24, 2006, pursuant to the terms of the loan agreement, we forgave the remaining outstanding loan balance of $2 million. No additional funds were provided to offset the tax implications of the forgiveness of the $2 million balance.

OFF-BALANCE SHEET COMMITMENTS

In February 1995, we entered into a build-to-suit lease ("Phase One Lease") with a third-party lessor for our headquarters facilities in Redwood City, California ("Phase One Facilities"). The Phase One Facilities comprise a total of approximately 350,000 square feet and provide space for sales, marketing, administration and research and development functions. In July 2001, the lessor refinanced the Phase One Lease with Keybank National Association through July 2006. The Phase One Lease expires in January 2039, subject to early termination in the event the underlying financing between the lessor and its lenders is not extended. Subject to certain terms and conditions, we may purchase the Phase One Facilities or arrange for the sale of the Phase One Facilities to a third party.

Pursuant to the terms of the Phase One Lease, we have an option to purchase the Phase One Facilities at any time for a purchase price of $132 million. In the event of a sale to a third party, if the sale price is less than $132 million, we will be obligated to reimburse the difference between the actual sale price and $132 million, up to a maximum of $117 million, subject to certain provisions of the Phase One Lease, as amended.

On May 26, 2006, the lessor extended its loan financing underlying the Phase One Lease with its lenders through July 2007, and on May 14, 2007, the lenders extended this financing again for an additional year through July 2008. We may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009; otherwise the lease will terminate. We account for the Phase One Lease arrangement as an operating lease in accordance with SFAS No. 13, *"Accounting for Leases"*, as amended.

In December 2000, we entered into a second build-to-suit lease ("Phase Two Lease") with Keybank National Association for a five and one-half year term beginning in December 2000 to expand our Redwood City, California headquarters facilities and develop adjacent property ("Phase Two Facilities"). Construction of the Phase Two Facilities was completed in June 2002. The Phase Two Facilities comprise a total of approximately 310,000 square feet and provide space for sales, marketing, administration and research and development functions. Subject to certain terms and conditions, we may purchase the Phase Two Facilities or arrange for the sale of the Phase Two Facilities to a third party.

Pursuant to the terms of the Phase Two Lease, we have an option to purchase the Phase Two Facilities at any time for a purchase price of $115 million. In the event of a sale to a third party, if the sale price is less than

$115 million, we will be obligated to reimburse the difference between the actual sale price and $115 million, up to a maximum of $105 million, subject to certain provisions of the Phase Two Lease, as amended.

On May 26, 2006, the lessor extended the Phase Two Lease through July 2009 subject to early termination in the event the underlying loan financing between the lessor and its lenders is not extended. Concurrently with the extension of the lease, the lessor extended the loan financing underlying the Phase Two Lease with its lenders through July 2007. On May 14, 2007 the lenders extended this financing again for an additional year through July 2008. We may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009, otherwise the lease will terminate. We account for the Phase Two Lease arrangement as an operating lease in accordance with SFAS No. 13, as amended.

We believe that, as of March 31, 2007, the estimated fair values of both properties under these operating leases exceeded their respective guaranteed residual values.

The two lease agreements with Keybank National Association described above require us to maintain certain financial covenants as shown below, all of which we were in compliance with as of March 31, 2007.

Financial Covenants	Requirement		Actual as of March 1, 2007
Consolidated Net Worth (in millions)	equal to or greater than	$2,430	$4,032
Fixed Charge Coverage Ratio	equal to or greater than	3.00	4.41
Total Consolidated Debt to Capital	equal to or less than	60%	5.8%
Quick Ratio — Q1 & Q2	equal to or greater than	1.00	N/A
Q3 & Q4	equal to or greater than	1.75	8.92

In February 2006, we entered into an agreement with an independent third party to lease a studio facility in Guildford, Surrey, United Kingdom, which commenced in June 2006 and will expire in May 2016. The facility comprises a total of approximately 95,000 square feet, which we use for research and development functions. Our rental obligation under this agreement is approximately $33 million over the initial ten-year term of the lease.

In June 2004, we entered into a lease agreement, amended in December 2005, with an independent third party for a studio facility in Orlando, Florida. The lease commenced in January 2005 and expires in June 2010, with one five-year option to extend the lease term. The campus facilities comprise a total of 140,000 square feet and provide space for research and development functions. Our rental obligation over the initial five-and-a-half year term of the lease is $15 million.

In July 2003, we entered into a lease agreement with an independent third party (the "Landlord") for a studio facility in Los Angeles, California, which commenced in October 2003 and expires in September 2013 with two five-year options to extend the lease term. Additionally, we have options to purchase the property after five and ten years based on the fair market value of the property at the date of sale, a right of first offer to purchase the property upon terms offered by the Landlord, and a right to share in the profits from a sale of the property. Existing campus facilities comprise a total of 243,000 square feet and provide space for research and development functions. Our rental obligation under this agreement is $50 million over the initial ten-year term of the lease. This commitment is offset by expected sublease income of $6 million for a sublease to an affiliate of the Landlord of 18,000 square feet of the Los Angeles facility, which commenced in October 2003 and expires in September 2013, with options of early termination by the affiliate after five years and by us after four and five years.

In October 2002, we entered into a lease agreement, with an independent third party for a studio facility in Vancouver, British Columbia, Canada, which commenced in May 2003 and expires in April 2013. We amended the lease in October 2003. The facility comprises a total of approximately 65,000 square feet and provides space for research and development functions. Our rental obligation under this agreement is approximately $16 million over the initial ten-year term of the lease.

Neowiz Investment

In April 2007, we expanded our commercial agreements with and made strategic equity investments in Neowiz Corporation and its online gaming subsidiary, Neowiz Games. We purchased stock representing in aggregate approximately 19 percent of each of Neowiz and Neowiz Games for approximately $108 million. Based in Korea, Neowiz is an online media and gaming company with which we partnered in 2006 to launch *EA Sports FIFA Online* in Korea.

Legal Proceedings

On September 14, 2006, we received an informal inquiry from the Securities and Exchange Commission requesting certain documents and information relating to our stock option grant practices from January 1, 1997 through the date of the letter. We have cooperated to date with all matters related to this request. We most recently provided the SEC with information in December 2006. The SEC has not asked for further information since that time.

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

Director Indemnity Agreements

We have entered into indemnification agreements with each of the members of our Board of Directors at the time they joined the Board to indemnify them to the extent permitted by law against any and all liabilities, costs, expenses, amounts paid in settlement and damages incurred by the directors as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors are sued or charged as a result of their service as members of our Board of Directors.

INFLATION

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

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

Market Risk

We are exposed to various market risks, including changes in foreign currency exchange rates, interest rates and market prices. 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 exchange option and forward contracts are used to hedge anticipated exposures or mitigate some existing exposures subject to foreign exchange risk as discussed below. We have not historically, nor do we currently, hedge our short-term investment portfolio. We do not consider our cash and cash equivalents to be exposed to significant interest rate risk because our cash and cash equivalent portfolio consists of highly liquid investments with original maturities of three months or less (see Note 2 to the Consolidated Financial Statements included in Item 8 of this report). We also do not currently hedge our market price risk relating to our equity investments. Further, we do not enter into derivatives or other financial instruments for trading or speculative purposes (see Note 3 to the Consolidated Financial Statements included in Item 8 of this report).

Foreign Currency Exchange Rate Risk

Cash Flow Hedging Activities. From time to time, we hedge a portion of our foreign currency risk related to forecasted foreign-currency-denominated sales and expense transactions by purchasing option contracts that generally have maturities of 15 months or less. These transactions are designated and qualify as cash flow hedges. The derivative assets associated with our hedging activities are recorded at fair value in other current assets in our Consolidated Balance Sheets. The effective portion of gains or losses resulting from changes in fair value of these hedges is initially reported, net of tax, as a component of accumulated other comprehensive income in stockholders' equity and subsequently reclassified into net revenue or operating expenses, as appropriate in the period when the forecasted transaction is recorded. The ineffective portion of gains or losses resulting from changes in fair value, if any, is reported in each period in interest and other income, net, in our Consolidated Statements of Operations. Our hedging programs reduce, but do not entirely eliminate, the impact of currency exchange rate movements in revenue and operating expenses. As of March 31, 2007, we had foreign currency option contracts to purchase approximately $28 million in foreign currencies and to sell approximately $72 million of foreign currencies. As of March 31, 2007, these foreign currency option contracts outstanding had a total fair value of less than $1 million, included in other current assets. As of March 31, 2006, we had no foreign currency option contracts outstanding.

Balance Sheet Hedging Activities. We utilize foreign exchange forward contracts to mitigate foreign currency risk associated with foreign-currency-denominated assets and liabilities, primarily intercompany receivables and payables. The forward contracts generally have a contractual term of approximately one month and are transacted near month-end. Therefore, the fair value of the forward contracts generally is not significant at each month-end. Our foreign exchange forward contracts are not designated as hedging instruments under SFAS No. 133 and are accounted for as derivatives whereby the fair value of the contracts are reported as other current assets or other current liabilities in our Consolidated Balance Sheets, and gains and losses from changes in fair value are reported in interest and other income, net. The gains and losses on these forward contracts generally offset the gains and losses on the underlying foreign-currency-denominated assets and liabilities, which are also reported in interest and other income, net, in our Consolidated Statements of Operations. As of March 31, 2007, we had forward foreign exchange contracts to purchase and sell approximately $104 million in foreign currencies. Of this amount, $73 million represented contracts to sell foreign currencies in exchange for U.S. dollars, $8 million to sell foreign currencies in exchange for British pound sterling and $23 million to purchase foreign currencies in exchange for U.S. dollars. As of March 31, 2006, we had forward foreign exchange contracts to purchase and sell approximately $161 million in foreign currencies. Of this amount, $132 million represented contracts to sell foreign currencies in exchange for U.S. dollars, $14 million to sell foreign currencies in exchange for British pound sterling and $15 million to purchase foreign currencies in exchange for U.S. dollars. The fair value of our forward contracts was immaterial as of March 31, 2007 and March 31, 2006.

The counterparties to these forward and option contracts are creditworthy multinational commercial banks; therefore, the risk of counterparty nonperformance is not considered to be material.

Notwithstanding our efforts to mitigate some foreign currency exchange rate risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. As of March 31, 2007, a hypothetical adverse foreign currency exchange rate movement of 10 percent or 15 percent would result in a potential loss in fair value of our option contracts of $1 million in both scenarios. As of March 31, 2006, we had no foreign currency option contracts outstanding. A hypothetical adverse foreign currency exchange rate movement of 10 percent or 15 percent would result in potential losses on our forward contracts of $9 million and $14 million, respectively, as of March 31, 2007, and $16 million and $23 million, respectively, as of March 31, 2006. This sensitivity analysis assumes a parallel adverse shift in foreign currency exchange rates, which do not always move in the same direction. Actual results may differ materially.

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. Additionally, the contractual terms of the securities do not permit the issuer to call, prepay or otherwise settle the securities at prices less than the stated par value of the securities. Our investments are held for purposes other than trading. Also, we do not use derivative financial instruments in our short-term investment portfolio.

As of March 31, 2007 and 2006, our short-term investments were classified as available-for-sale and, consequently, recorded at fair market value with unrealized gains or losses resulting from changes in fair value reported as a separate component of accumulated other comprehensive income, net of any tax effects, in stockholders' equity. Our portfolio of short-term investments consisted of the following investment categories, summarized by fair value as of March 31, 2007 and 2006 (in millions):

	As of March 31, 2007	As of March 31, 2006
Commercial paper	$ 574	$ 25
U.S. agency securities	264	575
Corporate bonds	226	178
Asset-backed securities	108	40
U.S. Treasury securities	92	212
Total short-term investments	$1,264	$1,030

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. At any time, a sharp change in interest rates could have a significant impact on the fair value of our investment portfolio. The following table presents the hypothetical changes in fair value in our short-term investment portfolio as of March 31, 2007, arising from potential changes in interest rates. The modeling technique estimates the change in fair value from immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points ("BPS"), 100 BPS, and 150 BPS.

(In millions)	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of March 31, 2007	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
Commercial paper	$ 575	$ 575	$ 574	$ 574	$ 573	$ 573	$ 572
U.S. agency securities	271	269	267	264	262	259	257
Corporate bonds	231	230	228	226	225	223	222
Asset-backed securities	110	109	108	108	107	106	105
U.S. Treasury securities	95	94	94	92	92	91	90
Total short-term investments	$1,282	$1,277	$1,271	$1,264	$1,259	$1,252	$1,246

The following table presents the hypothetical changes in fair value in our short-term investment portfolio as of March 31, 2006, arising from selected potential changes in interest rates.

(In millions)	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of March 31, 2006	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)		50 BPS	100 BPS	150 BPS
U.S. agency securities	$ 581	$ 579	$ 577	$ 575	$ 573	$ 571	$ 570
U.S. Treasury securities	218	216	214	212	210	208	205
Corporate bonds	182	181	179	178	176	175	173
Asset-backed and other debt securities	66	66	66	65	65	65	65
Total short-term investments	$1,047	$1,042	$1,036	$1,030	$1,024	$1,019	$1,013

Market Price Risk

The value of our equity investments in publicly traded companies are subject to market price volatility. As of March 31, 2007 and 2006, our marketable equity securities were classified as available-for-sale and, consequently, were recorded in our Consolidated Balance Sheets at fair market value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of any tax effects, in stockholders' equity. The fair value of our marketable equity securities was $341 million and $160 million as of March 31, 2007 and 2006, respectively.

At any time, a sharp change in market prices in our investments in marketable equity securities could have a significant impact on the fair value of our investments. The following table presents the hypothetical changes in fair value in our marketable equity securities as of March 31, 2007, arising from changes in market prices plus or minus 25 percent, 50 percent and 75 percent.

(In millions)	Valuation of Securities Given an X Percentage Decrease in Each Stock's Market Price			Fair Value as of March 31, 2007	Valuation of Securities Given an X Percentage Increase in Each Stock's Market Price		
	(75%)	(50%)	(25%)		25%	50%	75%
Marketable equity securities	$85	$171	$256	$341	$426	$512	$597

The following table presents the hypothetical changes in fair value in our marketable equity securities as of March 31, 2006, arising from changes in market prices plus or minus 25 percent, 50 percent and 75 percent.

(In millions)	Valuation of Securities Given an X Percentage Decrease in Each Stock's Market Price			Fair Value as of March 31, 2006	Valuation of Securities Given an X Percentage Increase in Each Stock's Market Price		
	(75%)	(50%)	(25%)		25%	50%	75%
Marketable equity securities	$40	$80	$120	$160	$200	$240	$280

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

Index to Consolidated Financial Statements

Other financial statement schedules have been omitted because the information called for in them is not required or has already been included in either the Consolidated Financial Statements or the notes thereto.

ELECTRONIC ARTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except par value data)	March 31, 2007	March 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$1,371	$1,242
Short-term investments	1,264	1,030
Marketable equity securities	341	160
Receivables, net of allowances of $214 and $232, respectively	256	199
Inventories	62	61
Deferred income taxes, net	84	86
Other current assets	219	234
Total current assets	3,597	3,012
Property and equipment, net	484	392
Investments in affiliates	6	11
Goodwill	734	647
Other intangibles, net	210	232
Deferred income taxes, net	25	—
Other assets	90	92
TOTAL ASSETS	$5,146	$4,386
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 180	$ 163
Accrued and other current liabilities	823	697
Deferred net revenue — packaged goods and digital content	23	9
Total current liabilities	1,026	869
Deferred income taxes, net	8	29
Other liabilities	80	68
Total liabilities	1,114	966
Commitments and contingencies (See Note 9)		
Minority interest	—	12
Stockholders' equity:		
Preferred stock, $0.01 par value. 10 shares authorized	—	—
Common stock, $0.01 par value. 1,000 shares authorized; 311 and 305 shares issued and outstanding, respectively	3	3
Paid-in capital	1,412	1,081
Retained earnings	2,323	2,241
Accumulated other comprehensive income	294	83
Total stockholders' equity	4,032	3,408
TOTAL LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY	$5,146	$4,386

See accompanying Notes to Consolidated Financial Statements.

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ELECTRONIC ARTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)	Year Ended March 31, 2007	2006	2005
Net revenue	$3,091	$2,951	$3,129
Cost of goods sold	1,212	1,181	1,197
Gross profit	1,879	1,770	1,932
Operating expenses:			
Marketing and sales	466	431	391
General and administrative	288	215	221
Research and development	1,041	758	633
Amortization of intangibles	27	7	3
Acquired in-process technology	3	8	13
Restructuring charges	15	26	2
Total operating expenses	1,840	1,445	1,263
Operating income	39	325	669
Interest and other income, net	99	64	56
Income before provision for income taxes and minority interest	138	389	725
Provision for income taxes	66	147	221
Income before minority interest	72	242	504
Minority interest	4	(6)	—
Net income	$ 76	$ 236	$ 504
Net income per share:			
Basic	$ 0.25	$ 0.78	$ 1.65
Diluted	$ 0.24	$ 0.75	$ 1.59
Number of shares used in computation:			
Basic	308	304	305
Diluted	317	314	318

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(In millions, share data in thousands)

	Common Stock		Class B Common Stock				
	Shares	Amount	Shares[a]	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balances as of March 31, 2004	301,333	$ 3	200	$1,154	$1,501	$ 20	$2,678
Net income	—	—	—	—	504	—	504
Change in unrealized gains (losses) on investments, net	—	—	—	—	—	27	27
Reclassification adjustment for (gains) losses realized, net	—	—	—	—	—	(1)	(1)
Translation adjustment	—	—	—	—	—	10	10
Comprehensive income							$ 540
Issuance of common stock	9,914	—	—	241	—	—	241
Repurchase and retirement of common stock	(806)	—	—	(41)	—	—	(41)
Conversion of Class B shares to common stock	—	—	(200)	—	—	—	—
Stock-based compensation	—	—	—	5	—	—	5
Tax benefit from exercise of stock options	—	—	—	75	—	—	75
Balances as of March 31, 2005	310,441	$ 3	—	$1,434	$2,005	$ 56	$3,498
Net income	—	—	—	—	236	—	236
Change in unrealized gains (losses) on investments and derivative instruments, net	—	—	—	—	—	33	33
Reclassification adjustment for (gains) losses, realized on investments and derivative instruments, net	—	—	—	—	—	4	4
Translation adjustment	—	—	—	—	—	(10)	(10)
Comprehensive income							$ 263
Issuance of common stock	7,174	—	—	206	—	—	206
Repurchase and retirement of common stock	(12,621)	—	—	(709)	—	—	(709)
Stock-based compensation	—	—	—	3	—	—	3
Tax benefit from exercise of stock options	—	—	—	133	—	—	133
Assumption of stock options in connection with acquisition	—	—	—	14	—	—	14
Balances as of March 31, 2006	304,994	$ 3	—	$1,081	$2,241	$ 83	$3,408
Cumulative effect of adjustments resulting from the adoption of SAB No. 108, net of tax	—	—	—	—	6	—	6
Adjusted balance as of March 31, 2006	304,994	$ 3	—	$1,081	$2,247	$ 83	$3,414
Net income	—	—	—	—	76	—	76
Change in unrealized gains (losses) on investments and derivative instruments, net	—	—	—	—	—	183	183
Reclassification adjustment for (gains) losses, realized on investments and derivative instruments, net	—	—	—	—	—	5	5
Translation adjustment	—	—	—	—	—	23	23
Comprehensive income							$ 287
Issuance of common stock	6,044	—	—	164	—	—	164
Stock-based compensation	—	—	—	133	—	—	133
Tax benefit from exercise of stock options	—	—	—	34	—	—	34
Balances as of March 31, 2007	311,038	$ 3	—	$1,412	$2,323	$294	$4,032

(a) The ending balance of our Class B Common Stock was $0 as of March 31, 2007, 2006, and 2005.

See accompanying Notes to Consolidated Financial Statements.

ELECTRONIC ARTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Year Ended March 31, 2007	2006	2005
OPERATING ACTIVITIES			
Net income	$ 76	$ 236	$ 504
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	147	95	75
Stock-based compensation	133	3	6
Minority interest	(4)	6	—
Realized (gains) losses on investments and sale of property and equipment	1	7	(8)
Tax benefit from exercise of stock options	—	133	75
Acquired in-process technology	3	8	13
Change in assets and liabilities:			
Receivables, net	(18)	104	(80)
Inventories	12	(3)	(14)
Other assets	46	(71)	(35)
Accounts payable	(2)	31	28
Accrued and other liabilities	43	30	46
Deferred income taxes, net	(54)	8	24
Deferred net revenue — packaged goods and digital content	14	9	—
Net cash provided by operating activities	397	596	634
INVESTING ACTIVITIES			
Capital expenditures	(178)	(123)	(126)
Proceeds from sale of property and equipment	2	2	16
Purchase of marketable equity securities	—	—	(90)
Proceeds from sale of marketable equity securities	—	4	4
Purchase of investments in affiliates	(1)	(2)	(2)
Proceeds from sale of investments in affiliates	—	2	—
Proceeds from maturities and sales of short-term investments	1,315	1,427	996
Purchase of short-term investments	(1,522)	(755)	(2,442)
Acquisition of subsidiaries, net of cash acquired	(103)	(661)	(81)
Other investing activities	—	(2)	(1)
Net cash used in investing activities	(487)	(108)	(1,726)
FINANCING ACTIVITIES			
Proceeds from issuance of common stock	168	206	241
Excess tax benefit from stock-based compensation	36	—	—
Repayment of note assumed in connection with acquisition	(14)	—	—
Repurchase and retirement of common stock	—	(709)	(41)
Net cash provided by (used in) financing activities	190	(503)	200
Effect of foreign exchange on cash and cash equivalents	29	(13)	12
Increase (decrease) in cash and cash equivalents	129	(28)	(880)
Beginning cash and cash equivalents	1,242	1,270	2,150
Ending cash and cash equivalents	1,371	1,242	1,270
Short-term investments	1,264	1,030	1,688
Ending cash, cash equivalents and short-term investments	$ 2,635	$2,272	$ 2,958
Supplemental cash flow information:			
Cash paid during the year for income taxes	$ 55	$ 24	$ 101
Non-cash investing activities:			
Change in unrealized gains (losses) on investments, net	$ 188	$ 37	$ 26
Assumption of stock options in connection with acquisition	$ —	$ 14	$ —

See accompanying Notes to Consolidated Financial Statements.

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We develop, market, publish and distribute interactive software games that are playable by consumers on video game consoles (such as the Sony PlayStation® 2 and PLAYSTATION® 3, Microsoft Xbox 360™ and Nintendo Wii™), personal computers, mobile platforms (including cellular handsets and handheld game players such as the PlayStation® Portable ("PSP™") and the Nintendo DS™) and online (over the Internet and other proprietary online networks). Some of our games are based on content that we license from others (e.g., Madden NFL Football, The Godfather and FIFA Soccer), and some of our games are based on our own wholly-owned intellectual property (e.g., The Sims™ and Need for Speed™). Our goal is to publish titles with mass-market appeal, which often means translating and localizing them for sale in non-English speaking countries. In addition, we also attempt to create software game "franchises" that allow us to publish new titles on a recurring basis that are based on the same property. Examples of this franchise approach are the annual iterations of our sports-based products (e.g., Madden NFL Football, NCAA® Football and FIFA Soccer), wholly-owned properties that can be successfully sequeled (e.g., The Sims, Need for Speed and Battlefield) and titles based on long-lived literary and/or movie properties (e.g., Lord of the Rings and Harry Potter).

A summary of our significant accounting policies applied in the preparation of our Consolidated Financial Statements follows:

(a) Consolidation

The accompanying Consolidated Financial Statements include the accounts of Electronic Arts Inc. and its wholly- and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Fiscal Year

Our fiscal year is reported on a 52 or 53-week period that, historically, ended on the final Saturday of March in each year. Beginning with the fiscal year ended March 31, 2006, our fiscal year ends on the Saturday nearest March 31. As a result, fiscal 2006 contained 53 weeks with the first quarter containing 14 weeks. Our results of operations for the fiscal years ended March 31, 2007, 2006 and 2005 contain the following number of weeks:

Fiscal Year Ended	Number of Weeks	Fiscal Period End Date
March 31, 2007	52 weeks	March 31, 2007
March 31, 2006	53 weeks	April 1, 2006
March 31, 2005	52 weeks	March 26, 2005

For simplicity of disclosure, all fiscal periods are referred to as ending on a calendar month end.

(c) Reclassifications

Certain prior-year amounts have been reclassified to conform to the fiscal 2007 presentation.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us 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 period. Such estimates include sales returns and allowances, provisions for doubtful accounts, accrued liabilities, income taxes, estimates regarding the recoverability of prepaid royalties and royalty commitments, inventories, long-lived assets, certain estimates related to the measurement and recognition of costs resulting from our share-based payment transactions, deferred income tax assets as well as estimates used in our goodwill impairment test. 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.

(e) Cash, Cash Equivalents, Short-Term Investments, Marketable Equity Securities and Other Investments

Cash equivalents consist of highly liquid investments with insignificant interest rate risk and original or remaining maturities of three months or less at the time of purchase.

Short-term investments consist of securities with original or remaining maturities of greater than three months at the time of purchase. The short-term investments are available for use in current operations or other activities such as capital expenditures and business acquisitions.

As of March 31, 2007 and March 31, 2006, short-term investments and marketable equity securities were classified as available-for-sale and stated at fair value based upon quoted market prices for the securities. Unrealized gains and losses are included as a separate component of accumulated other comprehensive income, net of any related tax effect, in stockholders' equity. Realized gains and losses are calculated based on the specific identification method. We recognize an impairment charge when we determine that a decline in the fair value of a security below its cost basis is other-than-temporary.

Investments in affiliates consist of investments in equity securities accounted for under either the cost method or the equity method in accordance with Accounting Principles Board Opinion ("APB") No. 18, *"The Equity Method Of Accounting For Investments In Common Stock"*. Our share of earnings or losses of investments in affiliates accounted for under the equity method is included in interest and other income, net, in our Consolidated Statement of Operations, except for investments where we are not able to exercise significant influence over the operating and financing decisions of the investee, in which case the cost method of accounting is used. We evaluate the investment in affiliates to determine if events or changes in circumstances indicate an other-than-temporary impairment in value. We recognize an impairment charge when we determine an other-than-temporary impairment in value exists.

(f) Inventories

Inventories consist of materials (including manufacturing royalties paid to console manufacturers), labor and freight-in. Inventories are stated at the lower of cost (first-in, first-out method) or market.

(g) 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 5 years
Furniture and equipment	3 to 5 years
Leasehold improvements	Lesser of the lease term or the estimated useful lives of the improvements, generally 1 to 10 years

Under the provisions of American Institute of Certified Public Accountants Statement of Position ("SOP") 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use"*, we capitalize costs associated with customized internal-use software systems that have reached the application development stage and meet recoverability tests. Such capitalized costs include external direct costs utilized in developing or obtaining the applications and payroll and payroll-related expenses for employees who are directly associated with the applications. 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 ready for its intended purpose. The net book value of capitalized costs associated with internal-use software amounted to $18 million and $23 million as of March 31, 2007 and 2006, respectively, and are being depreciated on a straight-line basis over each asset's estimated useful life that ranges from three to five years.

(h) Long-Lived Assets

We evaluate long-lived assets and certain identifiable intangibles for impairment, in accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"*, 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. This may include 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 Sheet to reflect its actual fair value. Judgments and assumptions about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including but not limited to, significant negative industry or economic trends, significant changes in the manner of our use of the acquired assets or the strategy of our overall business and significant under-performance relative to expected historical or projected future operating results. If we were to consider such assets to be impaired, the amount of impairment we would recognize would be measured by the amount by which the carrying amount of the asset exceeds its fair value which is estimated by discounted cash flows. We recognized an insignificant amount of impairment in fiscal 2007, 2006 and 2005.

(i) 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 is presented on a net basis in our Consolidated Statements of Operations.

(j) Concentration of Credit Risk

We extend credit to various companies in the retail and mass merchandising industries. 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. As of March 31, 2007 and 2006, we had 10 percent and 11 percent, respectively, of our gross accounts receivable outstanding with Wal-Mart Stores, Inc. As of March 31, 2007, we had 11 percent of our gross accounts receivable outstanding with GameStop Corp.

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.

(k) Revenue Recognition

We evaluate the recognition of revenue based on the criteria set forth in SOP 97-2, *"Software Revenue Recognition"*, as amended by SOP 98-9, *"Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions"* and Staff Accounting Bulletin ("SAB") No. 101, *"Revenue Recognition in Financial Statements"*, as revised by SAB No. 104, *"Revenue Recognition"*. We evaluate revenue recognition using the following basic criteria and recognize revenue when all four of the following criteria are met:

- Evidence of an arrangement. Evidence of an agreement with the customer that reflects the terms and conditions to deliver products must be present in order to recognize revenue.
- Delivery. Delivery is considered to occur when a product is shipped and the risk of loss and rewards of ownership have been transferred to the customer. For online game services, delivery is considered to occur as the service is provided. For online services associated with our packaged goods products (other than massively multiplayer online games) such as matchmaking, roster updates, tournaments and player rankings, we estimate the service period to be six months after the month of sale.

- Fixed or determinable fee. If a portion of the arrangement fee is not fixed or determinable, we recognize revenue as the amount becomes fixed or determinable.
- Collection is deemed probable. We conduct a credit review of each customer involved in a significant transaction to determine the creditworthiness of the customer. Collection is deemed probable if we expect the customer to be able to pay amounts under the arrangement as those amounts become due. If we determine that collection is not probable, we recognize revenue when collection becomes probable (generally upon cash collection).

Determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report. For example, for multiple element arrangements, we must make assumptions and judgments in order to: (1) determine whether and when each element has been delivered; (2) determine whether undelivered products or services are essential to the functionality of the delivered products and services; (3) determine whether vendor-specific objective evidence of fair value ("VSOE") exists for each undelivered element; and (4) allocate the total price among the various elements we must deliver. Changes to any of these assumptions or judgments, or changes to the elements in a software arrangement, could cause a material increase or decrease in the amount of revenue that we report in a particular period.

Product Revenue: Product revenue, including sales to resellers and distributors ("channel partners"), is recognized when the above criteria are met. We reduce product revenue for estimated future returns, price protection, and other offerings, which may occur with our customers and channel partners.

Shipping and Handling: In accordance with Emerging Issues Task Force ("EITF") Issue No. 00-10, *"Accounting for Shipping and Handling Fees and Costs"*, we recognize amounts billed to customers for shipping and handling as revenue. Additionally, shipping and handling costs incurred by us are included in cost of goods sold.

Online Subscription Revenue: Online subscription revenue is derived principally from subscription revenue collected from customers for online play related to our massively multiplayer online games and Pogo-branded online games services. These customers generally pay on an annual basis or a month-to-month basis and prepaid subscription revenue, including revenue collected from credit card sales, is recognized ratably over the period for which the services are provided.

Software Licenses: We license software rights to manufacturers of products in related industries (for example, makers of personal computers or computer accessories) to include certain of our products with the manufacturer's product, or offer our products to consumers who have purchased the manufacturer's product. We call these combined products "OEM bundles". These OEM bundles generally require the customer to pay us an upfront nonrefundable fee, which represents the guaranteed minimum royalty amount. Revenue is generally recognized upon delivery of the product master or the first copy. Per-copy royalties on sales that exceed the minimum guarantee are recognized as earned.

(l) Sales Returns and Allowances and Bad Debt Reserves

We estimate potential future product returns, price protection and stock-balancing programs related to current-period product revenue. We analyze historical returns, current sell-through of distributor and retailer inventory of our products, current trends in retail and the video game segment, changes in customer demand and acceptance of our products and other related factors when evaluating the adequacy of our sales returns and price protection allowances. 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 costs in subsequent periods.

Similarly, significant judgment is required to estimate our allowance for doubtful accounts in any accounting period. We analyze customer concentrations, customer credit-worthiness, current economic trends, and historical experience when evaluating the adequacy of the allowance for doubtful accounts.

(m) 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 with our channel partners is accrued when revenue is recognized and such amounts are included in 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 recognized as a reduction of net revenue. We then reimburse the channel partner when qualifying claims are submitted. We sometimes receive reimbursements for advertising costs from our vendors, and 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 cost of goods sold as the related revenue is recognized. Vendor reimbursements of advertising costs of $28 million, $41 million and $42 million reduced marketing and sales expense for the fiscal years ended March 31, 2007, 2006 and 2005, respectively. For the fiscal years ended March 31, 2007, 2006 and 2005, advertising expenses, net of vendor reimbursements, totaled approximately $163 million, $180 million and $174 million, respectively.

(n) Software Development Costs

Research and development costs, which consist primarily of software development costs, are expensed as incurred. SFAS No. 86, *"Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed"*, provides for the capitalization of certain software development costs incurred after technological feasibility of the software is established or for development costs that have alternative future uses. Under our current practice of developing new products, the technological feasibility of the underlying software is not established until substantially all product development is complete, which generally includes the development of a working model. The software development costs that have been capitalized to date have been insignificant.

(o) Stock-based Compensation

On April 1, 2006, we adopted SFAS No. 123 (revised 2004) ("SFAS No. 123(R)"), "*Share-Based Payment*", and applied the provisions of SAB No. 107, "*Share-Based Payment*", on our adoption of SFAS No. 123(R). SFAS No. 123(R) requires that the cost resulting from all share-based payment transactions be recognized in the financial statements using a fair-value-based method. We elected to use the modified prospective transition method of adoption. SFAS No. 123(R) requires us to measure compensation cost for all outstanding unvested stock-based awards made to our employees and directors based on estimated fair values and recognize compensation over the service period for awards expected to vest.

For stock options and purchases through our employee stock purchase plan, we use the Black-Scholes option valuation model to determine the grant date fair value. The Black-Scholes option valuation model requires us to make certain assumptions about the future. The determination of fair value is affected by our stock price as well as assumptions regarding subjective and complex variables such as expected employee exercise behaviors and our expected stock price volatility over the term of the award. Generally, our assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes.

As required by SFAS No. 123(R), employee stock-based compensation expense is calculated based on awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates and an adjustment is recognized at that time.

Changes to our underlying stock price, our assumptions used in the Black-Scholes option valuation calculation and our forfeiture rate, as well as future grants of equity, could significantly impact compensation expense to be recognized in fiscal 2008 and future periods.

(p) Foreign Currency Translation

For each of our foreign operating subsidiaries, the functional currency is generally 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 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. Foreign currency transaction gains (losses) of $10 million, $(1) million and $25 million for the fiscal years ended March 31, 2007, 2006 and 2005, respectively, are included in interest and other income, net, in our Consolidated Statements of Operations.

(q) Impact of Recently Issued Accounting Standards

In February 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 155, "*Accounting for Certain Hybrid Financial Instruments — An Amendment of FASB Statements No. 133 and 140*". SFAS No. 155 (1) permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (2) clarifies that interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*", (3) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (4) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (5) amends SFAS No. 140, "*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities — A Replacement of FASB Statement No. 125*" to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. In December 2006, the FASB cleared guidance in Derivatives Implementation Group Statement 133 Implementation Issue No. B40, "*Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets*". FASB concluded that a securitized interest in prepayable financial assets is not subject to the conditions in paragraph 13(b) of SFAS No. 133 if it meets the two criteria outlined in the Statement 133 Implementation Issue No. B40. SFAS No. 155 is effective for all financial instruments acquired or issued for fiscal years beginning after September 15, 2006. The guidance in the Statement 133 Implementation Issue No. B40 is applicable upon adoption of SFAS No. 155, although the FASB provides certain exceptions as described in the Statement 133 Implementation Issue No. B40. We do not expect the adoption of SFAS No. 155 or Statement 133 Implementation Issue No. B40 to have a material impact on our Consolidated Financial Statements.

In July 2006, the FASB issued FASB Interpretation ("FIN") No. 48, "*Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109*". FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, "*Accounting for Income Taxes*". FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Under FIN No. 48, the evaluation of a tax position is a two-step process. The first step is a recognition process where we are required to determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, it is presumed that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is a measurement process whereby a tax position that meets the more-likely-than-not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. FIN No. 48 also requires new tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the reporting period. The provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006. As such, we are required to adopt it in our first quarter of fiscal year 2008. Any changes to our income taxes due to the adoption of

FIN No. 48 are treated as the cumulative effect of a change in accounting principle. We are evaluating what impact the adoption of FIN No. 48 will have on our Consolidated Financial Statements. This impact could be material and our future effective tax rates could be more volatile.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. SFAS No. 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Fair value measurements would be separately disclosed by level within the fair value hierarchy. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of SFAS No. 157 to have a material impact on our Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The provisions of SFAS No. 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. This Statement should not be applied retrospectively to fiscal years beginning prior to the effective date, except as permitted with early adoption. We are evaluating if we will adopt SFAS No. 159 and what impact the adoption will have on our Consolidated Financial Statements if we adopt. If we adopt SFAS No. 159, it may have a material impact on our Consolidated Financial Statements.

In March 2007, the EITF issued a tentative conclusion on EITF 07-03, "*Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development*" and the FASB ratified the tentative conclusion. The FASB exposed the EITF tentative conclusion for public comment. The comment period was expected to end in May 2007. EITF 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under this tentative conclusion, an entity would defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. If a final consensus is reached on this tentative conclusion, EITF 07-03 would be effective for interim or annual reporting periods in fiscal years beginning after December 15, 2007. We do not expect the adoption of EITF 07-03 to have a material impact on our Consolidated Financial Statements if ratified by the FASB as currently proposed.

(2) FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

Cash, cash equivalents, receivables, accounts payable and accrued and other liabilities are valued at their carrying amounts as they approximate their fair value due to the short maturity of these financial instruments.

(b) Cash, Cash Equivalents and Short-term Investments

Cash, cash equivalents and short-term investments consisted of the following as of March 31, 2007 and 2006 (in millions):

	As of March 31, 2007			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	$ 194	$ —	$ —	$ 194
Money market funds	989	—	—	989
Commercial paper	188	—	—	188
Cash and cash equivalents	1,371	—	—	1,371
Short-term investments:				
Commercial paper	574	—	—	574
U.S. agency securities	263	1	—	264
Corporate bonds	227	—	(1)	226
Asset-backed securities	107	1	—	108
U.S. Treasury securities	92	—	—	92
Short-term investments	1,263	2	(1)	1,264
Cash, cash equivalents and short-term investments	$2,634	$ 2	$ (1)	$2,635

	As of March 31, 2006			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash	$ 260	$ —	$ —	$ 260
Money market funds	819	—	—	819
Commercial paper	145	—	—	145
U.S. agency securities	14	—	—	14
Asset-backed securities	4	—	—	4
Cash and cash equivalents	1,242	—	—	1,242
Short-term investments:				
U.S. agency securities	579	—	(4)	575
U.S. Treasury securities	213	—	(1)	212
Corporate bonds	180	—	(2)	178
Asset-backed securities	40	—	—	40
Commercial paper	25	—	—	25
Short-term investments	1,037	—	(7)	1,030
Cash, cash equivalents and short-term investments	$2,279	$ —	$ (7)	$2,272

The following table summarizes the fair value and gross unrealized losses for investments that were in an unrealized loss position as of March 31, 2007 and 2006 (in millions):

	Unrealized Losses For Less Than 12 Months		Unrealized Losses For 12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
As of March 31, 2007						
Corporate bonds	$ —	$ —	$ 92	$ (1)	$ 92	$(1)
Total	$ —	$ —	$ 92	$ (1)	$ 92	$(1)
As of March 31, 2006						
U.S. agency securities	$133	$ (1)	$388	$ (3)	$521	$(4)
U.S. Treasury securities	202	(1)	—	—	202	(1)
Corporate bonds	104	(1)	72	(1)	176	(2)
Total	$439	$ (3)	$460	$ (4)	$899	$(7)

We periodically evaluate our securities for impairment. Factors considered in the review of securities with an unrealized loss include the credit quality of the issuer, the magnitude of the unrealized loss position, the length of time that the security has been in a loss position, our intentions with respect to the selling or holding of such security as well as any contractual terms impacting the prepayment or settlement process. Based on our review, we do not consider the investments listed above to be other-than-temporarily impaired as of March 31, 2007.

Gross realized losses of $1 million and gross realized gains of less than $1 million were recognized from the sale of short-term investments for the year ended March 31, 2007. Gross realized losses of $9 million and gross realized gains of less than $1 million were recognized from the sale of short-term investments for the year ended March 31, 2006. No material gains or losses were recognized from the sale of short-term investments for the year ended March 31, 2005.

The following table summarizes the amortized cost and fair value of our short-term investments, classified by stated maturity as of March 31, 2007 (in millions):

	Amortized Cost	Fair Value
Due in 1 year or less	$ 662	$ 661
Due in 1-2 years	241	241
Due in 2-3 years	253	254
Asset-backed securities	107	108
Short-term investments	$1,263	$1,264

Asset-backed securities are separately disclosed as they are not due at a single maturity date. Our portfolio only includes asset-backed securities that have weighted-average maturities of three years or less. As of March 31, 2007, the amortized cost and fair value of asset-backed securities with a weighted average maturity of 2 to 3 years was $102 million and $103 million, respectively, while the amortized cost and fair value of asset-backed securities with a weighted average maturity of 1 to 2 years was $5 million. There were no asset-backed securities with a weighted average maturity of less than one year.

(c) Marketable Equity Securities

Marketable equity securities consisted of the following (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of March 31, 2007	$91	$250	$ —	$341
As of March 31, 2006	$91	$ 69	$ —	$160

Our investments in marketable equity securities consist of investments in common stock of publicly traded companies. On February 3, 2005, we purchased approximately 19.9 percent of the then outstanding ordinary shares (representing 18.4 percent of the voting rights at the time) of Ubisoft Entertainment ("Ubisoft") for $91 million. At March 31, 2007, we owned approximately 15.4 percent of the outstanding shares of Ubisoft (representing 14.4 percent of the voting rights). As the fair value of our marketable equity securities exceeds the cost basis of those investments as of March 31, 2007, we do not consider these investments to be other-than-temporarily impaired. During fiscal 2006 and 2005, no other-than-temporary impairment charges were recognized.

We did not have any realized gains or losses from the sale of marketable equity securities for the year ended March 31, 2007. Realized gains from the sale of marketable equity securities were $1 million and $2 million for the years ended March 31, 2006 and 2005, respectively.

(d) Investments in Affiliates

As of March 31, 2007 and 2006, the total investment in affiliates reflected on our Consolidated Balance Sheets was $6 million and $11 million, respectively.

Prior to the acquisition of the remaining minority interest in Digital Illusions, C.E. ("DICE"), our investments in affiliates included a warrant to acquire 2,327,602 additional shares of DICE common stock. Prior to April 2005, the warrant was accounted for as a derivative under SFAS No. 133. The warrant was amended in April 2005, such that only subscriptions of 500,000 or more shares could be exercised. Due to the limited trading volume of DICE's common stock, there was no market mechanism for settlement and the warrant was not readily convertible to cash and was therefore accounted for under the cost method as prescribed by APB No. 18. As of March 31, 2006, the cost basis of the warrant was $5 million. In connection with the acquisition of the remaining minority interest of DICE in October 2006, the warrant was reclassed to goodwill for this wholly owned subsidiary. See Note 4 of the Notes to Consolidated Financial Statements.

For cost method investments, we estimate that the fair value exceeds the cost basis of those investments. Accordingly, we do not consider these investments to be other-than-temporarily impaired as of March 31, 2007. During fiscal 2007, 2006 and 2005, no other-than-temporary impairments in investments in affiliates were recognized.

(3) DERIVATIVE FINANCIAL INSTRUMENTS

We account for our derivative and hedging activities under SFAS No. 133. The assets or liabilities associated with our derivative instruments and hedging activities are recorded at fair value in other current assets or other current liabilities, respectively, in 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 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 option contracts, generally with maturities of 15 months or less, to reduce the volatility of cash flows primarily related to forecasted revenue and expenses denominated in certain foreign currencies. In addition, we utilize foreign exchange forward contracts to mitigate foreign currency exchange rate risk associated with foreign-currency-denominated assets and liabilities, primarily intercompany receivables and payables. The forward contracts generally have a contractual term of approximately one month and are transacted near month-end;

therefore, the fair value of the forward contracts generally is not significant at each month-end. We do not use foreign currency option or foreign exchange forward contracts for speculative or trading purposes.

Cash Flow Hedging Activities

Our foreign currency option contracts are designated and qualify as cash flow hedges under SFAS No. 133. The effectiveness of the cash flow hedge contracts, including time value, is assessed monthly using regression as well as other timing and probability criteria required by SFAS No. 133. To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. The effective portion of gains or losses resulting from changes in fair value of these hedges is initially reported, net of tax, as a component of accumulated other comprehensive income in stockholders' equity. The gross amount of the effective portion of gains or losses resulting from changes in fair value of these hedges was subsequently reclassified into net revenue or operating expenses, as appropriate, in the period when the forecasted transaction was recognized in the Consolidated Statements of Operations. The ineffective portion of gains or losses resulting from changes in fair value, if any, is reported in each period in interest and other income, net in our Consolidated Statements of Operations. The effective portion of hedges recognized in accumulated other comprehensive income at the end of each year will be reclassified to earnings within 12 months.

The following table summarizes the activity in accumulated other comprehensive income, net of related taxes, with regard to the changes in fair value of derivative instruments, for fiscal 2007 and 2006 (in millions):

	Year Ended March 31,	
	2007	**2006**
Beginning balance of unrealized gains (losses), net, on derivative instruments	$ —	$ —
Change in unrealized gains (losses), net, on derivative instruments	(4)	4
Reclassification adjustment for (gains) losses, realized on derivative instruments to net income, net:		
Net revenue	3	(4)
Operating expenses	1	—
Ending balance of unrealized gains (losses), net, on derivative instruments	$ —	$ —

Hedging ineffectiveness for the years ended March 31, 2007 and 2006 was not significant. The amount of hedging ineffectiveness recognized in interest and other income, net, was a loss of $1 million for the year ended March 31, 2005.

Balance Sheet Hedging Activities

Our foreign exchange forward contracts are not designated as hedging instruments under SFAS No. 133. Accordingly, any gains or losses resulting from changes in the fair value of the forward contracts are reported in interest and other income, net. The gains and losses on these forward contracts generally offset the gains and losses associated with the underlying foreign-currency-denominated assets and liabilities, which are also reported in interest and other income, net, in our Consolidated Statements of Operations.

(4) BUSINESS COMBINATIONS

Digital Illusions C.E.

The following table summarizes the estimated fair values of the remaining minority interest acquired for the fiscal year ended March 31, 2007 and the fair values of assets acquired and liabilities assumed for the fiscal years ended March 31, 2006 and 2005, in connection with the acquisition of DICE (in millions):

	Year Ended March 31,			
	2007	2006	2005	Total
Current assets	$ —	$ —	$ 35	$35
Property and equipment, net	—	1	1	2
Acquired in-process technology	1	—	4	5
Goodwill	19	5	31	55
Finite-lived intangibles	3	1	1	5
Liabilities	—	—	(9)	(9)
Minority interest	8	3	(11)	—
Total consideration	$ 31	$ 10	$ 52	$93

Based in Sweden, DICE develops games for PCs and video game consoles. In 2003 we acquired (1) approximately 1,911,403 shares of Class B common stock representing a 19 percent equity interest in DICE, and (2) a warrant to acquire an additional 2,327,602 shares of to-be-issued Class A common stock at an exercise price of SEK 43.23. Prior to our tender offer in the fourth quarter of fiscal 2005, we accounted for our Class B common stock investment in DICE under the equity method of accounting, as prescribed by APB No. 18, "*The Equity Method of Accounting for Investments in Common Stock*". Separately, the warrant was recognized at a cost of $5 million as of March 31, 2006 and was included in investments in affiliates in our Consolidated Balance Sheets.

On January 27, 2005, we completed a tender offer by acquiring 3,235,053 shares of Class A common stock at a price of SEK 61 per share, representing 32 percent of the outstanding Class A common stock of DICE. During the tender offer period and through the end of fiscal 2005, we acquired, through open market purchases at an average price of SEK 60.33, an additional 1,190,658 shares of Class A common stock, representing approximately 12 percent of the outstanding Class A common stock of DICE. During the first three months and last two weeks of fiscal 2006, we acquired, through open market purchases at an average price of SEK 63.07, an additional 1,071,152 shares of Class A common stock, representing approximately 10 percent of the outstanding Class A common stock of DICE. Accordingly, on a cumulative basis as of March 31, 2006, we owned approximately 73 percent of DICE on an undiluted basis (excluding the warrant discussed above). As a result, we have included the assets, liabilities and results of operations of DICE in our Consolidated Financial Statements since January 27, 2005. The percent of DICE stock that we did not own was reflected as minority interest on our Consolidated Financial Statements from January 27, 2005 until the acquisition date of the remaining minority interest in October 2006. DICE's products were primarily sold through co-publishing agreements with us and our transactions with DICE were recorded on an arm's-length basis.

In October 2006, the remaining minority interest in DICE was acquired for a total of $27 million in cash, including transaction costs. In connection with the acquisition of the remaining minority interest of DICE, the warrant was reclassified to goodwill for this wholly owned subsidiary.

Except for acquired in-process technology, which is discussed below, the acquired finite-lived intangible assets are being amortized on a straight-line basis over estimated lives ranging from one to four years. The intangible assets that make up that amount include:

	Gross Carrying Amount (in millions)	Weighted-Average Useful Life (in years)
Developed and Core Technology	$3	2
Trade Name	2	4
Total Finite-Lived Intangibles	$5	3

During fiscal 2007, we recorded $19 million of goodwill, none of which is tax deductible.

The acquired in-process technology was expensed in our Consolidated Statements of Operations upon consummation of the acquisition, and in each period we increased our ownership percentage. Acquired in-process technology includes the value of products in the development stage that are not considered to have reached technological feasibility or have alternative future use.

Mythic Entertainment, Inc.

On July 24, 2006, we acquired all outstanding shares of Mythic Entertainment, Inc. for an aggregate purchase price of $76 million in cash, including transaction costs. Based in Fairfax, Virginia, Mythic is a developer and publisher of massively multiplayer online role-playing games. The results of operations of Mythic and the estimated fair market values of the acquired assets and assumed liabilities have been included in our Consolidated Financial Statements since the date of acquisition. The following table summarizes the estimated fair values of assets acquired and liabilities assumed in connection with our acquisition of Mythic for the fiscal year ended March 31, 2007 (in millions):

Current assets	$ 15
Other long-term assets	2
Acquired in-process technology	2
Goodwill	62
Finite-lived intangibles	22
Liabilities	(27)
Total consideration	$ 76

Except for acquired in-process technology, which is discussed below, the acquired finite-lived intangible assets are being amortized on a straight-line basis over estimated lives ranging from three to five years. The intangible assets that make up that amount as of the date of the acquisition include:

	Gross Carrying Amount (in millions)	Weighted-Average Useful Life (in years)
Developed and Core Technology	$15	4
Trade Name	6	5
Subscribers and Other Intangibles	1	5
Total Finite-Lived Intangibles	$22	4

We recorded $62 million of goodwill, none of which is tax deductible, and we expensed $2 million of acquired in-process technology in our Consolidated Statements of Operations upon consummation of the acquisition.

JAMDAT Mobile Inc.

On February 15, 2006, we acquired all of the outstanding shares of JAMDAT Mobile Inc. Based in Los Angeles, California, JAMDAT was a global publisher of wireless games and other wireless entertainment applications. We paid $27 per share in cash in exchange for each share of JAMDAT common stock and assumed outstanding stock options and restricted stock units under certain JAMDAT equity plans for an aggregate purchase price of $684 million, including transaction costs. The following table summarizes the estimated fair values of assets acquired and liabilities assumed in connection with our acquisition of JAMDAT for the fiscal year ended March 31, 2006 and the subsequent adjustment to the purchase price allocation for the fiscal year ended March 31, 2007 (in millions):

Current assets	$ 52
Property and equipment, net	2
Acquired in-process technology	7
Goodwill	491
Finite-lived intangibles	212
Deferred income tax liabilities	(45)
Other liabilities	(35)
Total consideration	$684

Prior to our acquisition of JAMDAT, on April 20, 2005, JAMDAT entered into a purchase agreement with the shareholders of Blue Lava Wireless, LLC (“Blue Lava”). In connection with JAMDAT’s acquisition of Blue Lava, JAMDAT stock was placed in escrow to satisfy certain indemnification provisions under the Blue Lava purchase agreement. Upon completion of our acquisition of JAMDAT, we assumed JAMDAT’s contingent liability and replaced the JAMDAT stock in escrow with $27 million in cash, also placed in escrow. The $27 million is included in our purchase price of JAMDAT as a pre-acquisition contingency. We are required to pay $9 million on each of the three anniversaries of the Blue Lava acquisition, beginning on April 20, 2006, less any claims we may have pursuant to the indemnification provisions of the Blue Lava purchase agreement. In April 2007 and 2006, we made the first two payments of approximately $9 million in each period.

In fiscal 2007, we adjusted the purchase price allocation, including the allocation of goodwill, related to our acquisition of JAMDAT. As a result, we reduced goodwill and the liability balance assumed from JAMDAT by $4 million.

The results of operations of JAMDAT and the estimated fair market values of the acquired assets and assumed liabilities have been included in our Consolidated Financial Statements since the date of acquisition.

Except for acquired in-process technology, which is discussed below, the acquired finite-lived intangible assets are being amortized on a straight-line basis over estimated lives ranging from two to twelve years. The intangible assets that make up that amount as of the date of the acquisition include:

	Gross Carrying Amount (in millions)	Weighted-Average Useful Life (Years)
Developed and Core Technology	$122	10
Carrier Contracts and Related	85	5
Other Intangibles	5	3
Total Finite-Lived Intangibles	$212	8

We recorded $491 million of goodwill, substantially none of which is tax deductible.

Acquired in-process technology includes the value of products in the development stage that are not considered to have reached technological feasibility or have alternative future use. Accordingly, we expensed acquired in-process technology in our Consolidated Statement of Operations upon consummation of the acquisition.

Criterion Software Group Ltd.

On October 19, 2004, we acquired all outstanding shares of Criterion Software Group Ltd. for an aggregate purchase price of approximately $68 million, including transaction costs and the assumption of outstanding stock options under certain Criterion stock option plans. Based in England, Criterion was a developer of video games and a provider of middleware solutions for the game development and publishing industry. The results of operations of Criterion and the estimated fair market values of the acquired assets and assumed liabilities have been included in our Consolidated Financial Statements since the date of acquisition. The following table summarizes the estimated fair values of assets acquired and liabilities assumed in connection with our acquisition of Criterion for the fiscal year ended March 31, 2005 and the subsequent adjustment to the purchase price allocation for the fiscal year ended March 31, 2006 (in millions):

Current assets	$ 21
Property and equipment, net	1
Long-term deferred tax asset	3
Acquired in-process technology	9
Stock-based employee compensation	6
Goodwill	23
Finite-lived intangibles	21
Liabilities	(16)
Total consideration	$ 68

Except for acquired in-process technology which was expensed in our Consolidated Statement of Operations upon consummation of the acquisition, the acquired finite-lived intangible assets are being amortized on a straight-line basis over estimated lives ranging from two to four years.

Stock-based employee compensation represents the intrinsic value of certain unvested employee stock options that were assumed as part of the transaction. The stock options were considered modified for accounting purposes and were fully amortized over the remaining vesting period in our Consolidated Statement of Operations for the year ended March 31, 2005.

(5) GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill information is as follows (in millions):

	Year Ended March 31, 2007	2006
Goodwill — beginning of year	$647	$153
Acquired	87	496
Purchase Accounting Adjustments[1]	(4)	—
Effects of Foreign Currency Translation	4	(2)
Goodwill — end of year	$734	$647

(1) During fiscal 2007, we adjusted the purchase price allocation including the allocation of goodwill related to our acquisition of JAMDAT. As a result, we reduced goodwill and the liability balance assumed from JAMDAT by $4 million.

SFAS No. 142, *"Goodwill and Other Intangible Assets"* requires that purchased goodwill and indefinite-lived intangibles not be amortized. Rather, goodwill and indefinite-lived intangible assets are subject to at least an annual assessment for impairment by applying a fair-value-based test.

SFAS No. 142 requires a two-step approach to testing goodwill for impairment for each reporting unit. Our reporting units are determined by the components that constitute a business for which both (1) discreet financial information is available and (2) management of the reporting unit regularly reviews the operating results of that component. The first step tests for impairment by applying fair value-based tests at the reporting unit level. The second step (if necessary) measures the amount of impairment by applying fair value-based tests to individual assets and liabilities within each reporting unit. We completed the first step of the annual goodwill impairment testing in the fourth quarter of fiscal 2007 and found no indicators of impairment of our recorded goodwill. We did not recognize an impairment loss on goodwill in fiscal 2007, 2006 or 2005.

Finite-lived intangible assets, net of accumulated amortization, as of March 31, 2007 and 2006, were $210 million and $232 million, respectively, and include costs for obtaining (1) developed technologies, (2) carrier contracts and related, (3) trade names, and (4) subscribers and other intangibles. Amortization of intangibles for fiscal 2007, 2006 and 2005 was $54 million (of which $27 million was recognized in cost of goods sold), $16 million (of which $9 million was recognized in cost of goods sold) and $6 million (of which $3 million was recognized in cost of goods sold), respectively. Finite-lived intangible assets are amortized using the straight-line method over the lesser of their estimated useful lives or the agreement terms, typically from two to twelve years. As of March 31, 2007 and 2006, the weighted-average remaining useful life for finite-lived intangible assets was approximately 6.3 years and 7.2 years, respectively.

Finite-lived intangibles consisted of the following (in millions):

	Gross Carrying Amount	Accumulated Amortization	Other	Other Intangibles, Net
As of March 31, 2007				
Developed and Core Technology	$183	$ (62)	$ —	$121
Carrier Contracts and Related	85	(19)	—	66
Trade Name	44	(24)	—	20
Subscribers and Other Intangibles	16	(12)	(1)	3
Total	$328	$(117)	$ (1)	$210
As of March 31, 2006				
Developed and Core Technology	$160	$ (31)	$ —	$129
Carrier Contracts and Related	85	(2)	—	83
Trade Name	36	(21)	—	15
Subscribers and Other Intangibles	15	(9)	(1)	5
Total	$296	$ (63)	$ (1)	$232

As of March 31, 2007, future amortization of finite-lived intangibles that will be recorded in cost of goods sold and operating expenses is estimated as follows (in millions):

Fiscal Year Ending March 31,	
2008	$ 52
2009	41
2010	34
2011	29
2012	9
Thereafter	45
Total	$210

(6) RESTRUCTURING CHARGES

Restructuring information as of March 31, 2007 was as follows (in millions):

	Fiscal 2006 International Publishing Reorganization			Fiscal 2006 Restructuring	Fiscal 2004, 2003 and 2002 Restructurings		
	Workforce	Facilities-related	Other	Workforce	Workforce	Facilities-related	Total
Balances as of March 31, 2004	$ —	$ —	$ —	$ —	$ 2	$ 12	$ 14
Charges utilized in cash	—	—	—	—	(2)	(4)	(6)
Adjustments to operations	—	—	—	—	—	2	2
Balances as of March 31, 2005	—	—	—	—	—	10	10
Charges to operations	3	8	3	10	—	—	24
Charges utilized in cash	(2)	—	(1)	(7)	—	(5)	(15)
Adjustments to operations	—	—	—	—	—	2	2
Balances as of March 31, 2006	1	8	2	3	—	7	21
Charges to operations	10	1	4	—	—	—	15
Charges utilized in cash	(11)	—	(5)	(3)	—	(7)	(26)
Balances as of March 31, 2007	$ —	$ 9	$ 1	$ —	$ —	$ —	$ 10

Fiscal 2006 International Publishing Reorganization

In November 2005, we announced plans to establish an international publishing headquarters in Geneva, Switzerland. Through the quarter ended September 30, 2006, we relocated certain employees to our new facility in Geneva, closed certain facilities in the United Kingdom, and made other related changes in our international publishing business.

Since the inception of the restructuring plan, through March 31, 2007, we have incurred restructuring charges of approximately $29 million, of which $13 million was for employee-related expenses, $9 million for the closure of certain United Kingdom facilities, and $7 million in other costs in connection with our international publishing reorganization. The restructuring accrual of $10 million as of March 31, 2007 is expected to be utilized by March 2017. This accrual is included in other accrued expenses presented in Note 8 of the Notes to Consolidated Financial Statements.

In connection with our fiscal 2006 international publishing reorganization, in fiscal 2008, we expect to incur between $5 million and $10 million of restructuring costs. Overall, including charges incurred through March 31, 2007, we expect to incur between $50 million and $55 million of restructuring costs in connection with our fiscal 2006 international publishing reorganization, substantially all of which will result in cash expenditures by 2017. These restructuring costs will consist primarily of employee-related relocation assistance (approximately $30 million), facility exit costs (approximately $15 million), as well as other reorganization costs (approximately $7 million).

Fiscal 2006 Restructuring

During the fourth quarter of fiscal 2006, we recorded a total pre-tax restructuring charge of $10 million consisting entirely of one-time costs related to headcount reductions which are included in restructuring charges in our Consolidated Statements of Operations. These headcount reductions related to our decision in the fourth quarter of fiscal 2006 to realign our resources with our product plan for fiscal 2007 and strategic opportunities with next-generation consoles, online and mobile platforms. As of March 31, 2006, this accrual was included in other accrued expenses presented in Note 8 of the Notes to Consolidated Financial Statements. As of March 31, 2007, all $10 million had been paid out in cash under the restructuring plan.

Fiscal 2004, 2003 and 2002 Restructurings

In fiscal 2004, 2003 and 2002, we engaged in various restructurings based on management decisions. As of March 31, 2007, all $34 million in cash had been paid out under these restructuring plans. As of March 31, 2006, the restructuring accrual was included in other accrued expenses presented in Note 8 of the Notes to Consolidated Financial Statements.

(7) ROYALTIES AND LICENSES

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

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 goods sold generally at the greater of the contractual rate or an effective royalty rate based on expected net product sales. Prepayments made to thinly capitalized independent software developers and co-publishing affiliates are generally 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 amortized 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 goods sold.

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. Minimum royalty payment obligations are classified as current liabilities to the extent such royalty payments are contractually due within the next twelve months. As of March 31, 2007 and 2006, approximately $9 million of minimum guaranteed royalty obligations had been recognized in each period and are included in the royalty-related assets and liabilities tables below.

Each quarter, we also evaluate the future realization of our royalty-based assets as well as any unrecognized minimum commitments not yet paid to determine amounts we deem unlikely to be realized through product sales. Any impairments determined before the launch of a product are charged to research and development expense. Impairments determined post-launch are charged to cost of goods sold. In either case, we rely on estimated revenue to evaluate the future realization of prepaid royalties and commitments. If actual sales or revised revenue estimates fall below the initial revenue estimate, then the actual charge taken may be greater in any given quarter than anticipated. We had no impairments during fiscal 2007. During fiscal 2006 and 2005, we recorded impairment charges of $16 million and $8 million, respectively.

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,	
	2007	**2006**
Other current assets	$ 69	$ 76
Other assets	40	55
Royalty-related assets	$109	$131

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 recognize unpaid royalty amounts owed to these parties as either accounts payable or accrued liabilities. The current and long-term portions of accrued royalties, included in accrued and other current liabilities as well as other liabilities, consisted of (in millions):

	As of March 31,	
	2007	2006
Accrued and other current liabilities	$ 91	$ 82
Other liabilities	3	7
Royalty-related liabilities	$ 94	$ 89

In addition, as of March 31, 2007, we were committed to pay approximately $1,546 million to content licensors 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 9 of the Notes to Consolidated Financial Statements.

(8) BALANCE SHEET DETAILS

(a) Inventories

Inventories as of March 31, 2007 and 2006 consisted of (in millions):

	As of March 31,	
	2007	2006
Raw materials and work in process	$ 1	$ 1
Finished goods (including manufacturing royalties)	61	60
Inventories	$ 62	$ 61

A significant amount of our inventory balance relates to our distribution business in Switzerland.

(b) Property and Equipment, Net

Property and equipment, net, as of March 31, 2007 and 2006 consisted of (in millions):

	As of March 31,	
	2007	2006
Computer equipment and software	$ 555	$ 418
Buildings	194	127
Leasehold improvements	110	78
Office equipment, furniture and fixtures	70	57
Land	65	57
Warehouse equipment and other	10	11
Construction in progress	10	59
	1,014	807
Less accumulated depreciation	(530)	(415)
Property and equipment, net	$ 484	$ 392

Depreciation expense associated with property and equipment amounted to $113 million, $79 million and $69 million for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

(c) Accrued and Other Current Liabilities

Accrued and other current liabilities as of March 31, 2007 and 2006 consisted of (in millions):

	As of March 31,	
	2007	2006
Accrued income taxes	$284	$234
Accrued compensation and benefits	206	122
Other accrued expenses	152	202
Accrued royalties	91	82
Deferred net revenue — other	67	43
Accrued value added taxes	23	14
Accrued and other current liabilities	$823	$697

(d) Deferred Net Revenue

Deferred net revenue consisted of the following (in millions):

	As of March 31,	
	2007	2006
Deferred net revenue — packaged goods and digital content	$ 23	$ 9
Deferred net revenue — other	67	43
	$ 90	$ 52

Deferred net revenue, packaged goods and digital content, includes the deferral of the fair value of the online service related to sales of certain online-enabled packaged goods and PC digital downloads and revenue from sales of certain incremental content related to our core subscription services playable only online, which are types of "micro-transactions".

Deferred net revenue, other, includes the deferral of subscription revenue, deferrals related to our Switzerland distribution business, advertising revenue, revenue from licensing arrangements and other revenue for which revenue recognition criteria has not been met. The deferred net revenue, other, balance is included in accrued and other current liabilities in our Consolidated Balance Sheets.

(9) COMMITMENTS AND CONTINGENCIES

Lease Commitments and Residual Value Guarantees

We lease certain of our current facilities, furniture and equipment under non-cancelable operating lease agreements. We are required to pay property taxes, insurance and normal maintenance costs for certain of these facilities and will be required to pay any increases over the base year of these expenses on the remainder of our facilities.

In February 1995, we entered into a build-to-suit lease ("Phase One Lease") with a third-party lessor for our headquarters facilities in Redwood City, California ("Phase One Facilities"). The Phase One Facilities comprise a total of approximately 350,000 square feet and provide space for sales, marketing, administration and research and development functions. In July 2001, the lessor refinanced the Phase One Lease with Keybank National Association through July 2006. The Phase One Lease expires in January 2039, subject to early termination in the event the underlying financing between the lessor and its lenders is not extended. Subject to certain terms and conditions, we may purchase the Phase One Facilities or arrange for the sale of the Phase One Facilities to a third party.

Pursuant to the terms of the Phase One Lease, we have an option to purchase the Phase One Facilities at any time for a purchase price of $132 million. In the event of a sale to a third party, if the sale price is less than

$132 million, we will be obligated to reimburse the difference between the actual sale price and $132 million, up to a maximum of $117 million, subject to certain provisions of the Phase One Lease, as amended.

On May 26, 2006, the lessor extended its loan financing underlying the Phase One Lease with its lenders through July 2007, and on May 14, 2007, the lenders extended this financing again for an additional year through July 2008. We may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009; otherwise the lease will terminate. We account for the Phase One Lease arrangement as an operating lease in accordance with SFAS No. 13, *"Accounting for Leases"*, as amended.

In December 2000, we entered into a second build-to-suit lease ("Phase Two Lease") with Keybank National Association for a five and one-half year term beginning in December 2000 to expand our Redwood City, California headquarters facilities and develop adjacent property ("Phase Two Facilities"). Construction of the Phase Two Facilities was completed in June 2002. The Phase Two Facilities comprise a total of approximately 310,000 square feet and provide space for sales, marketing, administration and research and development functions. Subject to certain terms and conditions, we may purchase the Phase Two Facilities or arrange for the sale of the Phase Two Facilities to a third party.

Pursuant to the terms of the Phase Two Lease, we have an option to purchase the Phase Two Facilities at any time for a purchase price of $115 million. In the event of a sale to a third party, if the sale price is less than $115 million, we will be obligated to reimburse the difference between the actual sale price and $115 million, up to a maximum of $105 million, subject to certain provisions of the Phase Two Lease, as amended.

On May 26, 2006, the lessor extended the Phase Two Lease through July 2009 subject to early termination in the event the underlying loan financing between the lessor and its lenders is not extended. Concurrently with the extension of the lease, the lessor extended the loan financing underlying the Phase Two Lease with its lenders through July 2007. On May 14, 2007 the lenders extended this financing again for an additional year through July 2008. We may request, on behalf of the lessor and subject to lender approval, an additional one-year extension of the loan financing between the lessor and the lenders. In the event the lessor's loan financing with the lenders is not extended, we may loan to the lessor approximately 90 percent of the financing, and require the lessor to extend the remainder through July 2009, otherwise the lease will terminate. We account for the Phase Two Lease arrangement as an operating lease in accordance with SFAS No. 13, as amended.

We believe that, as of March 31, 2007, the estimated fair values of both properties under these operating leases exceeded their respective guaranteed residual values.

The two lease agreements with Keybank National Association described above require us to maintain certain financial covenants as shown below, all of which we were in compliance with as of March 31, 2007.

Financial Covenants	**Requirement**		**Actual as of March 31, 2007**
Consolidated Net Worth (in millions)	equal to or greater than	$2,430	$4,032
Fixed Charge Coverage Ratio	equal to or greater than	3.00	4.41
Total Consolidated Debt to Capital	equal to or less than	60%	5.8%
Quick Ratio — Q1 & Q2	equal to or greater than	1.00	N/A
Q3 & Q4	equal to or greater than	1.75	8.92

In February 2006, we entered into an agreement with an independent third party to lease a studio facility in Guildford, Surrey, United Kingdom, which commenced in June 2006 and will expire in May 2016. The facility comprises a total of approximately 95,000 square feet, which we use for research and development functions. Our rental obligation under this agreement is approximately $33 million over the initial ten-year term of the lease.

In June 2004, we entered into a lease agreement, amended in December 2005, with an independent third party for a studio facility in Orlando, Florida. The lease commenced in January 2005 and expires in June 2010, with one five-year option to extend the lease term. The campus facilities comprise a total of 140,000 square feet and provide space for research and development functions. Our rental obligation over the initial five-and-a-half year term of the lease is $15 million.

In July 2003, we entered into a lease agreement with an independent third party (the "Landlord") for a studio facility in Los Angeles, California, which commenced in October 2003 and expires in September 2013 with two five-year options to extend the lease term. Additionally, we have options to purchase the property after five and ten years based on the fair market value of the property at the date of sale, a right of first offer to purchase the property upon terms offered by the Landlord, and a right to share in the profits from a sale of the property. Existing campus facilities comprise a total of 243,000 square feet and provide space for research and development functions. Our rental obligation under this agreement is $50 million over the initial ten-year term of the lease. This commitment is offset by expected sublease income of $6 million for a sublease to an affiliate of the Landlord of 18,000 square feet of the Los Angeles facility, which commenced in October 2003 and expires in September 2013, with options of early termination by the affiliate after five years and by us after four and five years.

In October 2002, we entered into a lease agreement, with an independent third party for a studio facility in Vancouver, British Columbia, Canada, which commenced in May 2003 and expires in April 2013. We amended the lease in October 2003. The facility comprises a total of approximately 65,000 square feet and provides space for research and development functions. Our rental obligation under this agreement is approximately $16 million over the initial ten-year term of the lease.

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: FIFA, FIFPRO Foundation, UEFA and FAPL (Football Association Premier League Limited) (professional soccer); NASCAR (stock car racing); National Basketball Association (professional basketball); PGA TOUR and Tiger Woods (professional golf); National Hockey League and NHL Players' Association (professional hockey); Warner Bros. (Harry Potter, Batman and Superman); New Line Productions and Saul Zaentz Company (The Lord of the Rings); Red Bear Inc. (John Madden); National Football League Properties and PLAYERS Inc. (professional football); Collegiate Licensing Company (collegiate football, basketball and baseball); Simcoh (Def Jam); Viacom Consumer Products (The Godfather); ESPN (content in EA SPORTS™ games); Twentieth Century Fox Licensing and Merchandising (The Simpsons); and Marvel Entertainment, Inc. (Marvel character fighting games). 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.

The following table summarizes our minimum contractual obligations and commercial commitments as of March 31, 2007 (in millions):

	Contractual Obligations			Commercial Commitments	
Fiscal Year Ending March 31,	Leases[(1)]	Developer/ Licensor Commitments[(2)]	Marketing	Letter of Credit, Bank and Other Guarantees	Total
2008	$ 56	$ 200	$ 58	$ 7	$ 321
2009	54	202	31	—	287
2010	39	166	31	—	236
2011	27	263	31	—	321
2012	23	27	17	—	67
Thereafter	46	697	169	—	912
Total	$245	$1,555	$337	$ 7	$2,144

(1) Lease commitments include contractual rental commitments of $15 million under real estate leases for unutilized office space resulting from our restructuring activities. These amounts, net of estimated future sub-lease income, were expensed in the periods of the related restructuring and are included in our accrued and other current liabilities reported on our Consolidated Balance Sheets as of March 31, 2007. See Note 6 of the Notes to Consolidated Financial Statements.

(2) Developer/licensor commitments include $9 million of commitments to developers or licensors that have been recorded in current and long-term liabilities and a corresponding amount in current and long-term assets in our Consolidated Balance Sheets as of March 31, 2007 because payment is not contingent upon performance by the developer or licensor.

The amounts represented in the table above reflect our minimal cash obligations for the respective fiscal years, but do not necessarily represent the periods in which they will be expensed in our Consolidated Financial Statements.

Total rent expense for all operating leases was $88 million, $59 million and $41 million, for the fiscal years ended March 31, 2007, 2006 and 2005, respectively.

Neowiz Investment

In April 2007, we expanded our commercial agreements with and made strategic equity investments in Neowiz Corporation and its online gaming subsidiary, Neowiz Games. We purchased stock representing in aggregate approximately 19 percent of each of Neowiz and Neowiz Games for approximately $108 million. Based in Korea, Neowiz is an online media and gaming company with which we partnered in 2006 to launch *EA Sports FIFA Online* in Korea.

Legal proceedings

On September 14, 2006, we received an informal inquiry from the Securities and Exchange Commission requesting certain documents and information relating to our stock option grant practices from January 1, 1997 through the date of the letter. We have cooperated to date with all matters related to this request. We most recently provided the SEC with information in December 2006. The SEC has not asked for any further information since that time.

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

Director Indemnity Agreements

We have entered into indemnification agreements with each of the members of our Board of Directors at the time they joined the Board to indemnify them to the extent permitted by law against any and all liabilities, costs, expenses, amounts paid in settlement and damages incurred by the directors as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors are sued or charged as a result of their service as members of our Board of Directors.

(10) INCOME TAXES

Our pretax income from operations for the fiscal years ended March 31, 2007, 2006 and 2005 consisted of the following components (in millions):

	Year Ended March 31,		
	2007	2006	2005
Domestic	$ 31	$200	$386
Foreign	107	189	339
Income before provision for income taxes and minority interest	$138	$389	$725

Income tax expense (benefit) for the fiscal years ended March 31, 2007, 2006 and 2005 consisted of (in millions):

	Current	Deferred	Total
Year Ended March 31, 2007			
Federal	$ 98	$(31)	$ 67
State	4	(22)	(18)
Foreign	14	3	17
	$116	$(50)	$ 66
Year Ended March 31, 2006			
Federal	$ 91	$ 17	$108
State	13	2	15
Foreign	32	(8)	24
	$136	$ 11	$147
Year Ended March 31, 2005			
Federal	$184	$ 4	$188
State	10	11	21
Foreign	9	3	12
	$203	$ 18	$221

During fiscal 2006 we recognized a $73 million reduction in income taxes payable following a U.S. Tax Court ruling regarding the proper allocation of the tax deduction for stock options between U.S. and foreign entities. Although the Tax Court ruling remains subject to appeal, as a precedent, it is relevant to our situation. Accordingly, we released a reserve of $73 million during fiscal 2006, whereby, we recorded a reduction to our income tax payable and an increase to additional paid-in capital with no impact to net income.

The differences between the statutory income tax rate and our effective tax rate, expressed as a percentage of income before provision for income taxes and minority interest, for the years ended March 31, 2007, 2006 and 2005 were as follows:

	Year Ended March 31,		
	2007	2006	2005
Statutory federal tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	(0.7%)	0.8%	1.4%
Differences between statutory rate and foreign effective tax rate	(8.6%)	(4.9%)	(7.3%)
Research and development credits	(3.0%)	(0.2%)	(0.5%)
Resolution of tax-related matters with tax authorities	(0.2%)	(6.1%)	—
Non-deductible acquisition related costs and tax expense from integration restructurings	7.2%	8.7%	0.8%
Change in valuation allowance	0.7%	0.4%	0.5%
Jobs Act, including state taxes	—	4.3%	—
Non-deductible stock based compensation	15.5%	—	—
Other	2.3%	(0.4%)	0.6%
Effective tax rate	48.2%	37.6%	30.5%

For fiscal 2007, our effective income tax rate was higher than the U.S. statutory rate of 35.0 percent due to a number of factors, including certain non-deductible acquisition-related costs, tax expense from integration restructurings, and certain non-deductible stock based compensation related to SFAS No. 123(R).

Undistributed earnings of our foreign subsidiaries amounted to approximately $1 billion as of March 31, 2007. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. It is not practicable to determine the income tax liability that might be incurred if these earnings were to be distributed.

The IRS has examined our U.S. income tax returns for fiscal years 1997 through 2003 and has proposed certain adjustments. We do not agree with these adjustments and are planning to contest them. In addition, during the second quarter of fiscal 2006, we recorded various adjustments for the resolution of certain tax-related matters with foreign tax authorities that resulted in a 6.1 percent rate reduction. While the ultimate resolution of tax audits is uncertain, we expect that the aggregate tax accruals which have been provided should be adequate for the aggregate adjustments that are likely to result for these years.

The components of the deferred tax assets, net, as of March 31, 2007 and 2006 consisted of (in millions):

	As of March 31, 2007	As of March 31, 2006
Deferred tax assets:		
Accruals, reserves and other expenses	$101	$103
Tax credit carryforwards	60	40
Unrealized loss on marketable equity securities	—	3
Equity compensation	25	—
Net operating loss & capital loss carryforwards	8	4
Total	194	150
Valuation allowance	(5)	(6)
Deferred tax asset net of valuation allowance	189	144
Deferred tax liabilities:		
Depreciation	(41)	(40)
Amortization	(21)	(27)
State effect on federal taxes	(23)	(14)
Prepaids and other liabilities	(3)	(6)
Total	(88)	(87)
Deferred tax asset, net	$101	$ 57

As of March 31, 2007, deferred tax assets, net, of $84 million were classified as current assets, $25 million were classified as long-term assets and deferred tax liabilities, net, of $8 million were classified as long-term liabilities. As of March 31, 2006, deferred tax assets, net, of $86 million were classified as current assets and deferred tax liabilities, net, of $29 million were classified as long-term liabilities.

Of the tax credit carryforwards as of March 31, 2007, we have research and development tax credit carryforwards of approximately $54 million for California purposes, which can be carried forward indefinitely.

In the fourth quarter of fiscal 2006, we repatriated $375 million of foreign earnings to take advantage of the favorable provisions of the American Jobs Creation Act (the "Jobs Act"). Under the Jobs Act, the qualifying portion of this repatriation was eligible for a temporary 85 percent dividends received deduction on certain foreign earnings. Accordingly, we recorded tax expense in fiscal 2006 of $17 million related to this repatriation.

(11) STOCKHOLDERS' EQUITY

(a) Preferred Stock

As of March 31, 2007 and 2006, we had 10,000,000 shares of preferred stock authorized but unissued. The rights, preferences, and restrictions of the preferred stock may be designated by our Board of Directors without further action by our stockholders.

(b) Common Stock

On March 22, 2000, our stockholders authorized the issuance of a new series of common stock, designated as Class B common stock ("Tracking Stock"). The Tracking Stock was intended to reflect the performance of the EA.com online games business segment. As a result of the approval of the Tracking Stock proposal, our existing common stock was re-classified as Class A common stock and was intended to reflect the performance of our core console and PC business segment. With the authorization of the Class B common stock, we transferred a portion of our consolidated assets, liabilities, revenue, expenses and cash flows to EA.com Inc., a wholly-owned subsidiary of Electronic Arts.

In March 2003, we consolidated the operations of EA.com back into our core operations in order to increase efficiency, simplify our reporting structure and more directly integrate our online activities into our core console and PC business. As a result, we eliminated dual class reporting starting in fiscal 2004. The majority of outstanding Class B options and warrants not directly held by us were acquired or converted to common stock and warrants.

At our Annual Meeting of Stockholders, held on July 29, 2004, our stockholders approved an amendment and restatement of our Certificate of Incorporation to (1) consolidate our Class A and Class B common stock into a single class of common stock by reclassifying each outstanding share of Class A common stock as one share of common stock and converting each outstanding share of Class B common stock into 0.001 share of common stock, and (2) increase the authorized common stock from 500 million total shares of Class A and Class B common stock combined to 1 billion shares of the newly consolidated single class of common stock.

(c) Share Repurchase Program

On October 18, 2004, our Board of Directors authorized a program to repurchase up to an aggregate of $750 million of our common stock. We completed the repurchase program in September 2005. We repurchased and retired the following (in millions):

	Number of Shares Repurchased and Retired	Amount
From the inception of the program through March 31, 2005	0.8	$ 41
Six months ended September 30, 2005	12.6	709
From the inception of the program through September 30, 2005	13.4	$750

(12) STOCK-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

Adoption of SFAS No. 123(R)

In December 2004, the FASB issued SFAS No. 123 (revised 2004) ("SFAS No. 123(R)"), "*Share-Based Payment*". SFAS No. 123(R) requires that the cost resulting from all share-based payment transactions be recognized in the financial statements using a fair-value-based method. In March 2005, the Securities and Exchange Commission ("SEC") released SAB No. 107, "*Share-Based Payment*", which provides the views of the SEC regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations for public companies. SFAS No. 123(R) replaces SFAS No. 123, "*Accounting for Stock-Based Compensation*", as amended, supersedes APB No. 25, "*Accounting for Stock Issued to Employees*", and amends SFAS No. 95, "*Statement of Cash Flows*".

We adopted SFAS No. 123(R) as of April 1, 2006 and have applied the provisions of SAB No. 107 to our adoption of SFAS No. 123(R). SFAS No. 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. We elected to use the modified prospective transition method of adoption which requires that compensation expense be recognized in the financial statements for all awards granted after the date of adoption as well as for existing awards for which the requisite service has not been rendered as of the date of adoption. Accordingly, prior periods are not restated for the effect of SFAS No. 123(R).

Prior to April 1, 2006, we accounted for stock-based awards to employees using the intrinsic value method in accordance with APB No. 25 and adopted the disclosure-only provisions of SFAS No. 123, as amended. Also, as required by SFAS No. 148, "*Accounting for Stock-Based Compensation — Transition and Disclosure*", we provided pro forma net income (loss) and net income (loss) per share disclosures for stock-based awards as if the fair-value-based method defined in SFAS No. 123 had been applied.

Valuation and Expense Recognition. Upon adoption of SFAS No. 123(R), we began to recognize compensation costs for stock-based payment transactions to employees based on their grant-date fair value over the service period for which such awards are expected to vest. The fair value of restricted stock units is determined based on the quoted price of our common stock on the date of grant. The fair value of stock options and stock purchase rights granted pursuant to our employee stock purchase plan is determined using the Black-Scholes valuation model, which was the same model we previously used for the pro forma information required under SFAS No. 123. The determination of fair value is affected by our stock price as well as assumptions regarding subjective and complex variables such as expected employee exercise behavior and our expected stock price volatility over the expected term of the award. Generally, our assumptions are based on historical information and judgment is required to determine if historical trends may be indicators of future outcomes. The Black-Scholes valuation model requires us to estimate the following key assumptions:

- *Risk-free interest rate.* 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.* We use our historical stock price volatility and consider the implied volatility computed based on the price of short-term options publicly traded on our common stock for our expected volatility assumption.
- *Expected term.* The expected term represents the weighted-average period the stock options are expected to remain outstanding. The expected term is determined based on historical exercise behavior, post-vesting termination patterns, options outstanding and future expected exercise behavior.
- *Expected dividends.*

The assumptions used in the Black-Scholes valuation model to value our option grants and employee stock purchase plan during the fiscal year ended March 31, 2007 were as follows:

	Stock Option Grants	Employee Stock Purchase Plan
Risk-free interest rate	4.5 - 5.1%	3.7 - 5.1%
Expected volatility	31 - 46%	28 - 36%
Weighted-average volatility	35%	33%
Expected term	4.2 years	6 - 12 months
Expected dividends	None	None

Prior to our adoption of SFAS No. 123(R), we valued our stock options based on the multiple-award valuation method and recognized the expense using the accelerated approach over the requisite service period. In conjunction with our adoption of SFAS No. 123(R), we changed our method of recognizing our stock-based compensation expense for post-adoption grants to the straight-line approach over the requisite service period; however, we continue to value our stock options based on the multiple-award valuation method.

As required by SFAS No. 123(R), employee stock-based compensation expense recognized during the fiscal year ended March 31, 2007 was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures. In subsequent periods, if actual forfeitures differ from those estimates, an adjustment to stock-based compensation expense will be recognized at that time.

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

	Year Ended March 31,		
	2007	2006	2005
Cost of goods sold	$ 2	$ —	$ —
Marketing and sales	17	—	—
General and administrative	37	1	—
Research and development	77	2	6
Stock-based compensation expense	133	3	6
Benefit from income taxes	(26)	(1)	(2)
Stock-based compensation expense, net of tax	$107	$ 2	$ 4

As of March 31, 2007, our total unrecognized compensation cost related to stock options was $153 million and is expected to be recognized over a weighted-average service period of 1.6 years. As of March 31, 2007, our total unrecognized compensation cost related to restricted stock and restricted stock units was $82 million and is expected to be recognized over a weighted-average service period of 2.3 years.

The adoption of SFAS No. 123(R), using the fair value method, had the following adverse impact on our pre-tax income, net income, and basic and diluted net income per share as compared to what would have been reported under APB No. 25 using the intrinsic value method, which was the method used prior to our adoption for the year ended March 31, 2007 (in millions, except per share data):

	Fair Value Method (As Reported)	Intrinsic Value Method	Adverse Impact of Change
Income before provision for income taxes and minority interest	$ 138	$ 237	$ (99)
Net income	$ 76	$ 153	$ (77)
Net income per share:			
Basic	$0.25	$0.50	$(0.25)
Diluted	$0.24	$0.48	$(0.24)

APIC Pool. In November 2005, the FASB issued FASB Staff Position ("FSP") No. Financial Accounting Standard ("FAS") 123(R)-3, "*Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*". The FASB allows for a practical exception in calculating the additional paid-in capital pool ("APIC pool") of excess tax benefits upon adoption that is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS No. 123(R). For employee stock-based compensation awards that are outstanding upon adoption of SFAS No. 123(R), the alternative transition method provides a simplified method to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation. It also provides a simplified method to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows for the tax effects of employee stock-based compensation awards. We elected to adopt the alternative transition method provided in FSP No. FAS 123(R)-3 for calculating the tax effects of stock-based compensation pursuant to SFAS No. 123(R).

Cash Flow Impact. Prior to our adoption of SFAS No. 123(R), cash retained as a result of tax deductions relating to stock-based compensation was presented in operating cash flows along with other tax cash flows. SFAS No. 123(R) requires a classification change in the statement of cash flows. As a result, tax benefits relating to excess stock-based compensation deductions, which had been included in operating cash flow activities, are now presented as financing cash flow activities (total cash flows remain unchanged). For the fiscal year ended March 31, 2007, we recognized $34 million of tax benefit from the exercise of stock options; of this amount, $36 million of excess tax benefit related to stock-based compensation reported in financing activities. For the fiscal year ended March 31, 2006, we recognized $133 million of tax benefit from exercise of stock options reported in operating activities.

Summary of Plans and Plan Activity

Stock Option Plans

Our 2000 Equity Incentive Plan (the "Equity Plan") allows us to grant options to purchase our common stock, restricted stock, restricted stock units and stock appreciation rights to our employees, officers and directors. Pursuant to the Equity Plan, incentive stock options may be granted to employees and officers and non-qualified options may be granted to employees, officers and directors, at not less than 100 percent of the fair market value on the date of grant.

We also have options outstanding that were granted under (1) the Criterion Software Limited Approved Share Option Scheme (the "Criterion Plan"), which we assumed in connection with our acquisition of Criterion, and (2) the JAMDAT Mobile Inc. Amended and Restated 2000 Stock Incentive Plan and the JAMDAT Mobile Inc. 2004 Equity Incentive Plan (collectively, the "JAMDAT Plans"), which we assumed in connection with our acquisition of JAMDAT.

Options granted under the Equity Plan generally expire ten years from the date of grant and are generally exercisable as to 24 percent of the shares after 12 months, and then ratably over the following 38 months. All options granted under the Criterion Plan were exercisable as of March 31, 2005 and expire in January 2012. Certain assumed options granted under the JAMDAT Plans have acceleration rights upon the occurrence of various triggering events. Otherwise, the terms of the JAMDAT Plans are similar to our Equity Plan.

The following table summarizes our stock option activity for the fiscal year ended March 31, 2007:

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of March 31, 2006	40,882	$40.02		
Activity for the fiscal year ended March 31, 2007:				
Granted	4,373	51.11		
Exercised	(4,881)	28.14		
Forfeited, cancelled or expired	(2,731)	53.20		
Exchange Program (cancelled)	(1,779)	64.92		
Outstanding as of March 31, 2007	35,864	$40.75	6.2	$422

Additional stock option-related information as of March 31, 2007:

	Options (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Vested and expected to vest	33,463	$39.82	6.0	$421
Exercisable	23,479	$33.99	5.1	$411

A total of 15 million shares were available for grant under our Equity Plan as of March 31, 2007, of which no more than 13 million shares were eligible for grant in the form of restricted stock or restricted stock units.

The aggregate intrinsic value represents the total pre-tax intrinsic value based on our closing stock price as of March 31, 2007 which would have been received by the option holders had all option holders exercised their options as of that date. We issue new common stock from our authorized shares upon the exercise of stock options.

The weighted-average grant-date fair value of stock options granted during fiscal years 2007, 2006 and 2005 was $17.75, $15.19 and $17.70, respectively. The total intrinsic value of options exercised during fiscal years 2007, 2006 and 2005 was $120 million, $199 million and $307 million, respectively. The total fair value (determined at the grant date) of shares vested during fiscal years 2007, 2006 and 2005 was $105 million, $150 million and $130 million, respectively.

The following table summarizes outstanding and exercisable options as of March 31, 2007:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	Number of Shares (in thousands)	Weighted-Average Remaining Contractual Term (in years)	Weighted-Average Exercise Price	Potential Dilution	Number of Shares (in thousands)	Weighted-Average Exercise Price	Potential Dilution
$0.53-$19.99	3,681	1.72	$12.42	1.2%	3,675	$12.44	1.2%
20.00-29.99	6,427	4.26	25.37	2.1%	6,422	25.37	2.0%
30.00-39.99	5,487	5.35	31.83	1.8%	5,293	31.73	1.7%
40.00-49.99	5,768	6.87	46.88	1.8%	4,024	47.19	1.3%
50.00-59.99	11,641	8.37	53.62	3.7%	2,903	54.02	0.9%
60.00-65.93	2,860	7.82	64.17	0.9%	1,162	64.37	0.4%
$0.53-$65.93	35,864	6.20	$40.75	11.5%	23,479	$33.99	7.5%

Potential dilution is computed by dividing the options in the related range of exercise prices by the shares of common stock issued and outstanding as of March 31, 2007 (311 million shares).

Restricted Stock Units and Restricted Stock

We grant restricted stock units and restricted stock (collectively referred to as “restricted stock rights”) under our Equity Plan to employees worldwide. Restricted stock units entitle holders to receive shares of common stock at the end of a specified period of time. Upon vesting, the equivalent number of common shares are typically issued net of tax withholdings. Restricted stock is issued and outstanding upon grant; however, restricted stock award holders are restricted from selling the shares until they vest. Upon vesting, we 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 us. If the vesting conditions are not met, unvested restricted stock rights will be forfeited. Generally, our restricted stock rights vest according to one of the following vesting schedules:

- 100 percent after one year;
- Three-year vesting with 25 percent cliff vesting at the end of each of the first and second years, and 50 percent cliff vesting at the end of the third year; or
- Four-year vesting with 25 percent cliff vesting at the end of each year.

The following table summarizes our restricted stock rights activity for the fiscal year ended March 31, 2007:

	Restricted Stock Rights (In thousands)	Weighted-Average Grant Date Fair Value
Balance as of March 31, 2006	655	$52.21
Activity for the fiscal year ended March 31, 2007:		
Granted	1,362	52.31
Exchange Program (granted)	445	54.22
Vested	(189)	52.60
Forfeited	(139)	52.74
Balance as of March 31, 2007	2,134	$52.62

The weighted-average grant date fair value of restricted stock rights is based on the quoted market value of our common stock on the date of grant. The weighted-average fair value of restricted stock rights granted during fiscal years 2007 and 2006 was $52.31 and $52.21, respectively. There were no restricted stock rights granted during fiscal year 2005. The total grant date fair value of restricted stock rights that vested during fiscal year 2007 was $10 million. There were no restricted stock rights that vested during fiscal years 2006 and 2005.

At our Annual Meeting of Stockholders, held on July 27, 2006, our stockholders approved amendments to the Equity Plan to (1) increase by 11 million shares the limit on the total number of shares underlying awards of restricted stock and restricted stock units that may be granted under the Equity Plan — from 4 million to 15 million shares, and (2) to limit the number of shares subject to options surrendered and cancelled in the Exchange Program that will again become available for issuance under the Equity Plan to 7 million plus the number of shares necessary for the issuance of the restricted stock rights to be granted in connection with the Exchange Program.

Exchange Program

At our Annual Meeting of Stockholders, held on July 27, 2006, our stockholders approved a voluntary program (the "Exchange Program") to permit our eligible employees to exchange certain outstanding stock options that were significantly "underwater" (that is, the exercise price is greater than the trading price of our common stock) for a lesser number of shares of restricted stock rights to be granted under the Equity Plan. The Exchange Program commenced on August 16, 2006 and ended on September 15, 2006.

The Exchange Program was open to all of our employees who were employed by us on August 16, 2006 and were still employed on the date on which the tendered options were cancelled and restricted stock rights were granted except (1) our "named executive officers" identified in our 2006 Annual Proxy Statement, (2) members of our Board of Directors, and (3) employees who resided in China, Belgium and Denmark, due to restrictions arising under the local laws of those countries.

Option grants that had an exercise price per share equal to or greater than the "threshold price" were considered "eligible options". The threshold price was $61.66, which represented 125 percent of the five-business day average closing price of our common stock prior to August 16, 2006, as reported on the NASDAQ Global Select Market, which was $49.324. Due to local tax law restrictions, certain options granted to United Kingdom employees were not eligible for exchange. Excluded from the offer were any option grants for fewer than five shares.

Eligible options exchanged under the program were cancelled in exchange for restricted stock rights following the expiration of the offer. For restricted stock rights issued in exchange for unvested options, compensation expense is recorded based on the grant-date fair value of the options tendered over their remaining original vesting period of those options. Restricted stock rights issued in connection with the Exchange Program vest over a period of up to three years.

The Exchange Program resulted in options to purchase approximately 1,779,000 shares of our common stock being exchanged for approximately 445,000 shares of restricted stock rights. In connection with the Exchange Program, a net total of 1,334,000 shares of common stock were returned to the Equity Plan for future issuance.

Employee Stock Purchase Plan

Since September 1991, we have offered our employees the ability to participate in an employee stock purchase plan. Pursuant to our current plan, the 2000 Employee Stock Purchase Plan ("ESPP"), eligible employees may authorize 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 on the date of commencement of the offering or on the last day of each six-month purchase period.

At our Annual Meeting of Stockholders, held on July 27, 2006, our stockholders approved an amendment to the ESPP to increase the number of shares authorized under the ESPP by 1.5 million. As of March 31, 2007, we had 3 million shares of common stock reserved for future issuance under the ESPP.

Information related to stock issuances under the ESPP are as follows:

	Year Ended March 31, 2007	2006	2005
Number of shares issued (in thousands)	705	625	624
Exercise prices for purchase rights	$43.04 to $43.10	$42.31 to $47.95	$38.14 to $51.35
Estimated weighted-average fair value of purchase rights	$16.51	$15.42	$13.96

We issue new common stock out of the ESPP's pool of authorized shares. The fair value above was estimated on the date of grant using the Black-Scholes option-pricing model assumptions described in this note under the headings "Adoption of SFAS No. 123(R)" and "Pre-SFAS No. 123(R) Pro Forma Accounting Disclosures".

Pre-SFAS No. 123(R) Pro Forma Accounting Disclosures

Prior to the adoption of SFAS No. 123(R), we accounted for stock-based awards to employees using the intrinsic value method in accordance with APB No. 25 and adopted the disclosure-only provisions of SFAS No. 123, as amended.

Had compensation cost for our stock-based compensation plans been measured based on the estimated fair value at the grant dates in accordance with the provisions of SFAS No. 123, as amended, we estimate that our reported net income and net income per share would have been the pro forma amounts indicated below. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for grants made under our stock-based compensation plans in fiscal 2006 and 2005:

	Year Ended March 31, 2006	2005
Risk-free interest rate	4.3%	3.5%
Expected volatility	33%	36%
Expected term of stock options (in years)	3.2	3.3
Expected term of employee stock purchase plan (in months)	6	6
Expected dividends	None	None

Our calculations were based on a multiple-award valuation method and forfeitures were recognized when they occurred.

(In millions, except per share data)	Year Ended March 31, 2006	2005
Net income:		
As reported	$ 236	$ 504
Deduct: Total stock-based employee compensation expense determined under fair-value-based method for all awards, net of related tax effects	(85)	(83)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	2	4
Pro forma	$ 153	$ 425
Net income per share:		
As reported — basic	$0.78	$1.65
Pro forma — basic	$0.50	$1.39
As reported — diluted	$0.75	$1.59
Pro forma — diluted	$0.49	$1.35

401(k) Plan and Registered Retirement Savings Plan

We have a 401(k) plan covering substantially all of our U.S. employees, and a Registered Retirement Savings Plan covering substantially all of our Canadian employees. These plans permit us to make discretionary contributions to employees' accounts based on our financial performance. We contributed $3 million, $2 million and $4 million to these plans in fiscal 2007, 2006 and 2005, respectively.

(13) COMPREHENSIVE INCOME

SFAS No. 130, *"Reporting Comprehensive Income"*, requires classifying items of other comprehensive income (loss) by their nature in a financial statement and displaying the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a balance sheet. Accumulated other comprehensive income primarily includes foreign currency translation adjustments, and the net-of-tax amounts for unrealized gains (losses) on investments and unrealized gains (losses) on derivatives designated as cash flow hedges. Foreign currency translation adjustments are not adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.

The change in the components of accumulated other comprehensive income is summarized as follows (in millions):

	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Investments, net	Unrealized Gains (Losses) on Derivative Instruments, net	Accumulated Other Comprehensive Income
Balances as of March 31, 2004	$ 20	$ —	$ —	$ 20
Other comprehensive income	10	26	—	36
Balances as of March 31, 2005	30	26	—	56
Other comprehensive income (loss)	(10)	37	—	27
Balances as of March 31, 2006	20	63	—	83
Other comprehensive income	23	188	—	211
Balances as of March 31, 2007	$ 43	$251	$ —	$294

The change in unrealized gains (losses) on investments is shown net of taxes of less than $1 million in fiscal 2007, $0 in fiscal 2006, and $1 million in fiscal 2005.

During fiscal 2007, we realized substantially all gains and losses outstanding from our derivative instruments. During fiscal 2006, we realized all gains and losses outstanding from our derivative instruments. In fiscal 2005, activity related to derivatives was not material. See Note 3 of the Notes to Consolidated Financial Statements.

(14) STAFF ACCOUNTING BULLETIN No. 108

In September 2006, the SEC issued SAB No. 108, "*Financial Statements — Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*". SAB No. 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. We adopted SAB No. 108 in fiscal 2007.

In accordance with SAB No. 108, we considered both the "rollover" approach, which quantifies misstatements originating in the current year income statement and the "iron curtain" approach which quantifies misstatements based on the effects of correcting the misstatements existing in the balance sheet at the end of the reporting period. Prior to our application of the guidance in SAB No. 108, we used the rollover approach. We elected to recognize the cumulative effect of adoption as adjustments to assets and liabilities as of the beginning of fiscal 2007 and the offsetting adjustment to the opening balance of retained earnings for fiscal 2007.

Property and Equipment Capitalization Adjustment

We adjusted the beginning retained earnings balance for fiscal 2007 related to the correction of our historical accounting treatment of certain property and equipment purchases. We capitalize property and equipment purchases when certain quantitative thresholds are met; otherwise, they are expensed when purchased. Our internal review of our capitalization thresholds suggested that certain property and equipment should have been capitalized and not expensed. We believe the impact of the property and equipment capitalization errors were not material to prior years' income statements under the rollover approach. However, under the iron curtain method, the cumulative property and equipment capitalization errors were material to our fiscal 2007 financial statements and, therefore, we recognized the following cumulative adjustment to our fiscal 2007 opening balance sheet (in millions):

Increase in property and equipment, net	$13
Increase in deferred income tax liabilities	3
Increase in retained earnings	10

The impact on retained earnings is comprised of the following amounts (in millions):

	Fiscal 2007 Beginning Balance Adjustment	Year Ended March 31, 2006	2005	2004
Increase in operating income	$13	$ —	$10	$ 3
Tax effect	(3)	—	(2)	(1)
Increase in net income	$10	$ —	$ 8	$ 2

Business Tax Expense Adjustment

We adjusted the beginning retained earnings balance for fiscal 2007 related to the correction of our historical accounting of certain business tax expenses. Our internal review indicated that we had inadvertently not accrued for approximately $7 million in probable business tax obligations related to prior years. We believe the impact of these adjustments were not material to prior years' income statements under the rollover approach. However, under the iron curtain method, the cumulative business tax expense adjustments were material to our fiscal 2007 financial statements and, therefore, we recognized the following cumulative adjustment to our fiscal 2007 opening balance sheet (in millions):

Increase in accrued and other liabilities	$ 7
Decrease in deferred income tax liabilities	(3)
Decrease in retained earnings	(4)

The impact on retained earnings is comprised of the following amounts (in millions):

	Fiscal 2007 Beginning Balance Adjustment	Year Ended March 31, 2006	2005	2004	2003
Decrease in operating income	$(7)	$(3)	$(2)	$ (1)	$ (1)
Tax effect	3	1	1	1	—
Decrease in net income	$(4)	$(2)	$(1)	$ —	$ (1)

(15) INTEREST AND OTHER INCOME, NET

Interest and other income, net, for the years ended March 31, 2007, 2006 and 2005 consisted of (in millions):

	Year Ended March 31,		
	2007	2006	2005
Interest income, net	$104	$75	$ 45
Net gain (loss) on foreign currency transactions	10	(1)	25
Net loss on foreign currency forward contracts	(13)	(3)	(23)
Ineffective portion of hedging	—	—	(1)
Other income (expense), net	(2)	(7)	10
Interest and other income, net	$ 99	$64	$ 56

(16) NET INCOME 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, common stock through our employee stock purchase plan, warrants and other convertible securities using the treasury stock method.

	Year Ended March 31,		
(In millions, except per share amounts)	2007	2006	2005
Net income	$ 76	$ 236	$ 504
Shares used to compute net income per share:			
Weighted-average common stock outstanding — basic	308	304	305
Dilutive potential common shares	9	10	13
Weighted-average common stock outstanding — diluted	317	314	318
Net income per share:			
Basic	$0.25	$0.78	$1.65
Diluted	$0.24	$0.75	$1.59

Options to purchase 16 million, 7 million and 1 million shares of common stock were excluded from the above computation of weighted-average common stock for Diluted EPS for the fiscal years ended March 31, 2007, 2006 and 2005, respectively, as their inclusion would have been antidilutive. For fiscal 2007, 2006 and 2005, the weighted-average exercise price of these options was $55.84, $63.34 and $63.63 per share, respectively.

(17) RELATED PERSON TRANSACTION

On June 24, 2002, we hired Warren C. Jenson as our Executive Vice President, Chief Financial and Administrative Officer and agreed to loan him $4 million to be forgiven over four years based on his continuing employment. The loan did not bear interest. On June 24, 2004, pursuant to the terms of the loan agreement, we forgave $2 million of the loan and provided Mr. Jenson approximately $1.6 million to offset the tax implications of the forgiveness. On June 24, 2006, pursuant to the terms of the loan agreement, we forgave the remaining outstanding loan balance of $2 million. No additional funds were provided to offset the tax implications of the forgiveness of the $2 million balance.

(18) SEGMENT INFORMATION

Our reporting segments are 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, to evaluate segment performance; the availability of separate financial information; and overall materiality considerations.

We manage our business primarily based on geographical performance. Accordingly, our combined global publishing organizations represent our reportable segment, our Publishing segment, due to their similar economic characteristics, products and distribution methods. Publishing refers to the manufacturing, marketing, advertising and distribution of products developed or co-developed by us, or distribution of certain third-party publishers' products through our co-publishing and distribution program.

The following table summarizes the financial performance of our Publishing segment and a reconciliation of our Publishing segment's profit to our consolidated operating income (in millions):

	Year Ended March 31,		
	2007	**2006**	**2005**
Publishing segment:			
Net revenue	$ 2,948	$ 2,927	$ 3,125
Depreciation and amortization	(22)	(19)	(25)
Other expenses	(1,685)	(1,690)	(1,613)
Publishing segment profit	1,241	1,218	1,487
Reconciliation to consolidated operating income:			
Other:			
Net revenue	143	24	4
Depreciation and amortization	(145)	(76)	(50)
Other expenses	(1,200)	(841)	(772)
Consolidated operating income	$ 39	$ 325	$ 669

Publishing segment profit differs from consolidated operating income primarily due to the exclusion of substantially all of our research and development expense as well as certain corporate functional costs that are not allocated to the publishing organizations. Our Chief Executive Officer reviews assets on a consolidated basis and not on a segment basis.

Information about our total net revenue by platform for the fiscal years ended March 31, 2007, 2006 and 2005 is presented below (in millions):

	Year Ended March 31,		
	2007	2006	2005
Consoles			
PlayStation 2	$ 886	$1,127	$1,330
Xbox 360	480	140	—
Xbox	157	400	516
PLAYSTATION 3	94	—	—
Wii	65	—	—
Nintendo GameCube	60	135	212
Other Consoles	—	1	10
Total Consoles	1,742	1,803	2,068
PC	498	418	531
Mobility			
PSP	258	252	18
Cellular Handsets	140	19	—
Nintendo DS	104	67	23
Game Boy Advance and Game Boy Color	38	55	77
Total Mobility	540	393	118
Co-publishing and Distribution	175	213	283
Internet Services, Licensing and Other			
Subscription Services	79	61	55
Licensing, Advertising and Other	57	63	74
Total Internet Services, Licensing and Other	136	124	129
Total Net Revenue	$3,091	$2,951	$3,129

Information about our operations in North America, Europe and Asia as of and for the fiscal years ended March 31, 2007, 2006 and 2005 is presented below (in millions):

	North America	Europe	Asia	Total
Year ended March 31, 2007				
Net revenue from unaffiliated customers	$1,666	$1,261	$164	$3,091
Long-lived assets	1,150	267	11	1,428
Year ended March 31, 2006				
Net revenue from unaffiliated customers	$1,584	$1,174	$193	$2,951
Long-lived assets	1,061	203	7	1,271
Year ended March 31, 2005				
Net revenue from unaffiliated customers	$1,665	$1,284	$180	$3,129
Long-lived assets	314	218	10	542

Substantially all of our North America net revenue is generated in the United States.

Our direct sales to Wal-Mart Stores, Inc. represented approximately 13 percent of total net revenue in both fiscal 2007 and 2006 and 14 percent of total net revenue in fiscal 2005. Our direct sales to GameStop Corp. represented approximately 12 percent of total net revenue in fiscal 2007.

(19) QUARTERLY FINANCIAL AND MARKET INFORMATION (UNAUDITED)

(In millions, except per share data)	Quarter Ended June 30	Sept. 30	Dec. 31	March 31	Year Ended
Fiscal 2007 Consolidated					
Net revenue	$ 413	$ 784	$1,281	$ 613	$3,091
Gross profit	245	445	811	378	1,879
Operating income (loss)	(119)	14	215	(71)	39
Net income (loss)	(81)[a]	22[b]	160[c]	(25)[d]	76
Common Stock					
Net income (loss) per share — basic	$ (0.26)	$ 0.07	$ 0.52	$ (0.08)	$ 0.25
Net income (loss) per share — diluted	$ (0.26)	$ 0.07	$ 0.50	$ (0.08)	$ 0.24
Common stock price per share					
High	$57.80	$57.74	$59.85	$54.43	$59.85
Low	$39.99	$41.37	$50.21	$47.96	$39.99
Fiscal 2006 Consolidated					
Net revenue	$ 365	$ 675	$1,270	$ 641	$2,951
Gross profit	214	391	768	397	1,770
Operating income (loss)	(96)	49	347	25	325
Net income (loss)	(58)[e]	51[f]	259[g]	(16)[h]	236
Common Stock					
Net income (loss) per share — basic	$ (0.19)	$ 0.17	$ 0.86	$ (0.05)	$ 0.78
Net income (loss) per share — diluted	$ (0.19)	$ 0.16	$ 0.83	$ (0.05)	$ 0.75
Common stock price per share					
High	$59.83	$63.12	$61.97	$58.59	$63.12
Low	$47.45	$55.22	$51.04	$50.14	$47.45

(a) Net loss includes restructuring charges of $6 million, pre-tax.

(b) Net income includes acquired in-process technology of $2 million and restructuring charges of $4 million, both of which are pre-tax.

(c) Net income includes acquired in-process technology of $1 million and restructuring charges of $2 million, both of which are pre-tax.

(d) Net loss includes restructuring charges of $3 million, pre-tax, and net tax expense of $7 million.

(e) Net loss includes acquired in-process technology of $1 million, pre-tax.

(f) Net income includes certain litigation expense of $1 million, pre-tax, and net tax credits of $9 million.

(g) Net income includes restructuring charges of $9 million, pre-tax.

(h) Net loss includes acquired in-process technology of $7 million, restructuring charges of $17 million, a litigation expense credit of $1 million, all pre-tax, and net tax expense of $34 million.

Our common stock is traded on the NASDAQ Global Select Market under the symbol ERTS. The prices for the common stock in the table above represent the high and low sales prices as reported on the NASDAQ Global Select Market.

(20) SUBSEQUENT EVENT

In May 2007, we announced that we entered into a licensing agreement with and expect to make a strategic equity investment in The9 Limited, a leading online game operator in China, on or around May 29, 2007. We expect to purchase approximately 15 percent of the outstanding common shares of The9 for approximately $167 million on or around May 29, 2007. The licensing agreement gives The9 exclusive publishing rights for *EA SPORTS FIFA Online* in mainland China.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Electronic Arts Inc.:

We have audited the accompanying consolidated balance sheets of Electronic Arts Inc. and subsidiaries (Electronic Arts Inc.) as of March 31, 2007 and April 1, 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2007. In connection with our audits of the consolidated financial statements, we have also audited the accompanying financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of Electronic Arts Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Electronic Arts Inc. as of March 31, 2007 and April 1, 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes 1 and 14 to the consolidated financial statements, effective April 1, 2006, Electronic Arts Inc. adopted the provision of Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment,* and Securities and Exchange Commission Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in the Current Year Financial Statements.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Electronic Arts Inc.'s internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 29, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Mountain View, California
May 29, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Electronic Arts Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A, that Electronic Arts Inc. and subsidiaries (Electronic Arts Inc.) maintained effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Electronic Arts Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the internal control over financial reporting of Electronic Arts Inc. based on our audit.

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

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

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

In our opinion, management's assessment that Electronic Arts Inc. maintained effective internal control over financial reporting as of March 31, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Electronic Arts Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Electronic Arts Inc. and subsidiaries as of March 31, 2007 and April 1, 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2007, and our report dated May 29, 2007 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Mountain View, California
May 29, 2007

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 Securities Exchange Act of 1934, as amended (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 and Administrative 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 and Administrative 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 and Administrative 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,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management believes that, as of the end of our most recently completed fiscal year, our internal control over financial reporting was effective.

KPMG LLP, our independent registered public accounting firm, has issued an attestation report on management's assessment of our internal control over financial reporting. That report appears on page 107.

Changes in Internal Controls

In preparation for management's report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. During fiscal 2007, there were no significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our disclosure controls and procedures.

Item 9B: ***Other Information***

None.

PART III

Item 10: *Directors, Executive Officers and Corporate Governance*

The information required by Item 10 is incorporated herein by reference to the information to be included in our definitive Proxy Statement for our 2007 Annual Meeting of Stockholders (the "Proxy Statement") other than the information regarding (a) executive officers, and (b) our Global Code of Conduct (which includes code of ethics provisions applicable to our directors, principal executive officer, principal financial officer, principal accounting officer, and other senior financial officers), which are included in Item 1 of this report. The information regarding Section 16 compliance is incorporated herein by reference to the information to be included in the Proxy Statement.

Item 11: *Executive Compensation*

The information required by Item 11 is incorporated herein by reference to the information to be included in the Proxy Statement specifically excluding the "Compensation Committee Report on Executive Compensation".

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 Proxy Statement.

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 Proxy Statement.

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 the Proxy Statement.

PART IV

Item 15: *Exhibits, Financial Statement Schedules*

(a) Documents filed as part of this report

1. Financial Statements: See Index to Consolidated Financial Statements under Item 8 on Page 62 of this report.

2. Financial Statement Schedule: See Schedule II on Page 116 of this report.

3. Exhibits: The following exhibits (other than exhibits 32.1 and 32.2, which are furnished with this report) are filed as part of, or incorporated by reference into, this report:

Number	Exhibit Title
3.01	Amended and Restated Certificate of Incorporation of Electronic Arts Inc.(1)
3.02	Amended and Restated Bylaws.(2)
4.01	Specimen Certificate of Registrant's Common Stock.(3)
10.01	Registrant's Directors Stock Option Plan and related documents.(*)(4)
10.02	Registrant's 1991 Stock Option Plan and related documents as amended.(*)(5)
10.03	Registrant's 1998 Directors' Stock Option Plan and related documents, as amended.(*)(5)
10.04	Registrant's 2000 Equity Incentive Plan as amended, and related documents.(*)(6)
10.05	Registrant's 2000 Employee Stock Purchase Plan as amended, and related documents.(*)(6)

Number	Exhibit Title
10.06	Form of Indemnity Agreement with Directors.(*)(7)
10.07	Electronic Arts Discretionary Bonus Program Plan Document.(*)(8)
10.08	Electronic Arts Deferred Compensation Plan.(*)(2)
10.09	Electronic Arts Executive Long-Term Disability Plan.(*)(9)
10.10	Agreement for Lease between Flatirons Funding, LP and Electronic Arts Redwood, Inc. dated February 14, 1995.(10)
10.11	Guarantee from Electronic Arts Inc. to Flatirons Funding, LP dated February 14, 1995.(10)
10.12	Amended and Restated Guaranty from Electronic Arts Inc. to Flatirons Funding, LP dated March 7, 1997.(11)
10.13	Amended and Restated Agreement for Lease between Flatirons Funding, LP and Electronic Arts Redwood Inc. dated March 7,1997.(11)
10.14	Amendment No. 1 to Lease Agreement between Electronic Arts Redwood Inc. and Flatirons Funding, LP dated March 7, 1997.(11)
10.15	Lease Agreement by and between Registrant and Louisville Commerce Realty Corporation, dated April 1, 1999.(12)
10.16	Option agreement, agreement of purchase and sale, and escrow instructions for Zones 2 and 4, Electronic Arts Business Park, Redwood Shores California, dated April 5, 1999.(12)
10.17	Licensed Publisher Agreement by and between EA and Sony Computer Entertainment America Inc. dated as of April 1, 2000.(**)(13)
10.18	Master Lease and Deed of Trust by and between Registrant and Selco Service Corporation, dated December 6, 2000.(14)
10.19	Guaranty, dated as of December 6, 2000, by Electronic Arts Inc. in favor of Selco Service Corporation, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., various Liquidity Banks, and Keybank National Association.(15)
10.20	Participation Agreement among Electronic Arts Redwood, Inc., Electronic Arts, Inc., Selco Service Corporation, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., various Liquidity Banks and Keybank National Association, dated December 6, 2000.(16)
10.21	Amendment No. 1 to Amended and Restated Credit Agreement by and among Flatirons Funding LP and The Dai-Ichi Kangyo Bank, Limited, New York Branch, dated February 21, 2001.(17)
10.22	Amendment No. 2 to Lease Agreement by and between Electronic Arts Redwood, Inc. and Flatirons Funding, LP dated July 16, 2001.(18)
10.23	Participation Agreement among Electronic Arts Redwood, Inc., Electronic Arts Inc., Flatirons Funding, LP, Selco Service Corporation and Selco Redwood, LLC, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., various Liquidity Banks and Tranche B Banks and Keybank National Association dated July 16, 2001.(18)
10.24	Guaranty, dated as of July 16, 2001, by Electronic Arts Inc. in favor of Flatirons Funding, Limited Partnership, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., various Liquidity Banks and Tranche B Banks, and KeyBank National Association.(15)
10.25	First Amendment to Participation Agreement, dated as of May 13, 2002, by and among Electronic Arts Redwood, Inc., Electronic Arts Inc., Flatirons Funding, Limited Partnership, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., various Liquidity Banks, KeyBank National Association, and The Bank of Nova Scotia.(15)
10.26	Offer Letter for Employment at Electronic Arts Inc. to Warren Jenson, dated June 21, 2002.(*)(19)
10.27	Full Recourse Promissory Note between Electronic Arts Inc. and Warren Jenson, dated July 19, 2002.(19)
10.28	Full Recourse Promissory Note between Electronic Arts Inc. and Warren Jenson, dated July 19, 2002.(19)
10.29	Lease Agreement by and between Registrant and Ontrea, Inc. dated October 7, 2002.(20)

Number	Exhibit Title
10.30	Lease Agreement by and between Playa Vista-Waters Edge, LLC and Electronic Arts Inc., dated July 31, 2003.(21)
10.31	Agreement Re: Right of First Offer to Purchase and Option to Purchase by and between Playa Vista-Waters Edge, LLC and Electronic Arts Inc., dated July 31, 2003.(21)
10.32	Profit Participation Agreement by and between Playa Vista-Waters Edge, LLC and Electronic Arts Inc., dated July 31, 2003.(21)
10.33	Sublease Agreement by and between Electronic Arts Inc. and Playa Capital Company, LLC, dated July 31, 2003.(21)
10.34	Amending Agreement among Ontrea Inc. (the "Landlord"), Electronic Arts (Canada), Inc. (the "Tenant"), and Electronic Arts Inc. (the "Indemnifier"), dated October 30, 2003.(22)
10.35	First Amendment of Lease by and between Louisville Commerce Realty Corporation and Electronic Arts Inc., dated February 23, 2004.(7)
10.36	First Amendment to lease agreement by and between Playa Vista — Water's Edge, LLC and Electronic Arts Inc., entered into April 19, 2004.(2)
10.37	Lease agreement between ASP WT, L.L.C. ("Landlord") and Tiburon Entertainment, Inc. ("Tenant") for space at Summit Park I, dated June 15, 2004.(2)
10.38	Omnibus Amendment Agreement (2001 transaction), dated as of September 15, 2004, Electronic Arts Redwood, LLC, Electronic Arts, Inc., Selco Service Corporation, Victory Receivables Corporation, The Bank Of Tokyo-Mitsubishi, Ltd., various Liquidity Banks, and KeyBank National Association.(15)
10.39	Omnibus Amendment Agreement (2000 transaction), dated as of September 15, 2004, by and among Electronic Arts Redwood, LLC, Electronic Arts, Inc., Selco Service Corporation, Victory Receivables Corporation, The Bank Of Tokyo-Mitsubishi, Ltd., various Liquidity Banks, and KeyBank National Association.(15)
10.40	Omnibus Amendment (2000 transaction), dated as of July 11, 2005, among Electronic Arts Redwood, LLC, Electronic Arts, Inc., Selco Service Corporation, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, various Liquidity Banks, Deutsche Bank Trust Company Americas, and KeyBank National Association.(15)
10.41	Omnibus Amendment (2001 transaction), dated as of July 11, 2005, among Electronic Arts Redwood, LLC, Electronic Arts, Inc., Selco Service Corporation, Victory Receivables Corporation, The Bank of Tokyo-Mitsubishi, Ltd., New York Branch, various Liquidity Banks, Deutsche Bank Trust Company Americas, The Bank of Nova Scotia, and KeyBank National Association.(15)
10.42	First amendment to lease, dated December 13, 2005, by and between Liberty Property Limited Partnership, a Pennsylvania limited partnership and Electronic Arts — Tiburon, a Florida corporation f/k/a Tiburon Entertainment, Inc.(23)
10.43	Agreement for Underlease relating to Onslow House, Guildford, Surrey, dated 7 February 2006, by and between The Standard Life Assurance Company and Electronic Arts Limited and Electronic Arts Inc.(23)
10.44	Offer Letter for Employment at Electronic Arts Inc. to Gabrielle Toledano, dated February 6, 2006.(*) (24)
10.45	Second Omnibus Amendment (2001 Transaction), dated as of May 26, 2006, among Electronic Arts Redwood LLC, as Lessee, Electronic Arts Inc., as Guarantor, SELCO Service Corporation (doing business in California as "Ohio SELCO Service Corporation"), as Lessor, the Various Liquidity Banks party thereto, as Liquidity Banks, The Bank of Nova Scotia, as Documentation Agent and Keybank National Association, as Agent.(25)
10.46	Second Omnibus Amendment (2000 Transaction), dated as of May 26, 2006, among Electronic Arts Redwood LLC, as Lessee, Electronic Arts Inc., as Guarantor, SELCO Service Corporation (doing business in California as "Ohio SELCO Service Corporation"), as Lessor, the Various Liquidity Banks party thereto, as Liquidity Banks, and KeyBank National Association, as Agent.(25)
10.47	Employment Agreement dated September 26, 2006, between EA Swiss Sàrl and Gerhard Florin.(26)

Number	Exhibit Title
10.48	Offer Letter for Employment at Electronic Arts Inc. to John Riccitiello, dated February 12, 2007.(*)(27)
10.49	Third Omnibus Amendment (2001 Transaction), dated as of May 14, 2007 among Electronic Arts Redwood LLC, as Lessee, Electronic Arts Inc., as Guarantor, SELCO Service Corporation (doing business in California as "Ohio SELCO Service Corporation"), as Lessor, the Various Liquidity Banks party thereto, as Liquidity Banks, The Bank of Nova Scotia, as Documentation Agent and Keybank National Association, as Agent.(28)
10.50	Third Omnibus Amendment (2000 Transaction), dated as of May 14, 2007 among Electronic Arts Redwood LLC, as Lessee, Electronic Arts Inc., as Guarantor, SELCO Service Corporation (doing business in California as "Ohio SELCO Service Corporation"), as Lessor, the Various Liquidity Banks party thereto, as Liquidity Banks, and KeyBank National Association, as Agent.(28)
21.01	Subsidiaries of the Registrant.
23.01	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
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.
31.2	Certification of Executive Vice President, Chief Financial and Administrative Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Additional exhibits furnished with this report:

32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Executive Vice President, Chief Financial and Administrative Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Additional exhibits furnished with this report:

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* Management contract or compensatory plan or arrangement.

** Portions of this exhibit have been redacted pursuant to a confidential treatment request filed with the SEC.

(1) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

(2) Incorporated by reference to exhibits filed with Registrant's Current Report on Form 8-K, filed November 13, 2006.

(3) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-4, filed March 3, 1994 (File No. 33-75892).

(4) Incorporated by reference to exhibits filed with Amendment No. 2 to Registrant's Registration Statement on Form S-8, filed November 6, 1991 (File No. 33-32616).

(5) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form S-8, filed July 30, 1999 (File No. 333-84215).

(6) Incorporated by reference to exhibits filed with Registrant's Registration Statement on Form 10-Q for the quarter ended June 30, 2006.

(7) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 2004.

(8) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.

(9) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 2005.

(10) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 1995.

(11) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 1997.

(12) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 1999.

(13) Incorporated by reference to exhibits filed with Amendment No. 2 to Registrant's Registration Statement on Form S-3, filed November 21, 2003 (File No. 333-102797).

(14) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000.

(15) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

(16) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2002.

(17) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 2001.

(18) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 2002.

(19) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002.

(20) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 2003.

(21) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

(22) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2003.

(23) Incorporated by reference to exhibits filed with Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2005.

(24) Incorporated by reference to exhibits filed with Registrant's Annual Report on Form 10-K for the year ended March 31, 2006.

(25) Incorporated by reference to exhibits filed with Registrant's Current Report on Form 8-K, filed June 1, 2006.

(26) Incorporated by reference to exhibits filed with Registrant's Current Report on Form 8-K, filed September 27, 2006.

(27) Incorporated by reference to exhibits filed with Registrant's Current Report on Form 8-K, filed February 26, 2007.

(28) Incorporated by reference to exhibits filed with Registrant's Current Report on Form 8-K, filed May 18, 2007.

SIGNATURES

Pursuant to the requirements of the 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/ John S. Riccitiello

John S. Riccitiello,
Chief Executive Officer

Date: May 29, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the Registrant in the capacities indicated and on the 29th of May 2007.

Name	Title
/s/ John S. Riccitiello John S. Riccitiello	Chief Executive Officer
/s/ Warren C. Jenson Warren C. Jenson	Executive Vice President, Chief Financial and Administrative Officer
/s/ Kenneth A. Barker Kenneth A. Barker	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)
Directors:	
/s/ Lawrence F. Probst III Lawrence F. Probst III	Chairman of the Board
/s/ M. Richard Asher M. Richard Asher	Director
/s/ Leonard S. Coleman Leonard S. Coleman	Director
/s/ Gary M. Kusin Gary M. Kusin	Director
/s/ Gregory B. Maffei Gregory B. Maffei	Director
/s/ Timothy Mott Timothy Mott	Director
/s/ Vivek Paul Vivek Paul	Director
/s/ John S. Riccitiello John S. Riccitiello	Director
/s/ Richard A. Simonson Richard A. Simonson	Director
/s/ Linda J. Srere Linda J. Srere	Director

ELECTRONIC ARTS INC. AND SUBSIDIARIES

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

Years Ended March 31, 2007, 2006 and 2005
(In millions)

Allowance for Doubtful Accounts, Price Protection and Returns	Balance at Beginning of Period	Charged to Costs and Expenses	Charged (credited) to Other Accounts[1]	Deductions	Balance at End of Period
Year Ended March 31, 2007	$232	$308	$17	$343	$214
Year Ended March 31, 2006	$162	$483	$ (6)	$407	$232
Year Ended March 31, 2005	$155	$471	$ 7	$471	$162

(1) Primarily the translation effect of using the average exchange rate for expense items and the year-ended exchange rate for the balance sheet item (allowance account) and other reclassification adjustments.

ELECTRONIC ARTS INC.

2007 FORM 10-K ANNUAL REPORT

EXHIBIT INDEX

Exhibit Number	Exhibit Title
21.01	Subsidiaries of the Registrant.
23.01	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
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.
31.2	Certification of Executive Vice President, Chief Financial and Administrative Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

ADDITIONAL EXHIBITS ACCOMPANYING THIS REPORT:

32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Executive Vice President, Chief Financial and Administrative Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

ELECTRONIC ARTS INC.

Corporate Information

BOARD OF DIRECTORS

M. Richard Asher
Consultant
Former Chief Executive Officer
& President
PolyGram Records, Inc.

Leonard S. Coleman
Former Senior Advisor
Major League Baseball

Gary M. Kusin
Partner
TPG (formerly Texas Pacific Group)

Gregory B. Maffei
President & Chief Executive Officer
Liberty Media Corporation

Timothy Mott
Chairman & Chief Executive Officer
All Covered

Vivek Paul
Partner
TPG (formerly Texas Pacific Group)

Lawrence F. Probst III
Chairman of the Board
Electronic Arts Inc.

John S. Riccitiello
Chief Executive Officer
Electronic Arts Inc.

Richard A. Simonson
Chief Financial Officer
Nokia Corporation

Linda J. Srere
Marketing &
Advertising Consultant
Former President
Young & Rubicam Advertising

CORPORATE OFFICERS

John S. Riccitiello
Chief Executive Officer

V. Paul Lee
President
Worldwide Studios

Kathy Vrabeck
President
EA Casual Entertainment

Gerhard Florin
Executive Vice President
General Manager
International Publishing

Frank D. Gibeau
Executive Vice President
General Manager
North America Publishing

William B. Gordon
Executive Vice President
Chief Creative Officer

Warren C. Jenson
Executive Vice President
Chief Financial &
Administrative Officer

Joel Linzner
Executive Vice President
Business & Legal Affairs

Nancy L. Smith
Executive Vice President
General Manager
The Sims Franchise

Gabrielle Toledano
Executive Vice President
Human Resources

Kenneth A. Barker
Senior Vice President
Chief Accounting Officer

Stephen G. Bené
Senior Vice President
General Counsel
& Corporate Secretary

John Schappert
Senior Vice President
Chief Operating Officer
Worldwide Studios

CORPORATE OFFICES

Corporate Headquarters
209 Redwood Shores Parkway
Redwood City, CA 94065
(650) 628-1500

North America
Bentonville, Arkansas
Burnaby, British Columbia
Vancouver, British Columbia
Emeryville, California
Los Angeles, California
Orlando, Florida
Chicago, Illinois
Louisville, Kentucky
St. Louis Park, Minnesota
New York, New York
Toronto, Ontario
Montreal, Quebec
Austin, Texas
Dallas, Texas
Salt Lake City, Utah
Fairfax, Virginia

International
Gold Coast, Australia
Melbourne, Australia
Sydney, Australia
Vienna, Austria
Bridgetown, Barbados
Brussels, Belgium
Hamilton, Bermuda
Sao Paulo, Brazil
Shanghai, China
Prague, Czech Republic
Virum, Denmark
Chertsey, England
Guildford, England
London, England
Warrington, England
Vantaa, Finland
Lyon, France
Paris, France
Cologne, Germany
Ingelheim, Germany
Athens, Greece
Hong Kong
Budapest, Hungary
Hyderabad, India
Milan, Italy
Tokyo, Japan
Mexico City, Mexico
Amsterdam, The Netherlands
Hoensbroeck, The Netherlands
Auckland, New Zealand
Oslo, Norway
Warsaw, Poland
Lisbon, Portugal
Bucharest, Romania
Singapore
Johannesburg, South Africa
Seoul, South Korea
Madrid, Spain
Stockholm, Sweden
Upplands Vasby, Sweden
Buchs, Switzerland
Geneva, Switzerland
Taipei, Taiwan
Bangkok, Thailand

AUDITORS

KPMG LLP
Independent Registered
Public Accounting Firm
Mountain View, California

TRANSFER AGENT

Wells Fargo Shareowner
Services
St. Paul, Minnesota

FORM 10-K

A copy of the Company's
Annual Report on Form 10-K,
as filed with the Securities
and Exchange Commission,
is available by contacting:

Investor Relations
Electronic Arts Inc.
209 Redwood Shores Parkway
Redwood City, CA 94065
(650) 628-7352

ANNUAL MEETING

The Company's Annual
Meeting of Stockholders is
scheduled to be held on
July 26, 2007 at 2:00 P.M. at
the Company's headquarters:

Electronic Arts Inc.
209 Redwood Shores Parkway
Building 250
Redwood City, CA 94065