TAKE-TWO INTERACTIVE SOFTWARE, INC.

2014 ANNUAL REPORT

10

Franchises with at least one five-million unit selling release

A leading global producer and distributor of interactive entertainment, the strongest growth segment of the entertainment industry

TAKE-TWO INTERACTIVE

94%

Net revenue growth in fiscal year 2014

$1,000,000,000

Grand Theft Auto V reached $1 billion in retail sales faster than any entertainment release in history

1,900

Employees working in game development and 14 studios around the world

#1

Achieved highest average Metacritic score of any publisher from 2010-2013

Became the top-selling release in the history of 2K

9M

units sold-in to date

NBA 2K14 is the top-selling and top-rated NBA simulation video game selling more than 6.5 million units to date

DEAR SHAREHOLDERS,

Fiscal year 2014 was a record-breaking year for Take-Two, both commercially and financially. Driven by our unique ability to produce consistently the highest-quality entertainment experiences, our Company delivered 94% net revenue growth, along with record net income and cash flow. These results illustrate the innovation and talent of our creative teams, the depth of our portfolio of intellectual property, and the strength of our marketing and distribution capabilities. Today, Take-Two has a strong financial foundation and is better positioned than ever for long-term growth and consistent profitability.

OUR KEY ACHIEVEMENTS

Over the past year, our team:

- Earned the position of **top console and handheld video game publisher of 2013 in North America and Latin America***.
- Launched *Grand Theft Auto V*, which received more than 300 perfect scores and shattered numerous industry records, including **reaching $1 billion in retail sales faster than any entertainment release in history**. Developed by Rockstar Games, the title has **sold-in more than 33 million units worldwide** and continues to attract new fans as millions of players enrich their experience through the dynamic and evolving world of *Grand Theft Auto Online*. **More than 70% of those who have played *Grand Theft Auto V* while connected to the Internet have played *Grand Theft Auto Online***, which was the single largest contributor to our digitally-delivered revenue in fiscal 2014.
- Delivered the highest-rated and top-selling basketball video game for the 13th consecutive year with *NBA 2K14*. The title was our first for next-gen and **has surpassed *NBA 2K13* as our highest-selling sports release, with sell-in of more than 6.5 million units to date**. The success of *NBA 2K14* was enhanced by strong demand for the game's virtual currency, sales of which increased 150% versus *NBA 2K13*.
- Launched *WWE 2K14*, which has sold more units than its predecessor and **proven to be a successful addition to our portfolio**.
- Released 8 new downloadable content packs for *Borderlands 2*, which has become **the top-selling release in the history of 2K, with over 9 million units sold-in to date**.
- **Launched numerous titles for tablets and smartphones**, including core titles such as *Grand Theft Auto San Andreas*, *XCOM: Enemy Unknown* and *NBA 2K14*.
- **Generated record digitally-delivered revenue**, nearly half of which was derived from recurrent consumer spending, including virtual currency, downloadable add-on content, and online games.
- **Ended the year with nearly $1 billion in cash**, after spending $277 million to repurchase our stock at a meaningful discount to today's share price.

PROVEN ORGANIC GROWTH STRATEGY

Take-Two's strategy is to develop the highest-quality, most compelling interactive entertainment franchises and deliver them through all relevant platforms and distribution channels. Creating opportunities to drive ongoing engagement with our titles after their initial release is a key strategic focus for our Company, and we have started to generate significant revenue and profits from recurrent consumer spending. Our record fiscal 2014 results demonstrate that our strategy works.

World-class creative teams: Take-Two has 14 studios around the world and approximately 1,900 employees working in game development, including some of the most talented visionaries in our industry. Our creative teams at Rockstar Games and 2K are renowned for their ability to deliver games that consistently set new benchmarks for excellence, with Rockstar Games recently being awarded the BAFTA Fellowship for their contributions to the games industry. High quality games tend to have prolonged lifecycles, which is reflected in the strong catalog sales that our titles enjoy.

Diverse portfolio of industry-leading intellectual property: We have built one of the most valuable collections of intellectual property in our industry. Take-Two has 10 franchises with individual titles that have sold-in 5 million or more units. These franchises are diversified across a range of genres. To date, we have released more than 40 distinct titles that are each multi-million unit sellers. We continually strive to balance our development efforts between new intellectual property and new offerings from our established franchises. Since 2007, we have added 7 new franchises, including such hits as *BioShock*, *Borderlands*, *WWE 2K* and *XCOM*.

Capitalizing on growth of digital distribution: Our expanding portfolio of digitally-delivered content is contributing significantly to our growth and profitability, both as video game distribution shifts towards full game downloads and we introduce additional offerings that drive recurrent consumer spending. During fiscal 2014, digitally-delivered revenue grew 45% and accounted for 16% of our total net revenue. The majority of this growth was driven by recurrent consumer spending within *Grand Theft Auto Online*, *NBA 2K14* and *NBA 2K Online* in China, and downloadable add-on content for *Borderlands 2*, *BioShock Infinite* and *Sid Meier's Civilization V*. We will continue to focus on developing additional offerings that promote engagement with our titles, deepen our relationships with consumers and boost profits over time.

Expanding offerings for tablets and smartphones: We believe that the popularity of video games on smaller screens, especially tablets, will grow at a rapid pace. This represents an exciting opportunity for Take-Two. Our releases to date have focused primarily on popular catalog titles from both Rockstar Games and 2K, as well as current sports titles. As mobile technology continues to evolve, we fully expect to release our most groundbreaking and immersive new titles on every mobile device that core gamers choose to embrace.

Innovative marketing and global distribution: Creating great games is only part of our formula for success. Our marketing teams roll-out well-coordinated global campaigns that leverage both traditional and online media. And, we work in lockstep with our key retail partners to drive promotions when they matter the most – at point of sale. Our global distribution network ensures that our products are available to consumers wherever they want them – physically or digitally.

Sound financial foundation: Take-Two has a strong balance sheet and ample capital to pursue a variety of investments. As of March 31, 2014, we had $935 million in cash and no borrowings on our $100 million credit line. Going forward, we are very excited about our opportunities for growth, and our first priority is to invest in our business, both organically and potentially through acquisitions. We may also consider returning additional cash to shareholders through share repurchases and/or dividends.

ROBUST LINEUP OF NEW RELEASES

Fiscal 2015 is poised to be another strong year for our organization, highlighted by a diverse array of the highest-quality new releases and innovative offerings that drive incremental profits from recurrent consumer spending. To date, we have announced the following titles planned for release during the current fiscal year:

- On October 7, 2K will enhance their unparalleled basketball legacy with the launch of *NBA 2K15*, featuring four-time NBA scoring champion and 2014 NBA Most Valuable Player, Kevin Durant, as its cover athlete. We're confident that *NBA 2K15* will once again set new benchmarks for sports realism and gameplay.

- On October 14, 2K will release *Borderlands: The-Pre-Sequel* that will continue the franchise's tradition of innovative, cooperative multiplayer action.

- On October 21, 2K will release *Evolve*, an exciting new intellectual property for next-gen and PC developed by Turtle Rock Studios, the creators of the cooperative shooter classic, *Left 4 Dead*. The title blends first-person and third-person shooter action with cooperative and competitive multiplayer in a unique, 4 versus 1 gameplay experience. *Evolve* is one of this year's most eagerly anticipated games and won more than 50 editorial honors at the 2014 Electronic Entertainment Expo, including the coveted Best of Show from the E3 2014 Game Critics.

- On October 24, 2K will build on their successful *Civilization* franchise that has entertained audiences for nearly a quarter of a century and sold-in more than 24 million units worldwide, with the release of *Sid Meier's Civilization: Beyond Earth* for PC. The title will feature the core and tactical elements for which the series is famous, while propelling players beyond the traditional timeline of a *Civilization* game by exploring humanity's future on an alien world.

- On October 28, 2K's *WWE* franchise will make its next-gen debut with the release of *WWE 2K15*, which promises to take this series to new heights. 14-time WWE Champion, John Cena, will be its cover athlete and Sting – one of wrestling's most beloved superstars – will play a key role in the title's pre-order campaign.

- This fall, Rockstar Games will bring their blockbuster hit, *Grand Theft Auto V*, to PS4, Xbox One and PC, bringing across-the-board graphical and technical enhancements to the game's already breathtaking open world experience. In addition, the current community of players will have the ability to transfer their *Grand Theft Auto Online* characters and progression to their choice of next-gen platforms. All new content and gameplay created for both *Grand Theft Auto V* and *Grand Theft Auto Online* since launch will also be available for the PS4, Xbox One and PC with more to come. Rockstar Games will continue to support both *Grand Theft Auto V* and *Grand Theft Auto Online* with new offerings throughout the year, including regular content drops, limited-time event updates and additional Story Mode content.

Our robust pipeline extends far beyond fiscal 2015. For example, in fiscal 2016 2K plans to introduce *Battleborn*, an all-new intellectual property developed for next-gen and PC by Gearbox Software, the creative team behind our *Borderlands* franchise. *Battleborn* is a highly stylized blended-genre game, combining frenetic first-person shooting, cooperative combat, and an expansive collection of diverse heroes to deliver a never-before-played hero-shooter experience. We also have numerous, yet-to-be-announced next-gen titles in development, including both groundbreaking new intellectual properties and offerings from our established franchises that promise to delight consumers.

OUR FUTURE

Over the past several years, Take-Two has been transformed into a financially strong, global interactive entertainment enterprise with numerous successful franchises encompassing a variety of genres. Today, our Company is defined by its top creative talent; unwavering commitment to quality; and world-class marketing that turns product launches into pop-culture events.

The successful evolution of Take-Two and its vast potential is reflected in our significant profit outlook for fiscal 2015 and our expectation for continued positive momentum.

We'd like to thank our colleagues for delivering a record year and setting the foundation for our consistent long-term success. To our shareholders, we want to express our appreciation for your continued support.

Sincerely,

Strauss Zelnick
Chairman and
Chief Executive Officer

Karl Slatoff
President

July 15, 2014

* According to *The NPD Group* and *International Development Group*

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, 2014

OR

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

For the transition period from to .

Commission file number 0-29230

TAKE-TWO INTERACTIVE SOFTWARE, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**51-0350842** (I.R.S. Employer Identification No.)
622 Broadway **New York, New York** (Address of principal executive offices)	**10012** (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	NASDAQ Global Select Market

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately $1,690,851,000.

As of May 7, 2014, there were 98,970,156 shares of the Registrant's Common Stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's definitive proxy statement for the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

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EXPLANATORY NOTE

On October 25, 2010, the Board of Directors of Take-Two Interactive Software, Inc. (the "Company," "we," "us," or similar pronouns) approved a change in the Company's fiscal year end from October 31 to March 31, as reported in the Company's Current Report on Form 8-K filed on October 25, 2010. As required by the Securities Exchange Act of 1934, the Company filed a Transition Report on Form 10-KT on December 20, 2010 covering the period from, and including the financial information for, the five-month period from November 1, 2009 to March 31, 2010.

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

PART I

Item 1. Business

General

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

As a result of the widening popularity of interactive entertainment, the video game market is expected to continue to grow in coming years. Growth is expected to be driven by continuing increases in the installed base of traditional consoles, along with the growing popularity of games played on emerging platforms such as tablets and smartphones, and online including through social networks. According to the "*Global Video Game Market*" published by *International Development Group* ("IDG") in April 2014, the installed base of console systems and handhelds devices grew to 579.1 million units as of December 2013, an increase of 38.7 million units or 7% from December 2012, and forecasts that the number will increase to an estimated 723.2 million units in calendar 2018. Further, according to IDG, global sales of console, handheld, PC software and digital gaming segments, inclusive of mobile gaming platforms and online, surpassed $66.4 billion in calendar 2013 and forecasts that their annual sales will increase to an estimated $84.1 billion in calendar 2018.

The demographics of the interactive entertainment industry audience have broadened significantly in recent years, with video games becoming an increasingly popular form of mainstream entertainment. According to the "2014 *Essential Facts about the Computer and Video Game Industry*" published by

Entertainment Software Association ("ESA"), 51% of U.S. households own at least one dedicated game console. The average game player is 31 years old and has been actively playing for 14 years.

Our core strategy is to capitalize on the popularity of video games by developing and publishing high-quality interactive entertainment experiences across a range of genres. We focus on building compelling franchises by publishing a select number of titles for which we can create sequels and incremental revenue opportunities through add-on content, microtransactions and online play. We support the success of our products in the marketplace through innovative marketing programs and global distribution on all platforms and through all channels that are relevant to our target audience.

We were incorporated under the laws of the State of Delaware in 1993 and are headquartered in New York, New York with approximately 2,530 employees globally. Our telephone number is (646) 536-2842 and our website address is www.take2games.com. We make all of our filings with the Securities and Exchange Commission ("SEC") available free of charge on our website under the caption "Corporate—SEC Filings." Included in these filings are our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, which are available as soon as reasonably practicable after we electronically file or furnish such materials with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

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

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

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

Strategy

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

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

Focus on Core Strength of Producing Select, High Quality Titles. We focus on publishing a select number of high-quality titles based on internally- owned and developed intellectual property, which typically provide higher margins than licensed products. We currently own the intellectual property rights of 20 proprietary brands. In addition, we will selectively develop titles based on licensed properties, including sports, and also publish externally developed titles.

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

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

Leverage Emerging Technologies, Platforms and Distribution Channels, Including Digitally Delivered Content. Interactive entertainment played on mobile platforms, including tablets and smartphones, and online platforms, including social networks, represent exciting opportunities to enhance our growth and profitability. In addition, the interactive entertainment software industry is delivering a growing amount of content for traditional platforms through digital download on the Internet. We provide a variety of online delivered products and offerings. A number of our titles that are available through retailers as packaged goods products are also available through direct digital download on the Internet (from third-party websites). We aim to drive recurrent consumer spending, by generating incremental revenues from our titles through downloadable offerings, including add-on content, microtransactions and online play. In addition, we are publishing an expanding variety of titles for tablets and smartphones, which are delivered to consumers through digital download through the Internet. We will continue to invest in emerging opportunities in mobile and online gameplay, particularly for our wholly-owned franchises, as well as downloadable content and microtransactions, where gamers can pay to download additional content to enhance their game playing experience.

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

Our Businesses

Our revenue is primarily derived from the sale of internally developed software titles and software titles developed by third-parties for our benefit. Operating margins are dependent in part upon our ability to continually release new, commercially successful products and to manage software product development costs. We have internal development studios located in Australia, Canada, China, Czech Republic, the United Kingdom and the United States. As of March 31, 2014, we had a research and development staff of approximately 1,860 employees with the technical capabilities to develop software titles for all major current and prior generation consoles, handheld hardware platforms and PCs in multiple languages and territories.

Agreements with third-party developers generally give us exclusive publishing and marketing rights and require us to make development payments, pay royalties based on product sales and satisfy other conditions. Development payments for software titles are typically recoupable against royalties otherwise due to developers based on software sales. Our agreements with third-party developers generally provide us with the right to monitor development efforts and to cease making development payments if specified development milestones are not satisfied. We also regularly monitor the level of development payments in light of expected sales for the related titles.

We continue to explore evolving business models such as downloadable content, online gaming and microtransactions. We expect growth and incremental revenue opportunities through add-on content, microtransactions and online play. We also have expansion initiatives in the Asia markets, where our strategy is to broaden the distribution of our existing products, expand our business in Japan, and establish an online gaming presence, especially in China and South Korea.

Rockstar Games. Software titles published by our Rockstar Games label are primarily internally developed. We expect Rockstar Games, our wholly-owned publisher of the *Grand Theft Auto*, *Max Payne*, *Midnight Club*, *Red Dead* and other popular franchises, to continue to be a leader in the action / adventure product category and create groundbreaking entertainment by leveraging our existing titles as well as developing new brands. Rockstar continues to expand on our established franchises by developing sequels, offering downloadable episodes and content, and releasing titles for smartphones and tablets. Rockstar is also well known for developing brands in other genres, including the *L.A. Noire*, *Bully* and *Manhunt* franchises. We believe that Rockstar has established a uniquely original, popular cultural phenomenon with its *Grand Theft Auto* series, which is the interactive entertainment industry's most iconic and critically acclaimed brand and has sold-in over 185 million units. The latest installment, *Grand Theft Auto V*, was released in September 2013. *Grand Theft Auto V* includes access to *Grand Theft Auto Online* which launched in October 2013.

2K. Our 2K label has published a variety of popular entertainment properties across all key platforms and across a range of genres including shooter, action, role-playing, strategy, sports and family/casual entertainment. We expect 2K to continue to develop new and successful franchises in the future.

2K's internally owned and developed shooter, action, role-playing and strategy franchises include the critically acclaimed, multi-million unit selling *BioShock*, *Mafia*, *Sid Meier's Civilization* and *XCOM* series.

2K also publishes highly successful externally developed franchises, such as *Borderlands*. 2K successfully launched *Borderlands 2* in September 2012 and continued to support the title throughout fiscal year 2014 with robust add-on content offerings. In March 2013, 2K released the critically acclaimed *BioShock Infinite,* which was also supported with add-on content during fiscal year 2014. In August 2013, 2K released *The Bureau: XCOM Declassified*.

2K publishes a range of realistic sports simulation titles, including our flagship *NBA 2K* series, which has been the top-ranked NBA basketball video game for 13 years running and the *WWE 2K* series. We develop most of our sports simulation software titles through our internal development studios. 2K has secured long-term licensing agreements with the National Basketball Association ("NBA"). In addition, in February 2013, 2K entered into an exclusive multi-year agreement with WWE to publish the *WWE* video game franchise worldwide. Our licenses with Major League Baseball Properties, the Major League Baseball Players Association and Major League Baseball Advanced Media expired in December 2013.

2K also develops and publishes titles for the casual and family-friendly games market. Internally developed titles include *Carnival Games* and *Let's Cheer!*. 2K also had an agreement with Nickelodeon to publish video games based on its top rated Nick Jr. titles such as *Dora the Explorer*, *Go, Diego, Go!*, *Ni Hao, Kai-lan* and *The Backyardigans*, which expired in December 2013. Throughout fiscal year 2014, 2K released a slate of new titles designed exclusively for smartphones and tablets, including *Haunted Hollow*, *Sid Meier's Ace Patrol for iOS*, *Beejumbled*, *Turd Birds*, *2K Drive* and *Sensei Wars*.

We also have expansion initiatives in the Asia markets, where our strategy is to broaden the distribution of our existing products, expand our business in Japan, and establish an online gaming presence, especially in China and South Korea. 2K has secured a multi-year license from the NBA to develop an online version of the NBA simulation game in China, Taiwan, South Korea and Southeast Asia. In October 2012, *NBA 2K Online*, our free-to-play NBA simulation game co-developed by 2K and Tencent, launched commercially on the Tencent Games portal in China. In May 2013, *Pro Baseball 2K*, our online baseball simulation game co-developed by 2K and Nexon Corporation, launched commercially in South Korea. In addition, South Korean-based studio XLGAMES is presently developing *Civilization Online*, a new online game for the Asian market.

Discontinued operations

In February 2010, we completed the sale to SYNNEX Corporation ("Synnex") of our Jack of All Games third-party distribution business, which primarily distributed third-party interactive entertainment software, hardware and accessories in North America. The financial results of this business, which were previously reported as our distribution business, have been classified as discontinued operations in our Consolidated Statements of Operations for all periods presented. The assets and liabilities of this business are reflected as assets and liabilities of discontinued operations in the Consolidated Balance Sheets for all periods presented. See Note 2 to our Consolidated Financial Statements for additional information regarding discontinued operations.

Intellectual Property

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

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

Manufacturing

Sony, Microsoft and Nintendo either manufacture or control selection of approved manufacturers of software products sold for use on their respective hardware platforms. We place a purchase order for the manufacture of our products with Sony, Microsoft or Nintendo and then send software code and a prototype of the product to the manufacturer, together with related artwork, user instructions, warranty information, brochures and packaging designs for approval, defect testing and manufacture. Games are generally shipped within two to three weeks of receipt of our purchase order and all materials.

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

We occasionally experience difficulties or delays in the manufacture of our titles; however such delays have not significantly harmed our business to date. We have not experienced material delays due to manufacturing defects. Our software titles typically carry a 90-day limited warranty.

Sales

We sell software titles both physically and digitally in the United States, Europe, Canada, Latin America and Asia Pacific through direct relationships with large retail customers and third-party distributors. Our customers in the United States include, among others, Wal-Mart, GameStop, Steam, Best Buy and Amazon. Our international customers include, among others, Game, GameStop, Media Markt, Tesco, and Nordic Game Supply. We have sales operations in Australia, Canada, France, Germany, Japan, South Korea, the Netherlands, New Zealand, Singapore, Spain, Switzerland, Taiwan, the United Kingdom and the United States.

We are dependent on a limited number of customers that account for a significant portion of our sales. Sales to our five largest customers during the fiscal year ended March 31, 2014 accounted for approximately 39.4% of our net revenue, with GameStop accounting for 18.4%. No other customer accounted for more than 10.0% of our net revenue during the fiscal year ended March 31, 2014.

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

Marketing

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

We market titles by:

- Implementing public relations campaigns, using print and online advertising, television, radio spots and outdoor advertising. We believe that we label and market our products in accordance with the applicable principles and guidelines of the Entertainment Software Rating Board, or the ESRB, an independent self-regulatory body that assigns ratings and enforces advertising guidelines for the interactive software industry.

- Satisfying certain shelf life and sales requirements under our agreements with hardware manufacturers in order to qualify for Sony's Greatest Hits Programs and Microsoft's Platinum Hits Program. In connection with these programs, we receive manufacturing discounts from Sony and Microsoft.

- Stimulating continued sales by reducing the wholesale prices of our products to retailers at various times during the life of a product. Price concessions may occur at any time in a product's life cycle, but typically occur three to nine months after a product's initial launch. In certain international markets, we also provide volume rebates to stimulate continued product sales. Sales returns, price protection and other allowances amounted to $138.1 million, $109.1 million and $119.5 million during the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

- Employing various other marketing methods designed to promote consumer awareness, including social media, in-store promotions and point-of-purchase displays, direct mail, co-operative advertising, attendance at trade shows as well as product sampling through demonstration software distributed through the Internet or the digital online services.

In addition to our media, retail and public relations campaigns, an important part of our marketing strategy leverages evolving business models, such as downloadable add-on content and online play for our front line titles. Add-on content and online play generate incremental revenues and also helps to prolong consumer engagement with our titles, which extends the life of each new release and enhances the value of our franchises. As of March 31, 2014, we had a sales and marketing staff of approximately 320 people.

Product Procurement

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

Competition

In our business, we compete with:

- Companies that range in size and cost structure from very small with limited resources to very large companies with greater financial, marketing and technical personnel and other resources than ours, including Activision Blizzard, Electronic Arts, and international companies, such as Capcom, SEGA, Square Enix, and Ubisoft.

- Sony, Microsoft and Nintendo for the sale of interactive entertainment software. Each of these competitors is a large developer and marketer of software for their own platforms, and has the financial resources to withstand significant price competition and to implement extensive advertising campaigns.

- Other software, hardware, entertainment and media for limited retail shelf space and promotional resources. The competition is intense among an increasing number of newly introduced entertainment software titles and hardware for adequate levels of shelf space and promotional support.

- Other forms of entertainment such as motion pictures, television and audio, social networking, online computer programs, mobile games and other forms of entertainment which may be less expensive or provide other advantages to consumers.

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

Trends and Factors Affecting our Business

Product Release Schedule. Our financial results are affected by the timing of our product releases and the commercial success of those titles. Our *Grand Theft Auto* products in particular have historically accounted for a substantial portion of our revenue. Sales of *Grand Theft Auto* products generated approximately 68.9% of the Company's net revenue for the fiscal year ended March 31, 2014. The timing of our *Grand Theft Auto* releases varies significantly, which in turn may affect our financial performance on a quarterly and annual basis.

Economic Environment and Retailer Performance. We continue to monitor economic conditions that may unfavorably affect our businesses, such as deteriorating consumer demand, pricing pressure on our products, credit quality of our receivables, and foreign currency exchange rates. Our business is dependent upon a limited number of customers who account for a significant portion of our revenue. Our five largest customers accounted for 39.4%, 52.5% and 43.9% of net revenue during the fiscal years ended March 31, 2014, 2013 and 2012, respectively. As of March 31, 2014 and 2013, five customers comprised approximately 68.3% and 57.2% of our gross accounts receivable, respectively, with our significant customers (those that individually comprised more than 10% of our gross accounts receivable balance) accounting for approximately 59.8% and 30.5% of such balance at March 31, 2014 and 2013, respectively. The economic environment has affected our customers in the past, and may do so in the future. Bankruptcies or consolidations of our large retail customers could seriously hurt our business, due to uncollectible accounts receivables and the concentration of purchasing power among the remaining large retailers. Certain of our large customers sell used copies of our games, which may negatively affect our business by reducing demand for new copies of our games. While the downloadable content that we now offer for certain of our titles may serve to reduce used game sales, we expect used game sales to continue to adversely affect our business.

Hardware Platforms. We derive most of our revenue from the sale of products made for video game platforms manufactured by third-parties, such as Sony's PS3 and PS4, Microsoft's Xbox 360 and Xbox One, and Nintendo's Wii, which comprised approximately 91.4% of the Company's net revenue by product platform for the fiscal year ended March 31, 2014. The success of our business is dependent upon the consumer acceptance of these platforms and the continued growth in the installed base of these platforms. When new hardware platforms are introduced, demand for software based on older platforms typically declines, which may negatively affect our business during the market transition to the new consoles. Additionally, our development costs are generally higher for titles during platform transition periods, and we have limited ability to predict the consumer acceptance of the new platforms, which may affect our sales and profitability. Accordingly, our strategy is to focus our development efforts on a select number of the highest quality titles for these platforms, while also expanding our offerings for emerging platforms such as mobile and online games.

Online Content and Digital Distribution. The interactive entertainment software industry is delivering a growing amount of content through digital online delivery methods. We provide a variety of online delivered products and offerings. A number of our titles that are available through retailers as packaged goods products are also available through direct digital download through the Internet (from websites we own and others owned by third-parties). We aim to drive recurrent consumer spending by generating incremental revenues from our titles through downloadable offerings, including add-on content, microtransactions and online play. In addition, we are publishing an expanding variety of titles for tablets and smartphones, which are delivered to consumers through digital download through the Internet. Note 14 to our Consolidated Financial Statements, "Segment and Geographic Information," discloses that net revenue from digital online channels comprised approximately 15.8% of the Company's net revenue by distribution channel for the fiscal year ended March 31, 2014. We expect online delivery of games and game offerings to become an increasing part of our business over the long-term.

International Operations

International sales are a significant part of our business. For the fiscal years ended March 31, 2014, 2013 and 2012, approximately 53.5%, 41.5% and 45.6%, respectively, of our net revenue was earned outside the United States. We have also expanded our Asian operations in an effort to increase our geographical scope and diversify our revenue base. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant effect on our operating results. See Notes 1 and 14 to the Consolidated Financial Statements.

Segment and Geographic Information

See Note 14 to the Consolidated Financial Statements.

Employees

As of March 31, 2014, we had approximately 2,530 full-time employees, of which approximately 1,190 were employed outside of the United States. None of our employees is subject to collective bargaining agreements. We consider our relations with employees to be satisfactory.

Item 1A. Risk Factors

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

Risks relating to our business

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

Grand Theft Auto and certain of our other titles are "hit" products and have historically accounted for a substantial portion of our revenue. Sales of *Grand Theft Auto* products generated approximately 68.9% of the Company's net revenue for the fiscal year ended March 31, 2014 and the ten best-selling franchises (including *Grand Theft Auto*) that significantly contributed to the Company's net revenue for the fiscal year ended March 31, 2014 in the aggregate accounted for approximately 98.3% of the Company's net revenue. If we fail to continue to develop and sell new commercially successful "hit" titles or sequels to such "hit" titles or experience any delays in product releases or disruptions following the commercial release of our "hit" titles or their sequels, our revenue and profits may decrease substantially and we may incur losses. In addition, competition in our industry is intense and a relatively small number of hit titles account for a large portion of total revenue in our industry. Hit products offered by our competitors may take a larger share of consumer spending than we anticipate, which could cause revenue generated from our products to fall below our expectations. If our competitors develop more successful products or services at lower price points or based on payment models perceived as offering better value, or if we do not continue to develop consistently high quality and well-received products and services, our revenue and profitability may decline. In addition, both the online and mobile games marketplaces are characterized by frequent product introductions, relatively low barriers to entry, and new and evolving business methods, technologies and platforms for development. Widespread consumer adoption of these new platforms for games and other technological advances in online or mobile game offerings could negatively affect our sales of console and traditional PC products before we have an opportunity to develop profitable businesses in such markets.

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

We depend on our internal development studios and third-party software developers to develop new interactive entertainment software within anticipated release schedules and cost projections. The development cycle for new titles generally ranges from 12 to more than 24 months, and our top-selling titles could take more than 3 years to develop. Therefore our development costs can be substantial. If we or our third party developers experience unanticipated development delays, financial difficulties or additional costs, we may not be able to release titles according to our schedule and at budgeted costs. There can be no assurance that our products will be sufficiently successful so that we can recoup these costs or make a profit on these products.

Additionally, in order to stay competitive, our internal development studios must anticipate and adapt to rapid technological changes affecting software development. Any inability to respond to technological advances and implement new technologies could render our products obsolete or less marketable.

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

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

Our business is subject to our ability to develop commercially successful products for the current generation video game platforms and our ability to transition our business model and strategy to the next generation platforms.

We derive most of our revenue from the sale of products made for video game platforms manufactured by third-parties, such as Sony's PS3 and PS4, Microsoft's Xbox 360 and Xbox One, and Nintendo's Wii, which comprised approximately 91.4% of the Company's net revenue by product platform for the fiscal year ended March 31, 2014. The success of our business is subject to the continued popularity of these platforms and our ability to develop commercially successful products for these platforms.

Video game hardware platforms have historically had a life cycle of four to six years and are experiencing a transition to new console platforms. During any such transitional period, our success will depend on our ability to develop our products and services for these next-generation consoles. This transition may require significant costs and management resources. There can be no assurance that we will be able to successfully transition our business model and strategy to these new platforms. Further, the hardware manufacturers are not required to enter into agreements with us with respect to new consoles and these manufacturers may choose to impose more restrictive terms or adopt very different business models and fee structures. In addition, the demand for next-generation consoles may not grow as rapidly as the decline of the previous generation consoles. As a result, the transition to new platforms could have a material adverse effect on our business, financial condition and operating results.

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

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

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

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

The interpretation and application of consumer and data protection laws in the U.S., Europe and elsewhere are often uncertain, contradictory and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, this could result in government imposed fines or orders requiring that we change our data practices, which could have an adverse effect on our business. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business, financial condition and operating results.

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

Security breaches involving the source code for our products could adversely affect our business.

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

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

In recent years, we have invested in emerging opportunities in interactive entertainment played on mobile platforms, including tablets and smartphones, and online platforms, including social networks. We have also grown our product offerings that are available through digital download. We are actively investing to capitalize on these trends in order to diversify our product mix, reduce our operating risks, and increase our revenue. There are risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. There is no assurance that we will be able to attract a sufficiently large number of customers or recover costs incurred for developing and marketing these new products or services. External factors, such as competitive alternatives and shifting market preferences, may also impact the successful implementation of any new products or services. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on our business, financial condition and operating results.

We depend on our key management and product development personnel.

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

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

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

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

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

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

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

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

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

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

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

Returns of our published titles by our customers and price concessions granted to our customers may adversely affect our operating results.

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

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

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

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

A substantial portion of our product sales are made to a limited number of customers. Sales to our five largest customers during the fiscal year ended March 31, 2014 accounted for approximately 39.4% of our net revenue, with GameStop accounting for 18.4%. Our sales are made primarily pursuant to purchase orders without long-term agreements or other commitments, and our customers may terminate their relationship with us at any time. Certain of our customers may decline to carry products containing mature content. The loss of our relationships with principal customers or a decline in sales to principal customers, including as a result of a product being rated "AO" (age 18 and over) could materially adversely affect our business, financial condition and operating results.

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

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

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

The interactive entertainment software industry is highly competitive.

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

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

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

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

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

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

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

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

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

We rely on a limited number of channel partners, including Sony (Play Station), Microsoft (Xbox), Apple, Android and Steam. Certain platform licensors have retained the right to change the fee structures for online distribution of both paid content and free content (including patches and corrections) on their platforms. Each channel partner's ability to set or influence royalty rates may increase costs, which could negatively affect our operating margins. We may be unable to distribute our content in a cost-effective or profitable manner through this distribution channel, which could adversely affect our business, financial condition and operating results.

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

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

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

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

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

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

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

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

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

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

We voluntarily submit our game products to the ESRB, a U.S.-based non-profit and independent ratings organization. The ESRB system provides consumers with information about game content using a rating symbol that generally suggests the appropriate player age group and specific content descriptors, such as graphic violence, profanity or sexually explicit material. The ESRB may impose significant penalties on game publishers for violations of its rules related to rating or marketing games, including revocation of a rating or monetary fines up to $1 million. Other countries require voluntary or government backed ratings as prerequisites for product sales. In some instances, we may have to modify our products in order to market them under the target rating, which could delay or disrupt the release of our products. In addition, some of our titles may not be sold at all or without extensive edits in certain countries, such as Germany.

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

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

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

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

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

Sales in international markets, primarily in Europe, have accounted for a significant portion of our net revenue. For the fiscal year ended March 31, 2014, approximately 53.5% of our net revenue was earned outside the United States. We have also expanded our Asian operations in an effort to increase our geographical scope and diversify our revenue base. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays, and international political, regulatory and economic developments, all of which can have a significant influence on our operating results. Many of our international sales are made in local currencies, which could fluctuate against the dollar. While we may use forward exchange contracts to a limited extent to seek to mitigate foreign currency risk, our operating results could be adversely affected by unfavorable foreign currency fluctuations.

We face risks from our international operations.

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

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

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

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

As our industry grows, we may be subject to an increasing amount of litigation that is common in the software industry based on allegations of infringement or other alleged violations of patent, copyright and/or trademarks. In addition, we believe that interactive entertainment software will increasingly become the subject of claims that such software infringes on the intellectual property rights of others with both the growth of online functionality and advances in technology, game content and software graphics as games become more realistic. From time to time, we receive notices from third-parties or are named in lawsuits by third-parties alleging infringement of their proprietary rights. Although we believe that our software and technologies and the software and technologies of third-party developers and publishers with whom we have contractual relations do not and will not infringe or violate proprietary rights of others, it is possible that infringement of proprietary rights of others may occur. Any claims of infringement, with or without merit, could be time consuming, costly and difficult to defend. Moreover, intellectual property litigation or claims could require us to discontinue the distribution of products, obtain a license or redesign our products, which could result in additional substantial costs and material delays.

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

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

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

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

- retaining key employees and maintaining the key business and customer relationships of the businesses we acquire;

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

Future acquisitions and investments could also involve the issuance of our equity and equity-linked securities (potentially diluting our existing stockholders), the incurrence of debt, contingent liabilities or amortization expenses, write-offs of goodwill, intangibles, or acquired in-process technology, or other increased cash and non-cash expenses such as stock- based compensation. Any of the foregoing factors could harm our financial condition or prevent us from achieving improvements in our financial condition and operating performance that could have otherwise been achieved by us on a stand-alone basis. Our stockholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments.

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

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

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

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

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

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

We may need additional capital if we incur losses.

If we incur losses in the future, we may be required to raise additional capital in order to fund our operations. We could seek to raise capital in a number of ways, including through the issuance of debt or equity, or through other financing arrangements. In October 2011, we entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") which amended and restated our July 2007 Credit Agreement (as defined herein), which requires us to make periodic interest or other debt service payments. In addition, we issued 1.75% Convertible Notes due 2016 in November 2011 and 1.00% Convertible Notes due 2018 in June 2013 (the "1.75% Convertible Notes" and together with the 1.00% Convertible Notes, the "Convertible Notes"), which require us to make periodic interest payments to the holders of the Convertible Notes. If we borrow additional funds, further debt service payments would probably be necessary. In addition, the terms of additional debt may impose significant restrictions on our ability to operate our business. If we seek financing through the sale of equity or equity-based securities (such as our Convertible Notes), our current stockholders will suffer dilution in their percentage ownership of common stock. We cannot be certain as to our ability to raise additional capital in the future or under what terms capital would be available. If we need to raise capital and are not successful in doing so, we will have to consider other options that may include, but are not limited to, a reduction in our expenditures for internal and external new product development, reductions in overhead expenses, and sales of intellectual property and other assets. These actions, should they become necessary, will likely result in a reduction in the size of our operations and could materially affect the prospects of our business.

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

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

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

Our reported financial results are affected by the accounting policies promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. For example, standards regarding software revenue recognition have and could further significantly affect the way we account for revenue related to our products and services. As we enhance, expand and diversify our business and product offerings, the application of existing or future financial accounting standards, particularly those relating to the way we account for revenue, could have a significant adverse effect on our reported results although not necessarily on our cash flows.

Risks relating to our common stock

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

Additional issuances of equity securities by us would dilute the ownership of our existing stockholders.

We may issue equity or equity-based securities (such as our Convertible Notes) in the future in connection with acquisitions or strategic transactions, to adjust our ratio of debt to equity, including through repayment of outstanding debt, to fund expansion of our operations or for other purposes. To the extent we issue additional equity securities, the percentage ownership of our existing stockholders would be reduced.

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

The share repurchase program authorized by the Board of Directors, which authorized the repurchase of up to 7,500,000 shares of our common stock and had 3,283,000 shares available for repurchase as of March 31, 2014, does not obligate the Company to make any purchases at any specific time or situation. Discontinuing repurchases could adversely affect the price of the Company's common stock. The program may be suspended or discontinued at any time for any reason.

Future sales or other issuances of our common stock could adversely affect its market price.

The sale of substantial amounts of our common stock could adversely affect its price. The sale or the availability for sale of a large number of shares of our common stock in the public market could cause the price of our common stock to decline. The issuance of shares of our common stock upon conversion of our Convertible Notes could also adversely affect the price of our common stock.

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

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

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

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

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

Our ability to use net operating loss carryforwards to reduce future years' taxes could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

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

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

Our inability to fully utilize our net operating losses to offset taxable income generated in the future could have a material and negative affect on our future financial position and results of operations.

We are implementing a new enterprise resource planning (ERP) system, and we may encounter technical or operational difficulties during the transition that could disrupt our operations.

We are implementing a new enterprise resource planning (ERP) system, and we may encounter technical and operating difficulties during the transition to that new system. We may experience problems in implementing the new system as our employees learn the new system, transfer data from our existing system to the new system and operate with the new system. The transition may not be completed promptly or at all, or could require us to revert to the currently existing system. Any difficulties that we encounter in implementing the new system may disrupt our ability to deal effectively with our employees, vendors, customers and other companies with which we have commercial relationships and also may prevent us from effectively closing a quarterly period and reporting our financial results in a timely manner. If we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with the listing requirements of the Nasdaq Global Market.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

Take-Two Interactive Software Europe Ltd, our wholly-owned subsidiary, leases 12,500 square feet of office space in Windsor, United Kingdom, which expires in December 2021. Rockstar North, our wholly-owned subsidiary, leases 42,000 square feet of office space in Edinburgh, Scotland. That lease expires in 2015.

2K corporate offices and two development studios occupy approximately 84,000 square feet of leased office space in Novato, California. The lease expires in 2019.

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

For information regarding our lease commitments, see Note 11 of the Notes to Consolidated Financial Statements, included in Item 15 in this report.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information and Holders

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

	High	Low
Fiscal Year Ended March 31, 2014		
First Quarter ended June 30, 2013	$17.54	$14.08
Second Quarter ended September 30, 2013	19.25	15.05
Third Quarter ended December 31, 2013	18.59	16.00
Fourth Quarter ended March 31, 2014	22.41	16.40
Fiscal Year Ended March 31, 2013		
First Quarter ended June 30, 2012	$15.67	$ 9.13
Second Quarter ended September 30, 2012	11.36	7.37
Third Quarter ended December 31, 2012	13.38	10.01
Fourth Quarter ended March 31, 2013	16.16	11.11

The number of record holders of our common stock was 71 as of May 7, 2014.

Dividend Policy

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

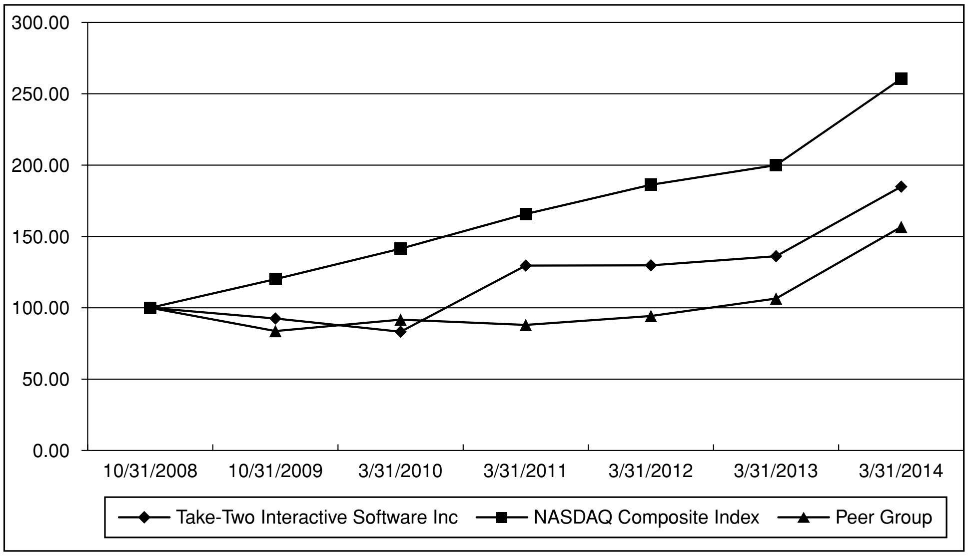
Securities Authorized for Issuance under Equity Compensation Plans

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

Stock Performance Graph

The following line graph compares, from October 31, 2008 through March 31, 2014, the cumulative total stockholder return on our common stock with the cumulative total return on the stocks comprising the NASDAQ Composite Index and the stocks comprising a peer group index consisting of Activision Blizzard and Electronic Arts. The comparison assumes $100 was invested on October 31, 2008 in our common stock and in each of the following indices and assumes reinvestment of all cash dividends, if any, paid on such securities. We have not paid any cash dividends and, therefore, our cumulative total return calculation is based solely upon stock price appreciation and not upon reinvestment of cash dividends. Historical stock price is not necessarily indicative of future stock price performance.

Comparison of 65 Month Cumulative Total Return*
Among Take-Two Interactive Software, Inc., The NASDAQ Composite Index and a Peer Group
March 2014



* $100 invested on October 31, 2008 in stock or index- including reinvestment of dividends.

	October 31, 2008	October 31, 2009	October 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Take-Two Interactive Software, Inc.	$100.00	$ 92.50	$ 83.22	$129.60	$129.76	$136.17	$184.91
NASDAQ Composite-Total Returns	100.00	120.08	141.43	165.73	186.22	200.00	260.48
Peer Group	100.00	83.71	91.70	88.00	94.25	106.49	156.69

Issuer Purchases of Equity Securities

In January 2013, our Board of Directors authorized the repurchase of up to 7,500,000 shares of our common stock. The authorization permits the Company to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any purchases at any specific time or situation. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance and other conditions. The program may be suspended or discontinued at any time for any reason. During the fiscal year ended March 31, 2014, the Company repurchased approximately 4,217,000 shares of our common stock in the open market for approximately $73.3 million, including commissions of $0.04 million, as part of the program. No repurchases were made during the fiscal quarter ended March 31, 2014. As of March 31, 2014, up to approximately 3,283,000 shares of our common stock remain available for repurchase under the Company's share repurchase authorization.

Repurchase from Icahn Group

In November 2013, the Company entered into a Purchase Agreement with High River Limited Partnership, Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP (collectively, the "Icahn Group"), pursuant to which the Company repurchased approximately 12,021,000 shares of the Company's common stock owned by the Icahn Group, at a price per share of $16.93, resulting in an aggregate purchase price of approximately $203.5 million (the "Repurchase Transaction"). The closing of the Repurchase Transaction occurred on November 26, 2013. The Repurchase Transaction was conducted outside the Company's share repurchase program described above.

Item 6. Selected Financial Data

The following tables present selected financial data for the four fiscal years ended March 31, 2014, five months ended March 31, 2010 and the fiscal year ended October 31, 2009 (in thousands, except per share data).

STATEMENT OF OPERATIONS DATA:	Fiscal Year Ended March 31, 2014	2013	2012	2011	Five Months Ended March 31, 2010	Fiscal Year Ended October 31, 2009
Net revenue	**$2,350,568**	$1,214,483	$ 825,823	$1,136,876	$359,231	$ 701,057
Cost of goods sold	**1,414,327**	715,837	528,855	689,381	222,396	467,576
Gross profit	**936,241**	498,646	296,968	447,495	136,835	233,481
Selling and marketing	**240,996**	257,329	183,749	176,294	72,402	141,962
General and administrative	**161,374**	147,260	121,200	109,484	43,466	130,376
Research and development	**105,256**	78,184	64,162	69,576	25,279	63,748
Depreciation and amortization	**13,359**	10,634	12,123	14,999	6,622	17,574
Total operating expenses	**520,985**	493,407	381,234	370,353	147,769	353,660
Income (loss) from operations	**415,256**	5,239	(84,266)	77,142	(10,934)	(120,179)
Interest and other, net	**(33,553)**	(31,351)	(19,571)	(13,519)	(11,352)	(5,771)
Loss on extinguishment of debt	**(9,014)**	—	—	—	—	—
Gain on convertible note hedge and warrants, net	**3,461**	—	—	—	—	—
Income (loss) from continuing operations before income taxes	**376,150**	(26,112)	(103,837)	63,623	(22,286)	(125,950)
Provision for income taxes	**14,459**	5,050	3,863	9,819	4,266	4,487
Income (loss) from continuing operations	**361,691**	(31,162)	(107,700)	53,804	(26,552)	(130,437)
(Loss) income from discontinued operations, net of taxes	**(86)**	1,671	(1,116)	(5,346)	(2,250)	(10,017)
Net income (loss)	**$ 361,605**	$ (29,491)	$(108,816)	$ 48,458	$(28,802)	$(140,454)
Earnings (loss) per share:						
Continuing operations	**$ 3.79**	$ (0.36)	$ (1.30)	$ 0.62	$ (0.34)	$ (1.70)
Discontinued operations	**—**	0.02	(0.01)	(0.06)	(0.03)	(0.13)
Basic earnings (loss) per share	**$ 3.79**	$ (0.34)	$ (1.31)	$ 0.56	$ (0.37)	$ (1.83)
Continuing operations	**$ 3.20**	$ (0.36)	$ (1.30)	$ 0.62	$ (0.34)	$ (1.70)
Discontinued operations	**—**	0.02	(0.01)	(0.06)	(0.03)	(0.13)
Diluted earnings (loss) per share	**$ 3.20**	$ (0.34)	$ (1.31)	$ 0.56	$ (0.37)	$ (1.83)
Weighted average shares outstanding:						
Basic	**84,519**	85,581	83,356	86,127	78,453	76,815
Diluted	**113,882**	85,581	83,356	86,139	78,453	76,815

BALANCE SHEET DATA:	As of March 31, 2014	2013	2012	2011	2010	As of October 31, 2009
Cash and cash equivalents	**$ 935,400**	$ 402,502	$ 420,279	$280,359	$145,838	$ 102,083
Working capital	**924,620**	529,153	524,892	335,715	216,733	274,274
Total assets	**1,799,630**	1,277,839	1,149,427	971,659	839,276	1,007,128
Long-term debt	**454,031**	335,202	316,340	107,239	99,865	97,063
Total liabilities	**997,824**	689,844	553,700	356,380	318,653	461,502
Stockholders' equity	**801,806**	587,995	595,727	615,279	520,623	545,626

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

Overview

Our Business

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

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

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

Software titles published by our Rockstar Games label are primarily internally developed. We expect Rockstar Games, our wholly-owned publisher of the *Grand Theft Auto*, *Max Payne*, *Midnight Club*, *Red Dead* and other popular franchises, to continue to be a leader in the action / adventure product category and create groundbreaking entertainment by leveraging our existing titles as well as developing new brands. Rockstar continues to expand on our established franchises by developing sequels, offering downloadable episodes and content, and releasing titles for smartphones and tablets. Rockstar is also well known for developing brands in other genres, including the *L.A. Noire*, *Bully* and *Manhunt* franchises. We believe that Rockstar has established a uniquely original, popular cultural phenomenon with its *Grand Theft Auto* series, which is the interactive entertainment industry's most iconic and critically acclaimed brand and has sold-in over 185 million units. The latest installment, *Grand Theft Auto V*, was released in September 2013. *Grand Theft Auto V* includes access to *Grand Theft Auto Online*, which launched in October 2013.

Our 2K label has published a variety of popular entertainment properties across all key platforms and across a range of genres including shooter, action, role-playing, strategy, sports and family/casual entertainment. We expect 2K to continue to develop new and successful franchises in the future.

2K's internally owned and developed franchises include the critically acclaimed, multi-million unit selling *BioShock*, *Mafia*, *Sid* Meier's *Civilization* and *XCOM* series. 2K also publishes highly successful externally developed franchises, such as *Borderlands*. 2K successfully launched *Borderlands 2* in September 2012 and continued to support the title throughout fiscal year 2014 with robust add-on content offerings. In March 2013, 2K released the critically acclaimed *BioShock Infinite,* which has since been supported with add-on content. In August 2013, 2K released *The Bureau: XCOM Declassified.*

2K publishes a range of realistic sports simulation titles, including our flagship *NBA 2K* series, which has been the top-ranked NBA basketball video game for 13 years running and the *WWE 2K series. NBA 2K14* was our first title for the Xbox One and PS4. 2K has secured long-term licensing agreements with the National Basketball Association ("NBA"). In addition, in February 2013, 2K entered into an exclusive multi-year agreement with WWE to publish the *WWE* video game franchise worldwide. Our licenses with Major League Baseball Properties, the Major League Baseball Players Association and Major League Baseball Advanced Media expired in December 2013.

2K also developed and published titles for the casual and family-friendly games market. Internally developed titles include *Carnival Games* and Let's *Cheer!*. 2K also had an agreement with Nickelodeon to publish video games based on its top rated Nick Jr. titles such as *Dora the Explorer*, *Go, Diego, Go!*, *Ni Hao, Kai-lan* and *The Backyardigans*, which expired in December 2013. Throughout fiscal year 2014, 2K released a slate of new titles designed exclusively for smartphones and tablets, including *Haunted Hollow, Sid Meier's Ace Patrol for iOS, Beejumbled, Turd Birds, 2K Drive and Sensei Wars*.

We also have expansion initiatives in the Asia markets, where our strategy is to broaden the distribution of our existing products, expand our business in Japan, and establish an online gaming presence, especially in China and South Korea. 2K has secured a multi-year license from the NBA to develop an online version of the NBA simulation game in China, Taiwan, South Korea and Southeast Asia. In October 2012, *NBA 2K Online*, our free-to-play NBA simulation game co-developed by 2K and Tencent, launched commercially on the Tencent Games portal in China. In May 2013, *Pro Baseball 2K*, our online baseball simulation game co-developed by 2K and Nexon Corporation, launched commercially in South Korea. In addition, South Korean-based studio XLGAMES is presently developing *Civilization Online*, a new online game for the Asian market.

Discontinued operations

In February 2010, we completed the sale to SYNNEX Corporation ("Synnex") of our Jack of All Games third-party distribution business, which primarily distributed third-party interactive entertainment software, hardware and accessories in North America for approximately $44.0 million, including $37.3 million in cash, subject to purchase price adjustments, and up to an additional $6.7 million, subject to the achievement of certain items, which were not met. In April 2011, we settled on the purchase price adjustments and as a result the purchase price was lowered by $1.5 million. Consequently, the net purchase price after the settlement was $35.8 million. The financial results of this business, which were previously reported as our distribution business, have been classified as discontinued operations in our Consolidated Statements of Operations for all periods presented. The assets and liabilities of this business are reflected as assets and liabilities of discontinued operations in the Consolidated Balance Sheets for all periods presented. See Note 2 to our Consolidated Financial Statements for additional information regarding discontinued operations.

Trends and Factors Affecting our Business

Product Release Schedule. Our financial results are affected by the timing of our product releases and the commercial success of those titles. Our *Grand Theft Auto* products in particular have historically accounted for a substantial portion of our revenue. Sales of *Grand Theft Auto* products generated approximately 68.9% of the Company's net revenue for the fiscal year ended March 31, 2014. The timing of our *Grand Theft Auto* releases varies significantly, which in turn may affect our financial performance on a quarterly and annual basis.

Economic Environment and Retailer Performance. We continue to monitor economic conditions that may unfavorably affect our businesses, such as deteriorating consumer demand, pricing pressure on our products, credit quality of our receivables, and foreign currency exchange rates. Our business is dependent upon a limited number of customers who account for a significant portion of our revenue. Our five largest customers accounted for 39.4%, 52.5% and 43.9% of net revenue during the fiscal years ended March 31, 2014, 2013 and 2012, respectively. As of March 31, 2014 and 2013, five customers comprised approximately 68.3% and 57.2% of our gross accounts receivable, respectively, with our significant customers (those that individually comprised more than 10% of our gross accounts receivable balance) accounting for approximately 59.8% and 30.5% of such balance at March 31, 2014 and 2013, respectively. The economic environment has affected our customers in the past, and may do so in the future. Bankruptcies or consolidations of our large retail customers could seriously hurt our business, due to uncollectible accounts receivables and the concentration of purchasing power among the remaining large retailers. Certain of our large customers sell used copies of our games, which may negatively affect our business by reducing demand for new copies of our games. While the downloadable content that we now offer for certain of our titles may serve to reduce used game sales, we expect used game sales to continue to adversely affect our business.

Hardware Platforms. We derive most of our revenue from the sale of products made for video game platforms manufactured by third-parties, such as Sony's PS3 and PS4, Microsoft's Xbox 360 and Xbox One and Nintendo's Wii and Wii U, which comprised approximately 91.4% of the Company's net revenue by product platform for the fiscal year ended March 31, 2014. The success of our business is dependent upon the consumer acceptance of these platforms and the continued growth in the installed base of these platforms. When new hardware platforms are introduced, demand for software based on older platforms typically declines, which may negatively affect our business during the market transition to the new consoles. We continually monitor console hardware sales. We manage our product delivery on each current and future platform in a manner we believe to be most effective to maximize our revenue opportunities and achieve the desired return on our investments in product development. Additionally, our development costs are generally higher for titles during platform transition periods, and we have a limited ability to predict the consumer acceptance of the future platforms, which may affect our sales and profitability. Accordingly, our strategy is to focus our development efforts on a select number of the highest quality titles for these platforms, while also expanding our offerings for emerging platforms such as mobile and online games.

Online Content and Digital Distribution. The interactive entertainment software industry is delivering a growing amount of content through digital online delivery methods. We provide a variety of online delivered products and offerings. A number of our titles that are available through retailers as packaged goods products are also available through direct digital download through the Internet (from websites we own and others owned by third-parties). We aim to drive recurrent consumer spending, by generating incremental revenues from our titles through downloadable offerings, including add-on content, microtransactions and online play. In addition, we are publishing an expanding variety of titles for tablets and smartphones, which are delivered to consumers through digital download through the Internet. Note 14 to our Consolidated Financial Statements, "Segment and Geographic Information," discloses that net revenue from digital online channels comprised approximately 15.8% of the Company's net revenue by distribution channel for the fiscal year ended March 31, 2014. We expect online delivery of games and game offerings to become an increasing part of our business over the long-term.

Product Releases

We released the following key titles in fiscal year 2014:

Title	Publishing Label	Internal or External Development	Platform(s)	Date Released
Sid Meier's Civilization V: Brave New World	2K	Internal	PC, Mac	July 9, 2013
The Bureau: XCOM Declassified	2K	Internal	PS3, Xbox 360, PC	August 20, 2013
Grand Theft Auto V	Rockstar Games	Internal	PS3, Xbox 360	September 17, 2013
Grand Theft Auto Online	Rockstar Games	Internal	PS3, Xbox 360	October 1, 2013
NBA 2K14	2K	Internal	PS3, Xbox 360, PC	October 1, 2013
WWE 2K14	2K	External	PS3, Xbox 360	October 29, 2013
NBA 2K14	2K	Internal	PS4	November 15, 2013
NBA 2K14	2K	Internal	Xbox One	November 22, 2013

Product Pipeline

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

Title	Publishing Label	Internal or External Development	Platform(s)	Expected Release Date
Borderlands: The Pre-Sequel	2K	Both	Xbox 360, PS3, PC	Fall 2014
Evolve	2K	External	PS4, Xbox One, PC	Fall 2014
Sid Meier's Civilization: Beyond Earth	2K	Internal	PC, Mac, Linux	Fall 2014
NBA 2K15	2K	Internal	PS4, Xbox One, PS3, Xbox 360, PC	October 7, 2014
WWE 2K15	2K	Both	TBA	Fiscal Year 2015

Fiscal 2014 Financial Summary

Our fiscal year ended March 31, 2014 net revenue was led by titles from a variety of our top franchises, mainly *Grand Theft Auto*, followed by *NBA, Borderlands*, *WWE* and *BioShock*. Our net revenue increased to $2,350.6 million, an increase of $1,136.1 million or 93.5% from the fiscal year ended March 31, 2013.

For the fiscal year ended March 31, 2014, our net income was $361.6 million, as compared to a net loss of $29.5 million in the prior year. Diluted earnings per share for the fiscal year ended March 31, 2014 was $3.20, as compared to a net loss per share for the fiscal year ended March 31, 2013 of $0.34. The increase in our earnings was primarily driven by an increase of $1,136.1 million in net revenue and a decrease of 19 points in our operating expenses as a percent of net revenue.

At March 31, 2014 we had $935.4 million of cash and cash equivalents, compared to $402.5 million at March 31, 2013. The increase in cash and cash equivalents from March 31, 2013 was primarily a result of cash provided by operating activities, due to cash generated from the September 2013 release of *Grand Theft Auto V* and the collection of accounts receivable balances primarily attributable to the release of *Bioshock Infinite* near the end of the previous fiscal year. The increase in cash was partially offset by cash used in financing and investing activities, as a result of $276.8 million for the repurchase of common stock (including the Repurchase Transaction), payments of $166.0 million for the extinguishment of the 4.375% Convertible Notes, $55.7 million for the termination of our convertible note warrant transactions and the purchase of fixed assets partially offset by proceeds of $283.2 million from the issuance of $287.5 million aggregate principal amount of 1.00% Convertible Notes and $84.4 million from the termination of our convertible note hedge transactions.

Critical Accounting Policies and Estimates

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

We have identified the policies below as critical to our business operations and the understanding of our financial results and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The effect and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the Consolidated Financial Statements included in Item 8. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Revenue Recognition

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

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

For some of our software products, we enter into multiple element revenue arrangements in which we may provide a combination of full game software, additional add-on content, maintenance or support. When all other recognition criteria are met, for our software and software-related multiple element arrangements, we determine the fair value of each delivered and undelivered element using vendor-specific objective evidence ("VSOE") and allocate the total price among the various elements. Absent VSOE for each element, revenue is deferred until the earlier of the point at which VSOE of fair value exists for any undelivered element or until all elements of the arrangement have been delivered. For arrangements which require that revenue recognition is deferred, the cost of goods sold is deferred and recognized as the related net revenue is recognized. Deferred cost of goods sold includes product costs, software development costs and royalties and licenses. However, if the only undelivered element is maintenance and support, the entire arrangement fee is recognized ratably over the performance period. Changes in 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. We determine VSOE for each element based on historical stand-alone sales to third parties. In determining VSOE, we require that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range.

We establish whether our software products contain more-than-inconsequential online functionality by evaluating the significance of the development effort and the nature of the online features, the extent of anticipated marketing focus on the online features, the significance of the online features to the consumers' anticipated overall gameplay experience, and the significance of our post sale obligations to consumers. Determining whether the online functionality for a particular game constitutes more-than-an-inconsequential deliverable is subjective and requires management's judgment.

When our software products provide online functionality that has a more-than-inconsequential separate service deliverable, we recognize the software-related revenues and the related cost of sales ratably over the estimated service period of the title (assuming all other recognition criteria are met). When our software products provide limited online functionality at no additional cost to the consumer, we generally consider such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, we do not defer revenue related to products containing such online features.

Certain of our software products include in-game advertising for third- party products. Advance payments received for in-game advertising are reported on the balance sheet as deferred revenue until we meet our performance obligations, at which point we recognize the revenue, which is generally at the time of the initial release of the product.

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

Allowances for Returns, Price Concessions and Other Allowances

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

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

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

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

Software Development Costs and Licenses

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

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

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

Licenses consist of payments and guarantees made to holders of intellectual property rights for use of their trademarks, copyrights or other intellectual property rights in the development of our products. Agreements with license holders generally provide for guaranteed minimum payments for use of their intellectual property. Guaranteed minimum payments are initially recorded as an asset (licenses) and as a liability (accrued licenses) upon execution of a licensing agreement, provided that no significant performance remains to be completed by the licensor. When significant performance remains to be completed by the licensor, we record payments when actually paid.

Certain licenses, especially those related to our sports products, extend over multi-year periods and encompass multiple game titles. In addition to guaranteed minimum payments, these licenses frequently contain provisions that could require us to pay royalties to the license holder based on pre-agreed unit sales thresholds.

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

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

We have established profit and unit sales based internal royalty programs that provide for certain of our employees to participate in the success of software titles that they assist in developing. Royalties earned by employees under this program are recorded as a component of cost of goods sold as the related revenues are recognized.

Fair Value Estimates

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

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

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

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

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

We evaluate our goodwill annually for impairment or whenever events or changes in circumstances indicate the fair value of a reporting unit is below its carrying amount. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of our reporting units. Changes in our strategy and/or market conditions could significantly affect these judgments and require reductions to recorded intangible asset balances.

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

Stock-based Compensation

Stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. Determining the fair value of stock-based awards at the grant date requires judgment in estimating expected stock volatility and the amount of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially affected.

We have granted stock options to non-employees, which were subject to variable accounting. When variable accounting is applied to stock option grants, we re-measured the fair value of the unvested options at the end of each reporting period or until the options are cancelled or expire unexercised. Compensation expense in any given period was calculated as the difference between total earned compensation at the end of the period, less total earned compensation at the beginning of the period, both of which was based on the price of our common stock at such dates. As a result, fluctuations in the price of our common stock changed compensation expense recognized by us from period to period.

We have also granted time and market-based restricted stock awards to employees and non-employees. Time-based and market-based awards to non-employees are subject to variable accounting. For the time-based restricted stock awards to non-employees, we cumulatively remeasure the fair value at the end of every period based on the month end closing price of our common stock. Market-based restricted stock awards vest based on the relative performance of our common stock to a composite index. We calculate the fair value of market-based restricted stock awards using a Monte Carlo Simulation method, which requires a substantial number of inputs and estimates of future market conditions and considers the range of various vesting probabilities. As a result, expense recorded for our non-employee awards can fluctuate substantially from period to period.

Income Taxes

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

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

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

We recognize and measure uncertain tax positions and record tax benefits when it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

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

Recently Issued Accounting Pronouncements

Reclassification of Accumulated Other Comprehensive Income

In February 2013, new guidance was issued requiring new disclosures about reclassifications from accumulated other comprehensive income to net income. This new guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This new guidance became effective prospectively for annual and interim periods beginning after December 15, 2012 (April 1, 2013 for the Company). Since there were no reclassifications during the year ending March 31, 2014, the adoption of this new guidance did not have an effect on our Consolidated Financial Statements.

Presentation of Unrecognized Tax Benefits

In July 2013, new guidance was issued requiring that entities that have an unrecognized tax benefit and a net operating loss carryforward or similar tax loss or tax credit carryforward in the same jurisdiction as the uncertain tax position present the unrecognized tax benefit as a reduction of the deferred tax asset for the loss or tax credit carryforward rather than as a liability when the uncertain tax position would reduce the loss or tax credit carryforward under the tax law. The disclosure requirements will be effective for annual periods (and interim periods within those annual periods) beginning after December 15, 2013 (April 1, 2014 for the Company), and will require prospective application. While early adoption is permitted, we will adopt the guidance beginning April 1, 2014. The adoption is not expected to have a material effect on our Consolidated Financial Statements.

Fluctuations in Operating Results and Seasonality

We have experienced fluctuations in quarterly and annual operating results as a result of: the timing of the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of our titles; development and promotional expenses relating to the introduction of new titles, sequels or enhancements of existing titles; projected and actual changes in platforms; the timing and success of title introductions by our competitors; product returns; changes in pricing policies by us and our competitors; the size and timing of acquisitions; the timing of orders from major customers; order cancellations; and delays in product shipment. Sales of our products are also seasonal, with peak shipments typically occurring in the fourth calendar quarter as a result of increased demand for titles during the holiday season. Quarterly and annual comparisons of operating results are not necessarily indicative of future operating results.

Results of Operations

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Net revenue	**100.0%**	100.0%	100.0%
Cost of goods sold	**60.2%**	58.9%	64.0%
Gross profit	**39.8%**	41.1%	36.0%
Selling and marketing	**10.2%**	21.2%	22.3%
General and administrative	**6.9%**	12.1%	14.7%
Research and development	**4.5%**	6.4%	7.8%
Depreciation and amortization	**0.6%**	1.0%	1.4%
Total operating expenses	**22.2%**	40.7%	46.2%
Income (loss) from operations	**17.7%**	0.4%	(10.2)%
Interest and other, net	**(1.4)%**	(2.6)%	(2.4)%
Loss on extinguishment of debt	**(0.4)%**	0.0%	0.0%
Gain on convertible note hedge and warrants, net	**0.1%**	0.0%	0.0%
Income (loss) from continuing operations before income taxes	**16.0%**	(2.2)%	(12.6)%
Provision for income taxes	**0.6%**	0.4%	0.4%
Income (loss) from continuing operations	**15.4%**	(2.6)%	(13.0)%
(Loss) income from discontinued operations, net of taxes	**0.0%**	0.2%	(0.2)%
Net income (loss)	**15.4%**	(2.4)%	(13.2)%
Net revenue by geographic region:			
United States	**46.5%**	58.5%	54.4%
International	**53.5%**	41.5%	45.6%
Net revenue by platform:			
Console	**91.4%**	80.4%	85.1%
PC and other	**8.2%**	17.8%	10.6%
Handheld	**0.4%**	1.8%	4.3%
Net revenue by distribution channel:			
Physical retail and other	**84.2%**	78.9%	87.1%
Digital online	**15.8%**	21.1%	12.9%

Fiscal Years Ended March 31, 2014 and 2013

(thousands of dollars)	2014	%	2013	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$2,350,568**	**100.0%**	$1,214,483	100.0%	$1,136,085	93.5%
Internal royalties	**538,604**	**22.9%**	24,724	2.0%	513,880	2078.5%
Product costs	**477,861**	**20.3%**	316,072	26.0%	161,789	51.2%
Software development costs and royalties(1)	**333,450**	**14.2%**	317,756	26.2%	15,694	4.9%
Licenses	**64,412**	**2.8%**	57,285	4.7%	7,127	12.4%
Cost of goods sold	**1,414,327**	**60.2%**	715,837	58.9%	698,490	97.6%
Gross profit	**$ 936,241**	**39.8%**	$ 498,646	41.1%	$ 437,595	87.8%

(1) Includes $30,124 and $10,060 of stock-based compensation expense in 2014 and 2013, respectively.

Net revenue increased $1,136.1 million for the fiscal year ended March 31, 2014 as compared to the prior year. This increase is primarily due to an increase of approximately $1,481.5 million in sales from our *Grand Theft Auto* franchise, primarily related to the releases of *Grand Theft Auto V,* and higher sales of $139.5 million mainly driven by the October 2013 release of *WWE 2K14* and higher sales of our *NBA 2K* franchise. These increases were partially offset by a $446.0 million decrease in net sales primarily due to prior year releases of *Borderlands 2, Max Payne 3, BioShock Infinite, XCOM: Enemy Unknown* and *Spec Ops: The Line*.

Net revenue on consoles increased to 91.4% of our total net revenue for the fiscal year ended March 31, 2014 as compared to 80.4% for the same period in the prior year primarily due to the current year release of *Grand Theft Auto V* on the Xbox 360 and PS3 console gaming systems. PC and other sales decreased to $192.4 million or 8.2% of our total net revenue for the fiscal year ended March 31, 2014 as compared to $216.3 million or 17.8% for the prior year. The decrease was primarily due to the prior year PC release of *Borderlands 2*. Handheld sales decreased to $9.7 million or 0.4% of our total net revenue for the fiscal year ended March 31, 2014 as compared to $22.2 million or 1.8% for the prior year primarily due to the prior year releases of various *Nick Jr.* titles.

Net revenue from physical retail and other channels increased to 84.2% of our total net revenue for the fiscal year ended March 31, 2014 as compared to 78.9% for the same period in the prior year primarily due to the current year release of *Grand Theft Auto V* on the Xbox 360 and PS3 console gaming systems. Net revenue from digital online channels of $372.0 million for the fiscal year ended March 31, 2014 increased $115.8 million, or 45.2%, as compared to the same period in the prior year. The increase was mainly driven by digital offerings from our *Grand Theft Auto* and *NBA 2K* franchises as well as *Bioshock Infinite*.

Gross profit as a percentage of net revenue was 39.8% for the fiscal year ended March 31, 2014, a decreased of 1.3 percentage points as compared to the prior year, primarily due to higher internal royalties mainly due to higher income generated from our *Grand Theft Auto* franchise, partially offset by (i) lower product costs in the current year as a percentage of net revenue as a result of a greater share of net revenue in the current year being generated from a product mix with higher average selling price points and (ii) lower software development costs and royalties as a percentage of net revenue for the fiscal year ended March 31, 2014 primarily due to the prior year release of *Borderlands 2*, which was externally developed.

Net revenue earned outside of the United States accounted for 53.5% of our total net revenue for the fiscal year ended March 31, 2014, as compared to 41.5% in the prior year. The year-over-year percentage increase was primarily due to the global release of *Grand Theft Auto V*, which generated higher sales outside the United States during the fiscal year ended March 31, 2014. Foreign currency exchange rates decreased net revenue and decreased gross profit by $5.7 million and $2.3 million, respectively, for the fiscal year ended March 31, 2014 as compared to the prior year.

Operating Expenses

(thousands of dollars)	2014	% of net revenue	2013	% of net revenue	Increase/ (decrease)	% Increase/ (decrease)
Selling and marketing	**$240,996**	**10.2%**	$257,329	21.2%	$(16,333)	(6.3)%
General and administrative	**161,374**	**6.9%**	147,260	12.1%	14,114	9.6%
Research and development	**105,256**	**4.5%**	78,184	6.4%	27,072	34.6%
Depreciation and amortization	**13,359**	**0.6%**	10,634	1.0%	2,725	25.6%
Total operating expenses(1)	**$520,985**	**22.2%**	$493,407	40.7%	$ 27,578	5.6%

(1) Includes stock-based compensation expense, as follows:

	2014	2013
Selling and marketing	**$10,136**	$ 5,562
General and administrative	**$28,991**	$17,824
Research and development	**$ 8,867**	$ 2,319

Foreign currency exchange rates increased total operating expenses by approximately $0.4 million in the fiscal year ended March 31, 2014 as compared to the prior year.

Selling and marketing

Selling and marketing expenses decreased $16.3 million for the fiscal year ended March 31, 2014, as compared to the prior year, primarily due to a decrease in advertising expenses of $31.5 million. In the prior year, advertising expenses had increased due to the releases of *Borderlands 2* in September 2012, *Max Payne 3* in May 2012 and *BioShock Infinite* in March 2013 as compared to expenses incurred for the September 2013 release of *Grand Theft Auto V.* This net decrease was partially offset by a $14.0 million increase primarily due to higher personnel costs related to stock-based compensation expense and headcount, and higher third-party commissions.

General and administrative

General and administrative expenses increased $14.1 million for the fiscal year ended March 31, 2014, as compared to the prior year primarily due to an increase of $12.1 million in personnel costs primarily due to higher headcount and higher severance costs related to current year restructuring activities, $11.2 million of higher stock-based compensation expense primarily for previously granted stock-based awards to ZelnickMedia and $5.3 million of higher legal fees and IT-related costs, partially offset by the absence of a $15.0 million contractual provision that was triggered in June 2012.

General and administrative expenses for the fiscal years ended March 31, 2014 and 2013 include occupancy expense (primarily rent, utilities and office expenses) of $16.4 million and $15.9 million, respectively, related to our development studios.

Research and development

Research and development expenses increased $27.1 million for the fiscal year ended March 31, 2014, as compared to the prior year primarily due to an increase of $20.9 million in personnel costs due mainly to higher stock-based compensation related to the current year issuance of restricted stock awards to certain employees and lower capitalization rates at our development studios due mainly to resources being transitioned to new projects following the September 2013 release of *Grand Theft Auto V* and an increase of $6.6 million in production expenses primarily due to work on titles that have not reached technological feasibility.

Depreciation and amortization

Depreciation and amortization expenses increased $2.7 million for the fiscal year ended March 31, 2014, as compared to the prior year primarily due to higher purchases of fixed assets during recent years.

Interest and other, net

(thousands of dollars)	2014	% of net revenue	2013	% of net revenue	Increase/ (decrease)	% Increase/ (decrease)
Interest expense, net	**$(33,961)**	**(1.4)%**	$(30,763)	(2.5)%	$(3,198)	10.4%
Foreign currency exchange gain (loss)	**209**	**0.0%**	(778)	(0.1)%	987	(126.9)%
Other	**199**	**0.0%**	190	0.0%	9	4.7%
Interest and other, net	**$(33,553)**	**(1.4)%**	$(31,351)	(2.6)%	$(2,202)	7.0%

Interest and other, net was an expense of $33.6 million for the fiscal year ended March 31, 2014, as compared to an expense of $31.4 million for the fiscal year ended March 31, 2013. The increase of $2.2 million in interest and other, net was primarily related to an increase in our long-term debt associated with our June 2013 issuance of $287.5 million of 1.00% Convertible Notes partially offset by the August 29, 2013 redemption of our 4.375% Convertible Notes which had an aggregate principal amount of $138.0 million.

Loss on extinguishment of debt

Loss on extinguishment of debt was $9.0 million for the fiscal year ended March 31, 2014 due to the conversion and redemption of our 4.375% Convertible Notes. See Liquidity and Capital Resources for additional information regarding loss on extinguishment of debt.

Gain on convertible note hedge and warrants, net

Gain on convertible note hedge and warrants, net was $3.5 million for the fiscal year ended March 31, 2014 due to the increase in the Company's share price during the period from June 2013 to the net settlement of the hedge and warrants in August 2013. See Liquidity and Capital Resources for additional information regarding settlement and related net gain on the convertible note hedge and warrant transactions.

Provision for income taxes

Income tax expense was $14.5 million for the fiscal year ended March 31, 2014, as compared to $5.1 million for the fiscal year ended March 31, 2013. The increase in tax expense was primarily attributable to an increase in pre-tax income from operations in excess of remaining net operating losses available in the fiscal year ended March 31, 2014. Our effective tax rate differed from the federal statutory rate primarily due to changes in valuation allowances during the period. Our valuation allowances decreased by $92.1 million and $1.3 million during fiscal years ended March 31, 2014 and 2013, respectively, due to the utilization of net operating loss carryforwards from prior years against income earned during each year.

As of March 31, 2014, we had gross unrecognized tax benefits, including interest and penalties, of $24.9 million, of which $24.9 million would affect our effective tax rate if realized. For the fiscal year ended March 31, 2014, gross unrecognized tax benefits increased by $3.2 million. We are generally no longer subject to audit for U.S. federal income tax returns for periods prior to our fiscal year ended October 31, 2010 and state income tax returns for periods prior to fiscal year ended October 31, 2007. With few exceptions, we are no longer subject to income tax examinations in non-U.S. jurisdictions for years prior to fiscal year ended October 31, 2010. U.S. federal taxing authorities have completed their audit through the fiscal years ended October 31, 2009. Certain U.S. state taxing authorities are currently examining our income tax returns from fiscal years ended October 31, 2007 through October 31, 2010. The determination as to further adjustments to our gross unrecognized tax benefits during the next 12 months is not practicable.

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

Discontinued operations

Income (loss) from discontinued operations, net of taxes, reflects the results of our former distribution business which was sold in February 2010. For the fiscal year ended March 31, 2014, there was an immaterial net loss from discontinued operations, net of taxes, compared to net income of $1.7 million for the prior year. The net income during the fiscal year ended March 31, 2013 was primarily due to the maturity of a remaining contract and changes in estimates of sublease income as a result of the Company entering into a new sublease.

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

For the fiscal year ended March 31, 2014, our net income was $361.6 million, as compared to a net loss of $29.5 million in the prior year. Earnings per share for the fiscal year ended March 31, 2014 were $3.79 for basic and $3.20 for diluted earnings per share as compared to a loss per share of $0.34 for basic and diluted earnings for the fiscal year ended March 31, 2013. Basic and diluted weighted average shares outstanding were lower compared to the prior year period primarily due to the shares repurchased during the fiscal year ended March 31, 2014 partially offset by the vesting of restricted stock awards over the last twelve months and the issuance of shares upon the conversion of 4.375% Convertible Notes. See Note 1 to our consolidated financial statements for additional information regarding earnings (loss) per share.

Fiscal Years Ended March 31, 2013 and 2012

(thousands of dollars)	2013	%	2012	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$1,214,483**	**100.0%**	$825,823	100.0%	$388,660	47.1%
Software development costs and royalties[(1)]	**317,756**	**26.2%**	164,487	19.9%	153,269	93.2%
Product costs	**316,072**	**26.0%**	255,236	30.9%	60,836	23.8%
Licenses	**57,285**	**4.7%**	74,976	9.1%	(17,691)	(23.6)%
Internal royalties	**24,724**	**2.0%**	34,156	4.1%	(9,432)	(27.6)%
Cost of goods sold	**715,837**	**58.9%**	528,855	64.0%	186,982	35.4%
Gross profit	**$ 498,646**	**41.1%**	$296,968	36.0%	$201,678	67.9%

(1) Includes $10,060 and $5,144 of stock-based compensation expense in 2013 and 2012, respectively.

Net revenue increased $388.7 million for the fiscal year ended March 31, 2013 as compared to the prior year. This increase was driven primarily by $681.2 million in net revenue from the releases of *Borderlands 2* in September 2012, *BioShock Infinite* in March 2013, *Max Payne 3* in May 2012, *XCOM: Enemy Unknown* in October 2012 and *SpecOps: The Line* in June 2012, as well as higher sales of our *NBA 2K* franchise and approximately $23.4 million in higher sales of our *Grand Theft Auto* franchise. These increases were partially offset by $267.6 million in lower sales of *L.A. Noire*, which released in May 2011, *Duke Nukem Forever*, which released in June 2011 and The *Darkness II*, which released in February 2012.

Net revenue on consoles decreased to 80.4% of our total net revenue for the fiscal year ended March 31, 2013 as compared to 85.1% for the same period in the prior year primarily due to the increased proportion of total net revenue on PC and other platforms. PC and other sales increased to 17.8% of our total net revenue for the fiscal year ended March 31, 2013 as compared to 10.6% for the prior year primarily due to an increase in net revenue resulting from the September 2012 PC release of *Borderlands 2,* the March 2013 PC release of *BioShock Infinite,* the October 2012 PC release of *XCOM: Enemy Unknown* and the June 2012 PC releases of *Max Payne 3* and *Sid Meier's Civilization® V: Gods & Kings*, partially offset by the decrease in net revenue from the June 2011 PC release of *Duke Nukem Forever*. Handheld sales accounted for 1.8% of our total net revenue for the fiscal year ended March 31, 2013 as compared to 4.3% for the prior year primarily due to the increased proportion of total net revenue on PC and other platforms.

Net revenue from physical retail and other channels decreased to 78.9% of our total net revenue for the fiscal year ended March 31, 2013 as compared to 87.1% for the same period in the prior year primarily due to the increased proportion of total net revenue from digital online channels. Net revenue from digital online channels increased to 21.1% of our total net revenue for the fiscal year ended March 31, 2013 as compared to 12.9% for the prior year primarily due to the releases of *Borderlands 2* in September 2012, *XCOM: Enemy Unknown* in October 2012 and *BioShock Infinite* in March 2013, as well as higher sales of our *NBA 2K* and *Grand Theft Auto* franchises.

Gross profit as a percentage of net revenue increased for the fiscal year ended March 31, 2013, as compared to the prior year. The increase was primarily due to lower product costs as a percentage of net revenue primarily associated with improved pricing mix and a greater proportion of net revenue from digital online channels, lower license expense primarily associated with the renegotiated licenses for *Major League Baseball 2K13* as well as lower internal royalty expense, which was primarily due to higher income generated in the prior year from the May 2011 release of *L.A. Noire*. Partially offsetting the increase in gross profit was higher software development costs and royalties primarily associated with the September 2012 release of *Borderlands 2* and the May 2012 release of *Max Payne 3*.

Net revenue earned outside of the United States accounted for 41.5% of our total net revenue for the fiscal year ended March 31, 2013, as compared to 45.6% in the prior year. The year-over-year decrease as a percentage of net revenue earned outside of the United States was primarily due to the September 2012 global release of *Borderlands 2*, which had proportionally higher net revenue in the United States. Foreign currency exchange rates decreased net revenue and gross profit by approximately $11.1 million and $5.9 million, respectively, for the fiscal year ended March 31, 2013 as compared to the prior year.

Operating Expenses

(thousands of dollars)	2013	% of net revenue	2012	% of net revenue	Increase/ (decrease)	% Increase/ (decrease)
Selling and marketing	**$257,329**	**21.2%**	$183,749	22.3%	$ 73,580	40.0%
General and administrative	**147,260**	**12.1%**	121,200	14.7%	26,060	21.5%
Research and development	**78,184**	**6.4%**	64,162	7.8%	14,022	21.9%
Depreciation and amortization	**10,634**	**1.0%**	12,123	1.4%	(1,489)	(12.3)%
Total operating expenses(1)	**$493,407**	**40.7%**	$381,234	46.2%	$112,173	29.4%

(1) Includes stock-based compensation expense, as follows:

	2013	2012
Selling and marketing	**$ 5,562**	$ 5,042
General and administrative	**$17,824**	$19,963
Research and development	**$ 2,319**	$ 3,345

Foreign currency exchange rates decreased total operating expenses by approximately $4.3 million in the fiscal year ended March 31, 2013 as compared to the prior year.

Selling and marketing

Selling and marketing expenses increased $73.6 million for the fiscal year ended March 31, 2013, as compared to the prior year, primarily due to a $62.2 million increase in advertising expenses primarily incurred for the releases of *Borderlands 2* in September 2012, *BioShock Infinite* in March 2013, *Max Payne 3* in May 2012, *Spec Ops: The Line* in June 2012 and *XCOM: Enemy Unknown* in October 2012, as compared to advertising expenses incurred in the prior year for the releases of *L.A. Noire* in May 2011 and *Duke Nukem Forever* in June 2011.

General and administrative

General and administrative expenses increased $26.1 million for the fiscal year ended March 31, 2013, as compared to the prior year primarily due to a $15.0 million contractual provision that was triggered in June 2012 and an increase of $8.0 million for personnel costs primarily due to higher performance-based incentive compensation as a result of the Company's performance.

General and administrative expenses for the fiscal years ended March 31, 2013 and 2012 include occupancy expense (primarily rent, utilities and office expenses) of $15.9 million and $15.7 million, respectively, related to our development studios.

Research and development

Research and development expenses increased $14.0 million for the fiscal year ended March 31, 2013, as compared to the prior year primarily due to an $11.3 million increase in personnel-related costs primarily due to increased headcount and higher performance-based incentive compensation as a result of the Company's performance.

Depreciation and amortization

Depreciation and amortization expenses decreased $1.5 million for the fiscal year ended March 31, 2013, as compared to the prior year primarily due to lower purchases of fixed assets during recent years.

Interest and other, net

(thousands of dollars)	2013	% of net revenue	2012	% of net revenue	Increase/ (decrease)	% Increase/ (decrease)
Interest (expense) income, net	**(30,763)**	**(2.5)%**	$(20,616)	(2.5)%	$(10,147)	49.2%
Gain on sale	**—**	**0.0%**	2,200	0.3%	(2,200)	(100.0)%
Foreign exchange loss	**(778)**	**(0.1)%**	(1,311)	(0.2)%	533	(40.7)%
Other	**190**	**0.0%**	156	0.0%	34	21.8%
Interest and other, net	**$(31,351)**	**(2.6)%**	$(19,571)	(2.4)%	$(11,780)	60.2%

Interest and other, net was an expense of $31.4 million for the fiscal year ended March 31, 2013, as compared to an expense of $19.6 million for the fiscal year ended March 31, 2012, primarily due to $9.4 million in higher interest expense associated with the November 2011 issuance of the 1.75% Convertible Notes and the $2.2 million gain we recorded on the sale of certain intellectual property assets during the fiscal year ended March 31, 2012.

Provision for income taxes

Income tax expense was $5.1 million for the fiscal year ended March 31, 2013, as compared to $3.9 million for the fiscal year ended March 31, 2012. The increase in tax expense was primarily attributable to discrete tax benefits during the fiscal year ended March 31, 2012, partially offset by a reduction in uncertain tax positions during the fiscal year ended March 31, 2013. Our effective tax rate differed from the federal statutory rate primarily due to changes in valuation allowances and reductions in gross unrecognized tax benefits during the periods. Our valuation allowances decreased by $1.3 million during the fiscal year ended March 31, 2013 primarily due to the application of prior years' net operating losses against domestic income earned during the fiscal year ended March 31, 2013, while our valuation allowance increased by $19.5 million during the same period in the prior year primarily due to a loss before income taxes without tax benefit in the fiscal year ended March 31, 2012.

As of March 31, 2013, we had gross unrecognized tax benefits, including interest and penalties, of $21.7 million, of which $14.3 million would affect our effective tax rate if realized. For the fiscal year ended March 31, 2013, gross unrecognized tax benefits decreased by $0.7 million, which was comprised primarily of a decrease of $4.6 million related to the resolution of certain foreign tax audits for fiscal years through March 31, 2011, offset by an increase of $3.6 million related to federal domestic issues. We are generally no longer subject to audit for U.S. federal income tax returns for periods prior to our fiscal year ended October 31, 2010 and state income tax returns for periods prior to fiscal year ended October 31, 2004. With few exceptions, we are no longer subject to income tax examinations in non-U.S. jurisdictions for years prior to fiscal year ended October 31, 2010. U.S. federal taxing authorities have completed their audit through the fiscal years ended October 31, 2009. Certain U.S. state taxing authorities are currently examining our income tax returns from fiscal years ended October 31, 2004 through October 31, 2009. The determination as to further adjustments to our gross unrecognized tax benefits during the next 12 months is not practicable.

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

Discontinued operations

Income (loss) from discontinued operations, net of taxes, reflects the results of our former distribution business which was sold in February 2010. For the fiscal year ended March 31, 2013, the income from discontinued operations, net of taxes, was $1.7 million as compared to a loss of $1.1 million for the prior year. The net income during the fiscal year ended March 31, 2013 was primarily due to the maturity of a remaining contract and changes in estimates of sublease income as a result of the Company entering into a new sublease. The net loss during the fiscal year ended March 31, 2012 was primarily due to changes in estimates of sublease income primarily as a result of deteriorating market conditions.

Net loss and loss per share

For the fiscal year ended March 31, 2013, our net loss was $29.5 million, as compared to a net loss of $108.8 million in the prior year. Net loss per share for the fiscal year ended March 31, 2013 was $0.34, as compared to a net loss per share of $1.31 for the fiscal year ended March 31, 2012. Basic and diluted weighted average shares outstanding increased compared to the prior year, primarily due to the vesting of restricted stock awards over the last twelve months. See Note 1 to our consolidated financial statements for additional information regarding net loss per share.

Liquidity and Capital Resources

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

Credit Agreement

In October 2011, we entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") which amended and restated our July 2007 Credit Agreement. The Credit Agreement provides for borrowings of up to $100.0 million, which may be increased by up to $40.0 million pursuant to the terms of the Credit Agreement, and is secured by substantially all of our assets and the equity of our subsidiaries. The Credit Agreement expires on October 17, 2016. Revolving loans under the Credit Agreement bear interest at our election of (a) 1.50% to 2.00% above a certain base rate (4.75% at March 31, 2014), or (b) 2.50% to 3.00% above the LIBOR Rate (approximately 2.65% at March 31, 2014), with the margin rate subject to the achievement of certain average liquidity levels. We are also required to pay a monthly fee on the unused available balance, ranging from 0.375% to 0.50% based on availability.

Availability under the Credit Agreement is restricted by our United States and United Kingdom based accounts receivable and inventory balances. The Credit Agreement also allows for the issuance of letters of credit in an aggregate amount of up to $25.0 million.

As of March 31, 2014, there was $63.6 million available to borrow under the Credit Agreement. At March 31, 2014, we had no outstanding borrowings related to the Credit Agreement and $1.7 million of letters of credit outstanding.

The Credit Agreement contains covenants that substantially limit us and our subsidiaries' ability to: create, incur, assume or be liable for indebtedness; dispose of assets outside the ordinary course of business; acquire, merge or consolidate with or into another person or entity; create, incur or allow any lien on any of their respective properties; make investments; or pay dividends or make distributions (each subject to certain limitations); or optionally prepay any indebtedness (subject to certain exceptions, including an exception permitting the redemption of the Company's Convertible Notes upon the meeting of certain minimum liquidity requirements). In addition, the Credit Agreement provides for certain events of default such as nonpayment of principal and interest, breaches of representations and warranties, noncompliance with covenants, acts of insolvency, default on indebtedness held by third-parties and default on certain material contracts (subject to certain limitations and cure periods). The Credit Agreement also contains a requirement that we maintain an interest coverage ratio of more than one to one for the trailing twelve month period, if certain average liquidity levels fall below $30.0 million. As of March 31, 2014, we were in compliance with all covenants and requirements outlined in the Credit Agreement.

4.375% Convertible Notes Due 2014

In June 2009, we issued $138.0 million aggregate principal amount of 4.375% Convertible Notes due 2014 (the "4.375% Convertible Notes"). The issuance of the 4.375% Convertible Notes included $18.0 million related to the exercise of an over-allotment option by the underwriters. Interest on the 4.375% Convertible Notes was paid semi-annually in arrears on June 1st and December 1st of each year, and commenced on December 1, 2009. The 4.375% Convertible Notes were scheduled to mature on June 1, 2014, unless earlier redeemed or repurchased by the Company or converted. As further described below, on June 12, 2013, we issued a notice of redemption calling all of our outstanding 4.375% Convertible Notes for redemption on August 29, 2013.

The 4.375% Convertible Notes were convertible at an initial conversion rate of 93.6768 shares of our common stock per $1,000 principal amount of 4.375% Convertible Notes (representing an initial conversion price of approximately $10.675 per share of common stock for a total of approximately 12,927,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders could have converted the 4.375% Convertible Notes at their option prior to the close of business on the business day immediately preceding December 1, 2013 only if certain conditions were met. Upon conversion, the 4.375% Convertible Notes could have been settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock.

At any time on or after June 5, 2012, the Company could have redeemed all of the outstanding 4.375% Convertible Notes for cash, but only if the last reported sale of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date we provided notice of redemption to holders of the 4.375% Convertible Notes exceeded 150% of the conversion price in effect on each such trading day. This condition was met on June 12, 2013. The redemption price equaled 100% of the principal amount of the 4.375% Convertible Notes to be redeemed, plus all accrued and unpaid interest (including additional interest, if any) to, but excluding, the redemption date.

On June 12, 2013, we issued a notice of redemption calling all of our outstanding 4.375% Convertible Notes, in the aggregate principal amount of $138.0 million, for redemption on August 29, 2013 at a redemption price of $1,000 per $1,000 principal amount, plus accrued and unpaid interest up to, but not including, the redemption date (the period from June 12, 2013 to August 29, 2013 is the "Notice Period"). Holders who elected to convert during the Notice Period were entitled to make-whole shares in addition to such shares they would otherwise be entitled to receive upon conversion. The notice of redemption specified that we would settle any 4.375% Convertible Notes surrendered for conversion in connection with the redemption on a combination settlement basis by paying cash up to a cash amount equal to $166.0 million in the aggregate of converted notes and delivering shares of our common stock in respect of the amount, if any, by which our conversion obligation exceeded such cash amount. During the Notice Period, $138.0 million of 4.375% Convertible Notes were converted for $166.0 million in cash and 3,217,000 shares of our common stock. On August 29, 2013, we paid $7,000 in cash and we redeemed $7,000 of 4.375% Convertible Notes. During the fiscal year end March 31, 2014, we recorded a loss on extinguishment, net of capitalized debt issuance costs, totaling $9.0 million related to these transactions.

On June 12, 2013, the Company entered into Unwind Agreements with respect to the convertible note hedge transactions and Unwind Agreements with respect to the warrant transactions with each of the hedge counterparties (collectively, the "Unwind Agreements"). Pursuant to the terms of the Unwind Agreements, and in connection with the Company's issuance of a notice of redemption for all the 4.375% Convertible Notes, the Company had the right to deliver a notice to the hedge counterparties, prior to the redemption date set forth in such redemption notice, designating an early termination date for the convertible note hedge transactions and warrant transactions. The hedge counterparties owed a cash payment to the Company as a result of the early termination of the convertible note hedge transactions that was calculated based on its current fair market value. The Company owed a cash payment to the warrant holders, as applicable, as a result of the early termination of the warrant transactions that was calculated based on its current fair market value. As a result of the Unwind Agreements, the convertible note hedge transactions and warrant transactions were accounted for as derivatives whereby the fair values of these transactions were reported as a convertible note hedge receivable and as a convertible note warrant liability with an offsetting impact to additional paid-in capital. Gains and losses on the derivatives resulting from their unwinding were reported in gain on convertible note hedge and warrants, net, in our Consolidated Statements of Operations. In August 2013, the payment received from unwinding the associated convertible note hedge transactions resulted in proceeds to us of approximately $84.4 million, offset by $55.7 million we paid the warrant holders.

During the fiscal year end March 31, 2014, we recorded a gain of approximately $17.3 million resulting from the unwinding of our convertible note hedge transactions and a loss of approximately $13.8 million resulting from unwinding of the convertible note warrant liability to gain on convertible note hedge and warrants, net, in our Consolidated Statements of Operations.

1.75% Convertible Notes Due 2016

On November 16, 2011, we issued $250.0 million aggregate principal amount of 1.75% Convertible Notes due 2016 (the "1.75% Convertible Notes"). Interest on the 1.75% Convertible Notes is payable semi-annually in arrears on June 1^{st} and December 1^{st} of each year, commencing on June 1, 2012. The 1.75% Convertible Notes mature on December 1, 2016, unless earlier repurchased by the Company or converted. The Company does not have the right to redeem the 1.75% Convertible Notes prior to maturity.

The 1.75% Convertible Notes are convertible at an initial conversion rate of 52.3745 shares of our common stock per $1,000 principal amount of 1.75% Convertible Notes (representing an initial conversion price of approximately $19.093 per share of common stock for a total of approximately 13,094,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders may convert the 1.75% Convertible Notes at their option prior to the close of business on the business day immediately preceding June 1, 2016 only under the following circumstances: (1) during any fiscal quarter commencing after March 31, 2012, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of 1.75% Convertible Notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after June 1, 2016 until the close of business on the business day immediately preceding the maturity date, holders may convert their 1.75% Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 1.75% Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock.

The indenture governing the 1.75% Convertible Notes contains customary terms and covenants and events of default. As of March 31, 2014, we were in compliance with all covenants and requirements outlined in the indenture governing the 1.75% Convertible Notes.

1.00% Convertible Notes Due 2018

On June 18, 2013, we issued $250.0 million aggregate principal amount of 1.00% Convertible Notes due 2018 (the "1.00% Convertible Notes" and together with the 4.375% Convertible Notes and the 1.75% Convertible Notes, the "Convertible Notes"). The 1.00% Convertible Notes were issued at 98.5% of par value for proceeds of $246.3 million. Interest on the 1.00% Convertible Notes is payable semi-annually in arrears on July 1st and January 1st of each year, commencing on January 1, 2014. The 1.00% Convertible Notes mature on July 1, 2018, unless earlier repurchased by the Company or converted. The Company does not have the right to redeem the 1.00% Convertible Notes prior to maturity. The Company also granted the underwriters a 30-day option to purchase up to an additional $37.5 million principal amount of 1.00% Convertible Notes to cover overallotments, if any. On July 17, 2013, the Company closed its public offering of $37.5 million principal amount of the Company's 1.00% Convertible Notes as a result of the underwriters exercising their overallotment option in full on July 12, 2013, bringing the proceeds to $283.2 million.

The 1.00% Convertible Notes are convertible at an initial conversion rate of 46.4727 shares of our common stock per $1,000 principal amount of 1.00% Convertible Notes (representing an initial conversion price of approximately $21.52 per share of common stock for a total of approximately 13,361,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders may convert the 1.00% Convertible Notes at their option prior to the close of business on the business day immediately preceding January 1, 2018 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2013, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of 1.00% Convertible Notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after January 1, 2018 until the close of business on the business day immediately preceding the maturity date, holders may convert their 1.00% Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 1.00% Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock.

The indenture governing the 1.00% Convertible Notes contains customary terms and covenants and events of default. As of the fiscal year end March 31, 2014, we were in compliance with all covenants and requirements outlined in the indenture governing the 1.00% Convertible Notes.

Financial Condition

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

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

A majority of our trade receivables are derived from sales to major retailers and distributors. Our five largest customers accounted for 39.4%, 52.5%, and 43.9% of net revenue during the fiscal years ended March 31, 2014, 2013 and 2012, respectively. As of March 31, 2014 and 2013, five customers accounted for 68.3% and 57.2% of our gross accounts receivable, respectively. Customers that individually accounted for more than 10% of our gross accounts receivable balance comprised 59.8% and 30.5% of such balances at March 31, 2014 and 2013, respectively. Based upon performing ongoing credit evaluations, maintaining trade credit insurance on a majority of our customers and our past collection experience, we believe that the receivable balances from these largest customers do not represent a significant credit risk, although we actively monitor each customer's credit worthiness and economic conditions that may affect our customers' business and access to capital. We are monitoring the current global economic conditions, including credit markets and other factors as it relates to our customers in order to manage the risk of uncollectible accounts receivable.

We believe our current cash and cash equivalents and projected cash flow from operations, along with availability under our Credit Agreement will provide us with sufficient liquidity to satisfy our cash requirements for working capital, capital expenditures and commitments through at least the next 12 months.

As of March 31, 2014, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was approximately $212.9 million. These balances are dispersed across various locations around the world. We believe that such dispersion meets the business and liquidity needs of our foreign affiliates. In addition, the Company expects in the foreseeable future to have the ability to generate sufficient cash domestically to support ongoing operations. Consequently, it is the Company's intention to indefinitely reinvest undistributed earnings of its foreign subsidiaries. In the event the Company needed to repatriate funds outside of the U.S., such repatriation may be subject to local laws and tax consequences including foreign withholding taxes or U.S. income taxes. It is not practicable to estimate the tax liability and the Company would try to minimize the tax effect to the extent possible. However, any repatriation may not result in significant cash payments as the taxable event would likely be offset by the utilization of the then available tax credits.

In January 2013, our Board of Directors authorized the repurchase of up to 7,500,000 shares of our common stock. The authorization permits the Company to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any purchases at any specific time or situation. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance and other conditions. The program may be suspended or discontinued at any time for any reason. During the fiscal year end March 31, 2014, the Company repurchased approximately 4,217,000 shares of our common stock in the open market for approximately $73.3 million, including commissions of approximately $0.04 million, as part of the program. As of March 31, 2014, up to approximately 3,283,000 shares of our common stock remain available for repurchase under the Company's share repurchase authorization.

In November 2013, the Company entered into a Purchase Agreement with High River Limited Partnership, Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP (collectively, the "Icahn Group"), pursuant to which the Company repurchased approximately 12,021,000 shares of the Company's common stock owned by the Icahn Group, at a price per share of $16.93, resulting in an aggregate purchase price of approximately $203.5 million (the "Repurchase Transaction"). The closing of the Repurchase Transaction occurred on November 26, 2013. The Repurchase Transaction was conducted outside the Company's share repurchase program described above.

Our changes in cash flows were as follows:

	Fiscal Year Ended March 31,		
(thousands of dollars)	**2014**	**2013**	**2012**
Net cash provided by (used in) operating activities	**$ 700,262**	$ (4,567)	$ (84,964)
Net cash used in investing activities	**(30,813)**	(16,820)	(14,162)
Net cash (used in) provided by financing activities	**(133,684)**	—	243,364
Effects of foreign currency exchange rates on cash and cash equivalents	**(2,867)**	3,610	(4,318)
Net increase (decrease) in cash and cash equivalents	**$ 532,898**	$(17,777)	$139,920

At March 31, 2014 we had $935.4 million of cash and cash equivalents, compared to $402.5 million at March 31, 2013. The increase in cash and cash equivalents from March 31, 2013 was primarily a result of cash provided by operating activities. Net cash provided by operating activities was primarily due to cash generated from the September 2013 release of *Grand Theft Auto V* and the collection of accounts receivable balances primarily attributable to the release of *Bioshock Infinite* near the end of the previous fiscal year. The increase in cash was partially offset by cash used in financing and investing activities. Net cash used by financing and investing activities related to $276.8 million for the repurchase of common stock, payments of $166.0 million for the extinguishment of the 4.375% Convertible Notes, $55.7 million for the termination of our convertible note warrant transactions and the purchase of fixed assets partially offset by proceeds of $283.2 million from the issuance of $287.5 million aggregate principal amount of 1.00% Convertible Notes and $84.4 million from the termination of our convertible note hedge transactions.

Contractual Obligations and Commitments

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

- Agreements to acquire licenses to intellectual property such as trademarks, copyrights and technology for use in the publishing, marketing and distribution of our software titles. In addition, we have certain minimum marketing support commitments where we commit to spend specified amounts related to marketing our products. Our licensing and marketing commitments primarily reflect agreements with major sports leagues and players' associations and expire at various times through September 2018;

- Contractual payments to third-party software developers that expire at various times through September 2017. Guaranteed minimum payments assume satisfactory performance;
- Operating leases, primarily related to occupancy, furniture and equipment, expiring at various times through fiscal year 2025. Included in the cash commitments for operating leases below is a liability for a lease assumption without economic benefit, which was approximately $0.6 million at March 31, 2014, and is recorded in liabilities of discontinued operations on the consolidated balance sheet. See Note 2 to our Consolidated Financial Statements for additional information regarding discontinued operations; and
- Purchase obligations primarily related to agreements to purchase services that are enforceable and legally binding on the Company that specifies all significant terms, including fixed, minimum or variable pricing provisions; and the approximate timing of the transactions, expiring at various times through August 2016.

A summary of annual minimum contractual obligations and commitments as of March 31, 2014 is as follows (in thousands of dollars):

Fiscal Year Ending March 31,	Licensing and Marketing	Software Development	Operating Leases	Purchase Obligations	Convertible Notes Interest	Convertible Notes	Total
2015	$ 36,830	$ 82,113	$ 22,180	$ 9,890	$ 8,688	$ —	$159,701
2016	20,096	12,210	18,723	4,238	7,250	—	62,517
2017	38,632	9,345	16,315	639	7,250	250,000	322,181
2018	14,632	—	14,440	—	2,875	—	31,947
2019	11,920	—	15,119	—	1,438	287,500	315,977
Thereafter	—	—	43,986	—	—	—	43,986
Total	$122,110	$103,668	$130,763	$14,767	$27,501	$537,500	$936,309

In addition to the cash commitments above, we have also entered into acquisition agreements that contain provisions for us to pay contingent cash consideration, typically contingent on the acquired company achieving certain financial, unit sales, or performance conditions. The amount and timing of these payments are currently not fixed or determinable. See Note 11 to the Consolidated Financial Statements for a full discussion of our potential acquisition commitments.

Income Taxes. At March 31, 2014, the Company had recorded a liability for gross unrecognized tax benefits of $24.9 million for which we are unable to make a reasonable and reliable estimate of the period in which these liabilities will be settled with the respective tax authorities, therefore, these liabilities have not been included in the contractual obligations table.

Off-Balance Sheet Arrangements

As of March 31, 2014 and 2013, we did not have any material relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

International Operations

Net revenue earned outside of the United States is principally generated by our operations in Europe, Asia, Australia, Canada and Latin America. For the fiscal years ended March 31, 2014, 2013 and 2012, approximately 53.5%, 41.5% and 45.6%, respectively, of our net revenue was earned outside the United States. We are subject to risks inherent in foreign trade, including increased credit risks, tariffs and duties, fluctuations in foreign currency exchange rates, shipping delays and international political, regulatory and economic developments, all of which can have a significant effect on our operating results.

Fluctuations in Quarterly Operating Results and Seasonality

We have experienced fluctuations in quarterly operating results as a result of the timing of the introduction of new titles; variations in sales of titles developed for particular platforms; market acceptance of our titles; development and promotional expenses relating to the introduction of new titles; sequels or enhancements of existing titles; projected and actual changes in platforms; the timing and success of title introductions by our competitors; product returns; changes in pricing policies by us and our competitors; the accuracy of retailers' forecasts of consumer demand; the size and timing of acquisitions; the timing of orders from major customers; and order cancellations and delays in product shipment. Sales of our titles are also seasonal, with peak shipments typically occurring in the fourth calendar quarter as a result of increased demand for titles during the holiday season. Quarterly comparisons of operating results are not necessarily indicative of future operating results.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

Historically, fluctuations in interest rates have not had a significant effect on our operating results. Under our Credit Agreement, outstanding balances bear interest at our election of (a) 1.50% to 2.00% above a certain base rate (4.75% at March 31, 2014), or (b) 2.50% to 3.00% above the LIBOR rate (approximately 2.65% at March 31, 2014), with the margin rate subject to the achievement of certain average liquidity levels. Changes in market rates may affect our future interest expense if there is an outstanding balance on our line of credit. The 1.75% Convertible Notes and the 1.00% Convertible Notes pay interest semi-annually at a fixed rate of 1.75% and 1.00%, respectively, per annum and we expect that there will be no fluctuation related to the Convertible Notes affecting our cash component of interest expense. For additional details on our Convertible Notes see Note 10 to our Consolidated Financial Statements.

Foreign Currency Exchange Rate Risk

We transact business in foreign currencies and are exposed to risks resulting from fluctuations in foreign currency exchange rates. Accounts relating to foreign operations are translated into United States dollars using prevailing exchange rates at the relevant period end. Translation adjustments are included as a separate component of stockholders' equity. For the fiscal year ended March 31, 2014 and 2013, our foreign currency translation adjustment was approximately $6.4 million gain and $11.6 million loss, respectively. We recognized a foreign currency exchange transaction gain of $0.2 million for the fiscal year ended March 31, 2014, and a foreign currency exchange transaction loss for the fiscal years ended March 31, 2013 and 2012 of $0.8 million and $1.3 million, respectively, in interest and other, net in our Consolidated Statements of Operations.

Cash Flow Hedging Activities

We use foreign currency forward contracts to mitigate foreign currency exchange rate risk associated with forecasted transactions involving non-functional currency denominated expenditures. These contracts, which are designated and qualify as cash flow hedges, are accounted for as derivatives whereby the fair value of the contracts is reported as either assets or liabilities on our Consolidated Balance Sheets. The effective portion of gains or losses resulting from changes in the fair value of these hedges is initially reported, net of tax, as a component of accumulated other comprehensive income (loss) in stockholders' equity. The gross amount of the effective portion of gains or losses resulting from changes in the fair value of these hedges is subsequently reclassified into cost of goods sold or research and development expenses, as appropriate, in the period when the forecasted transaction is recognized in our Consolidated Statements of Operations. In the event that the gains or losses in accumulated other comprehensive income (loss) are deemed to be ineffective, the ineffective portion of gains or losses resulting from changes in fair value, if any, is reclassified to interest and other, net, in our Consolidated Statements of Operations. In the event that the underlying forecasted transactions do not occur, or it becomes probable that they will not occur, within the defined hedge period, the gains or losses on the related cash flow hedges are reclassified from accumulated other comprehensive income (loss) to interest and other, net, in our Consolidated Statements of Operations. During the reporting periods, all forecasted transactions occurred, and therefore, there were no such gains or losses reclassified into interest and other, net. We do not enter into derivative financial contracts for speculative or trading purposes. At March 31, 2014 and 2013, we had $0.9 million and $7.9 million, respectively, of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. As of March 31, 2014 and 2013, the fair value of these outstanding forward contracts was immaterial and is included in prepaid expenses and other.

The fair value of these outstanding forward contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

Balance Sheet Hedging Activities

We use foreign currency forward contracts to mitigate foreign currency exchange rate risk associated with non-functional currency denominated cash balances and inter-company funding loans, non-functional currency denominated accounts receivable and non-functional currency denominated accounts payable. These transactions are not designated as hedging instruments and are accounted for as derivatives whereby the fair value of the contracts is reported as either assets or liabilities on our Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in interest and other, net, in our Consolidated Statements of Operations. We do not enter into derivative financial contracts for speculative or trading purposes. At March 31, 2014, we had $68.5 million of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. At March 31, 2013, we had $55.4 million of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. For the fiscal years ended March 31, 2014, 2013 and 2012, we recorded a loss of $18.4 million, gain of $2.2 million and gain of $0.7, respectively, related to foreign currency forward contracts in interest and other, net on the Consolidated Statements of Operations. As of March 31, 2014 and 2013, the fair value of these outstanding forward contracts was immaterial and is included in prepaid expenses and other at March 31, 2014 and accrued expenses and other current liabilities at March 31, 2013. The fair value of these outstanding forward contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

Our hedging programs are designed to reduce, but do not entirely eliminate, the effect of currency exchange rate movements. We believe the counterparties to these foreign currency forward contracts are creditworthy multinational commercial banks and that the risk of counterparty nonperformance is not material. Notwithstanding our efforts to mitigate some foreign currency exchange rate risks, there can be no assurance that our hedging activities will adequately protect us against the risks associated with foreign currency fluctuations. For the fiscal year ended March 31, 2014, 53.5% of the Company's revenue was generated outside the United States. Using sensitivity analysis, a hypothetical 10% increase in the value of the U.S. dollar against all currencies would decrease revenues by 5.4%, while a hypothetical 10% decrease in the value of the U.S. dollar against all currencies would increase revenues by 5.4%. In the opinion of management, a substantial portion of this fluctuation would be offset by cost of goods sold and operating expenses incurred in local currency.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data appear in a separate section of this report following Part IV. We provide details of our valuation and qualifying accounts in "Note 17—Supplementary Financial Information" to the Consolidated Financial Statements. All schedules have been omitted since the information required to be submitted has been included on the Consolidated Financial Statements or notes thereto or has been omitted as not applicable or not required.

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

None.

Item 9A. Controls and Procedures

Definition and Limitations of Disclosure Controls and Procedures

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

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures at March 31, 2014, the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer concluded that, at March 31, 2014, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized, and reported on a timely basis, and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of March 31, 2014.

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

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2014, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the sections entitled "Proposal 1—Election of Directors" and "Executive Compensation—Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement (the "Proxy Statement") for the Annual Meeting of Stockholders to be held in 2014. The Company intends to file the Proxy Statement within 120 days after the end of the fiscal year (i.e. on or before July 29, 2014). The Company's Code of Business Conduct and Ethics applicable to its directors and all employees, including senior financial officers, is available on the Company's website at *www.take2games.com*. If the Company makes any amendment to its Code of Business Conduct and Ethics that is required to be disclosed pursuant to the Exchange Act, the Company will make such disclosures on its website.

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accounting Fees and Services

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

PART IV

Item 15. Exhibits, Financial Statement Schedules

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

(i) Financial Statements. See Index to Financial Statements on page 65 of this Report.

(ii) Financial Statement Schedule. See Note 17 to the Consolidated Financial Statements.

(iii) Index to Exhibits:

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
3.1	Restated Certificate of Incorporation	10-K	2/12/2004	3.1	
3.1.1	Certificate of Amendment of Restated Certificate of Incorporation, dated April 30, 1998	10-K	2/12/2004	3.1.2	
3.1.2	Certificate of Amendment of Restated Certificate of Incorporation, dated November 17, 2003	10-K	2/12/2004	3.1.3	
3.1.3	Certificate of Amendment of Restated Certificate of Incorporation, dated April 23, 2009.	8-K	4/23/2009	3.1	
3.1.4	Certificate of Amendment of Restated Certificate of Incorporation, dated September 21, 2012	8-K	8/24/2012	3.1	
3.2	Certificate of Designation of Series A Preferred Stock, dated March 11, 1998	10-K	2/12/2004	3.1.1	
3.3	Certificate of Designation of Series B Preferred Stock, dated March 24, 2008	8-K	3/26/2008	3.2	
3.4	Amended and Restated Bylaws of the Company	8-K	2/24/2010	3.1	
3.5	Amendment to Amended and Restated Bylaws of the Company	8-K	11/18/2010	3(ii)	
4.1	Indenture, dated as of November 16, 2011, by and between the Company and The Bank of New York Mellon, as Trustee, relating to 1.75% Convertible Notes	8-K	11/18/2011	4.1	
4.2	Form of 1.75% Convertible Note (included in Exhibit 4.1)	8-K	11/18/2011	4.1	
4.3	Indenture, dated as of June 18, 2013, by and between the Company and The Bank of New York Mellon, as Trustee	8-K	6/18/2013	4.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
4.4	Supplemental Indenture, dated as of June 18, 2013, between the Company and The Bank of New York Mellon, as Trustee, to Indenture, dated as of June 18, 2013, between the Company and The Bank of New York Mellon, as Trustee	8-K	6/18/2013	4.2	
4.5	Form of Global Note (included in Exhibit 4.4)	8-K	6/18/2013	4.2	
10.1	Take-Two Interactive Software, Inc. Change in Control Employee Severance Plan+	8-K	3/7/2008	10.1	
10.2	Amended and Restated Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan+	14A	7/29/2013	Annex A	
10.3	Form of Employee Restricted Stock Agreement+	10-Q	6/5/2009	10.2	
10.4	Form of Non-Employee Director Restricted Stock Agreement+	10-Q	6/5/2009	10.3	
10.5	Form of Employee Restricted Unit Agreement+	10-Q	8/1/2012	10.1	
10.6	Form of Employee Restricted Unit Agreement+	10-Q	10/30/2013	10.1	
10.7	Form of Employee Restricted Unit Agreement+	10-Q	10/30/2013	10.2	
10.8	Form of Employee Restricted Unit Agreement+	10-Q	10/30/2013	10.3	
10.9	Form of Employee Restricted Unit Agreement+	10-Q	10/30/2013	10.4	
10.10	Form of Employee Restricted Unit Agreement+	10-Q	10/30/2013	10.5	
10.11	Employment Agreement, dated June 4, 2010, between the Company and Seth Krauss+	10-Q	6/9/2010	10.2	
10.12	Amendment to Employment Agreement, dated October 25, 2010, between the Company and Seth Krauss+	8-K	10/25/2010	10.2	
10.13	Second Amendment to Employment Agreement, dated September 14, 2012, between the Company and Seth Krauss+	10-Q	10/31/2012	10.3	
10.14	Employment Agreement, dated May 12, 2010, between the Company and Lainie Goldstein+	8-K	5/14/2010	10.1	
10.15	Amendment to Employment Agreement, dated October 25, 2010, between the Company and Lainie Goldstein+	8-K	10/25/2010	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
10.16	Second Amendment to Employment Agreement, dated August 27, 2012, between the Company and Lainie Goldstein+	10-Q	10/31/2012	10.6	
10.17	Employment Agreement, dated February 14, 2008, by and between the Company and Karl Slatoff+	8-K	2/15/2008	10.3	
10.18	Management Agreement between the Company and ZelnickMedia Corporation dated March 30, 2007+	8-K	4/4/2007	99.1	
10.19	Amendment dated July 26, 2007 to the Management Agreement dated March 30, 2007 between the Company and ZelnickMedia Corporation+	8-K	7/27/2007	99.1	
10.20	Second Amendment, dated February 14, 2008, to the Management Agreement dated March 30, 2007 between the Company and ZelnickMedia Corporation+	8-K	2/15/2008	10.1	
10.21	Management Agreement, dated as of May 20, 2011, by and between Take-Two Interactive Software, Inc. and ZelnickMedia Corporation+	8-K	5/24/2011	10.1	
10.22	Amendment to Non-Qualified Stock Option Agreement with ZelnickMedia Corporation, dated as of November 18, 2013+	8-K	11/18/2013	10.1	
10.23	Management Agreement, dated as of March 10, 2014, by and between the Company and ZelnickMedia Corporation.+	8-K	3/10/2014	10.1	
10.24	Security Agreement dated as of July 3, 2007, made by each of the Grantors listed on the signature pages thereof and Wells Fargo Foothill, Inc. in its capacity as administrative agent for the Lender Group and the Bank Product Providers	8-K	7/9/2007	10.2	
10.25	Supplement to Security Agreement dated as of November 16, 2007, made by each of the grantors listed on the signature pages thereof and Wells Fargo Foothill, Inc. in its capacity as administrative agent for the Lender Group and the Bank Product Providers	8-K	11/20/2007	99.2	

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date	Exhibit	Filed Herewith
10.26	Second Amended and Restated Credit Agreement, dated as of October 17, 2011, by and among the Company, each of its Subsidiaries identified on the signature pages thereto as Borrowers, each of its Subsidiaries identified on the signature pages thereto as Guarantors, the lender parties thereto, and Wells Fargo Capital Finance, Inc., as administrative agent	8-K	10/17/2011	10.1	
10.27	First Amendment to Second Amended and Restated Credit Agreement, dated June 12, 2013				X
10.28	Second Amendment to Second Amended and Restated Credit Agreement, dated April 28, 2014				X
10.29	Xbox 360 Publisher License Agreement dated November 17, 2006, between Microsoft Licensing, GP and the Company*	10-Q	11/8/2011	10.3	
10.30	Amendment to Xbox 360 Publisher License Agreement, dated December 4, 2008, between Microsoft Licensing, GP and the Company*	10-Q	6/5/2009	10.1	
10.31	Amendment to the Xbox 360 Publisher License Agreement, dated November 22, 2011, between the Company and Microsoft Licensing, GP*	10-Q	2/3/2012	10.1	
10.32	Amendment to the Xbox 360 Publisher License Agreement, dated December 11, 2012, between the Company and Microsoft Licensing, GP*	10-Q	2/6/2013	10.2	
10.33	Amendment to the Xbox 360 Publisher License Agreement, dated November 13, 2013, between the Company and Microsoft Licensing, GP.*	10-Q	2/4/2014	10.2	
10.34	Xbox One Publisher License Agreement dated October 31, 2013, between Microsoft Licensing, GP and the Company*	10-Q	2/4/2014	10.1	
10.35	Global Playstation 3 Format Licensed Publisher Agreement, dated May 18, 2010, between Take-Two International S.A. and Sony Computer Entertainment Europe Limited*	10-Q	11/8/2011	10.2	
10.36	Global Playstation 3 Format Licensed Publisher Agreement, dated May 20, 2010, between the Company and Sony Computer Entertainment America LLC*	10-Q	11/8/2011	10.1	

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit	
10.37	Lease Agreement between the Company and Moklam Enterprises, Inc. dated July 1, 2002	10-Q	9/16/2002	10.2	
10.38	Sixth Lease Modification Agreement, dated January 18, 2012, between the Company and Moklam Enterprises, Inc.	10-K	5/23/2012	10.45	
10.39	Seventh Lease Modification Agreement, dated April 8, 2014, between the Company and Moklam Enterprises, Inc.				X
10.40	Purchase Agreement, dated November 26, 2013, by and among the Company and the Icahn Group.	8-K	11/27/14	10.1	
21.1	Subsidiaries of the Company				X
23.1	Consent of Ernst & Young LLP				X
31.1	Chief Executive Officer Certification Pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Chief Financial Officer Certification Pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Calculation Linkbase Document.				X
101.LAB	XBRL Taxonomy Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Presentation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Document.				X

+ Represents a management contract or compensatory plan or arrangement.

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

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at March 31, 2014 and 2013, (ii) Consolidated Statements of Operations for the fiscal years ended March 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended March 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2014, 2013 and 2012, (v) Consolidated Statements of Stockholders' Equity for the fiscal years ended March 31, 2014, 2013 and 2012; and (vi) Notes to the Consolidated Financial Statements.

TAKE-TWO INTERACTIVE SOFTWARE, INC.
FISCAL YEAR ENDED MARCH 31, 2014

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(All other items in this report are inapplicable)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Take-Two Interactive Software, Inc. as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for each of the three years in the period ended March 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Take-Two Interactive Software, Inc. at March 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Take-Two Interactive Software, Inc.'s internal control over financial reporting as of March 31, 2014, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated May 13, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

May 13, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Take-Two Interactive Software, Inc.'s internal control over financial reporting as of March 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Take-Two Interactive Software, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Take-Two Interactive Software, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Take-Two Interactive Software, Inc. as of March 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for each of the three years in the period ended March 31, 2014 of Take-Two Interactive Software, Inc. and our report dated May 13, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York

May 13, 2014

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

	March 31, 2014	March 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 935,400**	$ 402,502
Restricted cash	**193,839**	7,489
Accounts receivable, net of allowances of $75,518 and $64,081 at March 31, 2014 and 2013, respectively	**53,143**	189,596
Inventory	**29,780**	30,218
Software development costs and licenses	**116,203**	198,955
Prepaid expenses and other	**71,075**	37,392
Total current assets	**1,399,440**	866,152
Fixed assets, net	**42,572**	25,362
Software development costs and licenses, net of current portion	**109,506**	95,241
Goodwill	**226,705**	225,992
Other intangibles, net	**5,113**	8,827
Other assets	**16,294**	56,265
Total assets	**$1,799,630**	$1,277,839
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 16,452**	$ 79,932
Accrued expenses and other current liabilities	**396,617**	228,916
Deferred revenue	**61,195**	26,919
Liabilities of discontinued operations	**556**	1,232
Total current liabilities	**474,820**	336,999
Long-term debt	**454,031**	335,202
Other long-term liabilities	**68,973**	17,087
Liabilities of discontinued operations, net of current portion	**—**	556
Total liabilities	**997,824**	689,844
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000 shares authorized	**—**	—
Common stock, $.01 par value, 200,000 shares authorized; 105,156 and 93,743 shares issued and 88,918 and 93,743 outstanding at March 31, 2014 and 2013, respectively	**1,052**	937
Additional paid-in capital	**954,699**	832,460
Treasury stock, at cost (16,238 common shares at March 31, 2014)	**(276,836)**	—
Retained earnings (accumulated deficit)	**120,775**	(240,830)
Accumulated other comprehensive income (loss)	**2,116**	(4,572)
Total stockholders' equity	**801,806**	587,995
Total liabilities and stockholders' equity	**$1,799,630**	$1,277,839

See accompanying Notes.

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Net revenue	**$2,350,568**	$1,214,483	$ 825,823
Cost of goods sold	**1,414,327**	715,837	528,855
Gross profit	**936,241**	498,646	296,968
Selling and marketing	**240,996**	257,329	183,749
General and administrative	**161,374**	147,260	121,200
Research and development	**105,256**	78,184	64,162
Depreciation and amortization	**13,359**	10,634	12,123
Total operating expenses	**520,985**	493,407	381,234
Income (loss) from operations	**415,256**	5,239	(84,266)
Interest and other, net	**(33,553)**	(31,351)	(19,571)
Loss on extinguishment of debt	**(9,014)**	—	—
Gain on convertible note hedge and warrants, net	**3,461**	—	—
Income (loss) from continuing operations before income taxes	**376,150**	(26,112)	(103,837)
Provision for income taxes	**14,459**	5,050	3,863
Income (loss) from continuing operations	**361,691**	(31,162)	(107,700)
(Loss) income from discontinued operations, net of taxes	**(86)**	1,671	(1,116)
Net income (loss)	**$ 361,605**	$ (29,491)	$(108,816)
Earnings (loss) per share:			
Continuing operations	**$ 3.79**	$ (0.36)	$ (1.30)
Discontinued operations	**—**	0.02	(0.01)
Basic earnings (loss) per share	**$ 3.79**	$ (0.34)	$ (1.31)
Continuing operations	**$ 3.20**	$ (0.36)	$ (1.30)
Discontinued operations	**—**	0.02	(0.01)
Diluted earnings (loss) per share	**$ 3.20**	$ (0.34)	$ (1.31)

See accompanying Notes.

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Net income (loss)	**$361,605**	$(29,491)	$(108,816)
Other comprehensive income (loss):			
Foreign currency translation adjustment	**6,447**	(11,590)	(3,785)
Change in unrealized gains on cash flow hedges, net	**241**	285	59
Other comprehensive income (loss)	**6,688**	(11,305)	(3,726)
Comprehensive income (loss)	**$368,293**	$(40,796)	$(112,542)

See accompanying Notes.

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Operating activities:			
Net income (loss)	**$ 361,605**	$ (29,491)	$(108,816)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization and impairment of software development costs and licenses	**265,533**	230,748	150,700
Depreciation and amortization	**13,359**	10,634	12,123
Loss (income) from discontinued operations	**86**	(1,671)	1,116
Amortization and impairment of intellectual property	**3,558**	7,000	983
Stock-based compensation	**78,118**	35,765	33,494
Gain on sale of intellectual property	**—**	—	(2,200)
Deferred income taxes	**(19,036)**	(841)	1,878
Amortization of discount on Convertible Notes	**22,801**	18,862	11,728
Amortization of debt issuance costs	**1,947**	2,021	1,527
Loss on extinguishment of debt	**9,014**	—	—
Gain on convertible note hedge and warrants, net	**(3,461)**	—	—
Other, net	**(208)**	778	1,231
Changes in assets and liabilities:			
Restricted cash	**(186,350)**	8,975	3,627
Accounts receivable	**136,453**	(144,561)	39,182
Inventory	**438**	(7,741)	2,101
Software development costs and licenses	**(192,357)**	(216,893)	(191,223)
Prepaid expenses, other current and other non-current assets	**(18,424)**	(14,669)	(1,090)
Deferred revenue	**34,276**	13,055	430
Accounts payable, accrued expenses and other liabilities	**194,228**	83,734	(39,748)
Net cash used in discontinued operations	**(1,318)**	(272)	(2,007)
Net cash provided by (used in) operating activities	**700,262**	(4,567)	(84,964)
Investing activities:			
Purchase of fixed assets	**(29,813)**	(16,820)	(10,786)
Net cash used in discontinued operations	**—**	—	(1,475)
Cash received from sale of intellectual property	**—**	—	2,200
Payments in connection with business combinations, net of cash acquired	**(1,000)**	—	(4,101)
Net cash used in investing activities	**(30,813)**	(16,820)	(14,162)
Financing activities:			
Proceeds from exercise of employee stock options	**—**	—	239
Repurchase of common stock	**(276,836)**	—	—
Proceeds from issuance of Convertible Notes	**283,188**	—	250,000
Payment for extinguishment of 4.375% Convertible Notes	**(165,999)**	—	—
Proceeds from termination of convertible note hedge transactions	**84,429**	—	—
Payment for termination of convertible note warrant transactions	**(55,651)**	—	—
Payment of debt issuance costs	**(2,815)**	—	(6,875)
Net cash (used in) provided by financing activities	**(133,684)**	—	243,364
Effects of foreign currency exchange rates on cash and cash equivalents	**(2,867)**	3,610	(4,318)
Net increase (decrease) in cash and cash equivalents	**532,898**	(17,777)	139,920
Cash and cash equivalents, beginning of year	**402,502**	420,279	280,359
Cash and cash equivalents, end of year	**$ 935,400**	$ 402,502	$ 420,279
Supplemental data:			
Interest paid	**$ 9,095**	$ 11,230	$ 6,992
Income taxes paid	**$ 10,025**	$ 4,702	$ 1,018

See accompanying Notes.

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

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance, March 31, 2011	86,119	$ 861	$706,482	—	$ —	$(102,523)	$ 10,459	$ 615,279
Net loss						(108,816)		(108,816)
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	(3,785)	(3,785)
Proceeds from exercise of stock options	21	1	238	—	—	—	—	239
Change in unrealized gains on derivative instruments, net	—	—	—	—	—	—	59	59
Stock-based compensation	—	—	39,571	—	—	—	—	39,571
Issuance of 1.75% Convertible Notes	—	—	51,180	—	—	—	—	51,180
Issuance of restricted stock, net of forfeitures and cancellations	3,947	39	(39)	—	—	—	—	—
Issuance of common stock in connection with acquisition	128	1	1,999	—	—	—	—	2,000
Balance, March 31, 2012	90,215	902	799,431	—	—	(211,339)	6,733	595,727
Net loss						(29,491)		(29,491)
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	(11,590)	(11,590)
Change in unrealized gains on derivative instruments, net	—	—	—	—	—	—	285	285
Stock-based compensation	—	—	32,664	—	—	—	—	32,664
Issuance of restricted stock, net of forfeitures and cancellations	3,497	35	(35)	—	—	—	—	—
Issuance of common stock in connection with acquisition	31	—	400	—	—	—	—	400
Balance, March 31, 2013	93,743	937	832,460	—	—	(240,830)	(4,572)	587,995
Net income						361,605		361,605
Change in cumulative foreign currency translation adjustment	—	—	—	—	—	—	6,447	6,447
Change in unrealized gains on derivative instruments, net	—	—	—	—	—	—	241	241
Exercise of stock options	557	6	(6)	—	—	—	—	—
Stock-based compensation	—	—	80,285	—	—	—	—	80,285
Tax benefit associated with stock awards	—	—	7,416	—	—	—	—	7,416
Issuance of 1.00% Convertible Notes	—	—	35,784	—	—	—	—	35,784
Extinguishment of 4.375% Convertible Notes	3,217	32	(26,480)	—	—	—	—	(26,448)
Termination of convertible note hedge transactions	—	—	67,170	—	—	—	—	67,170
Termination of convertible note warrant transactions	—	—	(41,853)	—	—	—	—	(41,853)
Issuance of restricted stock, net of forfeitures and cancellations	7,639	77	(77)	—	—	—	—	—
Repurchased common stock	—	—	—	(16,238)	(276,836)	—	—	(276,836)
Balance, March 31, 2014	**105,156**	**$1,052**	**$954,699**	**(16,238)**	**$(276,836)**	**$ 120,775**	**$ 2,116**	**$ 801,806**

See accompanying Notes.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

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

Reclassifications

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

Discontinued Operations

In February 2010, we completed the sale to SYNNEX Corporation ("Synnex") of our Jack of All Games third-party distribution business, which primarily distributed third-party interactive entertainment software, hardware and accessories in North America. The financial results of our distribution business have been classified as discontinued operations in the Consolidated Statements of Operations for all of the periods presented. The liabilities of this business are reflected as liabilities of discontinued operations in the Consolidated Balance Sheets for all periods presented. See Note 2 for additional information regarding discontinued operations. Unless otherwise noted, amounts and disclosures throughout the Notes to Consolidated Financial Statements relate to the Company's continuing operations.

Use of Estimates

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

Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, approximate fair value because of their short maturities. We consider all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Our restricted cash balance is primarily related to a dedicated account limited to the payment of certain royalty obligations.

As of March 31, 2014, the estimated fair value of the Company's 1.75% Convertible Notes due 2016 and the Company's 1.00% Convertible Notes due 2018 was $328,825 and $352,763, respectively. See Note 10 for additional information regarding our Convertible Notes. The fair value was determined using observable market data for the Convertible Notes and its embedded option feature.

We transact business in various foreign currencies and have significant sales and purchase transactions denominated in foreign currencies, subjecting us to foreign currency exchange rate risk. From time to time, we use hedging programs in an effort to mitigate the effect of currency exchange rate movements.

Cash Flow Hedging Activities

We use foreign currency forward contracts to mitigate foreign currency exchange rate risk associated with forecasted transactions involving non-functional currency denominated expenditures. These transactions, which are designated and qualify as cash flow hedges, are accounted for as derivatives whereby the fair value of the contracts is reported as either assets or liabilities on our Consolidated Balance Sheets. The effective portion of gains or losses resulting from changes in the fair value of these hedges is initially reported, net of tax, as a component of accumulated other comprehensive income (loss) in stockholders' equity. The gross amount of the effective portion of gains or losses resulting from changes in the fair value of these hedges is subsequently reclassified into cost of goods sold or research and development expenses, as appropriate, in the period when the forecasted transaction is recognized in our Consolidated Statements of Operations. In the event that the gains or losses in accumulated other comprehensive income (loss) are deemed to be ineffective, the ineffective portion of gains or losses resulting from changes in fair value, if any, is reclassified to interest and other, net, in our Consolidated Statements of Operations. In the event that the underlying forecasted transactions do not occur, or it becomes probable that they will not occur, within the defined hedge period, the gains or losses on the related cash flow hedges are reclassified from accumulated other comprehensive income (loss) to interest and other, net, in our Consolidated Statements of Operations. During the reporting periods presented, all forecasted transactions occurred, and therefore, there were no such gains or losses reclassified into interest and other, net. We do not enter into derivative financial contracts for speculative or trading purposes. At March 31, 2014 and 2013, we had $890 and $7,906, respectively, of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. As of March 31, 2014 and 2013, the fair value of these outstanding forward contracts was immaterial and is included in prepaid expenses and other. The fair value of these outstanding forward contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

Balance Sheet Hedging Activities

We use foreign currency forward contracts to mitigate foreign currency exchange rate risk associated with non-functional currency denominated cash balances and inter-company funding loans, non-functional currency denominated accounts receivable and non-functional currency denominated accounts payable. These transactions are not designated as hedging instruments and are accounted for as derivatives whereby the fair value of the contracts is reported as either assets or liabilities on our Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in interest and other, net, in our Consolidated Statements of Operations. We do not enter into derivative financial contracts for speculative or trading purposes. At March 31, 2014, we had $68,520 of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. At March 31, 2013, we had $55,397 of forward contracts outstanding to sell foreign currencies in exchange for U.S. dollars all of which have maturities of less than one year. For the fiscal years ended March 31, 2014, 2013 and 2012, we recorded a loss of $18,425, gain of $2,163 and gain of $746, respectively, related to foreign currency forward contracts in interest and other, net on the Consolidated Statements of Operations. As of March 31, 2014 and 2013, the fair value of these outstanding forward contracts was immaterial and is included in prepaid expenses and other at March 31, 2014 and accrued expenses and other current liabilities at March 31, 2013. The fair value of these outstanding forward contracts is estimated based on the prevailing exchange rates of the various hedged currencies as of the end of the period.

Concentration of Credit Risk and Accounts Receivable

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

If the financial condition and operations of our customers deteriorate, our risk of collection could increase substantially. A majority of our trade receivables are derived from sales to major retailers and distributors. Our five largest customers accounted for 39.4%, 52.5%, and 43.9% of net revenue during the fiscal years ended March 31, 2014, 2013 and 2012, respectively. As of March 31, 2014 and 2013, five customers accounted for 68.3% and 57.2% of our gross accounts receivable, respectively. Customers that individually accounted for more than 10% of our gross accounts receivable balance comprised 59.8% and 30.5% of such balances at March 31, 2014 and 2013, respectively. Based upon performing ongoing credit evaluations, maintaining trade credit insurance on a majority of our customers and our past collection experience, we believe that the receivable balances from these largest customers do not represent a significant credit risk.

Inventory

Inventory consists of materials, including manufacturing royalties paid to console manufacturers, and is stated at the lower of average cost or market. Estimated product returns are included in the inventory balance at their cost. We regularly review inventory quantities on-hand and in the retail channels and record an inventory provision for excess or obsolete inventory based on the future expected demand for our products. Significant changes in demand for our products would affect management's estimates in establishing our inventory provision.

Software Development Costs and Licenses

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

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

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

Licenses consist of payments and guarantees made to holders of intellectual property rights for use of their trademarks, copyrights or other intellectual property rights in the development of our products. Agreements with license holders generally provide for guaranteed minimum payments for use of their intellectual property. Guaranteed minimum payments are initially recorded as an asset (licenses) and as a liability (accrued licenses) upon execution of a licensing agreement, provided that no significant performance remains to be completed by the licensor. When significant performance remains to be completed by the licensor, we record payments when actually paid.

Certain licenses, especially those related to our sports products, extend over multi-year periods and encompass multiple game titles. In addition to guaranteed minimum payments, these licenses frequently contain provisions that could require us to pay royalties to the license holder based on pre-agreed unit sales thresholds.

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

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

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

Fixed Assets, net

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

Goodwill and Intangible Assets

Goodwill is the excess of purchase price paid over identified intangible and tangible net assets of acquired companies. Intangible assets consist of trademarks, intellectual property, non-compete agreements, customer lists and acquired technology. Certain intangible assets acquired in a business combination are recognized as assets apart from goodwill.

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

Identified intangibles other than goodwill are generally amortized using the straight-line method over the period of expected benefit ranging from two to ten years, except for intellectual property, which is a usage-based intangible asset that is amortized using the shorter of the useful life or expected revenue stream.

We perform an annual test for impairment of goodwill as of the beginning of August, or whenever events or changes in circumstances indicate the fair value of a reporting unit is below its carrying amount. In the evaluation of goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. If however it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not less than its carrying value, we perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value.

In performing the quantitative assessment we measure the fair value of the reporting unit using a combination of the income approach, which uses discounted cash flows, and the market approach, which uses market capitalization and comparable companies' data. Each step requires us to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions include long-term growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates based on our weighted average cost of capital, future economic and market conditions and the determination of appropriate market comparables. These estimates and assumptions have to be made for each reporting unit evaluated for impairment. Our estimates for market growth are based on historical data, various internal estimates and observable external sources when available, and are based on assumptions that are consistent with the plans and estimates we use to manage the underlying business. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is potentially impaired and we proceed to step two of the impairment analysis. In step two of the analysis, we will record an impairment loss equal to the excess of the carrying value of the reporting unit's goodwill over its implied fair value should such a circumstance arise.

Long-lived Assets

We review all long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We compare the carrying amount of the asset to the estimated undiscounted future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, we record an impairment charge for the difference between the carrying amount of the asset and its fair value. The estimated fair value is generally measured by discounting expected future cash flows using our incremental borrowing rate or fair value, if available.

Income Taxes

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

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

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

We recognize and measure uncertain tax positions and record tax benefits when it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Revenue Recognition

We earn our revenue from the sale of internally developed interactive software titles and from the sale of titles developed by and/or licensed from third-party developers.

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

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

For some of our software products, we enter into multiple element revenue arrangements in which we may provide a combination of full game software, additional add-on content, maintenance or support. When all other recognition criteria are met, for our software and software- related multiple element arrangements, we determine the fair value of each delivered and undelivered element using vendor-specific objective evidence ("VSOE") and allocate the total price among the various elements. Absent VSOE for each element, revenue is deferred until the earlier of the point at which VSOE of fair value exists for any undelivered element or until all elements of the arrangement have been delivered. For arrangements which require that revenue recognition is deferred, the cost of goods sold is deferred and recognized as the related net revenue is recognized. Deferred cost of goods sold includes product costs, software development costs and royalties and licenses. However, if the only undelivered element is maintenance and support, the entire arrangement fee is recognized ratably over the performance period. Changes in 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. We determine VSOE for each element based on historical stand-alone sales to third parties. In determining VSOE, we require that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range.

We establish whether our software products contain more-than-inconsequential online functionality by evaluating the significance of the development effort and the nature of the online features, the extent of anticipated marketing focus on the online features, the significance of the online features to the consumers' anticipated overall gameplay experience, and the significance of our post sale obligations to consumers. Determining whether the online functionality for a particular game constitutes more-than-an-inconsequential deliverable is subjective and requires management's judgment.

When software products provide online functionality that has a more-than-inconsequential separate service deliverable, we recognize the software-related revenues and the related cost of sales ratably over the estimated service period of the title (assuming all other recognition criteria are met). When our software products provide limited online functionality at no additional cost to the consumer, we generally consider such features to be incidental to the overall product offering and an inconsequential deliverable. Accordingly, we do not defer revenue related to products containing such online features.

Certain of our software products include in-game advertising for third-party products. Advance payments received for in-game advertising are reported on our Consolidated Balance Sheets as deferred revenue until we meet our performance obligations, at which point we recognize the revenue, which is generally at the time of the initial release of the product.

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

Allowances for Returns, Price Concessions and Other Allowances

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

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

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

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

Consideration Given to Customers and Received from Vendors

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

We receive various incentives from our manufacturers, including up-front cash payments as well as rebates based on a cumulative level of purchases. Such amounts are generally accounted for as a reduction in the price of the manufacturer's product and included as a reduction of inventory or cost of goods sold, based on (1) a ratio of current period revenue to the total revenue expected to be recorded over the remaining life of the product or (2) an agreed upon per unit rebate, based on actual units manufactured during the period.

Advertising

We expense advertising costs as incurred. Advertising expense for the fiscal years ended March 31, 2014, 2013 and 2012 amounted to $153,732, $185,162 and $122,932, respectively, and are included in "Selling and marketing expense" in the Consolidated Statements of Operations.

Earnings (Loss) per Share ("EPS")

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

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Computation of Basic EPS:			
Net income (loss)	**$361,605**	$(29,491)	$(108,816)
Less: net income allocated to participating securities	**(41,065)**	—	—
Net income (loss) for basic EPS calculation	**$320,540**	$(29,491)	$(108,816)
Total weighted average shares outstanding—basic	**95,347**	85,581	83,356
Less: weighted average participating securities outstanding	**(10,828)**	—	—
Weighted average common shares outstanding—basic	**84,519**	85,581	83,356
Basic EPS	**$ 3.79**	$ (0.34)	$ (1.31)
Computation of Diluted EPS:			
Net income (loss)	**$361,605**	$(29,491)	$(108,816)
Less: net income allocated to participating securities	**(31,397)**	—	—
Add: interest expense, net of tax, on Convertible Notes	**33,718**	—	—
Net income (loss) for diluted EPS calculation	**$363,926**	$(29,491)	$(108,816)
Weighted average shares outstanding—basic	**84,519**	85,581	83,356
Add: dilutive effect of common stock equivalents	**29,363**	—	—
Weighted average common shares outstanding—diluted	**113,882**	85,581	83,356
Diluted EPS	**$ 3.20**	$ (0.34)	$ (1.31)

The Company incurred a net loss for the fiscal years ended March 31, 2013 and 2012; therefore, the basic and diluted weighted average shares outstanding exclude the effect of unvested share-based awards that are considered participating securities and all common stock equivalents because their effect would be antidilutive.

Our unvested restricted stock awards (including restricted stock units, time-based and market-based restricted stock awards) are considered participating securities since these securities have non-forfeitable rights to dividends or dividend equivalents during the contractual period of the award, and thus require the two-class method of computing EPS. The calculation of EPS for common stock shown above excludes the income attributable to the unvested restricted stock awards from the numerator and excludes the dilutive effect of those awards from the denominator. For the fiscal years ended March 31, 2013 and 2012, we had 7,357,000 and 5,724,000, respectively, of unvested share-based awards that are considered participating securities which are excluded due to the net loss for those periods.

The Company defines common stock equivalents as unexercised stock options, common stock equivalents underlying the Convertible Notes (see Note 10) and warrants outstanding during the period. Common stock equivalents are measured using the treasury stock method, except for the Convertible Notes, which are assessed for their effect on diluted EPS using the more dilutive of the treasury stock method or the if-converted method. Under the provisions of the if-converted method, the Convertible Notes are assumed to be converted and included in the denominator of the EPS calculation and the interest expense, net of tax, recorded in connection with the Convertible Notes is added back to the numerator.

In connection with the issuance of our 4.375% Convertible Notes in June 2009, the Company purchased convertible note hedges (see Note 10) which were excluded from the calculation of diluted EPS because their effect is always considered antidilutive since the call option would be exercised by the Company when the exercise price is lower than the market price. Also in connection with the issuance of our 4.375%

Convertible Notes, the Company entered into warrant transactions (see Note 10). On June 12, 2013, the Company entered into Unwind Agreements with respect to the convertible note hedge transactions and Unwind Agreements with respect to the warrant transactions with each of the hedge counterparties (see Note 10).

Other common stock equivalents excluded from the diluted EPS calculation were unexercised stock option awards of approximately 2,009,000 and 2,164,000 for the fiscal years ended March 31, 2013 and 2012 due to the net loss for those periods.

Stock-based Compensation

We have issued stock-based compensation to employees and non-employee consultants, such as ZelnickMedia Corporation.

We value time-based restricted stock awards to employees using our closing stock price on the date of grant. Time-based restricted stock awards are amortized and recorded as expense on a straight-line basis over their expected vesting period, which is typically three years, and reduced for estimated forfeitures. We apply variable accounting to our non-employee time-based restricted stock awards, whereby we remeasure the value of such awards at each balance sheet date and adjust the value of the awards based on the closing price of our common stock at the end of the reporting period. Changes in the value of the awards from period to period are recorded as stock- based compensation expense over the vesting period, which typically ranges from three to four years.

Estimated forfeitures are adjusted, if necessary, in subsequent periods if actual forfeitures differ from our estimates.

Market-based restricted stock awards are typically awarded to executives and non-employee consultants. We estimate the fair value of market-based awards using the Monte Carlo Simulation method which takes into account the probability that the market conditions of the awards will be achieved. We apply variable accounting to our non-employee market-based awards. We have granted market-based awards that vest based on a variety of conditions. Our employee and non-employee market-based awards are amortized over their estimated derived service period, which typically ranges from three to four years.

See Note 13 for a full discussion of our stock-based compensation arrangements.

Foreign Currency

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

Comprehensive Income (Loss)

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

Recently Issued Accounting Pronouncements

Reclassification of Accumulated Other Comprehensive Income

In February 2013, new guidance was issued requiring new disclosures about reclassifications from accumulated other comprehensive income to net income. This new guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This new guidance became effective prospectively for annual and interim periods beginning after December 15, 2012 (April 1, 2013 for the Company). Since there were no reclassifications during the year ending March 31, 2014, the adoption of this new guidance did not have an effect on our Consolidated Financial Statements.

Presentation of Unrecognized Tax Benefits

In July 2013, new guidance was issued requiring that entities that have an unrecognized tax benefit and a net operating loss carryforward or similar tax loss or tax credit carryforward in the same jurisdiction as the uncertain tax position present the unrecognized tax benefit as a reduction of the deferred tax asset for the loss or tax credit carryforward rather than as a liability when the uncertain tax position would reduce the loss or tax credit carryforward under the tax law. The disclosure requirements will be effective for annual periods (and interim periods within those annual periods) beginning after December 15, 2013 (April 1, 2014 for the Company), and will require prospective application. While early adoption is permitted, we will adopt the guidance beginning April 1, 2014. The adoption is not expected to have a material effect on our Consolidated Financial Statements.

2. DISCONTINUED OPERATIONS

In February 2010, we completed the sale of our Jack of All Games third-party distribution business, which primarily distributed third-party interactive entertainment software, hardware and accessories in North America, for approximately $44,000, including $37,250 in cash, subject to purchase price adjustments, and up to an additional $6,750, subject to the achievement of certain items, which were not met. In April 2011, we settled on the purchase adjustments and as a result the purchase price was lowered by $1,475. Consequently, the net purchase price after the settlement was $35,775. The sale has allowed us to focus our resources on our publishing operations. The financial information of our distribution business has been classified as discontinued operations in the Consolidated Financial Statements for all of the periods presented.

The following is a summary of the results of the discontinued operations:

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
(Loss) income before income taxes	**$(86)**	$ 355	$(1,116)
Gain on sale	**—**	1,316	—
Net (loss) income	**$(86)**	$1,671	$(1,116)

The following is a summary of the liabilities of discontinued operations primarily related to a liability for a lease assumption without economic benefit less estimates of sublease income. The lease matures on September 30, 2014.

	March 31, 2014	March 31, 2013
Liabilities of discontinued operations:		
Current:		
Accrued expenses and other current liabilities	**$556**	$1,232
Total current liabilities	**556**	1,232
Other non-current liabilities	**—**	556
Total liabilities of discontinued operations	**$556**	**$1,788**

3. MANAGEMENT AGREEMENT

In March 2007, we entered into a management services agreement (as amended, the "Management Agreement") with ZelnickMedia Corporation ("ZelnickMedia"), whereby ZelnickMedia provides us with certain management, consulting and executive level services. In May 2011, we entered into an amended management agreement (the "2011 Management Agreement") with ZelnickMedia pursuant to which ZelnickMedia will continue to provide management, consulting and executive level services to the Company through May 2015. As part of the 2011 Management Agreement, Strauss Zelnick, the President of ZelnickMedia, continues to serve as Executive Chairman and Chief Executive Officer and Karl Slatoff, a partner of ZelnickMedia, serves as President. In September 2011, the 2011 Management Agreement, which upon effectiveness, superseded and replaced the Management Agreement was approved by the Company's stockholders at the Company's 2011 Annual Meeting. The 2011 Management Agreement provides for the annual management fee to remain at $2,500, subject to annual increases in the amount of 3% over the term of the agreement, and the maximum annual bonus was increased to $3,500 from $2,500, subject to annual increases in the amount of 3% over the term of the agreement, based on the Company achieving certain performance thresholds. In consideration for ZelnickMedia's services, we recorded consulting expense (a component of general and administrative expenses) of $6,365, $6,180 and $2,500 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

In March 2014, we entered into a Management Agreement, (the "New Management Agreement"), with ZelnickMedia pursuant to which ZelnickMedia will continue to provide management, consulting and executive level services to the Company through March 13, 2019. As part of the New Management Agreement, Strauss Zelnick will continue to serve as Executive Chairman and Chief Executive Officer and Karl Slatoff will continue to serve as President of the Company. The New Management Agreement, which became effective April 1, 2014 will supersede and replace the 2011 Management Agreement. The New Management Agreement provides for an annual management fee of $2,970 which will not be increased or decreased over the term of the agreement, and a maximum annual bonus of $4,752 which will not be increased or decreased over the term of the agreement, based on the Company achieving certain performance thresholds. In connection with the New Management Agreement, on April 1, 2014 the Company granted ZelnickMedia 619,490 restricted units that are eligible to vest on April 1, 2016, subject to adjustment, forfeiture and the other terms and conditions of the New Management Agreement and the related restricted unit agreement.

Pursuant to the Management Agreement and 2011 Management Agreement, we also issued stock-based awards to ZelnickMedia. See Note 13 for a discussion of such awards.

4. FAIR VALUE MEASUREMENTS

We follow a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of "observable inputs" and minimize the use of "unobservable inputs." The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

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

	March 31, 2014	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Balance Sheet Classification
Money market funds	$683,087	$683,087	$—	$—	Cash and cash equivalents
Bank-time deposits	$ 88,525	$ 88,525	$—	$—	Cash and cash equivalents

5. INVENTORY

Inventory balances by category are as follows:

	March 31,	
	2014	**2013**
Finished products	**$28,418**	$28,026
Parts and supplies	**1,362**	2,192
Inventory	**$29,780**	$30,218

Estimated product returns included in inventory at March 31, 2014 and 2013 were $578 and $1,505, respectively.

6. SOFTWARE DEVELOPMENT COSTS AND LICENSES

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

	March 31, 2014		March 31, 2013	
	Current	Non-current	Current	Non-current
Software development costs, internally developed	**$ 53,041**	**$ 60,196**	$178,297	$38,592
Software development costs, externally developed	**51,643**	**49,310**	10,469	53,649
Licenses	**11,519**	**—**	10,189	3,000
Software development costs and licenses	**$116,203**	**$109,506**	$198,955	$95,241

Software development costs and licenses as of March 31, 2014 and 2013 included $211,302 and $270,488, respectively, related to titles that have not been released.

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Amortization of software development costs and licenses	**$236,759**	$231,423	$144,385
Impairment of software development costs and licenses	**52,863**	9,385	11,459
Less: Portion representing stock-based compensation	**(24,089)**	(10,060)	(5,144)
Amortization and impairment, net of stock-based compensation	**$265,533**	$230,748	$150,700

7. FIXED ASSETS, NET

Fixed asset balances by category are as follows:

	March 31,	
	2014	**2013**
Computer equipment	**$ 55,751**	$ 36,152
Computer software	**38,111**	31,466
Leasehold improvements	**33,968**	31,339
Office equipment	**5,672**	5,819
Furniture and fixtures	**5,865**	5,334
	139,367	110,110
Less: accumulated depreciation	**96,795**	84,748
Fixed assets, net	**$ 42,572**	$ 25,362

Depreciation expense related to fixed assets for the fiscal years ended March 31, 2014, 2013 and 2012 was $13,203, $10,200 and $11,467, respectively.

8. GOODWILL AND INTANGIBLE ASSETS, NET

We perform an annual test for impairment of goodwill as of the beginning of August or whenever events or changes in circumstances indicate the fair value of a reporting unit is below its carrying amount. In the evaluation of goodwill for impairment, we first perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. If however it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not less than its carrying value, we must then perform a quantitative assessment and compare the fair value of the reporting unit to the carrying value. The first step of the quantitative assessment measures 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. Prior to the sale of our Jack of All Games third-party distribution business, which closed in February 2010 (see Note 2), we managed our business primarily based on our publishing and distribution businesses. Accordingly, after the sale of the assets of our distribution business, the Company operates as a single reporting unit.

In performing the quantitative assessment we measure the fair value of the reporting unit using a combination of the income approach, which uses discounted cash flows, and the market approach, which uses market capitalization and comparable companies' data. Each step requires us to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions include long-term growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates based on our weighted average cost of capital, future economic and market conditions and the determination of appropriate market comparables. Our estimates for market growth are based on historical data, various internal estimates and observable external sources when available, and are based on assumptions that are consistent with the plans and estimates we use to manage the underlying business.

For the fiscal years ended March 31, 2014, 2013 and 2012, we did not recognize an impairment loss on goodwill.

The change in our goodwill balance is as follows:

	Total
Balance at March 31, 2012	$228,169
Additions and adjustments	1,500
Currency translation adjustment	(3,677)
Balance at March 31, 2013	225,992
Additions and adjustments	—
Currency translation adjustment	**713**
Balance at March 31, 2014	**$226,705**

The following table sets forth the components of the intangible assets subject to amortization:

	Estimated Useful Lives (Years)	March 31, 2014			March 31, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intellectual property	2-6	**$26,949**	**$(21,836)**	**$5,113**	$26,949	$(18,718)	$8,231
Trademarks	7-10	**13,839**	**(13,839)**	**—**	13,838	(13,682)	156
Technology	3	**3,200**	**(3,200)**	**—**	3,200	(2,760)	440
Non-compete	5-10	**5,249**	**(5,249)**	**—**	5,160	(5,160)	—
		$49,237	**$(44,124)**	**$5,113**	$49,147	$(40,320)	$8,827

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

	Fiscal Year Ended March 31,		
	2014	2013	2012
Cost of goods sold	**$3,558**	$7,000	$ 983
Depreciation and amortization	**156**	434	656
Total amortization of intangible assets	**$3,714**	$7,434	$1,639

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

2015	$ 425
2016	79
2017	4,023
2018	561
2019	25
Total	$5,113

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

	March 31,	
	2014	**2013**
Software development royalties	**$258,129**	64,840
Compensation and benefits	**44,255**	33,564
Licenses	**16,917**	12,268
Marketing and promotions	**16,552**	21,601
Income tax payable and deferred tax liability	**15,362**	53,261
Professional fees	**8,781**	7,733
Rent and deferred rent obligations	**8,111**	8,456
Sales tax liability	**6,592**	3,950
Deferred consideration for acquisitions	**1,498**	2,498
Other	**20,420**	20,745
Accrued expenses and other current liabilities	**$396,617**	$228,916

10. LONG-TERM DEBT

Credit Agreement

In October 2011, we entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") which amended and restated our July 2007 Credit Agreement. The Credit Agreement provides for borrowings of up to $100,000 which may be increased by up to $40,000 pursuant to the terms of the Credit Agreement, and is secured by substantially all of our assets and the equity of our subsidiaries. The Credit Agreement expires on October 17, 2016. Revolving loans under the Credit Agreement bear interest at our election of (a) 1.50% to 2.00% above a certain base rate (4.75% at March 31, 2014), or (b) 2.50% to 3.00% above the LIBOR Rate (approximately 2.65% at March 31, 2014), with the margin rate subject to the achievement of certain average liquidity levels. We are also required to pay a monthly fee on the unused available balance, ranging from 0.375% to 0.50% based on availability. We had no outstanding borrowings at March 31, 2014 and 2013.

Availability under the Credit Agreement is restricted by our United States and United Kingdom based accounts receivable and inventory balances. The Credit Agreement also allows for the issuance of letters of credit in an aggregate amount of up to $25,000.

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

	March 31, 2014	**March 31, 2013**
Available borrowings	**$63,630**	$73,565
Outstanding letters of credit	**1,664**	1,664

We recorded interest expense and fees related to the Credit Agreement of $637, $638 and $1,248 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

The Credit Agreement contains covenants that substantially limit us and our subsidiaries' ability to: create, incur, assume or be liable for indebtedness; dispose of assets outside the ordinary course of business; acquire, merge or consolidate with or into another person or entity; create, incur or allow any lien on any of their respective properties; make investments; or pay dividends or make distributions (each subject to certain limitations); or optionally prepay any indebtedness (subject to certain exceptions, including an exception permitting the redemption of the Company's Convertible Notes (as defined herein) upon the meeting of certain minimum liquidity requirements). In addition, the Credit Agreement provides for certain events of default such as nonpayment of principal and interest, breaches of representations and warranties, noncompliance with covenants, acts of insolvency, default on indebtedness held by third-parties and default on certain material contracts (subject to certain limitations and cure periods). The Credit Agreement also contains a requirement that we maintain an interest coverage ratio of more than one to one for the trailing twelve month period, if certain average liquidity levels fall below $30,000. As of March 31, 2014, we were in compliance with all covenants and requirements outlined in the Credit Agreement.

4.375% Convertible Notes Due 2014

In June 2009, we issued $138,000 aggregate principal amount of 4.375% Convertible Notes due 2014 (the "4.375% Convertible Notes"). The issuance of the 4.375% Convertible Notes included $18,000 related to the exercise of an over-allotment option by the underwriters. Interest on the 4.375% Convertible Notes was paid semi-annually in arrears on June 1st and December 1st of each year, and commenced on December 1, 2009. The 4.375% Convertible Notes were scheduled to mature on June 1, 2014, unless earlier redeemed or repurchased by the Company or converted. As further described below, on June 12, 2013, we issued a notice of redemption calling all of our outstanding 4.375% Convertible Notes for redemption on August 29, 2013.

The 4.375% Convertible Notes were convertible at an initial conversion rate of 93.6768 shares of our common stock per $1 principal amount of 4.375% Convertible Notes (representing an initial conversion price of approximately $10.675 per share of common stock for a total of approximately 12,927,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders could have converted the 4.375% Convertible Notes at their option prior to the close of business on the business day immediately preceding December 1, 2013 only if certain conditions were met. Upon conversion, the 4.375% Convertible Notes could have been settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock.

We recorded approximately $3,410 of banking, legal and accounting fees related to the issuance of the 4.375% Convertible Notes which were capitalized as debt issuance costs and were being amortized to interest and other, net over the term of the 4.375% Convertible Notes.

At any time on or after June 5, 2012, the Company could have redeemed all of the outstanding 4.375% Convertible Notes for cash, but only if the last reported sale of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date we provided notice of redemption to holders of the 4.375% Convertible Notes exceeded 150% of the conversion price in effect on each such trading day. This condition was met on June 12, 2013. The redemption price equaled 100% of the principal amount of the 4.375% Convertible Notes to be redeemed, plus all accrued and unpaid interest (including additional interest, if any) to, but excluding, the redemption date.

On June 12, 2013, we issued a notice of redemption calling all of our outstanding 4.375% Convertible Notes, in the aggregate principal amount of $138,000, for redemption on August 29, 2013 at a redemption price of $1 per $1 principal amount, plus accrued and unpaid interest up to, but not including, the redemption date (the period from June 12, 2013 to August 29, 2013 is the "Notice Period"). Holders who elected to convert during the Notice Period were entitled to make-whole shares in addition to such shares they would otherwise be entitled to receive upon conversion. The notice of redemption specified that we would settle any 4.375% Convertible Notes surrendered for conversion in connection with the redemption on a combination settlement basis by paying cash up to a cash amount equal to $166,000 in the aggregate of converted notes and delivering shares of our common stock in respect of the amount, if any, by which our conversion obligation exceeded such cash amount. During the Notice Period, $137,993 of 4.375% Convertible Notes were converted for $165,992 in cash and 3,217,000 shares of our common stock. On August 29, 2013, we paid $7 in cash and we redeemed $7 of 4.375% Convertible Notes. During the fiscal year ended March 31, 2014, we recorded a loss on extinguishment, net of capitalized debt issuance costs, totaling $9,014 related to these transactions.

In connection with the offering of the 4.375% Convertible Notes, we entered into convertible note hedge transactions which were expected to reduce the potential dilution to our common stock upon conversion of the 4.375% Convertible Notes. The transactions included options to purchase approximately 12,927,000 shares of common stock at $10.675 per share, expiring on June 1, 2014, for a total cost of approximately $43,600, which was charged to additional paid-in capital.

Separately, the Company entered into warrant transactions with a strike price of $14.945 per share. The warrants covered approximately 12,927,000 shares of the Company's common stock and were scheduled to expire on August 30, 2014, for total proceeds of approximately $26,300, which was credited to additional paid-in capital.

On June 12, 2013, the Company entered into Unwind Agreements with respect to the convertible note hedge transactions and Unwind Agreements with respect to the warrant transactions with each of the hedge counterparties (collectively, the "Unwind Agreements"). Pursuant to the terms of the Unwind Agreements, and in connection with the Company's issuance of a notice of redemption for all the 4.375% Convertible Notes, the Company had the right to deliver a notice to the hedge counterparties, prior to the redemption date set forth in such redemption notice, designating an early termination date for the convertible note hedge transactions and warrant transactions. The hedge counterparties owed a cash payment to the Company as a result of the early termination of the convertible note hedge transactions that was calculated based on its current fair market value. The Company owed a cash payment to the warrant holders, as applicable, as a result of the early termination of the warrant transactions that was calculated based on its current fair market value. As a result of the Unwind Agreements, the convertible note hedge transactions and warrant transactions were accounted for as derivatives whereby the fair values of these transactions were reported as a convertible note hedge receivable and as a convertible note warrant liability with an offsetting impact to additional paid-in capital. Gains and losses on the derivatives resulting from their unwinding were reported in gain on convertible note hedge and warrants, net, in our Consolidated Statements of Operations. In August 2013, the payment received from unwinding the associated convertible note hedge transactions resulted in proceeds to us of $84,429, offset by $55,651 we paid the warrant holders.

During the fiscal year ended March 31, 2014, we recorded a gain of approximately $17,259 resulting from the unwinding of our convertible note hedge transactions and a loss of approximately $13,798 resulting from the unwinding of our convertible note warrant transactions to gain on convertible note hedge and warrants, net, in our Consolidated Statements of Operations.

The following table provides additional information related to our 4.375% Convertible Notes:

	March 31, 2013
Additional paid-in capital	$ 42,018
Principal amount of 4.375% Convertible Notes	$138,000
Unamortized discount of the liability component	12,819
Net carrying amount of 4.375% Convertible Notes	$125,181
Carrying amount of debt issuance costs	$ 797

The following table provides the components of interest expense related to our 4.375% Convertible Notes:

	Fiscal Year Ended March 31,		
	2014	2013	2012
Cash interest expense (coupon interest expense)	**$2,516**	$ 6,038	$ 6,038
Non-cash amortization of discount on 4.375% Convertible Notes	**4,358**	9,550	$ 8,392
Amortization of debt issuance costs	**284**	682	$ 682
Total interest expense related to 4.375% Convertible Notes	**$7,158**	$16,270	$15,112

1.75% Convertible Notes Due 2016

On November 16, 2011, we issued $250,000 aggregate principal amount of 1.75% Convertible Notes due 2016 (the "1.75% Convertible Notes"). The issuance of the 1.75% Convertible Notes included $30,000 related to the exercise of an over-allotment option by the underwriters. Interest on the 1.75% Convertible Notes is payable semi-annually in arrears on June 1st and December 1st of each year, commencing on June 1, 2012. The 1.75% Convertible Notes mature on December 1, 2016, unless earlier repurchased by the Company or converted. The Company does not have the right to redeem the 1.75% Convertible Notes prior to maturity.

The 1.75% Convertible Notes are convertible at an initial conversion rate of 52.3745 shares of our common stock per $1 principal amount of 1.75% Convertible Notes (representing an initial conversion price of approximately $19.093 per share of common stock for a total of approximately 13,094,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders may convert the 1.75% Convertible Notes at their option prior to the close of business on the business day immediately preceding June 1, 2016 only under the following circumstances: (1) during any fiscal quarter commencing after March 31, 2012, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1 principal amount of 1.75% Convertible Notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after June 1, 2016 until the close of business on the business day immediately preceding the maturity date, holders may convert their 1.75% Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 1.75% Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock.

Upon the occurrence of certain fundamental changes involving the Company, holders of the 1.75% Convertible Notes may require us to purchase all or a portion of their 1.75% Convertible Notes for cash at a price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the fundamental change purchase date.

The indenture governing the 1.75% Convertible Notes contains customary terms and covenants and events of default. If an event of default (as defined therein) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in aggregate principal amount of the 1.75% Convertible Notes then outstanding by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest (including additional interest, if any) on all the 1.75% Convertible Notes to be due and payable. In the case of an event of default arising out of certain bankruptcy events, 100% of the principal of and accrued and unpaid interest (including additional interest, if any), on the 1.75% Convertible Notes will automatically become due and payable immediately. As of March 31, 2014, we were in compliance with all covenants and requirements outlined in the indenture governing the 1.75% Convertible Notes.

The 1.75% Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the 1.75% Convertible Notes; equal in right of payment to our existing and future indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness incurred by our subsidiaries.

In accounting for the $6,875 of banking, legal and accounting fees related to the issuance of the 1.75% Convertible Notes, we allocated $5,428 to the liability component and $1,447 to the equity component. Debt issuance costs attributable to the liability component are being amortized to interest and other, net over the term of the 1.75% Convertible Notes, and issuance costs attributable to the equity component were netted with the equity component in additional paid-in capital.

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

	March 31, 2014	March 31, 2013
Additional paid-in capital	**$ 51,180**	$ 51,180
Principal amount of 1.75% Convertible Notes	**$250,000**	$250,000
Unamortized discount of the liability component	**30,025**	39,979
Net carrying amount of 1.75% Convertible Notes	**$219,975**	$210,021
Carrying amount of debt issuance costs	**$ 2,716**	$ 3,821

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

	Fiscal Year Ended March 31,		
	2014	2013	2012
Cash interest expense (coupon interest expense)	**$ 4,375**	$ 4,375	$1,641
Non-cash amortization of discount on 1.75% Convertible Notes	**9,954**	$ 9,312	$3,336
Amortization of debt issuance costs	**1,105**	$ 1,158	$ 449
Total interest expense related to 1.75% Convertible Notes	**$15,434**	$14,845	$5,426

1.00% Convertible Notes Due 2018

On June 18, 2013, we issued $250,000 aggregate principal amount of 1.00% Convertible Notes due 2018 (the "1.00% Convertible Notes" and together with the 4.375% Convertible Notes and the 1.75% Convertible Notes, the "Convertible Notes"). The 1.00% Convertible Notes were issued at 98.5% of par value for proceeds of $246,250. Interest on the 1.00% Convertible Notes is payable semi-annually in arrears on July 1st and January 1st of each year, commencing on January 1, 2014. The 1.00% Convertible Notes mature on July 1, 2018, unless earlier repurchased by the Company or converted. The Company does not have the right to redeem the 1.00% Convertible Notes prior to maturity. The Company also granted the underwriters a 30-day option to purchase up to an additional $37,500 principal amount of 1.00% Convertible Notes to cover overallotments, if any. On July 17, 2013, the Company closed its public offering of $37,500 principal amount of the Company's 1.00% Convertible Notes as a result of the underwriters exercising their overallotment option in full on July 12, 2013, bringing the total proceeds to $283,188.

The 1.00% Convertible Notes are convertible at an initial conversion rate of 46.4727 shares of our common stock per $1 principal amount of 1.00% Convertible Notes (representing an initial conversion price of approximately $21.52 per share of common stock for a total of approximately 13,361,000 underlying conversion shares) subject to adjustment in certain circumstances. Holders may convert the 1.00% Convertible Notes at their option prior to the close of business on the business day immediately preceding

January 1, 2018 only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2013, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1 principal amount of 1.00% Convertible Notes for each day of that measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such day; or (3) upon the occurrence of specified corporate events. On and after January 1, 2018 until the close of business on the business day immediately preceding the maturity date, holders may convert their 1.00% Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the 1.00% Convertible Notes may be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of the Company's common stock.

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

The indenture governing the 1.00% Convertible Notes contains customary terms and covenants and events of default. If an event of default (as defined therein) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in aggregate principal amount of the 1.00% Convertible Notes then outstanding by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare 100% of the principal of and accrued and unpaid interest (including additional interest, if any) on all the 1.00% Convertible Notes to be due and payable. In the case of an event of default arising out of certain bankruptcy events, 100% of the principal of and accrued and unpaid interest (including additional interest, if any), on the 1.00% Convertible Notes will automatically become due and payable immediately. As of March 31, 2014, we were in compliance with all covenants and requirements outlined in the indenture governing the 1.00% Convertible Notes.

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

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

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

	March 31, 2014
Additional paid-in capital	**$ 35,784**
Principal amount of 1.00% Convertible Notes	**$287,500**
Unamortized discount of the liability component	**53,444**
Net carrying amount of 1.00% Convertible Notes	**$234,056**
Carrying amount of debt issuance costs	**$ 1,831**

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

	Fiscal Year Ended March 31, 2014
Cash interest expense (coupon interest expense)	**$ 2,259**
Non-cash amortization of discount on 1.00% Convertible Notes	**8,489**
Amortization of debt issuance costs	**378**
Total interest expense related to 1.00% Convertible Notes	**$11,126**

11. COMMITMENTS AND CONTINGENCIES

A summary of annual minimum contractual obligations and commitments as of March 31, 2014 is as follows:

Fiscal Year Ending March 31,	Licensing and Marketing	Software Development	Operating Leases	Purchase Obligations	Convertible Notes Interest	Convertible Notes	Total
2015	$ 36,830	$ 82,113	$ 22,180	$ 9,890	$ 8,688	$ —	$159,701
2016	20,096	12,210	18,723	4,238	7,250	—	62,517
2017	38,632	9,345	16,315	639	7,250	250,000	322,181
2018	14,632	—	14,440	—	2,875	—	31,947
2019	11,920	—	15,119	—	1,438	287,500	315,977
Thereafter	—	—	43,986	—	—	—	43,986
Total	$122,110	$103,668	$130,763	$14,767	$27,501	$537,500	$936,309

Licensing and Marketing Agreements: Our licensing commitments primarily consist of obligations to holders of intellectual property rights for use of their trademarks, copyrights, technology or other intellectual property rights in the development of our products. In addition, we have certain minimum marketing support commitments where we commit to spend specified amounts related to marketing our products. Licensing and marketing commitments expire at various times through September 2018 and primarily reflect our agreements with major sports leagues and players' associations.

Software Development Agreements: We make payments to third-party software developers that include contractual payments to developers under several software development agreements that expire at various times through September 2016. Our aggregate outstanding software development commitments assume satisfactory performance by third-party software developers.

Lease Commitments: Our offices are occupied under non-cancelable operating leases expiring at various times through fiscal year 2025. We also lease certain furniture, equipment and automobiles under non-cancelable leases expiring through fiscal year 2020. Some of the leases have fixed rent increases and also include inducements to enter into the lease. The effect of such amounts are deferred and recognized on a straight-line basis over the related lease term. Included in the cash commitments for operating leases above is a lease assumption without economic benefit related to our discontinued operations. See Note 2 to our Consolidated Financial Statements for additional information regarding discontinued operations. Rent expense amounted to $15,574, $15,107 and $16,018 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

Purchase obligations: These obligations are primarily related to agreements to purchase services that are enforceable and legally binding on the Company that specifies all significant terms, including fixed, minimum or variable pricing provisions; and the approximate timing of the transactions, expiring at various times through August 2016.

Contingent Consideration: Part of our business acquisition strategy has been to make a portion of the purchase price of certain acquisitions dependent on product delivery or future product sales. The amounts and timing of these payments are currently not fixed or determinable. Our acquisition of 2K Czech a.s., formerly known as Illusion Softworks, a.s, in December 2007, had contingent payments in cash and stock based on future product sales of up to $10,000, of which $8,601 was paid as of March 31, 2014. Under the terms of our acquisition of the assets of Rockstar New England, Inc., formerly known as Mad Doc Software LLC, in March 2008 up to $15,000 payable in cash or stock, based on meeting certain employment provisions and future product sales, of which $2,650 was paid as of March 31, 2014. During the fiscal years ended March 31, 2014 and 2012, we paid contingent consideration of $1,000 and $4,101, respectively, for our prior acquisitions. During the fiscal years ended March 31, 2013 and 2012, we paid $400 and $2,000 by issuing 30,726 and 128,439 shares, respectively, of our unregistered common stock as contingent consideration for our prior year acquisitions.

Employee Savings Plans: For our United States employees we maintain a 401(k) retirement savings plan and trust. Our 401(k) plan is offered to all eligible employees and participants may make voluntary contributions. We also have various pension plans for our non-U.S. employees, some of which are required by local laws, and allow or require Company contributions. Employer contributions under all defined contribution and pension plans during the fiscal years ended March 31, 2014, 2013 and 2012 were $7,476, $6,089 and $5,570, respectively.

Income Taxes: At March 31, 2014, the Company had recorded a liability for gross unrecognized tax benefits of $24,880 for which we are unable to make a reasonable and reliable estimate of the period in which these liabilities will be settled with the respective tax authorities, therefore, these liabilities have not been included in the contractual obligations table.

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

12. INCOME TAXES

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Domestic	**$197,992**	$ 16,924	$ (62,655)
Foreign	**178,158**	(43,036)	(41,182)
Income (loss) from continuing operations before income taxes	**$376,150**	$(26,112)	$(103,837)

Provision for current and deferred income taxes consists of the following:

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Current:			
U.S. federal	**$ 16,340**	$ 3,705	$ (729)
U.S. state and local	**4,527**	456	(55)
Foreign	**12,628**	1,730	2,769
Total current income taxes	**33,495**	5,891	1,985
Deferred:			
U.S. federal	**(14,216)**	(1,821)	1,712
U.S. state and local	**(3,462)**	134	126
Foreign	**(1,358)**	846	40
Total deferred income taxes	**(19,036)**	(841)	1,878
Provision for income taxes	**$ 14,459**	$ 5,050	$3,863

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
U.S. federal statutory rate	**35.0%**	(35.0)%	(35.0)%
Foreign tax rate differential	**(10.4)%**	41.5%	10.6%
Tax amortization of goodwill	**0.5%**	7.7%	1.8%
Foreign earnings	**1.6%**	4.0%	(2.3)%
State and local taxes, net of U.S. federal benefit	**0.3%**	2.3%	0.0%
Valuation allowance—domestic	**(19.8)%**	(28.4)%	20.5%
Valuation allowance—foreign	**(5.1)%**	22.2%	5.0%
Other	**1.7%**	5.0%	3.1%
Effective tax rate	**3.8%**	19.3%	3.7%

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

	March 31, 2014	March 31, 2013
Deferred tax assets:		
Current deferred tax assets:		
Sales returns and allowances (including bad debt)	**$ 8,757**	$ 7,823
Inventory reserves	**1,120**	1,054
Deferred rent	**3,364**	4,017
Deferred revenue	**15,157**	6,790
Bonus	**20,586**	2,159
Equity compensation	**17,232**	17,605
Other	**6,545**	(2,001)
Total current deferred tax assets	**72,761**	37,447
Less: Valuation allowance	**(26,689)**	(20,858)
Net current deferred tax assets	**46,072**	16,589
Noncurrent deferred tax assets:		
Equity compensation	**2,552**	2,598
Domestic net operating loss carryforward	**3,645**	142,385
Tax credit carryforward	**17,368**	8,724
Foreign net operating loss carryforwards	**8,083**	29,682
Total noncurrent deferred tax assets	**31,648**	183,389
Less: Valuation allowance	**(14,085)**	(112,054)
Net noncurrent deferred tax assets	**17,563**	71,335
Deferred tax liabilities:		
Current deferred tax liabilities:		
Capitalized software and depreciation	**(25,806)**	(65,808)
Total current deferred tax liabilities	**(25,806)**	(65,808)
Net current deferred tax asset (liability)	**$ 20,266**	$ (49,219)
Noncurrent deferred tax liabilities:		
Convertible debt	**(29,222)**	(19,471)
Intangible amortization	**(4,408)**	(2,703)
Capitalized software and depreciation	**(6,983)**	(3,940)
Total noncurrent deferred tax liabilities	**(40,613)**	(26,114)
Net noncurrent deferred tax (liability) asset	**$(23,050)**	$ 45,221

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

At March 31, 2014, we had domestic net operating loss carryforwards totaling $9,788, which will begin to expire in 2015. In addition, we had foreign net operating loss carryforwards of $63,280, of which $4,607 will begin to expire in 2015, $45,248 will expire in 2020, and the remainder may be carried forward indefinitely.

The total amount of undistributed earnings of foreign subsidiaries was approximately $315,700 at March 31, 2014 and $104,100 at March 31, 2013. It is our intention to reinvest undistributed earnings of our foreign subsidiaries and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for foreign withholding taxes or U.S. income taxes which may become payable if undistributed earnings of foreign subsidiaries are repatriated. It is not practicable to estimate the tax liability that would arise if these earnings were remitted.

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

As of March 31, 2014 and 2013, we had gross unrecognized tax benefits, including interest and penalties, of $24,880 and $21,712, respectively, of which $24,880 and 14,302, respectively, would affect our effective tax rate if realized.

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Balance, beginning of period	**$20,400**	$20,328	$13,352
Additions:			
Current year tax positions	**5,069**	73	1,741
Prior year tax positions	**2,008**	2,812	5,805
Reduction of prior year tax positions	**(3,219)**	(2,605)	—
Lapse of statute of limitations	**(667)**	(81)	(750)
Other, net	**(55)**	(127)	180
Balance, end of period	**$23,536**	$20,400	$20,328

We recognize interest and penalties related to uncertain tax positions in the provision for income taxes in our Consolidated Statements of Operations. For the fiscal years ended March 31, 2014 and 2012, we recognized an increase in interest and penalties of approximately $32 and $339, respectively. For the fiscal year ended March 31, 2013, we recognized a decrease in interest and penalties of approximately $766. The gross amount of interest and penalties accrued as of March 31, 2014 and 2013 was approximately $1,344 and $1,312, respectively.

We are generally no longer subject to audit for U.S. federal income tax returns for periods prior to our fiscal year ended October 31, 2010 and state income tax returns for periods prior to the fiscal year ended October 31, 2007. With few exceptions, we are no longer subject to income tax examinations in non-U.S. jurisdictions for years prior to our fiscal year ended October 31, 2010. U.S. federal taxing authorities have completed examinations of our income tax returns through the fiscal years ended October 31, 2009. Certain U.S. state taxing authorities are currently examining our income tax returns for fiscal years ending October 31, 2004 through October 31, 2010. The determination as to further adjustments to our gross unrecognized tax benefits during the next 12 months is not practicable.

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

13. STOCK-BASED COMPENSATION

Our stock-based compensation plans are broad-based, long-term retention programs intended to attract and retain talented employees and align stockholder and employee interests. For similar reasons, we also granted non-employee equity awards, which are subject to variable accounting, to ZelnickMedia in connection with their contract to provide executive management services to us. We issue shares to employees on the date the restricted stock awards are granted and therefore shares granted have voting rights, participate in dividends and are considered issued and outstanding.

In April 2009, our stockholders approved our 2009 Stock Incentive Plan (the "2009 Plan"). The aggregate number of shares issuable under this plan was 6,409,000, representing 4,900,000 new shares available for grant approved by our stockholders and 1,509,000 shares allocated from the Incentive Stock Plan and 2002 Stock Option Plan. Our stockholders have further approved amendments to the 2009 Plan to increase the available shares for issuance by 2,750,000 in April 2010, by 5,000,000 in September 2011, by 2,800,000 in September 2012, and by 5,250,000 in September 2013. The 2009 Plan is administered by the Compensation Committee of the Board of Directors and allows for awards of restricted stock, deferred stock and other stock-based awards of our common stock to employees and non-employees. As of March 31, 2014, there were approximately 4,694,000 shares available for issuance under the 2009 Plan.

Subject to the provisions of the plans, the Board of Directors or any Committee appointed by the Board of Directors, has the authority to determine the individuals to whom the equity awards are to be granted, the number of shares to be covered by each equity award, the vesting period, restrictions, if any, on the equity award, the terms and conditions of the equity award.

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

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Cost of goods sold	**$30,124**	$10,060	$ 5,144
Selling and marketing	**10,136**	5,562	5,042
General and administrative	**28,991**	17,824	19,963
Research and development	**8,867**	2,319	3,345
Stock-based compensation expense	**$78,118**	$35,765	$33,494
Capitalized stock-based compensation expense	**$26,156**	$ 6,964	$11,220

During the fiscal years ended March 31, 2014, 2013 and 2012, we recorded $16,807, $8,789 and $13,365, respectively, of stock-based compensation expense for non-employee awards, which was included in general and administrative expenses.

We capitalize and amortize stock-based compensation awards in accordance with our software development cost accounting policy.

Restricted Stock

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

In June 2008, pursuant to the Management Agreement, we granted 600,000 shares of restricted stock to ZelnickMedia that vested annually over a three year period and 900,000 shares of market-based restricted stock that could have vested over a four year period through June 2012, provided that the Company's Total Shareholder Return (as defined in the relevant grant agreements) was at or higher than the 75th percentile of the NASDAQ Industrial Index measured annually on a cumulative basis. Because the price of our common stock did not achieve its performance targets, the 900,000 shares of market-based restricted stock were forfeited in June 2012. For the fiscal year ended March 31, 2012, we recorded expenses of $499 of stock-based compensation (a component of general and administrative expenses) related to the shares of restricted stock granted pursuant to the Management Agreement.

In April 2011, pursuant to the 2011 Management Agreement, we granted 1,100,000 shares of restricted stock to ZelnickMedia that will vest annually through April 1, 2015 and 1,650,000 shares of market-based restricted stock that will be eligible to vest through April 1, 2015, based on the Company's Total Shareholder Return (as defined in the relevant grant agreements) relative to the Total Shareholder Return of the companies that constitute the NASDAQ Composite Index measured annually on a cumulative basis. To earn all of the shares of market-based restricted stock, the Company must perform at the 75th percentile, or top quartile, of the NASDAQ Composite Index. The unvested portion of the shares of restricted stock granted pursuant to the 2011 Management Agreement as of March 31, 2014 and 2013 was 1,894,750 and 2,169,750 shares, respectively. For the fiscal years ended March 31, 2014, 2013 and 2012, we recorded expenses of $16,807, $8,789 and $12,866 of stock-based compensation (a component of general and administrative expenses) related to the shares of restricted stock granted pursuant to the 2011 Management Agreement.

We measure the fair value of our market-based awards to employees and non-employees using the Monte Carlo Simulation method, which takes into account assumptions such as the expected volatility of our common stock, the risk-free interest rate based on the contractual term of the award, expected dividend yield, vesting schedule and the probability that the market conditions of the award will be achieved. The estimated value of market-based restricted stock awards granted to employees during the fiscal years ended March 31, 2014, 2013 and 2012 was $15.73, $9.36 and $16.29 per share, respectively.

Each reporting period, we remeasure the fair value of the unvested portion of the market-based restricted stock awards granted to ZelnickMedia. For the fiscal years ended March 31, 2014, 2013 and 2012, the estimated value of the awards granted to ZelnickMedia during the fiscal year ended March 31, 2012 was $11.83, $7.65 and $12.10 per share, respectively. For the fiscal year ended March 31, 2012, the estimated value of the awards granted to ZelnickMedia during the fiscal year ended October 31, 2008 was $0.02 per share.

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

	Fiscal Year Ended March 31,					
	2014		2013		2012	
	Employee Market-Based	Non-Employee Market-Based	Employee Market-Based	Non-Employee Market-Based	Employee Market-Based	Non-Employee Market-Based
Risk-free interest rate	**0.6%**	**0.2%**	0.6%	0.3%	0.4%	0.4%
Expected stock price volatility	**39.1%**	**36.5%**	49.3%	40.0%	58.2%	46.3%
Expected service period (years)	**2.0**	**3.4**	2.8	3.3	2.0	3.1
Dividends	**None**	**None**	None	None	None	None

The following table summarizes the activity in non-vested restricted stock awards to employees and ZelnickMedia under our stock-based compensation plans:

	Shares (in thousands)	Weighted Average Fair Value on Grant Date
Non-vested restricted stock at March 31, 2013	**7,357**	**$11.33**
Granted	**8,035**	**16.87**
Vested	**(3,863)**	**14.18**
Forfeited	**(374)**	**12.42**
Non-vested restricted stock at March 31, 2014	**11,155**	**$11.38**

As of March 31, 2014, the total future unrecognized compensation cost, net of estimated forfeitures, related to outstanding unvested restricted stock awards were approximately $125,984 and will be recognized as compensation expense on a straight-line basis over the remaining vesting period, or capitalized as software development costs.

Stock Options

Pursuant to the Management Agreement, in August 2007, we issued stock options to ZelnickMedia to acquire 2,009,075 shares of our common stock at an exercise price of $14.74 per share, which vested over 36 months and expire 10 years from the date of grant. In November 2013, we entered into an amendment to the stock option agreement permitting ZelnickMedia to exercise the stock options on a "net exercise" basis. Each month, we remeasured the fair value of the unvested portion of such options and recorded compensation expense for the difference between total earned compensation at the end of the period and total earned compensation at the beginning of the period. As a result, changes in the price of our common stock affected compensation expense or benefit recognized from period to period. In a net exercise of stock options, an optionee receives the number of shares equal to the number of options being exercised less the number of shares necessary to satisfy the cost to exercise the options. A net exercise of stock options results in fewer shares being issued and no cash proceeds provided to us when the net exercise option is exercised. On February 18, 2014, ZelnickMedia exercised its 2,009,075 stock options on a net exercise basis in exchange for 557,410 shares of the Company's common stock.

The following table summarizes the activity in stock options awarded to employees and ZelnickMedia under our stock-based compensation plans and also includes non-plan options:

	Fiscal Year Ended March 31,					
	2014		2013		2012	
(options in thousands)	**Options**	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding at beginning of period	2,009	$14.74	2,164	$15.16	2,317	$15.37
Exercised[(1)]	(2,009)	14.74	—	—	(22)	10.96
Forfeited	—	—	(155)	20.59	(131)	19.52
Outstanding at end of period	—	$ —	2,009	$14.74	2,164	$15.16
Exercisable at period-end	—	$ —	2,009	$14.74	2,164	$15.16
Remaining weighted average contractual life of options exercisable (years)		—		4.4		5.0
Aggregate intrinsic value		$ —		$2,833		$1,296

(1) Includes options that were exercised through net share settlement. As a result, only 557 thousand shares were issued with no corresponding option cost in fiscal year ending March 31, 2014.

Valuation Assumptions

Generally, our assumptions are based on historical information and judgment is required to determine if historical trends could be indicators of future outcomes. For the fiscal years ended March 31, 2014, 2013 and 2012, we estimated stock price volatility of all stock-based compensation awards using a combination of historical volatility and implied volatility for publicly traded options on our common stock. In addition, stock-based compensation expense is calculated based on the number of awards that are ultimately expected to vest, and therefore are reduced for estimated forfeitures. Our estimate of expected forfeitures is based on our historical annual forfeiture rate of 5%. The estimated forfeiture rate, which is evaluated at each balance sheet date throughout the life of the award, provides a time-based adjustment of forfeited shares. The estimated forfeiture rate is reassessed at each balance sheet date and may have changed based on new facts and circumstances.

Share Repurchase Program

In January 2013, our Board of Directors authorized the repurchase of up to 7,500,000 shares of our common stock. The authorization permits the Company to purchase shares from time to time through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any purchases at any specific time or situation. Repurchases are subject to the availability of stock, prevailing market conditions, the trading price of the stock, the Company's financial performance and other conditions. The program may be suspended or discontinued at any time for any reason. During the fiscal year ended March 31, 2014, the Company repurchased approximately 4,217,000 shares of our common stock in the open market for approximately $73,325, including commissions of $42, as part of the program. As of March 31, 2014, up to approximately 3,283,000 shares of our common stock remain available for repurchase under the Company's share repurchase authorization.

Repurchase from Icahn Group

In November 2013, the Company entered into a Purchase Agreement with High River Limited Partnership, Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP and Icahn Partners Master Fund III LP (collectively, the "Icahn Group"), pursuant to which the Company repurchased approximately 12,021,000 shares of the Company's common stock owned by the Icahn Group, at a price per share of $16.93, resulting in an aggregate purchase price of approximately $203,511 (the "Repurchase Transaction"). The closing of the Repurchase Transaction occurred on November 26, 2013. The Repurchase Transaction was conducted outside the Company's share repurchase program described above.

All of the repurchased shares described in this note have been classified as treasury stock in our Consolidated Balance Sheets.

14. SEGMENT AND GEOGRAPHIC INFORMATION

We operate in one reportable segment in which we are a publisher of interactive software games designed for console systems, handheld gaming systems and personal computers, including smart phones and tablets, and are delivered through physical retail, digital download, online platforms and cloud streaming services. Our reporting segment is based upon our internal organizational structure, the manner in which our operations are managed and the criteria used by our Chief Executive Officer, our Chief Operating Decision Maker ("CODM") to evaluate performance. The Company's operations involve similar products and customers worldwide. We are centrally managed and the CODM primarily uses consolidated financial information supplemented by sales information by product category, major product title and platform to make operational decisions and assess financial performance. Our business consists of our Rockstar Games and 2K labels which have been aggregated into a single reportable segment (the "publishing segment") based upon their similar economic characteristics, products and distribution methods. Revenue earned from our publishing segment is primarily derived from the sale of internally developed software titles and software titles developed on our behalf by third-parties.

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

	Fiscal Year Ended March 31,		
Net revenue by geographic region:	**2014**	**2013**	**2012**
United States	**$1,093,918**	$ 710,488	$449,189
Europe	**903,610**	328,003	246,260
Canada and Latin America	**178,816**	88,427	61,773
Asia Pacific	**174,224**	87,565	68,601
Total net revenue	**$2,350,568**	$1,214,483	$825,823

Net revenue by product platform was as follows:

	Fiscal Year Ended March 31,		
Net revenue by product platform:	**2014**	**2013**	**2012**
Console	**$2,148,494**	$ 975,994	$703,188
PC and other	**192,361**	216,321	87,318
Handheld	**9,713**	22,168	35,317
Total net revenue	**$2,350,568**	$1,214,483	$825,823

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

	Fiscal Year Ended March 31,		
Net revenue by distribution channel:	**2014**	**2013**	**2012**
Physical retail and other	**$1,978,598**	$ 958,355	$719,179
Digital online	**371,970**	256,128	106,644
Total net revenue	**$2,350,568**	$1,214,483	$825,823

15. INTEREST AND OTHER, NET

	Fiscal Year Ended March 31,		
	2014	**2013**	**2012**
Interest expense, net	**$(33,961)**	$(30,763)	$(20,616)
Gain on sale	**—**	—	2,200
Foreign currency exchange gain (loss)	**209**	(778)	(1,311)
Other	**199**	190	156
Interest and other, net	**$(33,553)**	$(31,351)	$(19,571)

During the fiscal year ended March 31, 2012, we sold certain intellectual property assets for $2,200 in cash and additional contingent royalties, resulting in a gain on sale of $2,200. The disposition did not involve a significant amount of assets or materially affect our operating results.

16. OTHER COMPREHENSIVE INCOME

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

	Foreign currency translation adjustments	Unrealized gain on derivative instruments	Total
Balance at March 31, 2013	**$(4,916)**	**$344**	**$(4,572)**
Other comprehensive income before reclassifications	**6,447**	**241**	**6,688**
Amounts reclassified from accumulated other comprehensive income (loss)	**—**	**—**	**—**
Balance at March 31, 2014	**$ 1,531**	**$585**	**$ 2,116**

	Foreign currency translation adjustments	Unrealized gain on derivative instruments	Total
Balance at March 31, 2012	**$ 6,674**	**$ 59**	**$ 6,733**
Other comprehensive income before reclassifications	**(11,590)**	**285**	**(11,305)**
Amounts reclassified from accumulated other comprehensive income (loss)	**—**	**—**	**—**
Balance at March 31, 2013	**$ (4,916)**	**$344**	**$ (4,572)**

17. SUPPLEMENTARY FINANCIAL INFORMATION

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

	Beginning Balance	Additions(1)	Deductions	Other	Ending Balance
Fiscal Year Ended March 31, 2014					
Valuation allowance for deferred income taxes	**$132,912**	**$ —**	**$ (92,138)**	**$ —**	**$ 40,774**
Sales returns, price protection and other allowances	**$ 62,880**	**$138,050**	**$(127,458)**	**$ 606**	**$ 74,078**
Allowance for doubtful accounts	**1,201**	**736**	**(497)**	**—**	**1,440**
Total accounts receivable allowances	**$ 64,081**	**$138,786**	**$(127,955)**	**$ 606**	**$ 75,518**
Fiscal Year Ended March 31, 2013					
Valuation allowance for deferred income taxes	$134,168	$ —	$ (1,256)	$ —	$132,912
Sales returns, price protection and other allowances	$ 50,290	$109,107	$ (95,901)	$ (616)	$ 62,880
Allowance for doubtful accounts	712	487	—	2	1,201
Total accounts receivable allowances	$ 51,002	$109,594	$ (95,901)	$ (614)	$ 64,081
Fiscal Year Ended March 31, 2012					
Valuation allowance for deferred income taxes	$114,643	$ 19,525	$ —	$ —	$134,168
Sales returns, price protection and other allowances	$ 42,104	$119,462	$(110,085)	$(1,191)	$ 50,290
Allowance for doubtful accounts	796	—	(84)	—	712
Total accounts receivable allowances	$ 42,900	$119,462	$(110,169)	$(1,191)	$ 51,002

(1) Includes price concessions of $65,996, $66,207 and $85,977; returns of $23,299, $14,976 and $9,608; and other sales allowances including rebates, discounts and cooperative advertising of $48,755, $27,924 and $23,877 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following tables set forth quarterly supplementary data for each of the years in the two-year period ended March 31, 2014:

	Quarter			
Fiscal Year Ended March 31, 2014	**First**	**Second**	**Third**	**Fourth**
Net revenue	$142,667	$ 148,824	$1,863,869	$195,208
Software development costs and royalties	53,728	51,090	200,333	28,299
Product costs	30,987	33,142	374,710	39,022
Licenses	6,187	2,969	42,522	12,734
Internal royalties	2,940	5,262	502,169	28,233
Cost of goods sold	93,842	92,463	1,119,734	108,288
Gross profit	48,825	56,361	744,135	86,920
Selling and marketing	41,601	101,342	70,476	27,577
General and administrative	32,860	43,023	34,718	50,773
Research and development	20,871	26,520	29,233	28,632
Depreciation and amortization	3,057	3,367	3,413	3,522
Total operating expenses	98,389	174,252	137,840	110,504
(Loss) income from operations	(49,564)	(117,891)	606,295	(23,584)
Interest and other, net	(9,322)	(10,747)	(5,949)	(7,535)
Loss on extinguishment of debt	—	(9,014)	—	—
Gain on convertible note hedge and warrants, net	(1,911)	5,372	—	—
(Loss) income from continuing operations before income taxes	(60,797)	(132,280)	600,346	(31,119)
Provision (benefit) for income taxes	1,087	(8,185)	21,902	(345)
Loss (income) from continuing operations	(61,884)	(124,095)	578,444	(30,774)
Loss from discontinued operations, net of taxes	(30)	(25)	(18)	(13)
Net (loss) income	$(61,914)	$(124,120)	$ 578,426	$(30,787)
Earnings (loss) per share:				
Continuing operations	$ (0.71)	$ (1.40)	$ 5.88	$ (0.40)
Discontinued operations	—	—	—	—
Basic earnings (loss) per share	$ (0.71)	$ (1.40)	$ 5.88	$ (0.40)
Continuing operations	$ (0.71)	$ (1.40)	$ 4.69	$ (0.40)
Discontinued operations	—	—	—	—
Diluted earnings (loss) per share	$ (0.71)	$ (1.40)	$ 4.69	$ (0.40)

Fiscal Year Ended March 31, 2013	Quarter First	Second	Third	Fourth
Net revenue	$ 226,139	$273,084	$415,773	$299,487
Software development costs and royalties	105,004	77,535	77,641	57,576
Product costs	72,259	73,314	99,020	71,479
Licenses	8,520	7,228	31,735	9,802
Internal royalties	948	410	7,903	15,463
Cost of goods sold	186,731	158,487	216,299	154,320
Gross profit	39,408	114,597	199,474	145,167
Selling and marketing	79,007	65,851	60,724	51,747
General and administrative	43,202	30,809	32,880	40,369
Research and development	15,312	19,320	22,369	21,183
Depreciation and amortization	2,769	2,550	2,509	2,806
Total operating expenses	140,290	118,530	118,482	116,105
(Loss) income from operations	(100,882)	(3,933)	80,992	29,062
Interest and other, net	(8,049)	(7,419)	(8,094)	(7,789)
(Loss) income from continuing operations before income taxes	(108,931)	(11,352)	72,898	21,273
Provision for income taxes	1,841	1,085	2,021	103
(Loss) income from continuing operations	(110,772)	(12,437)	70,877	21,170
(Loss) income from discontinued operations, net of taxes	(66)	(54)	488	1,303
Net (loss) income	$(110,838)	$(12,491)	$ 71,365	$ 22,473
Earnings (loss) per share:				
Continuing operations	$ (1.30)	$ (0.15)	$ 0.76	$ 0.23
Discontinued operations	—	—	—	0.01
Basic earnings (loss) per share	$ (1.30)	$ (0.15)	$ 0.76	$ 0.24
Continuing operations	$ (1.30)	$ (0.15)	$ 0.66	$ 0.23
Discontinued operations	—	—	—	0.01
Diluted earnings (loss) per share	$ (1.30)	$ (0.15)	$ 0.66	$ 0.24

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

SIGNATURES

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ STRAUSS ZELNICK
Strauss Zelnick
Chairman and Chief Executive Officer

May 13, 2014

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

Signature	Title	Date
/s/ STRAUSS ZELNICK Strauss Zelnick	Chairman and Chief Executive Officer (Principal Executive Officer)	May 13, 2014
/s/ LAINIE GOLDSTEIN Lainie Goldstein	Chief Financial Officer (Principal Financial and Accounting Officer)	May 13, 2014
/s/ MICHAEL DORNEMANN Michael Dornemann	Lead Independent Director	May 13, 2014
/s/ ROBERT A. BOWMAN Robert A. Bowman	Director	May 13, 2014
/s/ J MOSES J Moses	Director	May 13, 2014
/s/ MICHAEL SHERESKY Michael Sheresky	Director	May 13, 2014
/s/ SUSAN TOLSON Susan Tolson	Director	May 13, 2014

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Exhibit 21.1

Subsidiaries of the Company

Name	Jurisdiction of Incorporation
2K Australia Pty. Ltd.	Australia
2K Czech s.r.o.	Czech Republic
2K Games (Chengdu) Co., Ltd.	China
2K Games (Hangzhou) Co. Ltd.	China
2K Games (Shanghai) Co., Ltd.	China
2K Games, Inc.	Delaware
2K, Inc.	New York
2K Marin, Inc.	Delaware
2K Play, Inc.	Delaware
2K Songs LLC	Delaware
2K Sounds LLC	Delaware
2K Tunes LLC	Delaware
2K Vegas, Inc.	Delaware
2KSports, Inc.	Delaware
Cat Daddy Games L.L.C.	Washington
Digital Productions S.A.	Luxembourg
DMA Design Holdings Limited	United Kingdom
Firaxis Games, Inc.	Delaware
Frog City Software, Inc.	Delaware
Gathering of Developers, Inc.	Texas
Gearhead Entertainment, Inc.	Pennsylvania
Indie Built, Inc.	Delaware
Inventory Management Systems, Inc.	Delaware
Irrational Games, LLC	Delaware
Jack of All Games Norge A.S.	Norway
Jack of All Games Scandinavia A.S.	Norway
Joytech Europe Limited	United Kingdom
Joytech Ltd.	Hong Kong
Kush Games, Inc.	California
Maxcorp Ltd.	Bermuda
Rockstar Events Inc.	New York
Rockstar Games, Inc.	Delaware
Rockstar Games Songs LLC	Delaware
Rockstar Games Sounds LLC	Delaware
Rockstar Games Toronto ULC	British Columbia
Rockstar Games Tunes LLC	Delaware
Rockstar Games Vancouver ULC	British Columbia
Rockstar International Limited	United Kingdom
Rockstar Leeds Limited	United Kingdom
Rockstar Lincoln, Limited	United Kingdom
Rockstar London Limited	United Kingdom
Rockstar New England, Inc.	Delaware
Rockstar North Limited	United Kingdom
Rockstar San Diego, Inc.	Virginia
T2 Developer, Inc.	Delaware
Take 2 Interactive Software Pty. Ltd.	Australia
Take 2 Productions, Inc.	Delaware
Take-Two Asia Pte. Ltd.	Singapore

Name	Jurisdiction of Incorporation
Take-Two Europe (Holdings) Limited	United Kingdom
Take-Two GB Limited.	United Kingdom
Take-Two Interactive Austria GmbH	Austria
Take-Two Interactive Benelux B.V.	Netherlands
Take-Two Interactive Canada Holdings, Inc.	Ontario
Take-Two Interactive Canada, Inc.	Ontario
Take-Two Interactive Espana S.L.	Spain
Take-Two Interactive France SAS	France
Take-Two Interactive GmbH	Germany
Take-Two Interactive Japan G.K.	Japan
Take-Two Interactive Korea Ltd.	South Korea
Take-Two Interactive Software Europe Limited	United Kingdom
Take Two International SA	Switzerland
Talonsoft, Inc.	Delaware
Techcorp Ltd.	Hong Kong
Venom Games Limited	United Kingdom
Visual Concepts Entertainment	California
VLM Entertainment Group, Inc.	Delaware
WC Holdco, Inc.	New York

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (Form S-8 File Nos, 333-158735, 333-177822 and 333-191993 and Form S-3 File No. 333-189246) of Take-Two Interactive Software, Inc., of our reports dated May 13, 2014, with respect to the consolidated financial statements of Take-Two Interactive Software, Inc. and the effectiveness of internal control over financial reporting of Take-Two Interactive Software, Inc. included in its Annual Report (Form 10-K) for the year ended March 31, 2014 filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

New York, New York

May 13, 2014

Exhibit 31.1

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Strauss Zelnick, certify that:

1. I have reviewed this Annual Report on Form 10-K of Take-Two Interactive Software, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2014

/s/ STRAUSS ZELNICK

Strauss Zelnick
Chairman and Chief Executive Officer

Exhibit 31.2

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Lainie Goldstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Take-Two Interactive Software, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2014

/s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial Officer

EXHIBIT 32.1

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Take-Two Interactive Software, Inc. (the "Company") on Form 10-K for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Strauss Zelnick, as Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 13, 2014

/s/ STRAUSS ZELNICK

Strauss Zelnick
Chairman and Chief Executive Officer

EXHIBIT 32.2

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES

CERTIFICATION PURSUANT TO
18 U. S. C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Take-Two Interactive Software, Inc. (the "Company") on Form 10-K for the period ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lainie Goldstein, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 13, 2014

/s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial Officer

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OFFICERS

STRAUSS ZELNICK
Chairman and
Chief Executive Officer

KARL SLATOFF
President

LAINIE GOLDSTEIN
Chief Financial Officer

BOARD OF DIRECTORS

STRAUSS ZELNICK
Chairman

MICHAEL DORNEMANN
Lead Independent Director

ROBERT BOWMAN
J MOSES
MICHAEL SHERESKY
SUSAN TOLSON

CORPORATE OFFICERS

CORPORATE HEADQUARTERS

Take-Two Interactive Software, Inc.
622 Broadway
New York, NY 10012
(646) 536-2842

Take-Two Interactive
Software Europe, Ltd.
Saxon House
2-4 Victoria Street
Windsor, Berkshire SL4 1EN

Take-Two Asia Pte. Ltd.
47 Scotts Road
#11-01 Goldbell Towers
Singapore 228233

PRINCIPAL OPERATING OFFICES

Rockstar Games, Inc.
622 Broadway
New York, NY 10012

2K Games, Inc.
2K Sports, Inc.
10 Hamilton Landing
Novato, CA 94949

CORPORATE INFORMATION

STOCKHOLDER INFORMATION
A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge upon written request to Investor Relations at the Corporate Headquarters.

INVESTOR RELATIONS
IR@take2games.com

INDEPENDENT AUDITORS
Ernst & Young LLP
5 Times Square
New York, NY 10036

TRANSFER AGENT
American Stock Transfer
& Trust Company, LLC
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COMMON STOCK INFORMATION
The Company's common stock is listed on the NASDAQ Global Select Market under the symbol TTWO.

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