

ELECTRONIC ARTS INC.  
Form 10-K  
May 28, 2010  
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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-K**

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2010**

**OR**

**¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to**

**Commission File No. 0-17948**

**ELECTRONIC ARTS INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*  
**209 Redwood Shores Parkway  
Redwood City, California**  
*(Address of principal executive offices)*

**94-2838567**  
*(I.R.S. Employer  
Identification No.)*  
**94065**  
*(Zip Code)*

**Registrant's telephone number, including area code:**

**(650) 628-1500**

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock, \$0.01 par value	NASDAQ Global Select Market

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

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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 registrant's common stock, \$0.01 par value, held by non-affiliates of the registrant as of October 2, 2009, the last business day of our second fiscal quarter, was \$5,931,009,000.

As of May 21, 2010 there were 329,676,985 shares of the registrant's common stock, \$0.01 par value, outstanding.

### Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for its 2010 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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**ELECTRONIC ARTS INC.  
2010 FORM 10-K ANNUAL REPORT**

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This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, made in this Report are forward looking. Examples of forward-looking statements include statements related to industry prospects, our future economic performance including anticipated revenues and expenditures, results of operations or financial position, and other financial items, our business plans and objectives, including our intended product releases, and may include certain assumptions that underlie the forward-looking statements. We use words such as anticipate, believe, expect, intend, estimate (and the negative of any of these terms), future and similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk and reflect management's current expectations, and involve subjects that are inherently uncertain and difficult to predict. Our actual results could differ materially from those in the forward-looking statements. We will not necessarily update information if any forward-looking statement later turns out to be inaccurate. Risks and uncertainties that may affect our future results include, but are not limited to, those discussed under the heading Risk Factors, beginning on page 15.

**PART I****Item 1: Business**

We develop, market, publish and distribute video game software and content that can be played by consumers on a variety of platforms, including:

Video game consoles such as the PLAYSTATION® 3, Microsoft Xbox 360 and Nintendo Wii ,

Personal computers, including the Macintosh (we refer to personal computers and the Macintosh together as PCs ),

Handheld game players such as the PlayStation® Portable ( PSP ) and Nintendo DS , and

Mobile devices, such as cellular phones and smart phones, including the Apple iPhone .

Our ability to publish games across multiple platforms has been, and will continue to be, a cornerstone of our product strategy. Historically, there have been multiple video game consoles and handheld game players available to consumers, and there has been vigorous competition among these platforms for consumer acceptance. In fiscal year 2010, the platforms for which we produced the most software products were:

<b>Platform</b>	<b>Number of titles developed and published by EA in fiscal year 2010</b>
Mobile	48
Xbox 360	22
PLAYSTATION 3	21
Wii	19
PC	16
Nintendo DS	16
PSP	10
PlayStation 2	6

Our products for videogame consoles, PCs and handhelds are delivered on physical media (disks and cartridges) that are sold at retailers (we call these packaged goods products). We also deliver game content and services online, directly to consumers, for the platforms listed above. Some

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online delivered content and services are add-ons or are related to our packaged goods products (*e.g.*, add-on content or matchmaking services); while

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other games, content and services that we offer, such as games for mobile devices, and Internet-only games, are available only through online delivery. We believe that online delivery of game content and services will become an increasingly important part of our business over time.

Our games span a diverse range of categories, including action-adventure, casual, sports, family, fantasy, racing, music, massively-multiplayer online role-playing, simulation and strategy. We have created, licensed and acquired a strong portfolio of intellectual property, which we market and sell to a variety of consumers. Our portfolio of wholly-owned properties includes established brands such as *Need for Speed*, *The Sims*, *Spore*, *Dead Space*, *Mass Effect* and *Battlefield*, and newly launched properties in fiscal year 2010 such as *EA SPORTS Active*, *Dragon Age : Origins*, and *Dante s Inferno*. Our portfolio of games based on licensed intellectual property includes sports-based titles such as Madden NFL Football, FIFA Soccer and Tiger Woods PGA Tour®, and titles based on popular brands such as Harry Potter and Hasbro. Through our EA Partners business, we also co-develop, co-publish and/or distribute video games that are developed and published by other companies, including the MTV Games/Harmonix series *Rock Band* and the Crytek series *Crysis*®.

Another cornerstone of our strategy is to publish products that can be iterated, or sequeled. For example, a new edition for most of our sports products, such as Madden NFL Football, is released each year. Other products, such as *The Sims* and *Battlefield* are sequeled on a less-frequent basis. We refer to these successful, iterated product families as franchises. We also make add-on content available for purchase online or through expansion packs sold at retail for many of our products.

We develop our games using both internal and external resources. For the fiscal years ended March 31, 2010, 2009 and 2008, research and development expenses were \$1,229 million, \$1,359 million and \$1,145 million, respectively. We operate development studios (which develop products and perform other related functions) worldwide: BioWare (Canada and United States), Bright Light (United Kingdom), Criterion (United Kingdom), DICE (Sweden), EA Canada, EA Los Angeles (United States), EA Montreal (Canada), EA Romania, Maxis (United States), Playfish (United States, United Kingdom, China and Norway), EA Salt Lake City (United States), EA Seoul Studio (Korea), EA Singapore, EA Mythic (United States), Pogo (United States and China), The Sims Studio (United States), EA Tiburon (United States), and Visceral (United States). We have quality assurance functions located in the United States, Canada, the United Kingdom, Sweden, Germany, Romania, China, India, Korea, and Singapore and localization functions located in Germany, Spain and Japan. We also engage third parties to assist with the development of our games at their own development and production studios.

Our global sales network allows us to market, publish and distribute games in over 35 countries throughout the world. We generate a significant portion of our net revenue from direct sales of packaged goods products to retailers and in some of our smaller international territories, we work with third parties to distribute our packaged goods products. Many of our games, and other online content, are also available to consumers via proprietary networks, such as the Xbox LIVE® Marketplace on the Xbox 360 console and the PlayStation Network on the PLAYSTATION 3 and PSP consoles, or via the Internet, including our own online stores. We also market and distribute games and other content for mobile devices through mobile carriers and proprietary online stores that provide applications for specific devices (*i.e.*, mobile application storefronts such as the Apple App Store, which provides applications for the Apple iPhone and iPod Touch, or Google s Android Market for Android compatible phones).

Our North America net revenue, which was primarily generated in the United States, decreased by 16 percent to \$2,025 million, or 55 percent of total net revenue in fiscal year 2010, as compared to \$2,412 million, or 57 percent of total net revenue in fiscal year 2009 and as compared to \$1,942 million, or 53 percent of total net revenue in fiscal year 2008. Internationally, we conduct business through our international headquarters in Switzerland and have wholly-owned subsidiaries throughout the world, including offices in Europe, Australia, Asia and Latin America. International net revenue (*i.e.*, net revenue derived from countries other than Canada and the United States) decreased by 10 percent to \$1,629 million, or 45 percent of total net revenue in fiscal year 2010, as compared to \$1,800 million, or 43 percent of total net revenue in fiscal year 2009 and as compared to \$1,723 million, or 47 percent of total net revenue in fiscal year 2008.

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The amounts of net revenue and long-lived assets attributable to each of our geographic regions for each of the last three fiscal years are set forth in Note 17 of the Notes to Consolidated Financial Statements, included in Item 8 of this report.

In fiscal years 2010 and 2009, no titles accounted for 10 percent or more of our total net revenue. In fiscal year 2008, sales of *Rock Band*, distributed for three platforms, represented approximately 10 percent of our total net revenue.

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

### **Significant Business Developments in Fiscal 2010**

#### ***Acquisition of Playfish Limited***

On November 9, 2009, we acquired all of the outstanding shares of Playfish Limited ( *Playfish* ) for an aggregate purchase price of approximately \$308 million in cash and equity. In addition, we may be required to pay additional variable cash consideration that is contingent upon the achievement of certain performance milestones through December 31, 2011. This additional consideration is limited to a maximum of \$100 million. Playfish is a developer of free-to-play social games that can be played on social networking platforms and generates revenue through sales of digital content and Internet-based advertising.

#### ***Fiscal 2010 Restructuring Plan***

In fiscal year 2010, we announced details of a restructuring plan to narrow our product portfolio to provide greater focus on titles with higher margin opportunities. Under this plan, we reduced our workforce by approximately 1,200 employees and have been (1) consolidating or closing various facilities, (2) eliminating certain titles, and (3) incurring IT and other costs to assist in reorganizing certain activities. The majority of these actions were completed by March 31, 2010.

#### ***Employee Stock Option Exchange Program***

On October 21, 2009, we launched a voluntary Employee Stock Option Exchange Program ( *Exchange Program* ) to permit our eligible employees to exchange outstanding eligible options for a lesser number of restricted stock units, shares of restricted stock (in Canada only), or new options (in China only) to be granted under our 2000 Equity Incentive Plan (the *Equity Plan* ). The Exchange Program offer period began on October 21, 2009 and ended on November 18, 2009.

Options eligible for the Exchange Program were those options granted prior to October 21, 2008, that had an exercise price per share greater than \$28.18, which was the 52-week high trading price of our common stock measured as of the start date of the Exchange Program, as reported on the NASDAQ Global Select Market.

The Exchange Program resulted in options to purchase approximately 16,561,000 shares of our common stock being exchanged for restricted stock units to acquire approximately 4,996,000 shares, approximately 923,000 shares of restricted stock awards and new options to purchase approximately 18,000 shares.

#### ***Redwood Shores Headquarters Facilities Purchase***

On July 13, 2009, we purchased our Redwood Shores headquarters facilities concurrent with the expiration and extinguishment of the lessor's financing agreements. These facilities were subject to lease obligations to non-affiliated parties, which expired in July 2009, and had previously been accounted for as operating leases. The total amount paid under the terms of the leases was \$247 million, of which \$233 million related to the purchase

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price of the facilities and \$14 million was for the loss on our lease obligation. Subsequent to our purchase, we classified the facilities on our Consolidated Balance Sheet as property and equipment, net and depreciate the facilities acquired, excluding the land, on a straight-line basis over the estimated useful lives.

### **Our Operating Structure**

We are organized into three Labels (EA Games, EA SPORTS and EA Play), our EA Interactive organization (EA Mobile, Pogo and Playfish) and our Global Publishing Organization. Each Label and EA Interactive operates globally with dedicated game development and marketing teams. Global Publishing operates in three regions – North America, Europe and Asia – and is responsible for a number of business functions such as: strategic planning, field marketing, sales, distribution, operations, product certification, quality assurance, motion capture, art outsourcing and localization within the local markets in which we operate.

#### ***EA Games Label***

The EA Games Label is home to the largest number of our studios and development teams, which together create an expansive and diverse portfolio of games marketed under the EA brand in categories such as action-adventure, role playing, racing and first-person shooter games. The EA Games portfolio is comprised primarily of wholly-owned properties and includes several established franchises such as Need for Speed, Battlefield, Mass Effect and Dead Space. In addition, EA Games has recently launched new franchises including Dante's Inferno and Dragon Age, and has additional titles in development. In addition to traditional packaged goods games, EA Games also develops massively-multiplayer online role-playing games which are persistent state virtual worlds where thousands of other players can interact with one another (MMOs). Examples of MMOs include *Warhammer® Online: Age of Reckoning®* and *Star Wars : The Old Republic*, which is in development at our BioWare Austin Studio, in collaboration with LucasArts. EA Games titles are developed primarily at the following EA studios: BioWare (Edmonton, Canada, Austin, Texas, and Montreal, Canada), Criterion (Guildford, England), DICE (Stockholm, Sweden), EA Los Angeles, EA Montreal, Visceral (Redwood City, California), EA Mythic (Fairfax, Virginia), and EA Canada (Burnaby, Canada).

EA Games also includes the EA Partners group, which contracts with external game developers and third party companies, to provide these partners with a variety of services including development assistance, publishing, and distribution of their games.

#### ***EA SPORTS Label***

The EA SPORTS Label brings together a collection of sports-based video games marketed under th