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

FORM 10-Q

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

For the quarterly period ended December 31, 2014

OR

o **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 001-34003

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**

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 o

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 o

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 o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of February 2, 2015, there were 84,368,648 shares of the Registrant's Common Stock outstanding, net of treasury stock.

INDEX

(All other items in this report are inapplicable)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	December 31, 2014	March 31, 2014
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 897,452**	$ 935,400
Short-term investments	**79,140**	—
Restricted cash	**31,301**	193,839
Accounts receivable, net of allowances of $86,630 and $75,518 at December 31, 2014 and March 31, 2014, respectively	**435,709**	53,143
Inventory	**24,617**	29,780
Software development costs and licenses	**178,968**	116,203
Deferred cost of goods sold	**42,441**	5,002
Prepaid expenses and other	**116,385**	66,073
Total current assets	**1,806,013**	1,399,440
Fixed assets, net	**63,436**	42,572
Software development costs and licenses, net of current portion	**115,814**	109,506
Deferred cost of goods sold, net of current portion	**26,622**	858
Goodwill	**221,071**	226,705
Other intangibles, net	**4,793**	5,113
Other assets	**16,069**	15,436
Total assets	**$ 2,253,818**	$ 1,799,630
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 113,240**	$ 16,452
Accrued expenses and other current liabilities	**255,862**	397,173
Deferred revenue	**338,003**	61,195
Total current liabilities	**707,105**	474,820
Long-term debt	**470,420**	454,031
Non-current deferred revenue	**197,943**	18,128
Other long-term liabilities	**62,961**	50,845
Total liabilities	**1,438,429**	997,824
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000 shares authorized	**—**	—
Common stock, $.01 par value, 200,000 shares authorized; 104,602 and 105,156 shares issued and 88,364 and 88,918 outstanding at December 31, 2014 and March 31, 2014, respectively	**1,046**	1,052
Additional paid-in capital	**1,024,626**	954,699
Treasury stock, at cost (16,238 common shares at December 31, 2014 and March 31, 2014)	**(276,836)**	(276,836)
Retained earnings	**84,096**	120,775
Accumulated other comprehensive (loss) income	**(17,543)**	2,116
Total stockholders' equity	**815,389**	801,806
Total liabilities and stockholders' equity	**$ 2,253,818**	$ 1,799,630

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in thousands, except per share amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Net revenue	**$ 531,147**	$ 1,863,869	**$ 782,849**	$ 2,155,360
Cost of goods sold	**278,013**	1,119,734	**384,185**	1,306,039
Gross profit	**253,134**	744,135	**398,664**	849,321
Selling and marketing	**96,892**	70,476	**182,874**	213,419
General and administrative	**53,564**	34,718	**136,891**	110,601
Research and development	**31,221**	29,233	**79,886**	76,624
Depreciation and amortization	**5,845**	3,413	**15,123**	9,837
Total operating expenses	**187,522**	137,840	**414,774**	410,481
Income (loss) from operations	**65,612**	606,295	**(16,110)**	438,840
Interest and other, net	**(9,458)**	(5,949)	**(24,689)**	(26,018)
Gain (loss) on long-term investments	**(1,500)**	—	**17,476**	—
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	**54,654**	600,346	**(23,323)**	407,269
Provision for income taxes	**14,561**	21,902	**13,356**	14,804
Income (loss) from continuing operations	**40,093**	578,444	**(36,679)**	392,465
Loss from discontinued operations, net of taxes	**—**	(18)	**—**	(73)
Net income (loss)	**$ 40,093**	$ 578,426	**$ (36,679)**	$ 392,392
Earnings (loss) per share:				
Continuing operations	**$ 0.46**	$ 5.88	**$ (0.46)**	$ 4.02
Discontinued operations	**—**	—	**—**	—
Basic earnings (loss) per share	**$ 0.46**	$ 5.88	**$ (0.46)**	$ 4.02
Continuing operations	**$ 0.42**	$ 4.69	**$ (0.46)**	$ 3.29
Discontinued operations	**—**	—	**—**	—
Diluted earnings (loss) per share	**$ 0.42**	$ 4.69	**$ (0.46)**	$ 3.29

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

(in thousands)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Net income (loss)	**$ 40,093**	$ 578,426	**$ (36,679)**	$ 392,392
Other comprehensive (loss) income:				
Foreign currency translation adjustment	**(12,032)**	(474)	**(19,512)**	6,518
Change in unrealized gains on cash flow hedges, net of taxes	**—**	67	**32**	269
Unrealized gains and (losses) on available-for-sale securities, net of taxes	**(94)**	—	**(179)**	—
Other comprehensive (loss) income	**(12,126)**	(407)	**(19,659)**	6,787
Comprehensive income (loss)	**$ 27,967**	$ 578,019	**$ (56,338)**	$ 399,179

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Nine Months Ended December 31,	
	2014	**2013**
Operating activities:		
Net income (loss)	**$ (36,679)**	$ 392,392
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization and impairment of software development costs and licenses	**89,768**	252,229
Depreciation and amortization	**15,123**	9,837
Loss from discontinued operations	**—**	73
Amortization and impairment of intellectual property	**320**	3,375
Stock-based compensation	**52,474**	57,594
Deferred income taxes	**641**	(5,487)
Amortization of discount on Convertible Notes	**16,389**	17,507
Amortization of debt issuance costs	**1,260**	1,510
(Gain) loss on long-term investment	**(17,476)**	—
Loss on extinguishment of debt	**—**	9,014
Gain on convertible note hedge and warrants, net	**—**	(3,461)
Other, net	**2,262**	(414)
Changes in assets and liabilities, net of effect from purchases of businesses:		
Restricted cash	**162,538**	171,892
Accounts receivable	**(382,566)**	77
Inventory	**5,163**	(14,817)
Software development costs and licenses	**(155,454)**	(151,275)
Prepaid expenses, other current and other non-current assets	**(52,092)**	(377,608)
Deferred revenue	**456,623**	24,447
Deferred cost of goods sold	**(63,203)**	(232)
Accounts payable, accrued expenses and other liabilities	**(34,565)**	345,174
Net cash used in discontinued operations	**—**	(1,034)
Net cash provided by operating activities	**60,526**	730,793
Investing activities:		
Purchase of fixed assets	**(36,579)**	(23,455)
Purchases of short-term investments	**(79,677)**	—
Purchase of long-term investments	**(5,000)**	
Cash received from sale of long-term investment	**21,976**	—
Payments in connection with business combinations, net of cash acquired	**—**	(1,000)
Net cash used in investing activities	**(99,280)**	(24,455)
Financing activities:		
Excess tax benefit from stock-based compensation	**10,352**	—
Repurchase of common stock		(276,836)
Proceeds from issuance of 1.00% Convertible Notes	**—**	283,188
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 for the issuance of 1.00% Covertible Notes	**—**	(2,815)
Net cash provided by (used in) financing activities	**10,352**	(133,684)
Effects of foreign currency exchange rates on cash and cash equivalents	**(9,546)**	(2,986)
Net (decrease) increase in cash and cash equivalents	**(37,948)**	569,668
Cash and cash equivalents, beginning of year	**935,400**	402,502
Cash and cash equivalents, end of period	**$ 897,452**	$ 972,170

See accompanying Notes.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Dollars in thousands, except share and per share amounts)

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 and personal computers, including smart phones and tablets, and are delivered through physical retail, digital download, online platforms and cloud streaming services.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements are unaudited and include the accounts of the Company and its wholly-owned subsidiaries and reflect all normal and recurring adjustments necessary for the fair presentation of our financial position, results of operations and cash flows. All material inter-company accounts and transactions have been eliminated in consolidation. The preparation of these Condensed Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in these Condensed Consolidated Financial Statements and accompanying notes. As permitted under U.S. generally accepted accounting principles, interim accounting for certain expenses, including income taxes, are based on full year assumptions when appropriate. Actual results could differ materially from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), although we believe that the disclosures are adequate to make the information presented not misleading. These Condensed Consolidated Financial Statements and accompanying notes should be read in conjunction with our annual consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the year ended March 31, 2014.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, 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.

Short-term Investments

Short-term investments designated as available-for-sale securities are carried at fair value, which is based on quoted market prices for such securities, if available, or is estimated on the basis of quoted market prices of financial instruments with similar characteristics. Investments with original maturities greater than 90 days and remaining maturities of less than one year are normally classified within short-term investments. In addition, investments with maturities beyond one year at the time of purchase that are highly liquid in nature and represent the investment of cash that is available for current operations are classified as short-term investments.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrealized gains and losses of the Company's available-for-sale securities are excluded from earnings and are reported as a component of other comprehensive income (loss), net of tax, until the security is sold, the security has matured, or the Company determines that the fair value of the security has declined below its adjusted cost basis and the decline is other-than-temporary. Realized gains and losses on short-term investments are calculated based on the specific identification method and would be reclassified from accumulated other comprehensive income (loss) to interest and other, net.

Short-term investments are evaluated for impairment quarterly. The Company considers various factors in determining whether it should recognize an impairment charge, including the credit quality of the issuer, the duration that the fair value has been less than the adjusted cost basis, the severity of the impairment, the reason for the decline in value, and our intent to sell and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. If the Company concludes that an investment is other-than-temporarily impaired, it recognizes an impairment charge at that time in the Condensed Consolidated Statements of Operations. In determining whether the decline in fair value is other-than-temporary requires management judgment based on the specific facts and circumstances of each security. The ultimate value realized on these securities is subject to market price volatility until they are sold.

Sale of Long-Term Investment

The Company held an investment in Twitch Interactive, Inc.'s ("Twitch") Class C Preferred stock, which was accounted for under the cost method of accounting. In September 2014, the Company recognized a pretax gain of approximately $18,976 in connection with the sale of Twitch. The pretax gain is presented within "Gain (loss) on long-term investments" in our Condensed Consolidated Statements of Operations for the nine months ended December 31, 2014.

Hedging Activities

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 foreign 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 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 Condensed 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 Condensed 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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

interest and other, net, in our Condensed 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 Condensed 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 December 31, 2014, we had no forward contracts outstanding to buy or sell foreign currencies in exchange for U.S. dollars designated as cash flow hedges. At March 31, 2014, we had $890 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, the fair value of these outstanding forward contracts was immaterial and was 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 Condensed Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in interest and other, net, in our Condensed Consolidated Statements of Operations. We do not enter into derivative financial contracts for speculative or trading purposes. At December 31, 2014, we had $4,609 of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars and $231,346 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, 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. For the three months ended December 31, 2014 and 2013, we recorded a gain of $7,702 and a loss of $7,196, respectively, related to foreign currency forward contracts in interest and other, net on the Condensed Consolidated Statements of Operations. For the nine months ended December 31, 2014 and 2013, we recorded a gain of $7,270 and a loss of $17,463, respectively, related to foreign currency forward contracts in interest and other, net on the Condensed Consolidated Statements of Operations. As of December 31, 2014 and March 31, 2014, 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.

Revenue Recognition

For some of our software products, we enter into multiple element revenue arrangements in which we may provide a combination of full game software, add-on content, maintenance or support. When all other revenue recognition criteria are met for these arrangements, we determine the fair value of each delivered and undelivered element using vendor-specific objective evidence ("VSOE") of fair value and allocate the total price among the various elements. When we have not established VSOE

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that require the deferral of revenue, the cost of goods sold is deferred and recognized as the related net revenue is recognized. Deferred cost of goods sold includes product costs, royalties and licenses. 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. 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.

In identifying the deliverables within an arrangement we consider whether our software products contain more-than-inconsequential online functionality by evaluating the significance of the development effort, 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 and length of time of our post sale obligations to consumers. Determining whether the online functionality for a particular game constitutes a more than an inconsequential deliverable is subjective and requires management's judgment.

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. When software products provide online functionality that represents a more-than-inconsequential deliverable, we recognize the software-related revenues and the related cost of goods sold ratably over the estimated service period of the title (assuming all other recognition criteria are met) as we have not established VSOE for that deliverable.

During the fiscal quarter ending December 31, 2014, the Company concluded that the updates being provided with *Grand Theft Auto V* were no longer considered an inconsequential deliverable because of the add-on content updates provided to date and expected to be provided in the future. As a result, the net revenue and cost of goods sold that have been deferred will be recognized ratably over the expected service period, which is equal to the estimated remaining life of the game which we have concluded for *Grand Theft Auto V* to be 24 months from the time of release.

Debt

As of December 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 $379,575 and $403,593, respectively. See Note 8 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.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as a new Topic, Accounting Standards Codification ("ASC") Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for the annual and interim periods beginning after December 15, 2016 (April 1, 2017 for the Company) and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently determining its implementation approach and evaluating the impact of adopting this update on our Condensed Consolidated Financial Statements.

Requirements for Reporting Discontinued Operations

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This new guidance raises the threshold for a disposal to qualify as discontinued operations and requires new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. Under the new standard, companies report discontinued operations when they have a disposal that represents a strategic shift that has or will have a major impact on operations or financial results. This update will be applied prospectively and is effective for annual periods, and interim periods within those years, beginning after December 15, 2014 (April 1, 2015 for the Company). Early adoption is permitted provided the disposal was not previously disclosed. The adoption of this new guidance is not expected to have a material effect on our Condensed 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 became effective for annual periods (and interim periods within those annual periods) beginning after December 15, 2013 (April 1, 2014 for the Company), and is applied prospectively. The adoption of this guidance has not had a material effect on our Condensed Consolidated Financial Statements.

2. MANAGEMENT AGREEMENT

In March 2007, we entered into a management services agreement, which was renewed in May 2011 (as amended, the "2011 Management Agreement") with ZelnickMedia Corporation ("ZelnickMedia"), pursuant to which ZelnickMedia provided us with certain management, consulting and executive level services. In March 2014, we entered into a new management agreement, (the "2014 Management Agreement"), with ZelnickMedia pursuant to which ZelnickMedia continues to provide financial and management consulting services to the Company through March 31, 2019. The 2014 Management Agreement became effective April 1, 2014 and supersedes and replaces the 2011 Management Agreement, except as otherwise contemplated by the 2014 Management Agreement. As part of the 2014 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, continues to serve as President of the Company. The 2014 Management Agreement provides for an

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

2. MANAGEMENT AGREEMENT (Continued)

annual management fee of $2,970 over the term of the agreement and a maximum annual bonus opportunity of $4,752 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 $3,119 and $1,591 for the three months ended December 31, 2014 and 2013, respectively, and $5,792 and $4,774 for the nine months ended December 31, 2014 and 2013, respectively.

Pursuant to the 2011 Management Agreement, we granted 1,100,000 shares of restricted stock to ZelnickMedia that vest annually through May 15, 2015 and 1,650,000 shares of market-based restricted stock that are eligible to vest through May 15, 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. Each reporting period, we remeasure the fair value of the unvested portion of the shares of market-based restricted stock granted to ZelnickMedia. The unvested portion of the shares of restricted stock granted pursuant to the 2011 Management Agreement as of December 31, 2014 and March 31, 2014 was 1,133,000 and 1,894,750 shares, respectively. For the three months ended December 31, 2014 and 2013, we recorded an expense of $11,239 and a gain of $1,528, respectively, 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. For the nine months ended December 31, 2014 and 2013, we recorded an expense of $19,045 and $4,592, respectively, 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.

In connection with the 2014 Management Agreement, on April 1, 2014, we granted 178,654 time-based restricted units to ZelnickMedia that will vest on April 1, 2016, provided that the 2014 Management Agreement has not been terminated prior to such vesting date. In addition, we granted 330,628 market-based restricted units that are eligible to vest based on the Company's Total Shareholder Return (as defined in the relevant grant agreement) relative to the Total Shareholder Return (as defined in the relevant grant agreement) of the companies that constitute the NASDAQ Composite Index as of the grant date measured over the two-year period ending on April 1, 2016. To earn the target number of 165,314 market-based restricted units, the Company must perform at the 50th percentile, with the maximum number of 330,628 market-based restricted units if the Company performs at the 75th percentile. Each reporting period, we remeasure the fair value of the unvested portion of the shares of market-based restricted units granted to ZelnickMedia. We also granted 110,208 performance-based restricted units of which 50% are tied to "New IP" and 50% to "Major IP" (as defined in the relevant grant agreement) that are eligible to vest based on the Company's achievement of certain performance metrics (as defined in the relevant grant agreement) of individual product releases of "New IP" or "Major IP" measured over the two-year period ending on April 1, 2016. The target number of performance-based restricted units that may be earned pursuant to these grants is 55,104, with a maximum number of 110,208 performance-based restricted units. Each reporting period, we assess the performance metric and upon achievement of certain thresholds record an expense for the unvested portion of the shares of performance-based restricted units. During the three months ended December 31, 2014, the maximum target performance vesting condition for "Major IP" unit sales was achieved. As a result, the Company recorded an expense of approximately $97 in

(Dollars in thousands, except share and per share amounts)

2. MANAGEMENT AGREEMENT (Continued)

stock compensation included below for the three and nine months ended December 31, 2014. The unvested portion of time-based, market-based and performance-based restricted units granted pursuant to the 2014 Management Agreement as of December 31, 2014 was 619,490. For the three and nine months ended December 31, 2014 we recorded an expense of $2,495 and $5,074, respectively, of stock-based compensation (a component of general and administrative expenses) related to the restricted stock units granted pursuant to the 2014 Management Agreement.

3. 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.

	December 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	$ 610,419	$ 610,419	$ —	$ —	Cash and cash equivalents
Bank-time deposits	44,399	44,399	—	—	Cash and cash equivalents
Corporate bonds	79,140	—	79,140	—	Short-term investments

4. SHORT-TERM INVESTMENTS

Our short-term investments consisted of the following available-for-sale securities as of December 31, 2014:

	As of December 31, 2014			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term investments				
Available-for-sale securities:				
Corporate bonds	$ 79,319	$ 9	$ (188)	$ 79,140
Total short-term investments	$ 79,319	$ 9	$ (188)	$ 79,140

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

4. SHORT-TERM INVESTMENTS (Continued)

Unrealized gains and losses of the Company's available-for-sale securities are reported as a component of other comprehensive income (loss), net of tax, until the security is sold, the security has matured, or the Company determines that the fair value of the security has declined below its adjusted cost basis and the decline is other-than-temporary. We evaluate our investments for impairment quarterly. The Company considers various factors in the review of investments with an unrealized loss, including the credit quality of the issuer, the duration that the fair value has been less than the adjusted cost basis, the severity of the impairment, the reason for the decline in value and our intent to sell and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. Based on our review, we did not consider these investments to be other-than-temporarily impaired as of December 31, 2014.

The following table summarizes the contracted maturities of our short-term investments classified as available-for-sale at December 31, 2014:

	As of December 31, 2014	
	Amortized Cost	Fair Value
Short-term investments		
Due in 1 - 2 years	$ 79,319	$ 79,140
Total short-term investments	$ 79,319	$ 79,140

5. INVENTORY

Inventory balances by category are as follows:

	December 31, 2014	March 31, 2014
Finished products	**$ 21,849**	$ 28,418
Parts and supplies	**2,768**	1,362
Inventory	**$ 24,617**	$ 29,780

Estimated product returns included in inventory at December 31, 2014 and March 31, 2014 were $1,826 and $578, respectively.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

6. SOFTWARE DEVELOPMENT COSTS AND LICENSES

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

	December 31, 2014		March 31, 2014	
	Current	Non-current	Current	Non-current
Software development costs, internally developed	**$ 50,458**	**$ 106,514**	$ 53,041	$ 60,196
Software development costs, externally developed	**127,378**	**9,300**	51,643	49,310
Licenses	**1,132**	**—**	11,519	—
Software development costs and licenses	**$ 178,968**	**$ 115,814**	$ 116,203	$ 109,506

Software development costs and licenses as of December 31, 2014 and March 31, 2014 included $235,061 and $211,302, respectively, related to titles that have not been released. During the nine months ended December 31, 2014 and 2013, we recorded $14,297 and $41,777, respectively, of software development impairment charges (a component of cost of goods sold).

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31, 2014	March 31, 2014
Software development royalties	**$ 54,860**	$ 258,129
Compensation and benefits	**54,847**	44,255
Licenses	**46,091**	16,917
Marketing and promotions	**33,573**	16,552
Sales tax liability	**29,976**	6,592
Income tax payable and deferred tax liability	**6,705**	15,362
Other	**29,810**	39,366
Accrued expenses and other current liabilities	**$ 255,862**	$ 397,173

8. DEBT

Credit Agreement

In August 2014, we entered into a Third Amendment to the Second Amended and Restated October 2011 Credit Agreement (the "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 August 18, 2019. Revolving loans under the Credit Agreement bear interest at our election of (a) 0.50% to 1.00% above a certain base rate (3.75% at December 31, 2014), or (b) 1.50% to 2.00% above the LIBOR Rate (approximately 1.67% at December 31, 2014), with the margin rate subject to the achievement of certain average liquidity levels. We are also required to pay a

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

monthly fee on the unused available balance, ranging from 0.25% to 0.375% based on availability. We had no outstanding borrowings at December 31, 2014 and March 31, 2014.

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 $5,000.

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

	December 31, 2014	March 31, 2014
Available borrowings	**$ 98,317**	$ 63,630
Outstanding letters of credit	**1,664**	1,664

We recorded interest expense and fees related to the Credit Agreement of $111 and $160 for the three months ended December 31, 2014 and 2013, respectively and $408 and $479 for nine months ended December 31, 2014 and 2013, 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 unsecured convertible senior 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 $30,000. As of December 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.

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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

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.

In connection with the June 2009 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, in June 2009, 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 resulting from changes in the fair value were reported in gain on convertible note hedge and warrants, net, in our Condensed 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.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

The following table provides the components of interest expense related to our 4.375% Convertible Notes, which was extinguished in August 2013:

	Three Months Ended December 31, 2013	Nine Months Ended December 31, 2013
Cash interest expense (coupon interest expense)	$ —	$ 2,516
Non-cash amortization of discount on 4.375% Convertible Notes	—	4,358
Amortization of debt issuance costs	—	284
Total interest expense related to 4.375% Convertible Notes	$ —	$ 7,158

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"). 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. Our common stock price exceeded 130% of the applicable conversion price per share for at least 20 trading days during the 30 consecutive trading days ended December 31, 2014. Accordingly, as of January 1, 2015 the 1.75% Convertible Notes may be converted at the holder's option through March 31, 2015. If the 1.75% Convertible Notes were to be converted during this period, our current intent and ability, given

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

our option, would be to settle the conversion in shares of our common stock. As such, we have continued to classify these 1.75% Convertible Notes as long-term debt.

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 December 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.

We separately account for the liability and equity components of the 1.75% Convertible Notes in a manner that reflects the Company's nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. We estimated the fair value of the 1.75% Convertible Notes to be $197,373, as of the date of issuance of our 1.75% Convertible Notes, assuming a 6.9% non-convertible borrowing rate. The carrying amount of the equity component was determined to be $52,627 by deducting the fair value of the liability component from the par value of the 1.75% 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 1.75% 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 $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.

As of December, 31, 2014 and March 31, 2014, the if-converted value of our 1.75% Convertible Notes exceeded the principal amount of $250,000 by $117,025 and $37,151, respectively.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

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

	December 31, 2014	March 31, 2014
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	**22,112**	30,025
Net carrying amount of 1.75% Convertible Notes	**$ 227,888**	$ 219,975
Carrying amount of debt issuance costs	**$ 1,921**	$ 2,716

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Cash interest expense (coupon interest expense)	**$ 1,094**	$ 1,094	**$ 3,282**	$ 3,282
Non-cash amortization of discount on 1.75% Convertible Notes	**2,682**	2,509	**7,913**	7,403
Amortization of debt issuance costs	**262**	274	**795**	833
Total interest expense related to 1.75% Convertible Notes	**$ 4,038**	$ 3,877	**$ 11,990**	$ 11,518

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 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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

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 December 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

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

8. DEBT (Continued)

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.

As of December, 31, 2014 and March 31, 2014, the if-converted value of our 1.00% Convertible Notes exceeded the principal amount of $287,500 by $87,009 and $5,507, respectively. The following table provides additional information related to our 1.00% Convertible Notes:

	December 31, 2014	March 31, 2014
Additional paid-in capital	**$ 35,784**	$ 35,784
Principal amount of 1.00% Convertible Notes	**$ 287,500**	$ 287,500
Unamortized discount of the liability component	**44,968**	53,444
Net carrying amount of 1.00% Convertible Notes	**$ 242,532**	$ 234,056
Carrying amount of debt issuance costs	**$ 1,480**	$ 1,831

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	2013	2014	2013
Cash interest expense (coupon interest expense)	**$ 719**	$ 718	**$ 2,156**	$ 1,541
Non-cash amortization of discount on 1.00% Convertible Notes	**2,868**	2,702	**8,477**	5,746
Amortization of debt issuance costs	**116**	121	**352**	258
Total interest expense related to 1.00% Convertible Notes	**$ 3,703**	$ 3,541	**$ 10,985**	$ 7,545

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

9. EARNINGS (LOSS) PER SHARE ("EPS")

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Computation of Basic EPS:				
Net income (loss)	**$ 40,093**	$ 578,426	**$ (36,679)**	$ 392,392
Less: net income allocated to participating securities	**(3,127)**	(77,857)	**—**	(42,482)
Net income (loss) for basic EPS calculation	**$ 36,966**	$ 500,569	**$ (36,679)**	$ 349,910
Total weighted average shares outstanding—basic	**87,483**	98,290	**80,128**	97,529
Less: weighted average participating shares outstanding	**(6,824)**	(13,230)	**—**	(10,559)
Weighted average common shares outstanding—basic	**80,659**	85,060	**80,128**	86,970
Basic EPS	**$ 0.46**	$ 5.88	**$ (0.46)**	$ 4.02
Computation of Diluted EPS:				
Net income (loss)	**$ 40,093**	$ 578,426	**$ (36,679)**	$ 392,392
Less: net income allocated to participating securities	**(2,401)**	(61,200)	**—**	(32,412)
Add: interest expense, net of tax, on Convertible Notes	**7,199**	7,418	**—**	26,221
Net income (loss) for diluted EPS calculation	**$ 44,891**	$ 524,644	**$ (36,679)**	$ 386,201
Weighted average shares outstanding—basic	**80,659**	85,060	**80,128**	86,970
Add: dilutive effect of common stock equivalents	**26,455**	26,752	**—**	30,304
Weighted average common shares outstanding—diluted	**107,114**	111,812	**80,128**	117,274
Diluted EPS	**$ 0.42**	$ 4.69	**$ (0.46)**	$ 3.29

The Company incurred a net loss for the nine months ended December 31, 2014; 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.

Certain of 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 participating securities from the numerator and excludes the dilutive effect of those awards from the denominator. For the nine months ended December 31, 2014, we had approximately 6,536,000 participating securities, which are excluded due to the net loss for that period.

The Company defines common stock equivalents as unexercised stock options, common stock equivalents underlying the Convertible Notes (see Note 8) and warrants outstanding during the period. Common stock equivalents are measured using the treasury stock method, except for the Convertible

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

9. EARNINGS (LOSS) PER SHARE ("EPS") (Continued)

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 8) 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 8). 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 8).

For the three and nine months ended December 31, 2014, we issued approximately 14,000 and 2,064,000, respectively, of restricted stock awards and we canceled approximately 72,000 and 645,000, respectively, of unvested restricted stock awards.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Nine Months Ended December 31, 2014			
	Foreign currency translation adjustments	Unrealized gain (loss) on derivative instruments	Unrealized gain (loss) on available-for-sales securities	Total
Balance at March 31, 2014	$ 1,531	$ 585	$ —	$ 2,116
Other comprehensive (loss) income before reclassifications	(19,512)	32	(179)	(19,659)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—	—
Balance at December 31, 2014	$ (17,981)	$ 617	$ (179)	$ (17,543)

	Nine Months Ended December 31, 2013		
	Foreign currency translation adjustments	Unrealized gain (loss) on derivative instruments	Total
Balance at March 31, 2013	$ (4,916)	$ 344	$ (4,572)
Other comprehensive income before reclassifications	6,518	269	6,787
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Balance at December 31, 2013	$ 1,602	$ 613	$ 2,215

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

11. 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, that 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:

	Three Months Ended December 31,		Nine Months Ended December 31,	
Net revenue by geographic region:	**2014**	**2013**	**2014**	**2013**
United States	**$ 334,257**	$ 819,095	**$ 458,423**	$ 982,353
Europe	**127,600**	745,658	**215,743**	838,489
Asia Pacific	**46,417**	141,218	**65,441**	161,313
Canada and Latin America	**22,873**	157,898	**43,242**	173,205
Total net revenue	**$ 531,147**	$ 1,863,869	**$ 782,849**	$ 2,155,360

Net revenue by product platform was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
Net revenue by product platform:	**2014**	**2013**	**2014**	**2013**
Console	**$ 443,093**	$ 1,803,107	**$ 620,547**	1,995,178
PC and other	**88,054**	60,762	**162,302**	160,182
Total net revenue	**$ 531,147**	$ 1,863,869	**$ 782,849**	$ 2,155,360

TAKE-TWO INTERACTIVE SOFTWARE, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Dollars in thousands, except share and per share amounts)

11. SEGMENT AND GEOGRAPHIC INFORMATION (Continued)

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:

	Three Months Ended December 31,		Nine Months Ended December 31,	
Net revenue by distribution channel:	**2014**	**2013**	**2014**	**2013**
Digital online	**$ 149,840**	$ 125,270	**$ 310,687**	$ 287,579
Physical retail and other	**381,307**	1,738,599	**472,162**	1,867,781
Total net revenue	**$ 531,147**	$ 1,863,869	**$ 782,849**	$ 2,155,360

12. COMMITMENTS AND CONTINGENCIES

At December 31, 2014, we did not have any significant changes to our commitments since March 31, 2014. See Note 11 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended March 31, 2014 for more information regarding our commitments.

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.

13. SHARE REPURCHASE

Share Repurchase Program

In January 2013, our Board of Directors (the "Board") 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 nine months ended December 31, 2014, the Company did not repurchase any shares as part of the program. As of December 31, 2014, up to approximately 3,283,000 shares of our common stock remain available for repurchase under the Company's share repurchase authorization.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 those contained herein, in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014, in the section entitled "Risk Factors," and the Company's other periodic filings with the SEC. 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.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying Condensed Consolidated Financial Statements and notes to assist readers in understanding our results of operations, financial condition and cash flows. The following discussion should be read in conjunction with the MD&A and our annual consolidated financial statements and the notes thereto, included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

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 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. We believe that Rockstar Games 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 205 million units. The latest installment, *Grand Theft Auto V*, was released on Sony's PS3 and Microsoft's Xbox 360 in September 2013 and on Sony's PlayStation 4 and Microsoft's Xbox One in November 2014. *Grand Theft Auto V* includes access to *Grand Theft Auto Online*, which launched in October 2013. Rockstar Games is also well known for developing brands in other genres, including the *LA Noire, Bully* and *Manhunt* franchises. Rockstar Games continues to expand on our established franchises by developing sequels, offering downloadable add-on episodes, content and virtual currency, and releasing titles for smartphones and tablets.

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 Enemy Unknown* series. 2K also publishes highly successful externally developed franchises, such as *Borderlands*. 2K's realistic sports simulation titles, include our flagship *NBA 2K* series, which has been the top-ranked NBA basketball video game for 14 years running, and the *WWE 2K* series.

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 addition, South Korean-based studio XLGAMES is presently developing *Civilization Online*, a new online game for the Asian market.

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 23% of the Company's net revenue for the nine months ended December 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 60.8% and 42.6% of net revenue during the nine months ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and March 31, 2014, our five largest customers comprised approximately 51.4% and 68.3% of our gross accounts receivable, respectively. We had three customers who accounted for approximately 13.6%, 12.5% and 11.1% of our gross accounts receivable as of December 31, 2014 and three customers who accounted for 22.6%, 22.3% and 14.9% of our gross accounts receivable as of March 31, 2014. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of December 31, 2014 and March 31, 2014. 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, and Microsoft's Xbox 360 and Xbox One, which comprised approximately 79.1% of the Company's net revenue by product platform for the nine months ended December 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 digital download 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 11 to our Condensed Consolidated Financial Statements, "Segment and Geographic Information," discloses that net revenue from digital online channels comprised approximately 39.7% of the Company's net revenue by distribution channel for the nine months ended December 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 during the nine months ended December 31, 2014.

Title	Publishing Label	Internal or External Development	Platform(s)	Date Released
NBA 2K15	2K	Internal	PS3, PS4, Xbox 360, Xbox One, PC	October 7, 2014
Borderlands: The Pre-Sequel	2K	Internal/External	Xbox 360, PS3, PC	October 14, 2014
Sid Meier's Civilization: Beyond Earth	2K	Internal	PC	October 24, 2014
WWE 2K15	2K	Internal/External	PS3, Xbox 360	October 28, 2014
WWE 2K15	2K	Internal/External	PS4, Xbox One	November 18, 2014
Grand Theft Auto V	Rockstar Games	Internal	Xbox One, PS4	November 18, 2014
Grand Theft Auto Online	Rockstar Games	Internal	Xbox One, PS4	November 18, 2014

Product Pipeline

We have announced the following future 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
Evolve	2K	External	Xbox One, PS4, PC	February 10, 2015
Grand Theft Auto V	Rockstar Games	Internal	PC	March 24, 2015
Grand Theft Online	Rockstar Games	Internal	PC	March 24, 2015
Sid Meier's Starships	2K	Internal	PC Mac, iOS	Spring 2015
Battleborn	2K	External	Xbox One, PS4, PC	Fiscal Year 2016

Critical Accounting Policies and Estimates

Our most critical accounting policies, which are those that require significant judgment, include: revenue recognition; allowances for returns, price concessions and other allowances; capitalization and recognition of software development costs and licenses; fair value estimates including inventory obsolescence, valuation of goodwill, intangible assets and long-lived assets; valuation and recognition of stock-based compensation; and income taxes. In-depth descriptions of these can be found in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

Revenue Recognition

For some of our software products, we enter into multiple element revenue arrangements in which we may provide a combination of full game software, add-on content, maintenance or support. When all other revenue recognition criteria are met for these arrangements, we determine the fair value of each delivered and undelivered element using vendor-specific objective evidence ("VSOE") of fair value and allocate the total price among the various elements. When we have not established 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 that require the deferral of revenue, the cost of goods sold is deferred and recognized as the related net revenue is recognized. Deferred cost of goods sold includes product costs, royalties and licenses. 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. 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.

In identifying the deliverables within an arrangement we consider whether our software products contain more-than-inconsequential online functionality by evaluating the significance of the development effort, 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 and length of time of our post sale obligations to consumers. Determining whether the online functionality for a particular game constitutes a more than an inconsequential deliverable is subjective and requires management's judgment.

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. When software products provide online functionality that represents a more-than-inconsequential deliverable, we recognize the software-related revenues and the related cost of goods sold ratably over the estimated service period of the title (assuming all other recognition criteria are met) as we have not established VSOE for that deliverable.

During the fiscal quarter ending December 31, 2014, the Company concluded that the updates being provided with *Grand Theft Auto V* were no longer considered an inconsequential deliverable because of the add-on content updates provided to date and expected to be provided in the future. As a result, the net revenue and cost of goods sold that have been deferred will be recognized ratably over the expected service period, which is equal to the estimated remaining life of the game which we have concluded for *Grand Theft Auto V* to be 24 months from the time of release.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as a new Topic, Accounting Standards Codification ("ASC") Topic 606. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for the annual and interim periods beginning after December 15, 2016 (April 1, 2017 for the Company) and shall be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently determining its implementation approach and evaluating the impact of adopting this update on our Condensed Consolidated Financial Statements.

Requirements for Reporting Discontinued Operations

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This new guidance raises the threshold for a disposal to qualify as discontinued operations and requires new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. Under the new standard, companies report discontinued operations when they have a disposal that represents a strategic shift that has or will have a major impact on operations or financial results. This update will be applied prospectively and is effective for annual periods, and interim periods within those years, beginning after December 15, 2014 (April 1, 2015 for the Company). Early adoption is permitted provided the disposal was not previously disclosed. The adoption of this new guidance is not expected to have a material effect on our Condensed 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 became effective for annual periods (and interim periods within those annual periods) beginning after December 15, 2013 (April 1, 2014 for the Company), and is applied prospectively. The adoption of this guidance has not had a material effect on our Condensed Consolidated Financial Statements.

Results of Operations

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2014	**2013**	**2014**	**2013**
Net revenue	**100.0%**	100.0%	**100.0%**	100.0%
Cost of goods sold	**52.3%**	60.1%	**49.1%**	60.6%
Gross profit	**47.7%**	39.9%	**50.9%**	39.4%
Selling and marketing	**18.2%**	3.8%	**23.4%**	9.9%
General and administrative	**10.1%**	1.9%	**17.5%**	5.1%
Research and development	**5.9%**	1.6%	**10.2%**	3.6%
Depreciation and amortization	**1.1%**	0.1%	**1.9%**	0.5%
Total operating expenses	**35.3%**	7.4%	**53.0%**	19.1%
Income (loss) from operations	**12.4%**	32.5%	**(2.1)%**	20.3%
Interest and other, net	**(1.8)%**	(0.3)%	**(3.2)%**	(1.2)%
Gain (loss) on long-term investments	**(0.3)%**	0.0%	**2.3%**	0.0%
Loss on extinguishment of debt	**0.0%**	0.0%	**0.0%**	(0.4)%
Gain on convertible note hedge and warrants, net	**0.0%**	0.0%	**0.0%**	0.2%
Income (loss) from continuing operations before income taxes	**10.3%**	32.2%	**(3.0)%**	18.9%
Provision for income taxes	**2.8%**	1.3%	**1.7%**	0.7%
Income (loss) from continuing operations	**7.5%**	30.9%	**(4.7)%**	18.2%
Loss from discontinued operations, net of taxes	**0.0%**	0.0%	**0.0%**	0.0%
Net income (loss)	**7.5%**	30.9%	**(4.7)%**	18.2%
Net revenue by geographic region:				
United States	**62.9%**	43.9%	**58.6%**	45.6%
International	**37.1%**	56.1%	**41.4%**	54.4%
Net revenue by platform:				
Console	**83.4%**	96.7%	**79.3%**	92.6%
PC and other	**16.6%**	3.3%	**20.7%**	7.4%
Net revenue by distribution channel:				
Physical retail and other	**71.8%**	93.3%	**60.3%**	86.7%
Digital online	**28.2%**	6.7%	**39.7%**	13.3%

Three Months Ended December 31, 2014 Compared to December 31, 2013

(thousands of dollars)	2014	%	2013	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$ 531,147**	**100.0%**	$ 1,863,869	100.0%	$ (1,332,722)	(71.5)%
Software development costs and royalties(1)	**108,214**	**20.4%**	200,333	10.7%	(92,119)	(46.0)%
Product costs	**102,068**	**19.2%**	374,710	20.1%	(272,642)	(72.8)%
Internal royalties	**14,099**	**2.7%**	502,169	26.9%	(488,070)	(97.2)%
Licenses	**53,632**	**10.1%**	42,522	2.3%	11,110	26.1%
Cost of goods sold	**278,013**	**52.3%**	1,119,734	60.1%	(841,721)	(75.2)%
Gross profit	**$ 253,134**	**47.7%**	$ 744,135	39.9%	$ (491,001)	(66.0)%

(1) Includes $8,323 and $27,220 of stock-based compensation expense in 2014 and 2013, respectively, included in software development costs and royalties.

For the three months ended December 31, 2014, net revenue decreased $1,332.7 million as compared to the prior year. This decrease was primarily due to a decrease of approximately $1,413.9 million in sales from our *Grand Theft Auto* franchise, as last year's results benefited from the release of *Grand Theft Auto V* on the PS3 and Xbox 360 console gaming systems, which was partially offset this year by the November 2014 release of *Grand Theft Auto V* on the PS4 and Xbox One console gaming systems and growth in revenue from *Grand Theft Auto Online*. The overall decrease in net revenue was partially offset by a $130.3 million increase in net sales due to the October 2014 releases of *Borderlands: The Pre-Sequel* and *Sid Meier's Civilization: Beyond Earth* and higher sales of our *WWE 2K* franchise.

Net revenue on consoles decreased to 83.4% of our total net revenue for the three months ended December 31, 2014 as compared to 96.7% for the same period in the prior year, as last year's results benefited from release the of *Grand Theft Auto V* on the PS3 and Xbox 360 console gaming systems. PC and other sales increased to 16.6% of our total net revenue for the three months ended December 31, 2014 as compared to 3.3% for the prior year's period, primarily due to the PC release of *Sid Meier's Civilization: Beyond Earth* in October 2014.

Net revenue from physical retail and other channels decreased to 71.8% of our total net revenue for the three months ended December 31, 2014 as compared to 93.3% for the same period in the prior year, as the prior year's results reflected the release of *Grand Theft Auto V* on the PS3 and Xbox 360 console gaming systems. Net revenue from digital online channels increased to 28.2% of our total net revenue for the three months ended December 31, 2014 as compared to 6.7% for the same period in the prior year. The increase was primarily driven by the decreased proportion of net revenues from physical retail and other and higher sales of digitally-delivered offerings from our *Grand Theft Auto* and *NBA 2K* franchises, as well as the PC release of *Sid Meier's Civilization: Beyond Earth* in October 2014. Recurrent consumer spending (including add-on content, microtransactions and online play) represented 39.5% and 30.3% of net revenue from digital online channels for the three months ended December 31, 2014 and 2013, respectively.

Gross profit as a percentage of net revenue for the three months ended December 31, 2014 was 47.7% as compared to 39.9% for the prior year period. The increase was primarily due to: (i) lower internal royalties, as we generated lower income from our *Grand Theft Auto* franchise in the current year period and (ii) lower product costs in the current year period as a percentage of net revenue primarily due to an increased proportion of net revenue from digital online channels which were partially offset by higher software development costs and royalties as a percentage of net revenue due to the October 2014 release of *Borderlands: The Pre-Sequel* which was externally developed. For the fiscal third quarter 2015, gross profit included the deferral of net revenue and cost or goods sold related to sales generated from *Grand Theft Auto V*.

Net revenue earned outside of the United States accounted for 37.1% of our total net revenue for the three months ended December 31, 2014, as compared to 56.1% in the prior year. The year-over-year percentage decrease was primarily due to *Grand Theft Auto V*, which generated higher sales outside of the United States during the three months ended December 31, 2013. Foreign currency exchange rates decreased net revenue and gross profit by $5.7 million and $4.0 million, respectively, for the three months ended December 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	**$ 96,892**	**18.2%**	$ 70,476	3.8%	$ 26,416	37.5%
General and administrative	**53,564**	**10.1%**	34,718	1.9%	18,846	54.3%
Research and development	**31,221**	**5.9%**	29,233	1.6%	1,988	6.8%
Depreciation and amortization	**5,845**	**1.1%**	3,413	0.1%	2,432	71.3%
Total operating expenses(1)	**$ 187,522**	**35.3%**	$ 137,840	7.4%	$ 49,682	36.0%

(1) Includes stock-based compensation expense, which was allocated as follows (in thousands):

	2014	2013
Selling and marketing	**$ 2,411**	$ 3,414
General and administrative	**$ 16,437**	$ 1,736
Research and development	**$ 1,457**	$ 3,958

Foreign currency exchange rates decreased total operating expenses by $2.8 million for the three months ended December 31, 2014 as compared to the prior year.

Selling and marketing

Selling and marketing expenses increased $26.4 million for the three months ended December 31, 2014 as compared to the prior year primarily due to $21.7 million in higher advertising expenses related to more titles releasing during the current period with no comparable titles releasing in the prior period such as the November 2014 release of *Grand Theft Auto V* on the PS4 and Xbox One console gaming systems and the October 2014 releases of *Borderlands: The Pre-Sequel* and *Sid Meier's Civilization: Beyond Earth.* Also contributing to the increase in selling and marketing expenses was a $2.9 million increase in personnel costs primarily due to the timing of recording performance-based incentive compensation as a result of the Company's performance.

General and administrative

General and administrative expenses increased $18.8 million for the three months ended December 31, 2014, as compared to the prior year, primarily from ZelnickMedia stock based compensation expense mainly due to the Company's relative stock price performance related to the 2011 Management Agreement and the restricted units granted in connection with the 2014 Management Agreement.

General and administrative expenses for the three months ended December 31, 2014 and 2013 include occupancy expense (primarily rent, utilities and office expenses) of $4.8 million and $4.0 million, respectively, related to our development studios.

Research and development

Research and development expenses increased $2.0 million for the three months ended December 31, 2014 as compared to the prior year due to higher IT spend on equipment at our development studios and consulting services.

Interest and other, net

Interest and other, net was an expense of $9.5 million for the three months ended December 31, 2014, as compared to an expense of $6.0 million for the three months ended December 31, 2013. The increase of $3.5 million was primarily due to a greater foreign currency exchange loss recorded during the three months ended December 31, 2014.

Provision (Benefit) for Income Taxes

Income tax expense was $14.6 million for the three months ended December 31, 2014 as compared to $21.9 million for the three months ended December 31, 2013. The decrease in income tax expense is primarily attributable to changes in valuation allowance for tax credits carryforwards and deferred tax assets anticipated to be utilized, partially offset by an increase in taxable income. For the three months ended December 31, 2013, the Company fully utilized its U.S. federal tax loss carryforwards.

Our effective tax rate differed from the federal statutory rate primarily due to changes in valuation allowances related to tax losses not anticipated to be utilized and tax credit carryforwards that will be utilized against income.

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.

Net income and net income per share

For the three months ended December 31, 2014, our net income was $40.1 million, as compared to $578.4 million in the prior year period. For the three months ended December 31, 2014, basic earnings per share were $.46 and diluted earnings per share were $.42 as compared to basic earnings per share of $5.88 and diluted earnings per share of $4.69 for the three months ended December 31, 2013. Basic and diluted weighted average shares outstanding were lower compared to the prior year's period primarily due to the repurchase of 16.2 million shares during fiscal year ended March 31, 2014, partially offset by the vesting of restricted stock awards. See Note 9 to our unaudited condensed consolidated financial statements for additional information regarding earnings per share.

Nine Months Ended December 31, 2014 Compared to December 31, 2013

(thousands of dollars)	2014	%	2013	%	Increase/ (decrease)	% Increase/ (decrease)
Net revenue	**$ 782,849**	**100.0%**	$ 2,155,360	100.0%	$ (1,372,511)	(63.7)%
Software development costs and royalties(1)	**144,863**	**18.5%**	305,151	14.2%	(160,288)	(52.5)%
Product costs	**139,421**	**17.8%**	438,839	20.4%	(299,418)	(68.2)%
Licenses	**65,091**	**8.3%**	51,678	2.4%	13,413	26.0%
Internal royalties	**34,810**	**4.4%**	510,371	23.7%	(475,561)	(93.2)%
Cost of goods sold	**384,185**	**49.1%**	1,306,039	60.6%	(921,854)	(70.6)%
Gross profit	**$ 398,664**	**50.9%**	$ 849,321	39.4%	$ (450,657)	(53.1)%

(1) Includes $11,062 and $29,176 of stock-based compensation expense in 2014 and 2013, respectively.

For the nine months ended December 31, 2014, net revenue decreased $1,372.5 million as compared to the prior year. This decrease was primarily due to a decrease of approximately $1,378.3 million in sales from our *Grand Theft Auto* franchise, as the prior year's results benefitted from the release of *Grand Theft Auto V* on the PS3 and Xbox 360 console gaming systems, which was partially offset this year by the November 2014 release of *Grand Theft Auto V* on the PS4 and Xbox One console gaming systems and growth in revenue from *Grand Theft Auto Online*. The overall decrease in net revenue was partially offset by a $134.8 million increase in net sales due to the October 2014 releases of *Borderlands: The Pre-Sequel* and *Sid Meier's Civilization: Beyond Earth* and higher sales of our *WWE 2K* franchise.

Net revenue on consoles decreased to 79.3% of our total net revenue for the nine months ended December 31, 2014 as compared to 92.6% for the same period in the prior year due primarily to last year's results including the release of *Grand Theft Auto V* on the PS3 and Xbox 360 console gaming systems. PC and other sales increased to 20.7% of our total net revenue for the nine months ended December 31, 2014 as compared to 7.4% in the prior year period, primarily due to the PC release of *Sid Meier's Civilization: Beyond Earth* in October 2014.

Net revenue from physical retail and other channels decreased to 60.3% of our total net revenue for the nine months ended December 31, 2014 as compared to 86.7% for the same period in the prior year, due primarily to last year's results benefitting from the release of *Grand Theft Auto V* on the PS3 and Xbox 360 console gaming systems. Net revenue from digital online channels increased to 39.7% of our total net revenue for the nine months ended December 31, 2014 as compared to 13.3% for the prior year period. The increase was primarily driven by the decreased proportion of net revenues from physical retail and other and higher sales of digitally-delivered offerings from our *Grand Theft Auto* and *NBA 2K* franchises as well as the PC release of *Sid Meier's Civilization: Beyond Earth* in October 2014, which were partially offset by lower sales of digitally delivered offerings for *Borderlands 2,* which benefitted from the release of several downloadable content packs during the prior year period. Recurrent consumer spending (including add-on content, microtransactions and online play) represented 44.8% and 39.2% of net revenue from digital online channels for the nine months ended December 31, 2014 and 2013, respectively.

Gross profit as a percentage of net revenue for the nine months ended December 30, 2014 was 50.9% as compared to 39.4% for the prior year period. The increase was primarily due to (i) lower internal royalties during the nine months ended December 31, 2014 mainly due to lower income generated from our *Grand Theft Auto* franchise in the current year period and (ii) lower product costs in the current year as a percentage of net revenue due to an increased proportion of net revenue from digital online channels which were partially offset by higher software development costs and royalties as a percentage of net revenue due to the October 2014 release of *Borderlands: The Pre-Sequel,* which was externally developed. For the fiscal third quarter 2015, gross profit included the deferral of net revenue and cost of goods sold related to sales generated from *Grand Theft Auto V*.

Net revenue earned outside of the United States accounted for 41.4% of our total net revenue for the nine months ended December 31, 2014, as compared to 54.4% in the prior year period. The percentage decrease was primarily due to *Grand Theft Auto V* on the PS3 and Xbox 360 gaming console systems, which generated higher sales outside of the United States during the nine months ended December 31, 2013. Foreign currency exchange rates decreased net revenue and gross profit by $4.6 million and $3.9 million, respectively, for the nine months ended December 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	**$ 182,874**	**23.4%**	$ 213,419	9.9%	$ (30,545)	(14.3)%
General and administrative	**136,891**	**17.5%**	110,601	5.1%	26,290	23.8%
Research and development	**79,886**	**10.2%**	76,624	3.6%	3,262	4.3%
Depreciation and amortization	**15,123**	**1.9%**	9,837	0.5%	5,286	53.7%
Total operating expenses(1)	**$ 414,774**	**53.0%**	$ 410,481	19.1%	$ 4,293	1.0%

(1) Includes stock-based compensation expense, which was allocated as follows (in thousands):

	2014	2013
Selling and marketing	**$ 6,660**	$ 8,020
General and administrative	**$ 30,492**	$ 13,884
Research and development	**$ 4,260**	$ 6,514

Foreign currency exchange rates had an immaterial impact to operating expenses for the nine months ended December 31, 2014 as compared to the prior year period.

Selling and marketing

Selling and marketing expenses decreased $30.5 million for the nine months ended December 31, 2014 as compared to the prior year, primarily due to $40.3 million in higher advertising expenses incurred in the prior year for the releases of *Grand Theft Auto V* on the PS3 and Xbox 360 gaming consoles in September 2013 and The Bureau: *XCOM: Declassified* in August 2013, which were partially offset by advertising expenses incurred in the current year for the releases of *Grand Theft Auto V* on the PS4 and Xbox One gaming consoles in November 2014, *Borderlands: The Pre-Sequel* and *Sid Meier's Civilization: Beyond Earth* in October 2014. Partially offsetting the overall decrease in selling and marketing expenses was $9.0 million in higher customer service costs and trade show costs due to our participating in the Electronic Entertainment Expo in 2014 but not in 2013.

General and administrative

General and administrative expenses increased $26.3 million for the nine months ended December 31, 2014, as compared to the prior year period, primarily due to ZelnickMedia stock based compensation expense resulting from the Company's relative stock price performance related to the 2011 Management Agreement and the restricted units granted in connection with the 2014 Management Agreement, as well as higher professional fees incurred for certain legal matters.

General and administrative expenses for the nine months ended December 31, 2014 and 2013 include occupancy expense (primarily rent, utilities and office expenses) of $13.6 million and $12.5 million, respectively, related to our development studios.

Research and development

Research and development expenses increased $3.3 million for the nine months ended December 31, 2014 as compared to the prior year period primarily due to higher IT spend on equipment at our development studios and consulting services.

Interest and other, net

Interest and other, net was an expense of $24.7 million for the nine months ended December 31, 2014, as compared to an expense of $26.0 million for the nine months ended December 31, 2013. The decrease of $1.3 million was primarily due to a net decrease of $4.0 million in interest expense primarily due to the redemption of our 4.375% Convertible Notes in August 2013 partially offset by interest on the 1.00% Convertible Notes issued in June 2013. This decrease was partially offset by an increase of $2.7 million due to a greater foreign currency exchange losses recorded during the nine months ended December 31, 2014.

Gain (loss) on long-term investments

During the nine months ended December 31, 2014 the Company recognized a $17.5 million net gain on long-term investments, which was primarily comprised of the Company's sale of its investment in Twitch Interactive, Inc.'s ("Twitch") Class C Preferred stock, which was accounted for under the cost method of accounting. In September 2014, the Company recognized a pretax gain of approximately $19.0 million in connection with the sale of Twitch. The pretax gain is presented within "Gain (loss) on long-term investments" in our Condensed Consolidated Statements of Operations for the nine months ended December 31, 2014.

Loss on extinguishment of debt

Loss on extinguishment of debt was $9.0 million for the nine months ended December 31, 2013 due to the conversion and redemption of our 4.375% Convertible Notes.

Gain on convertible note hedge and warrants, net

Gain on convertible note hedge and warrants, net was $3.5 million for the nine months ended December 31, 2013 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.

Provision (Benefit) for Income Taxes

Income tax expense was $13.4 million for the nine months ended December 31, 2014 as compared to $14.8 million for the nine months ended December 31, 2013. The decrease in income tax expense is primarily attributable to changes in valuation allowance for tax credits carryforwards and deferred tax assets anticipated to be utilized, partially offset by an increase in taxable income. For the nine months ended December 31, 2013, the Company fully utilized its U.S. federal tax loss carryforwards.

Our effective tax rate differed from the federal statutory rate primarily due to changes in valuation allowances related to tax losses not anticipated to be utilized and tax credit carryforwards that will be utilized against income.

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.

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

For the nine months ended December 31, 2014, our net loss was $36.7 million, as compared to net income of $392.4 million in the prior year. Basic and diluted loss per share for the nine months ended December 31, 2014 were $0.46 and $0.46 as compared to basic earnings per share of $4.02 and diluted earnings per share of $3.29 for the nine months ended December 31, 2013. Basic and diluted weighted average shares outstanding decreased primarily due to the repurchase of 16.2 million shares during fiscal year ended March 31, 2014 and the convertible notes shares being anti-dilutive in the current period, partially offset by the vesting of restricted stock awards. See Note 9 to our Condensed Consolidated Financial Statements for additional information regarding earnings 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. In addition, our cash funding requirements may be impacted by U.S. tax payments resulting from U.S. taxable income. We expect to rely on funds provided by our operating activities, our Credit Agreement and our Convertible Notes to satisfy our working capital needs.

Short-term Investments

During the nine months ended December 31, 2014, the Company has purchased $79.7 million of short-term investments, which are highly liquid in nature and represent an investment of cash that is available for current operations. From time to time, the Company may purchase additional short-term investments depending on future market conditions and liquidity needs.

Credit Agreement

In August 2014, we entered into a Third Amendment to the Second Amended and Restated October 2011 Credit Agreement (the "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 August 18, 2019. Revolving loans under the Credit Agreement bear interest at our election of (a) 0.50% to 1.00% above a certain base rate (3.75% at December 31, 2014), or (b) 1.50% to 2.00% above the LIBOR Rate (approximately 1.67% at December 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 0.25% to 0.375% 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 $5.0 million.

As of December 31, 2014, there was $98.3 million available to borrow under the Credit Agreement. At December 31, 2014, we had no outstanding borrowings under 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 unsecured convertible senior 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 December 31, 2014, we were in compliance with all covenants and requirements outlined in the Credit Agreement.

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 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 $1,000 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. Our common stock price exceeded 130% of the applicable conversion price per share for at least 20 trading days during the 30 consecutive trading days ended December 31, 2014. Accordingly, as of January 1, 2015 the 1.75% Convertible Notes may be converted at the holder's option through March 31, 2015. If the 1.75% Convertible Notes were to be converted during this period, our current intent and ability, given our option, would be to settle the conversion in shares of our common stock. As such, we have continued to classify these 1.75% Convertible Notes as long-term debt.

The indenture governing the 1.75% Convertible Notes contains customary terms and covenants and events of default. As of December 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 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 underwriting 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 December 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 approximately 60.8% and 42.6% of net revenue for the nine months ended December 31, 2014 and 2013, respectively. As of December 31, 2014 and March 31, 2014, our five largest customers accounted for approximately 51.4% and 68.3% of our gross accounts receivable balance, respectively. We had three customers who accounted for approximately 13.6%, 12.5% and 11.1% of our gross accounts receivable as of December 31, 2014 and three customers who accounted for 22.6%, 22.3% and 14.9% of our gross accounts receivable as of March 31, 2014. We did not have any additional customers that exceeded 10% of our gross accounts receivable as of December 31, 2014 and March 31, 2014. 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, short-term investments 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 December 31, 2014, the amount of cash and cash equivalents held outside of the U.S. by our foreign subsidiaries was approximately $249.0 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 impact to the extent possible.

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 nine months ended December 31, 2014, the Company did not repurchase any shares as part of the program. As of December 31, 2014, up to approximately 3,283,000 shares of our common stock remain available for repurchase under the Company's share repurchase authorization.

Our changes in cash flows were as follows:

	Nine Months Ended December 31,	
(thousands of dollars)	**2014**	**2013**
Net cash provided by operating activities	**$ 60,526**	$ 730,793
Net cash used in investing activities	**(99,280)**	(24,455)
Net cash provided by (used in) financing activities	**10,352**	(133,684)
Effects of foreign currency exchange rates on cash and cash equivalents	**(9,546)**	(2,986)
Net (decrease) increase in cash and cash equivalents	**$ (37,948)**	$ 569,668

At December 31, 2014, we had $897.5 million of cash and cash equivalents, compared to $935.4 million at March 31, 2014. The decrease was primarily due to cash used in investing activities partially offset by cash provided by operating activities. Net cash used in investing activities related to purchases of short-term investments and purchases of fixed assets and was partially offset by the proceeds received from the sale of our long-term investment. Net cash provided by operations was primarily due to an increase in deferred revenue generated by the sale of virtual currency partially offset by investments in software development.

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. Other than agreements entered into in the ordinary course of business and in addition to the agreements requiring known cash commitments as reported in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, the Company expects to pay approximately $180.3 million in software development licenses and royalties within the next twelve months.

Off-Balance Sheet Arrangements

As of December 31, 2014 and March 31, 2014, 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, Canada, Latin America, Asia and Australia. For the three months ended December 31, 2014 and 2013, approximately 37.1% and 56.1%, respectively, of our net revenue was earned outside of the United States. For the nine months ended December 31, 2014 and 2013, approximately 41.4% and 54.4%, respectively, of our net revenue was earned outside of 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 higher 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 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to fluctuations in interest rates relates primarily to our short-term investment portfolio and variable rate debt under the Credit Agreement.

We manage our interest rate risk by maintaining a short-term investment portfolio that consists primarily of corporate bonds with high credit quality and maturities less than two years. Since short-term investments mature relatively quickly and can be reinvested at the then-current market rates, interest income on a portfolio consisting of short-term securities is more subject to market fluctuations than a portfolio of longer term maturities. However, the fair value of a short-term portfolio is less sensitive to market fluctuations than a portfolio of longer term securities. We do not currently use derivative financial instruments in our short-term investment portfolio. Our investments are held for purposes other than trading.

As of December 31, 2014, our $79.1 million of short-term investments were classified as available-for-sale securities and therefore, were recorded at fair market value with unrealized gains or losses resulting from changes in fair value reported as a separate component of accumulated other comprehensive income (loss), net of tax, in stockholders' equity. We also had $897.5 million of cash and cash equivalents that are comprised primarily of money market funds and bank-time deposits. The Company has determined that, based on the composition of our investment portfolio, there was no material interest rate risk exposure to the Company's Condensed Consolidated Financial Statements or liquidity as of December 31, 2014.

Historically, fluctuations in interest rates have not had a significant impact on our operating results. Under our Credit Agreement, outstanding balances bear interest at our election of (a) 0.50% to 1.00% above a certain base rate (3.75% at December 31, 2014), or (b) 1.50% to 2.00% above the LIBOR rate (approximately 1.67% at December 31, 2014), with the margin rate subject to the achievement of certain average liquidity levels. Changes in market rates may impact our future interest expense if there is an outstanding balance on our line of credit. The 1.00% Convertible Notes and 1.75% Convertible Notes pay interest semi-annually at a fixed rate of 1.00% and 1.75%, respectively, per annum and we expect that there will be no fluctuation in rates related to the Convertible Notes impacting our cash component of interest expense. For additional details on our Convertible Notes see Note 8 to our Condensed 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 nine months ended December 31, 2014, our foreign currency translation loss adjustment was approximately $19.5 million. We recognized foreign currency exchange transaction losses of $2.3 million for the nine months ended December 31, 2014 and foreign currency exchange gains of $0.4 million for the nine months ended December 31, 2013, respectively, in interest and other, net in our Condensed 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 Condensed 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 Condensed 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 Condensed 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 Condensed 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 December 31, 2014, we had no forward contracts outstanding to buy or sell foreign currencies in exchange for U.S. dollars designated as cash flow hedges. At March 31, 2014, we had $0.9 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, the fair value of these outstanding forward contracts was immaterial and was 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 Condensed Consolidated Balance Sheets, and gains and losses resulting from changes in the fair value are reported in interest and other, net, in our Condensed Consolidated Statements of Operations. We do not enter into derivative financial contracts for speculative or trading purposes. At December 31, 2014, we had $4.6 million of forward contracts outstanding to buy foreign currencies in exchange for U.S. dollars and $231.3 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, 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. For the three months December 31, 2014 and 2013, we recorded a gain of $7.7 million and a loss of $7.2 million, respectively, related to foreign currency forward contracts in interest and other, net on the Condensed Consolidated Statements of Operations. For the nine months December 31, 2014 and 2013, we recorded a gain of $7.3 million and a loss of $17.5 million, respectively, related to foreign currency forward contracts in interest and other, net on the Condensed Consolidated Statements of Operations. As of December 31, 2014 and March 31, 2014, 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.

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 nine months ended December 31, 2014, 41.4% 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 4.1%, while a hypothetical 10% decrease in the value of the U.S. dollar against all currencies would increase revenues by 4.1%. 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 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of management, our principal executive officer and principal financial officer have concluded that 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 ("Exchange Act") were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 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.

PART II. OTHER INFORMATION

Item 1. 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 1A. Risk Factors

There have been no material changes to the Risk Factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

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 three months ended December 31, 2014, the Company did not repurchase shares of our common stock in the open market as part of the program. As of December 31, 2014, up to approximately 3,283,000 shares of our common stock remain available for repurchase under the Company's share repurchase authorization.

Item 6. Exhibits

Exhibits:	
10.1	Employment Agreement dated January 28, 2015 between the Company and Daniel Emerson.
10.2	Amendment to the Restricted Stock Agreement dated as of May 20, 2011 between the Company and ZelnickMedia Corporation, effective as of December 2, 2014.
10.3	Amendment to the Performance Based Restricted Stock Agreement dated as of May 20, 2011 between the Company and ZelnickMedia Corporation, effective as of December 2, 2014.
31.1	Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at December 31, 2014 and March 31, 2014, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2014 and 2013, (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended December 31, 2014 and 2013, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2014 and 2013; and (v) Notes to Condensed Consolidated Financial Statements (Unaudited).

SIGNATURES

Pursuant to the requirements 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.
(Registrant)

Date: February 6, 2015	By:	/s/ STRAUSS ZELNICK
		Strauss Zelnick *Chairman and Chief Executive Officer* *(Principal Executive Officer)*
Date: February 6, 2015	By:	/s/ LAINIE GOLDSTEIN
		Lainie Goldstein *Chief Financial Officer* *(Principal Financial Officer)*

EMPLOYMENT AGREEMENT

This Employment Agreement ("Agreement"), dated January 28, 2015 but to be effective as of October 24, 2014 (the "Effective Date"), is entered into by and between Daniel Emerson (the "Employee") and Take-Two Interactive Software, Inc. (the "Company").

WHEREAS the Company desires to employ the Employee as the Executive Vice President and General Counsel and the Employee desires to serve in such capacity on behalf of the Company;

NOW, THEREFORE, in consideration of their mutual promises and intending to be legally bound, the Employee and the Company hereby agree as follows:

1. Employment.

   a. Term. The Employee's employment and this Agreement shall commence on the Effective Date and shall continue until terminated by either party pursuant to the terms of this Agreement (the "Term"). The Employee's employment with the Company is employment "at will" and nothing in this Agreement shall be construed as giving the Employee any right to be retained in the employ of the Company, and the Employee specifically acknowledges that the Company may discharge the Employee at any time with or without Cause (as defined below) and without compensation of any nature, except as provided in Section 9 below.

   b. Duties. During the Term, the Employee shall be employed by the Company as the Executive Vice President and General Counsel of the Company and shall continue to serve the Company faithfully and to the best of his ability. The Employee shall devote substantially all of his commercial time, attention, skill and efforts to the performance of the duties required by or appropriate for his position with the Company. The Employee shall report to the President of the Company or if such position (or any like position equivalent or higher) no longer exists, to the Chief Executive Officer of the Company. The principal place of performance by the Employee of his duties hereunder shall be the Company's principal executive offices in New York, although the Employee may be required to travel outside of the area where the Company's principal executive offices are located in connection with the performance of his duties hereunder.

2. Base Salary. During the Term, the Company shall pay to the Employee an annual base salary of $435,000, less applicable and authorized deductions, which base salary shall be subject to review on an annual basis and, at the option of the Company, subject to increase (such salary, as the same may be increased from time to time, is referred to herein as the "Base Salary"). The Base Salary shall be payable in accordance with the Company's standard payroll practices.

3. Incentive Compensation. The Employee will be eligible to be awarded an annual discretionary bonus in each of the Company's fiscal years during the Term (the "Annual Discretionary Bonus"). The target Annual Discretionary Bonus will be equal to 50% of the Employee's Base Salary (including during fiscal year 2015). The Employee's actual Annual Discretionary Bonus,

if any, will be awarded in the Company's discretion and may be based on, among other things, the financial performance (EBITDA) of the Company and the Employee's own job performance. The amount of the Employee's Annual Discretionary Bonus, if any, will be determined in the Company's discretion at or near the end of the year for which the Annual Discretionary Bonus is awarded. Except as otherwise provided in Section 9, in no event will the Employee be eligible to be awarded or receive an Annual Discretionary Bonus if the Employee is not actively employed by the Company on, or has given or received notice of termination or resignation prior to, the date on which bonuses for the applicable year are paid to similarly situated employees. The Employee's receipt of an Annual Discretionary Bonus in one year does not guarantee receipt of any bonus in any subsequent year. Any Annual Discretionary Bonus earned will be paid as soon as practicable following the end of the applicable fiscal year, and in any event on or before the March 15th following the end of the fiscal year to which the Annual Discretionary Bonus relates.

4. Equity. The Employee is eligible to continue to participate in The Take-Two Interactive Software, Inc. 2009 Stock Incentive Plan (the "Equity Plan") at a level commensurate with other senior executives of the Company. All determinations as to eligibility to receive equity awards, as well as the amount of any such equity grants made under the Equity Plan as may be amended and in effect at such time, shall be made in the Company's sole discretion, subject to final approval by the Compensation Committee of the Board of Directors (the "Board").

5. Paid Time Off. The Employee is eligible for 25 days of paid time off ("PTO") annually, which will accrue on a semi-monthly basis during the calendar year in accordance with the Company's PTO policy.

6. Benefits. The Employee is eligible to participate in certain employee benefit plans that the Company offers to its senior executives from time to time, as more fully described in the Employee Benefits Guide. The Company shall have the right, from time to time and in its sole discretion, to modify, amend or terminate the employee benefit plans provided to its employees, including the Employee.

7. Confidentiality.

   a. Confidential Information. The term "*Confidential Information*" shall mean any and all information (whether in written, oral, electronic, digital or other form) which is developed, compiled or acquired by or on behalf of the Company, other than such information that is or later becomes publicly known and made generally available through no wrongful act or omission of the Employee, or by any third party in breach of any applicable confidentiality obligations, or other unlawful or wrongful conduct, as to the information involved. Confidential Information includes not only information disclosed to the Employee prior to or during the course of his employment, but also information created, made, developed, conceived, discovered, produced, completed, learned, reduced to practice, or acquired by the Employee as a result of his employment with the Company. Confidential Information is to be broadly defined, and shall include all information that has or could have commercial value or other utility and all information that could be harmful to the interests of the Company if disclosed without authorization. Without limiting the generality of the foregoing, Confidential Information includes information relating to: (i) business, financial, legal, regulatory, personnel or operational matters; (ii) employees, clients, customers, licensees, licensors, suppliers or business partners; (iii) intellectual property, trade secrets, passwords, know-how, inventions, patents, patent applications, business methods, trademarks, service marks, goodwill, domain names, trade dress, copyrights, discoveries, techniques, processes, procedures, standards, ideas, technical information and specifications, testing methods, research and development techniques and activities; (iv) past, present or future products or services; (v) video game elements, including proprietary software code (source and object code), designs, drawings, game jackets, game advertisements, written work including code comments, flowcharts, display mock-ups, wire frames, and the like concerning proprietary software code, genre, dialogue, characters, characterizations and storylines; (vi) product sourcing, customer lists and prospects, pricing policies, selling and servicing, promotion and marketing plans and game release timing or details; and (vii) information that the Company identifies or treats as Confidential Information or that the Employee knows or should reasonably know is Confidential Information.

b. Third Party Information. Confidential Information shall also include information provided to the Company by third parties to whom the Company owes a duty of confidentiality regarding such information ("Third Party Information").

c. Confidential Information Exclusions. Confidential Information shall not include information that: (i) was rightfully in the Employee's possession prior to the Company's disclosure of such information to the Employee; (ii) becomes rightfully known to the Employee, free of any restrictions, from a source other than the Company who has acquired such information properly and may rightfully disclose such information; (iii) is developed independently by the Employee without reference to, use of, or access to any Confidential Information and without violation of this Agreement; or (iv) relates to general methodology and mechanics employed by Employee in the performance of his duties with the Company.

d. Non-Disclosure and Non-Use of Confidential Information. The Employee shall not disclose or use any Confidential Information, whether during or after his employment with the Company, except to the extent such disclosure or use is: (i) directly related to and required by the Employee's performance of his duties as assigned by the Company; or (ii) expressly authorized in writing by the Company. In the case of Third Party Information, the Employee shall also ensure that any such disclosure or use is consistent with the Company's duty with the respective third party (e.g., restrictions on the use of certain licensed technologies).

e. Protection of Confidential Information. The Employee shall take all reasonable measures to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Employee shall promptly notify the Company

upon discovery of any unauthorized disclosure or use of Confidential Information, and he shall cooperate with the Company (at the Company's expense) in every reasonable way to help the Company regain possession of the Confidential Information and to prevent its further unauthorized disclosure or use.

f. Legally Required Disclosure of Confidential Information. Subject to Section 10, in the event the Employee is legally required to disclose Confidential Information pursuant to a court order, subpoena or other valid legal process or authority, the Employee shall, to the fullest extent permitted by law: (i) provide prompt written notice and copies of all supporting documentation to the Company prior to making any disclosure; (ii) cooperate with the Company's efforts (at the Company's expense) to oppose or otherwise limit any disclosure; and (iii) use his reasonable efforts to make any required disclosure in such manner as to maintain the confidentiality of such information.

g. Protection of Privileged Information. The Employee acknowledges that in the course of his employment with the Company the Employee will acquire and/or have access to non-public information and material including information relating to litigation involving the Company and/or the resolution or settlement thereof, internal and/or external investigations and regulatory matters, attorney-client communications, communications with outside counsel, and other Company legal matters, all of which are subject to and protected from disclosure by the attorney-client privilege, attorney work product doctrine, and/or any other applicable privileges (referred to collectively as "Privileged Information"). The Employee acknowledges and agrees that such Privileged Information (including any underlying privilege therein) belongs exclusively to the Company, and that the Company cannot waive any such underlying privilege without express written confirmation by the President of the Company or by the Board of Directors of the Company. The Company further acknowledges and agrees that the Employee shall not, without prior written consent of the Company, disclose or publicize any such Privileged Information.

8. Other Covenants.

a. Non-Solicitation of Employees and Other Personnel. The Employee hereby agrees that, during the period of his employment with the Company and for a period of twelve (12) months thereafter, he shall not directly or indirectly solicit, induce, encourage or in any other manner persuade or attempt to persuade any director, officer, employee, consultant, independent contractor, agent or representative of the Company to discontinue or alter his, her or its respective employment, engagement or other business relationship with the Company.

b. Non-Solicitation of Customers, Suppliers and Other Business Partners. The Employee hereby agrees that, during the period of his employment with the Company and for a period of twelve (12) months thereafter, he shall not directly or indirectly solicit, induce, encourage or in any other manner persuade or attempt to persuade any Customer (as

defined herein) of the Company to discontinue or alter his, her or its business relationship with the Company.

c. Non-Disparagement. Subject to Section 10, the Employee hereby agrees that, during the period of his employment with the Company and thereafter, he shall not directly or indirectly disparage the Company or request, instruct, induce, encourage, authorize or assist others to do so. For the purposes of this Agreement, "***disparage***" shall include making or publishing any statement or other content, whether in written, oral, electronic, digital or other form, truthful or otherwise, which may reasonably be expected to adversely affect the business, public image, reputation or goodwill of the Company, including, without limitation, its operations, its employees, directors or related persons, and its past, present or future products or services. The Employee acknowledges and agrees that this prohibition includes, without limitation, making or publishing any such statements or other content on blogs and microblogs (such as Twitter), personal websites and web pages, social and professional networking sites (such as Facebook or LinkedIn), message boards, discussion forums, wikis and other interactive sites, social bookmarking services (such as Digg), and video and other content sharing sites (such as YouTube). Notwithstanding the foregoing, it shall not be a violation of this Section for the Employee to truthfully and accurately (i) testify pursuant to any lawful court order or valid subpoena, (ii) cooperate with a governmental agency investigation, or (iii) respond to or provide disclosures as otherwise required by law.

d. Non-Interference. The Employee hereby agrees that, during the period of his employment with the Company and for a period of one (1) year thereafter, he shall not directly or indirectly take any action which constitutes an unlawful interference with or disruption of any of the Company's business activities or request, instruct, induce, encourage, authorize or assist others to do so.

e. Definitions.

i. Customer. Solely for the purposes of this Section (Other Covenants), "*Customer*" shall include any person, company and/or entity (including, without limitation, clients, customers, licensees, licensors, suppliers or business partners) with whom the Company (or the Employee acting on behalf of the Company) has had a business relationship and/or about whom the Company has obtained Confidential Information, during the one year immediately preceding the termination of the Employee's employment with the Company; provided, however, that a person shall not be deemed a Customer solely because he or she purchased the Company's goods or services for personal use.

9. Termination of Employment. The Employee's employment with the Company may be terminated at any time with or without Cause (as defined below). In the event of the Employee's termination from employment, the Employee shall be eligible for the payments and/or benefits set forth below.

a. By the Company or the Employee for any Reason. If the Employee's employment is terminated by the Company or the Employee for any reason, with or without Cause (as defined below), the Employee will have no further rights against the Company hereunder, except as set forth in subsection (b) below to the extent applicable, and except for the right to receive: (i) any unpaid Base Salary attributable to employment before the termination date; (ii) payment for any unused paid time off (PTO) accrued through the termination date; and (iii) reimbursement of any expenses which the Employee incurred prior to the termination date and for which the Employee is entitled to reimbursement in accordance with the Company's normal expense reimbursement policies.

b. By the Company without Cause. If the Employee's employment is (i) terminated by the Company without Cause (as defined below), or (ii) if the Employee resigns after the occurrence of any of the following events without the Employee's prior written consent: (A) a material breach of this Agreement by the Company; (B) a material diminution in the Employee's title, status, position, reporting structure or responsibilities; (C) a failure by the Company to timely pay any compensation due to the Employee hereunder; (D) a material reduction by the Company in the Salary or any reduction in the target percentage of Salary payable as a Bonus as set forth in Section 3 hereof; (E) the assignment to the Employee of duties which are materially inconsistent with the duties set forth in Section 1(b) hereof; (F) any relocation of Employee's principal place of employment beyond 10 miles from its then current location; (G) the failure of any successor to the Company to assume the obligations of the Company under this Agreement either in writing or by operation of law; *provided* , *however* , that, any such resignation by the Employee will not be deemed to have been a termination by the Employer without Cause unless within ninety (90) days of any such event having occurred, the Employee shall have provided the Company with written notice that such event has occurred, afforded the Company thirty (30) days to cure same, and the Company has failed to cure such event within such thirty (30) day period, and provided the Employee executes and does not revoke a full release and waiver of claims in a reasonable form to be provided to the Employee by the Company (the "Release Agreement"), then in either event the Employee will be eligible to receive (1) the following benefits for a period of twelve (12) months following the Employee's termination of employment: (A) continuation of the Employee's Base Salary as in effect on the date of termination, to be paid in normal payroll installments; and (B) continued participation in Company welfare benefit plans (including, without limitation, any medical benefits in which the Employee participates) on the same terms and conditions as in effect at the time of the event triggering the Employee's entitlement to severance, provided that the Company reserves the right to restructure the foregoing arrangement in any manner necessary or appropriate to avoid fines, penalties or negative tax consequences to the Company or the Employee (including, without limitation, to avoid any penalty imposed under the Patient Protection and Affordable Care Act or the guidance issued thereunder), as determined by the Company in its good faith discretion, (2) immediate vesting of all restricted equity previously granted to the Employee by the Company, effective immediately prior to the termination of the Employee's employment; and (3) subject to the effective date of the

Employee's termination of employment, payment of the following lump sum amount(s): (A) if the termination is effective between April 1 and the day before an Annual Discretionary Bonus is otherwise payable for the prior fiscal year, a lump sum payment equivalent to the accrued but unpaid Annual Discretionary Bonus which the Employee would have otherwise been eligible to receive for the prior fiscal year ("Accrued Bonus") ; (B) if the termination is effective between April 1 and September 30, a lump sum payment equivalent to the sum of (x) the Accrued Bonus for the prior fiscal year (to the extent not previously paid) and (y) fifty percent (50%) of the target Annual Discretionary Bonus for which the Employee would otherwise have been eligible in the current fiscal year; and/or (C) if the termination is effective between October 1 and March 31, a lump sum payment equivalent to the sum of (x) the Accrued Bonus for the prior fiscal year (to the extent not previously paid) and (y) the target Annual Discretionary Bonus for which Employee would otherwise have been eligible in the current fiscal year (collectively, the "Severance Benefits"). The Severance Benefits described in subsection (i)(A) and (iii) will be paid or commence, as applicable, on the 60th day following the date of the Employee's termination of employment, provided that the Employee has signed the Release Agreement referenced herein and it has become irrevocable before such 60th day, and provided further that any installments that otherwise would have been payable to the Employee on the normal payroll dates occurring during the first 60 days following the Employee's termination of employment will be paid in a lump sum payment on such 60th day.

c. Cause. Solely for purposes of this Section 9 and without in any way limiting or altering the at-will nature of the Employee's employment, "Cause" shall mean (i) the Employee's continued failure to substantially perform the Employee's duties under this Agreement after receipt of notice from the Company requesting such performance, (ii) the criminal conviction of the Employee by plea or after trial of having engaged in criminal misconduct (including embezzlement and fraud) which is demonstrably materially injurious to the Company, monetarily or otherwise, (iii) the Employee's conviction of a felony, (iv) gross negligence on the Employee's part which materially affects the Company, or (v) the Employee's material failure to adhere to the Company's material written policies or to cooperate in any investigation or inquiry involving the Company. The Company shall give the Employee written notice of any proposed termination for Cause, which notice shall specify the grounds for the proposed termination, and the Employee shall be given thirty (30) days to cure if the grounds arise under clauses (i) or (v) above (in the event the Employee cures the event giving rise to Cause set forth in such written notice within said thirty (30) day period, Cause for termination shall not exist). The determination of whether Cause exists shall be in the good faith sole discretion of the Company.

d. Change in Control Severance Plan. During the Term, the Employee shall be eligible to participate in the Take-Two Interactive Software, Inc. Change in Control Employee Severance Plan as a Tier 1 Employee (as defined therein), as may be amended by the Company from time to time (the "Change in Control Plan") provided that if such

amendment results in the Employee receiving benefits that are less favorable than those that the Employee is eligible for under the Change in Control Plan as of the date of this Agreement, the Company agrees to make alternate arrangements to ensure that Employee receives benefits equivalent to the Change in Control Plan benefits for which Employee is eligible as of the date of this Agreement. Notwithstanding anything to the contrary, under no circumstances shall the Employee be eligible to receive payments under both Section 9 of this Agreement and the Change in Control Plan or any other then current severance pay plan or policy of the Company, and if the Employee is eligible to receive severance benefits under Section 9 of this Agreement and the Change in Control Plan, the Employee will receive the greater severance benefits.

10. Permitted Conduct. Nothing in this Agreement shall prohibit or restrict the Employee from: (i) making any disclosure of relevant, necessary and truthful information or documents in connection with any charge, action, investigation, or proceeding relating to this Agreement, or as required by law or legal process; or (ii) participating, cooperating, or providing truthful testimony in any charge, action, investigation, or proceeding with, or providing information to, any self-regulatory organization, governmental agency or legislative body, or the Company's Legal Department, and/or pursuant to the Sarbanes-Oxley Act, provided that, to the extent permitted by law, upon receipt of any subpoena, court order or other legal process compelling the disclosure of any such information or documents, the Employee gives prompt written notice to the Company's Employment Counsel so as to permit the Company to protect its interests in confidentiality to the fullest extent possible.

11. Recovery of Improperly-Awarded Incentive Compensation. In the event the Company makes a bonus or incentive compensation payment or equity award (collectively, "Incentive Award(s)") to the Employee on or after the Effective Date where: (i) the Incentive Award was predicated upon achieving certain financial results that were subsequently determined to have been erroneously reported; and (ii) the Board determines that the Employee engaged in knowing or intentional fraudulent or illegal conduct that caused or substantially caused such erroneous reporting to have occurred, and (iii) a lower Incentive Award would have been made to the Employee based upon the corrected financial results, the Board may require in accordance with the Corporate Governance Guidelines of the Company, within four years after the Incentive Award was made, and to the extent practicable under applicable law, recovery from the Employee in the amount by which the Employee's Incentive Award(s) for the relevant period exceeded the lower payment or equity award that would have been made based on the corrected financial results (as determined by the Company), including by way of cancellation of outstanding restricted equity awards and options previously granted to the Employee on or after the Effective Date.

12. Section 409A.

a. This Agreement is intended to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended, and its corresponding regulations ("Section 409A"), and shall in all respects be administered in accordance with Section 409A. Notwithstanding anything in this Agreement to the contrary, distributions may only be

made under this Agreement upon an event and in a manner permitted by Section 409A or an applicable exemption. Severance benefits provided under this Agreement are intended to be exempt from Section 409A under the "separation pay exception" to the maximum extent applicable. Further, any payments that qualify for the "short-term deferral" exception or another exception under Section 409A shall be paid under the applicable exception. All separation payments to be made upon a termination of employment under this Agreement may only be made upon a "separation from service" under Section 409A. For purposes of Section 409A, each payment hereunder shall be treated as a separate payment and the right to a series of payments under this Agreement shall be treated as a right to a series of separate payments. If and to the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Section 409A, such reimbursements or other in-kind benefits shall be made or provided in accordance with the requirements of Section 409A. Notwithstanding the foregoing, although the Company has made every effort to ensure that the payments and benefits provided under this Agreement comply with Section 409A, in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Employee on account of non-compliance with Section 409A.

b. Notwithstanding any other provisions of this Agreement to the contrary, and solely if and to the extent necessary for compliance with Section 409A and not otherwise eligible for exclusion from the requirements of Section 409A, if as of the date of the Employee's separation from service from the Company, (i) the Employee is deemed to be a "specified employee" (within the meaning of Section 409A), and (ii) the Company or any member of a controlled group including the Company is publicly traded on an established securities market or otherwise, no payment or other distribution required to be made to the Employee hereunder (including any payment of cash, any transfer of property and any provision of taxable benefits) solely as a result of the Employee's separation from service shall be made until the date that is the earlier of (A) the first day of the seventh month following the date on which the Employee separates from service with the Company or (B) the date of the Employee's death, if and to the extent required under Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Employee in a lump sum, and all remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

c. Notwithstanding any provision of this Agreement to the contrary, in no event shall the timing of the execution of the Release Agreement, directly or indirectly, result in the Employee designating the calendar year of a payment. In no event may the Employee, directly or indirectly, designate the calendar year of a payment.

13. Miscellaneous Provisions.

a. Entire Agreement; Amendments.

i. This Agreement and the other agreements referred to herein contain the entire agreement between the parties and supersede any and all prior agreements and understandings concerning the terms and conditions of the Employee's employment by the Company.

ii. This Agreement shall not be altered or otherwise amended, except pursuant to an instrument in writing signed by each of the parties hereto.

b. Notices in Writing. All notices between the Employee and the Company that are permitted or required under this Agreement shall be in writing and shall be deemed to have been duly given: (i) on the date of delivery if delivered by hand; (ii) on the first business day following the date of deposit if delivered by guaranteed overnight delivery service; (iii) on the fourth business day following the date mailed by United States registered or certified mail, postage prepaid, return receipt requested; or (iv) on the date of transmission if delivered by email or facsimile, provided that confirmation is promptly sent by any of the delivery methods in the preceding clauses (i) through (iii). Notices shall be delivered to the addresses set forth below (or to such other addresses as requested in writing by the Employee or the Company by notice given pursuant to this Section).

To the Company:
Take-Two Interactive Software, Inc.
622 Broadway
New York, NY 10012
Attn: Human Resources
Facsimile: (646) 654-1191

With a Copy To:
Take-Two Interactive Software, Inc.
622 Broadway
New York, NY 10012
Attn: Office of the General Counsel

To the Employee:
At the Employee's last known address as shown by the Company's records.

c. Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. This Agreement may be executed and delivered by facsimile.

d. Benefits of Agreement; Assignment. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of the Employee under this

Agreement are of a personal nature and shall not be assignable or delegable in whole or in part by the Employee.

e. Waiver of Breach. No delay or omission by a party in exercising any right, remedy or power under this Agreement or existing at law or in equity shall be construed as a waiver thereof, and any such right, remedy or power may be exercised by such party from time to time and as often as may be deemed expedient or necessary by such party in its sole discretion.

f. Severability. In the event that any provision of this Agreement is determined to be partially or wholly invalid, illegal or unenforceable in any jurisdiction, then such provision shall, as to such jurisdiction, be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement; provided, however, that the binding effect and enforceability of the remaining provisions of this

Agreement, to the extent the economic benefits conferred upon the parties by virtue of this Agreement remain substantially unimpaired, shall not be affected or impaired in any manner, and any such invalidity, illegality or unenforceability with respect to such provisions shall not invalidate or render unenforceable such provision in any other jurisdiction.

g. Indemnification. The Employee shall be entitled to the benefits of all provisions of the Certificate of Incorporation and Bylaws of the Company, each as amended, which provide for indemnification of officers and directors of the Company. In addition, without limiting the indemnification provisions of the Certificate of Incorporation or Bylaws, to the fullest extent permitted by law, the Company shall indemnify and save and hold harmless the Employee from and against, and pay or reimburse, any and all claims, demands, liabilities, costs and expenses, including judgments, fines or amounts paid on account thereof (whether in settlement or otherwise), and reasonable expenses, including attorneys' fees actually and reasonably incurred including, but not limited to, investigating, preparing, pursuing or defending any action, suit, investigation, proceeding, claim or liability if the Employee is made or threatened to be made a party to or witness in any action, suit, investigation or proceeding, or if a claim or liability is asserted or threatened to be asserted against the Employee (whether or not in the right of the Company), by reason of the fact that he was or is a director, officer or employee, or acted in such capacity on behalf of the Company, or the rendering of services by the Employee pursuant to this Agreement or any of the Employee's prior employment agreements with the Company, whether or not the same shall proceed to judgment or be settled or otherwise brought to a conclusion (except only if and to the extent that such amounts shall be finally adjudged to have been caused by Employee's willful misconduct or gross negligence). Upon the Employee's request, the Company will advance any reasonable expenses or costs, subject to the Employee undertaking to repay any such advances in the event there is a non-appealable final determination that the Employee is not entitled to indemnification for such expenses. The Employee entitlement to indemnification under this Section shall not be diminished by any subsequent amendment of the Certificate of Incorporation or Bylaws of the Company. Further, the Employee shall be entitled to be covered by any directors' and officers' liability insurance policies which the Company maintains for the benefit of its directors and officers, subject to the limitations of such policies. This provision shall survive the expiration or termination of this Agreement. Any payments owed by the Company to the Employee pursuant to this Section shall be paid within 45 days of the Employee notifying the Company of the

expense, which notice from the Employee shall be made within 45 days of the accrual of the expense.

h. Remedies. All remedies hereunder are cumulative, are in addition to any other remedies provided for by law and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise of any one remedy shall not be deemed to be an election of such remedy or to preclude the exercise of any other remedy. The Employee acknowledges that in the event of an established breach of any of the Employee's covenants contained in Sections 7 and 8, the Company shall be entitled to immediate relief enjoining such violations in any court or before any judicial body having jurisdiction over such a claim without the necessity of having to post a bond or other security.

i. Survival. The respective rights and obligations of the parties hereunder shall survive the termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

j. Governing Law and Jurisdiction. The validity, construction, interpretation and legal effect of this Agreement shall be governed by the laws and judicial decisions of New York and the United States without regard to principles of conflicts of law. The Employee and the Company agree to and hereby do submit to the exclusive jurisdiction and venue of any state or federal court of record located in the County of New York, New York. The Company and Employee irrevocably waive any objection to such jurisdiction and venue and irrevocably waive the right to seek dismissal or transfer on the grounds of lack of in personam jurisdiction, improper venue, forum non-conveniens or similar grounds.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of January 28, 2015.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Karl Slatoff

Name: Karl Slatoff

Title: President

EMPLOYEE

/s/ Daniel Emerson

Exhibit 10.2

TAKE-TWO INTERACTIVE SOFTWARE, INC.
AMENDMENT TO
RESTRICTED STOCK AGREEMENT

This Amendment (this "**Amendment**") to the Restricted Stock Agreement (the "**Agreement**"), dated as of May 20, 2011, by and between Take-Two Interactive Software, Inc. (the "**Company**") and ZelnickMedia Corporation (the "**Participant**"), is made effective as of December 2, 2014.

WHEREAS, the Company and the Participant are parties to the Agreement; and

WHEREAS, the Company and the Participant now desire to amend the Agreement in order to amend the vesting date applicable to certain Shares of Restricted Stock granted pursuant to the Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. **Capitalized Terms**. Capitalized terms that are not defined in this Amendment shall have the meanings ascribed thereto in the Agreement.

2. **Amendment to the Agreement**. The vesting table contained in Section 3(c)(i) of the Agreement is hereby amended in its entirety to read as follows:

Vesting Date	Shares Vested
April 1, 2012	275,000
April 1, 2013	275,000
April 1, 2014	275,000
May 15, 2015	275,000

3. **Ratification and Confirmation**. Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects and remains in full force and effect, it being the intention of the parties hereto that this Amendment and the Agreement be read, construed and interpreted as one and the same instrument. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall control.

4. **Affirmations of the Participant**. By the Participant's signature below, the Participant represents to and agrees with the Company that the Participant hereby accepts this Amendment subject to all of the terms and provisions hereof. The Participant has reviewed this Amendment in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Amendment and fully understands all of the provisions of this Amendment.

5. **Governing Law**. This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

6. **Headings**. Section headings are for convenience only and shall not be considered a part of this Amendment.

7. **Counterparts**. This Amendment may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

* * *

IN WITNESS WHEREOF, the parties have executed this Amendment to the Agreement as of the date first set forth above.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Daniel Emerson
Name: Daniel Emerson
Title: EVP & GC

ZELNICKMEDIA CORPORATION

By: /s/ Karl Slatoff
Name: Karl Slatoff
Title: Authorized Signatory

TAKE-TWO INTERACTIVE SOFTWARE, INC.
AMENDMENT TO
PERFORMANCE BASED RESTRICTED STOCK AGREEMENT

This Amendment (this "**Amendment**") to the Performance Based Restricted Stock Agreement (the "**Agreement**"), dated as of May 20, 2011, by and between Take-Two Interactive Software, Inc. (the "**Company**") and ZelnickMedia Corporation (the "**Participant**"), is made effective as of December 2, 2014.

WHEREAS, the Company and the Participant are parties to the Agreement; and

WHEREAS, the Company and the Participant now desire to amend the Agreement in order to amend the vesting date applicable to certain Shares of Restricted Stock granted pursuant to the Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. **Capitalized Terms**. Capitalized terms that are not defined in this Amendment shall have the meanings ascribed thereto in the Agreement.

2. **Amendments to the Agreement**. Annex A attached to the Agreement shall be amended as follows:

   (a) All references to "April 1, 2015" shall be replaced with references to "May 15, 2015".

   (b) The Subsequent Vesting Date for purposes of any Shares that remain eligible to vest pursuant to Section B of Annex A shall be May 15, 2015.

   (c) The Initial Vesting Date and Subsequent Vesting Date for purposes of any Shares that remain eligible to vest pursuant to the second paragraph of Section C of Annex A shall be May 15, 2015.

   (d) Notwithstanding the foregoing amendments, April 1, 2015 shall be the date used to calculate the Measurement Price to determine the Vesting Percentage for purposes of Sections A and B of Annex A.

3. **Ratification and Confirmation**. Except as specifically amended hereby, the Agreement is hereby ratified and confirmed in all respects and remains in full force and effect, it being the intention of the parties hereto that this Amendment and the Agreement be read, construed and interpreted as one and the same instrument. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall control.

4. **Affirmations of the Participant**. By the Participant's signature below, the Participant represents to and agrees with the Company that the Participant hereby accepts this Amendment subject to all of the terms and provisions hereof. The Participant has reviewed this

Amendment in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Amendment and fully understands all of the provisions of this Amendment.

5. **Governing Law**. This Amendment shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

6. **Headings**. Section headings are for convenience only and shall not be considered a part of this Amendment.

7. **Counterparts**. This Amendment may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

*　　*　　*

IN WITNESS WHEREOF, the parties have executed this Amendment to the Agreement as of the date first set forth above.

TAKE-TWO INTERACTIVE SOFTWARE, INC.

By: /s/ Daniel Emerson
Name: Daniel Emerson
Title: EVP & GC

ZELNICKMEDIA CORPORATION

By:	/s/ Karl Slatoff
Name:	Karl Slatoff
Title	Authorized Signatory

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Section 302 Certification

I, Strauss Zelnick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2014 of Take-Two Interactive Software, Inc.;

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

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

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

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

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

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

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

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

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

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

February 6, 2015	/s/ STRAUSS ZELNICK
	Strauss Zelnick *Chairman and Chief Executive Officer*

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Lainie Goldstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2014 of Take-Two Interactive Software, Inc.;

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

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

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

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

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

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

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

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

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

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

February 6, 2015

/s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial Officer

Exhibit 32.1

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 Quarterly Report of Take-Two Interactive Software, Inc. (the "Company") on Form 10-Q for the period ended December 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. §1350, as adopted pursuant to §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.

February 6, 2015

/s/ STRAUSS ZELNICK

Strauss Zelnick
Chairman and Chief Executive Officer

Exhibit 32.2

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 Quarterly Report of Take-Two Interactive Software, Inc. (the "Company") on Form 10-Q for the period ended December 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. §1350, as adopted pursuant to §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.

February 6, 2015

/s/ LAINIE GOLDSTEIN

Lainie Goldstein
Chief Financial Officer