

Non-GAAP Financial Measures

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses Non-GAAP measures of financial performance. The Company believes that these Non-GAAP financial measures, when taken into consideration with the corresponding GAAP financial measures, are important in gaining an understanding of the Company's ongoing business. These Non-GAAP financial measures also provide for comparative results from period to period. Therefore, the Company believes it is appropriate to exclude the following Non-GAAP items, net of applicable taxes, as discussed below:

- *Net effect from deferral in net revenues and related cost of goods sold* - the Company defers revenue and related costs from the sale of certain titles that have undelivered elements upon the sale of the game and recognizes that revenue upon the delivery of the undelivered elements. The Company also defers revenue and related costs for certain sales generated from certain titles for which we have or expect to provide certain additional add-on content. These amounts are deferred over the estimated remaining life of the game to which they pertain. As there is no impact to the Company's operating cash flow, management excludes the impact of deferred net revenue and related costs from its Non-GAAP financial measures when evaluating the Company's operating performance, when planning, forecasting and analyzing future periods, and when assessing the performance of its management team. In addition, we believe that these Non-GAAP financial measures provide a more timely indication of trends in our business, provide comparability with the way our business is measured by analysts, and provide consistency with industry data sources.
- *Stock-based compensation* – the Company does not consider stock-based compensation charges when evaluating business performance and management does not contemplate stock-based compensation expense in its short- and long-term operating plans. As a result, the Company has excluded such expenses from its Non-GAAP financial measures.
- *Business reorganization* – although the Company has incurred business reorganization expenses in the past, each charge relates to a discrete event based on a unique set of business objectives. Management does not believe these charges reflect the Company's primary business, ongoing operating results or future outlook. As such, the Company believes it is appropriate to exclude these expenses and related charges from its Non-GAAP financial measures.
- *Non-cash amortization of discount on convertible notes* – the Company records non-cash amortization of discount on convertible notes as interest expense in addition to the interest expense already recorded for coupon payments. The Company excludes the non-cash portion of the interest expense from its Non-GAAP financial measures because these amounts are unrelated to its ongoing business operations.
- *Non-cash tax expense for the impact of deferred tax liabilities associated with tax deductible amortization of goodwill* – due to the nature of the adjustment as well as the expectation that it will not have any cash impact in the foreseeable future, the Company believes it is appropriate to exclude this expense from its Non-GAAP financial measures.
- *Gain on long-term investment, net* – from time to time, the Company makes strategic investments. The Company excludes the impact of any gains and losses on such investments from its Non-GAAP financial measures.

These Non-GAAP financial measures are not intended to be considered in isolation from, as a substitute for, or superior to, GAAP results. These Non-GAAP financial measures may be different from similarly titled measures used by other companies.

In the future, Take-Two may also consider whether other items should also be excluded in calculating the Non-GAAP financial measures used by the Company. Management believes that the presentation of these Non-GAAP financial measures provides investors with additional useful information to measure Take-Two's financial and operating performance. In particular the measures facilitate comparison of operating performance between periods and help investors to better understand the operating results of Take-Two by excluding certain items that may not be indicative of the Company's core business, operating results or future outlook. Internally, management may use these Non-GAAP financial measures in assessing the company's operating results and in planning and forecasting.

The financial results discussed herein are presented on a preliminary basis; final data will be included in Take-Two's Quarterly Report on Form 10-Q for the period ended December 31, 2015.

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
RECONCILIATION OF GAAP TO Non-GAAP MEASURES (Unaudited)
(in thousands, except per share amounts)

	Three months ended December 31,		Nine months ended December 31,	
	2015	2014	2015	2014
Net Revenues				
GAAP Net Revenues	\$ 414,221	\$ 531,147	\$ 1,036,492	\$ 782,849
Net effect from deferral in net revenues	72,570	422,829	181,622	458,180
Non-GAAP Net Revenues	\$ 486,791	\$ 953,976	\$ 1,218,114	\$ 1,241,029
Digital Online Revenues (included in Net Revenues above)				
GAAP Digital Online Revenues	\$ 146,449	\$ 149,840	\$ 502,860	\$ 310,687
Net effect from deferral in digital online revenues	67,170	67,404	105,734	102,755
Non-GAAP Digital Online Revenues	\$ 213,619	\$ 217,244	\$ 608,594	\$ 413,442
Gross Profit				
GAAP Gross Profit	\$ 156,360	\$ 253,134	\$ 432,076	\$ 398,664
Net effect from deferral in net revenues and related cost of goods sold	57,684	174,390	117,574	193,539
Stock-based compensation	4,131	8,323	12,935	11,062
Non-GAAP Gross Profit	\$ 218,175	\$ 435,847	\$ 562,585	\$ 603,265
(Loss) income from Operations				
GAAP (Loss) Income from Operations	\$ (59,197)	\$ 65,612	\$ (55,403)	\$ (16,110)
Net effect from deferral in net revenues and related cost of goods sold	57,684	174,390	117,574	193,539
Stock-based compensation	18,738	28,628	54,144	52,474
Impact of business reorganization	71,172	-	72,400	195
Non-GAAP Income from Operations	\$ 88,397	\$ 268,630	\$ 188,715	\$ 230,098
Net Income (Loss)				
GAAP Net Income (Loss)	\$ (42,413)	\$ 40,093	\$ (54,701)	\$ (36,679)
Net effect from deferral in net revenues and related cost of goods sold	53,993	158,030	101,899	172,195
Stock-based compensation	12,388	7,015	34,952	24,756
(Loss) gain on long-term investments, net	-	941	-	(9,999)
Impact of business reorganization	71,627	-	72,400	156
Non-cash amortization of discount on Convertible Notes	3,719	5,062	10,982	13,127
Non-cash tax expense	361	459	1,051	1,404
Non-GAAP Net Income	\$ 99,675	\$ 211,600	\$ 166,583	\$ 164,960
Diluted (Loss) Earnings Per Share				
GAAP (loss) earnings per share	\$ (0.51)	\$ 0.42	\$ (0.66)	\$ (0.46)
Non-GAAP earnings per share	\$ 0.89	\$ 1.87	\$ 1.50	\$ 1.50
Number of diluted shares used in computation				
GAAP	83,426	113,938	83,338	80,128
Non-GAAP	113,290	113,938	113,952	113,922
Computation of Diluted GAAP EPS:				
Net (loss) income	\$ (42,413)	\$ 40,093	\$ (54,701)	\$ (36,679)
Less: net income allocated to participating securities	-	(2,401)	-	-
Add: interest expense, net of tax, on Convertible Notes	-	7,199	-	-
Net (loss) income for diluted EPS calculation	\$ (42,413)	\$ 44,891	\$ (54,701)	\$ (36,679)
Weighted average shares outstanding - basic	83,426	87,483	83,338	80,128
Add: dilutive effect of common stock equivalents	-	26,455	-	-
Total weighted average shares outstanding - diluted	83,426	113,938	83,338	80,128
Less: weighted average participating shares outstanding	-	(6,824)	-	-
Weighted average common shares outstanding - diluted	83,426	107,114	83,338	80,128
Diluted (loss) earnings per share	\$ (0.51)	\$ 0.42	\$ (0.66)	\$ (0.46)
Computation of Diluted Non-GAAP EPS:				
Non-GAAP net income	\$ 99,675	\$ 211,600	\$ 166,583	\$ 164,960
Less: net income allocated to participating securities	(2,999)	(12,673)	(6,080)	(10,627)
Add: interest expense, net of tax, on Convertible Notes	1,367	1,686	4,109	5,069
Net income for diluted earnings per share calculation	\$ 98,043	\$ 200,613	\$ 164,612	\$ 159,402
Weighted average shares outstanding - basic	86,835	87,483	87,497	87,467
Add: dilutive effect of common stock equivalents	26,455	26,455	26,455	26,455
Total weighted average shares outstanding - diluted	113,290	113,938	113,952	113,922
Less: weighted average participating shares outstanding	(3,409)	(6,824)	(4,159)	(7,339)
Weighted average common shares outstanding - diluted	109,881	107,114	109,793	106,583
Diluted earnings per share	\$ 0.89	\$ 1.87	\$ 1.50	\$ 1.50

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Net Revenue by Geographic Region, Distribution Channel, and Platform Mix
(in thousands)

	Three Months Ended December 31, 2015		Three Months Ended December 31, 2014	
	Amount	% of Total	Amount	% of Total
GAAP Net Revenues by Geographic Region				
United States	\$ 218,386	53%	\$ 334,257	63%
International	195,835	47%	196,890	37%
Total GAAP net revenues	<u>414,221</u>	<u>100%</u>	<u>531,147</u>	<u>100%</u>
Change in Deferred Net Revenues				
United States	\$ 63,314		\$ 188,238	
International	9,256		234,591	
Total changes in deferred net revenues	<u>72,570</u>		<u>422,829</u>	
Non-GAAP Net Revenues by Geographic Region				
United States	\$ 281,700	58%	\$ 522,495	55%
International	205,091	42%	431,481	45%
Total non-GAAP net revenues	<u>\$ 486,791</u>	<u>100%</u>	<u>\$ 953,976</u>	<u>100%</u>

	Three Months Ended December 31, 2015		Three Months Ended December 31, 2014	
	Amount	% of Total	Amount	% of Total
GAAP Net Revenues by Distribution Channel				
Physical retail and other	\$ 267,772	65%	\$ 381,307	72%
Digital online	146,449	35%	149,840	28%
Total GAAP net revenues	<u>414,221</u>	<u>100%</u>	<u>531,147</u>	<u>100%</u>
Change in Deferred Net Revenues				
Physical retail and other	\$ 5,400		\$ 355,425	
Digital online	67,170		67,404	
Total changes in deferred net revenues	<u>72,570</u>		<u>422,829</u>	
Non-GAAP Net Revenues by Distribution Channel				
Physical retail and other	\$ 273,172	56%	\$ 736,732	77%
Digital online	213,619	44%	217,244	23%
Total non-GAAP net revenues	<u>\$ 486,791</u>	<u>100%</u>	<u>\$ 953,976</u>	<u>100%</u>

	Three Months Ended December 31, 2015		Three Months Ended December 31, 2014	
	Amount	% of Total	Amount	% of Total
GAAP Net Revenues by Platform Mix				
Console	\$ 355,235	86%	\$ 443,093	83%
PC and other	58,986	14%	88,054	17%
Total GAAP net revenues	<u>414,221</u>	<u>100%</u>	<u>531,147</u>	<u>100%</u>
Change in Deferred Net Revenues				
Console	\$ 64,623		\$ 419,303	
PC and other	7,947		3,526	
Total changes in deferred net revenues	<u>72,570</u>		<u>422,829</u>	
Non-GAAP Net Revenues by Platform Mix				
Console	\$ 419,858	86%	\$ 862,396	90%
PC and other	66,933	14%	91,580	10%
Total non-GAAP net revenues	<u>\$ 486,791</u>	<u>100%</u>	<u>\$ 953,976</u>	<u>100%</u>

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
Net Revenue by Geographic Region, Distribution Channel, and Platform Mix
(in thousands)

	Nine Months Ended December 31, 2015		Nine Months Ended December 31, 2014	
	Amount	% of Total	Amount	% of Total
GAAP Net Revenues by Geographic Region				
United States	\$ 546,926	53%	\$ 458,423	59%
International	489,566	47%	324,426	41%
Total GAAP net revenues	<u>1,036,492</u>	<u>100%</u>	<u>782,849</u>	<u>100%</u>
Change in Deferred Net Revenues				
United States	\$ 101,929		\$ 207,408	
International	79,693		250,772	
Total changes in deferred net revenues	<u>181,622</u>		<u>458,180</u>	
Non-GAAP Net Revenues by Geographic Region				
United States	\$ 648,855	53%	\$ 665,831	54%
International	569,259	47%	575,198	46%
Total non-GAAP net revenues	<u>\$ 1,218,114</u>	<u>100%</u>	<u>\$ 1,241,029</u>	<u>100%</u>

	Nine Months Ended December 31, 2015		Nine Months Ended December 31, 2014	
	Amount	% of Total	Amount	% of Total
GAAP Net Revenues by Distribution Channel				
Physical retail and other	\$ 533,632	51%	\$ 472,162	60%
Digital online	502,860	49%	310,687	40%
Total GAAP net revenues	<u>1,036,492</u>	<u>100%</u>	<u>782,849</u>	<u>100%</u>
Change in Deferred Net Revenues				
Physical retail and other	\$ 75,888		\$ 355,425	
Digital online	105,734		102,755	
Total changes in deferred net revenues	<u>181,622</u>		<u>458,180</u>	
Non-GAAP Net Revenues by Distribution Channel				
Physical retail and other	\$ 609,520	50%	\$ 827,587	67%
Digital online	608,594	50%	413,442	33%
Total non-GAAP net revenues	<u>\$ 1,218,114</u>	<u>100%</u>	<u>\$ 1,241,029</u>	<u>100%</u>

	Nine Months Ended December 31, 2015		Nine Months Ended December 31, 2014	
	Amount	% of Total	Amount	% of Total
GAAP Net Revenues by Platform Mix				
Console	\$ 878,838	85%	\$ 620,547	79%
PC and other	157,654	15%	162,302	21%
Total GAAP net revenues	<u>1,036,492</u>	<u>100%</u>	<u>782,849</u>	<u>100%</u>
Change in Deferred Net Revenues				
Console	\$ 42,940		\$ 450,623	
PC and other	138,682		7,557	
Total changes in deferred net revenues	<u>181,622</u>		<u>458,180</u>	
Non-GAAP Net Revenues by Platform Mix				
Console	\$ 921,778	76%	\$ 1,071,170	86%
PC and other	296,336	24%	169,859	14%
Total non-GAAP net revenues	<u>\$ 1,218,114</u>	<u>100%</u>	<u>\$ 1,241,029</u>	<u>100%</u>

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
ADDITIONAL RECONCILIATION OF GAAP TO Non-GAAP MEASURES (Unaudited)
(in thousands)

Three Months Ended December 31, 2015							
	Net Revenues	Cost of Goods Sold- Internal Royalties	Cost of Goods Sold- Software Development Costs and Royalties	Cost of Goods Sold- Product Costs	Cost of Goods Sold- Licenses	Gross Profit	
GAAP Measurement	\$ 414,221	\$ 95,311	\$ 61,653	\$ 74,934	\$ 25,963	\$ 156,360	
Net effect from deferral in net revenues and related cost of sales	72,570	-	(1,864)	6,186	10,564	57,684	
Stock-based compensation	-	-	(4,131)	-	-	4,131	
Non-GAAP Measurement	\$ 486,791	\$ 95,311	\$ 55,658	\$ 81,120	\$ 36,527	\$ 218,175	

Three Months Ended December 31, 2015							
	Selling and Marketing	General and Administrative	Research and Development	Business reorganization	Depreciation and Amortization	Income (Loss) from Operations	Net Income (Loss)
GAAP Measurement	\$ 59,846	\$ 49,061	\$ 27,944	\$ 71,172	\$ 7,534	\$ (59,197)	\$ (42,413)
Net effect from deferral in net revenues and related cost of sales	-	-	-	-	-	-	53,993
Stock-based compensation	(2,364)	(11,761)	(482)	-	-	18,738	12,388
Impact of business reorganization	-	-	-	(71,172)	-	71,172	71,627
Non-cash amortization of discount on Convertible Notes	-	-	-	-	-	-	3,719
Non-cash tax expense	-	-	-	-	-	-	361
Non-GAAP Measurement	\$ 57,482	\$ 37,300	\$ 27,462	\$ -	\$ 7,534	\$ 88,397	\$ 99,675

Three Months Ended December 31, 2014							
	Net Revenues	Cost of Goods Sold- Internal Royalties	Cost of Goods Sold- Software Development Costs and Royalties	Cost of Goods Sold- Product Costs	Cost of Goods Sold- Licenses	Gross Profit	
GAAP Measurement	\$ 531,147	\$ 14,099	\$ 108,214	\$ 102,068	\$ 53,632	\$ 253,134	
Net effect from deferral in net revenues and related cost of sales	422,829	164,715	21,453	61,205	1,066	174,390	
Stock-based compensation	-	-	(8,323)	-	-	8,323	
Non-GAAP Measurement	\$ 953,976	\$ 178,814	\$ 121,344	\$ 163,273	\$ 54,698	\$ 435,847	

Three Months Ended December 31, 2014							
	Selling and Marketing	General and Administrative	Research and Development	Depreciation and Amortization	Income (Loss) from Operations	Net Income (Loss)	
GAAP Measurement	96,892	53,564	31,221	\$ 5,845	\$ 65,612	\$ 40,093	
Net effect from deferral in net revenues and related cost of sales	-	-	-	-	174,390	158,030	
Stock-based compensation	(2,411)	(16,437)	(1,457)	-	28,628	7,015	
Non-cash amortization of discount on Convertible Notes	-	-	-	-	-	5,062	
Gain on long-term investments, net	-	-	-	-	-	941	
Non-cash tax expense	-	-	-	-	-	459	
Non-GAAP Measurement	\$ 94,481	\$ 37,127	\$ 29,764	\$ 5,845	\$ 268,630	\$ 211,600	

TAKE-TWO INTERACTIVE SOFTWARE, INC. and SUBSIDIARIES
ADDITIONAL RECONCILIATION OF GAAP TO Non-GAAP MEASURES (Unaudited)
(in thousands)

Nine Months Ended December 31, 2015	Net Revenues	Cost of Goods Sold- Internal Royalties	Cost of Goods Sold- Software Development Costs and Royalties	Cost of Goods Sold- Product Costs	Cost of Goods Sold- Licenses	Gross Profit
GAAP Measurement	\$ 1,036,492	\$ 256,058	\$ 152,160	\$ 153,652	\$ 42,546	\$ 432,076
Net effect from deferral in net revenues and related cost of sales	181,622	-	8,364	22,302	33,382	117,574
Stock-based compensation	-	-	(12,935)	-	-	12,935
Impact of business reorganization	-	-	-	-	-	-
Non-GAAP Measurement	\$ 1,218,114	\$ 256,058	\$ 147,589	\$ 175,954	\$ 75,928	\$ 562,585

Nine Months Ended December 31, 2015	Selling and Marketing	General and Administrative	Research and Development	Business reorganization	Depreciation and Amortization	Income (Loss) from Operations	Net Income (Loss)
GAAP Measurement	\$ 160,289	\$ 148,057	\$ 86,499	\$ 71,172	\$ 21,462	\$ (55,403)	\$ (54,701)
Net effect from deferral in net revenues and related cost of sales	-	-	-	-	-	117,574	101,899
Stock-based compensation	(6,859)	(31,324)	(3,026)	-	-	54,144	34,952
Impact of business reorganization	-	(1,228)	-	(71,172)	-	72,400	72,400
Non-cash amortization of discount on Convertible Notes	-	-	-	-	-	-	10,982
Non-cash tax expense	-	-	-	-	-	-	1,051
Non-GAAP Measurement	\$ 153,430	\$ 115,505	\$ 83,473	\$ -	\$ 21,462	\$ 188,715	\$ 166,583

Nine Months Ended December 31, 2014	Net Revenues	Cost of Goods Sold- Internal Royalties	Cost of Goods Sold- Software Development Costs and Royalties	Cost of Goods Sold- Product Costs	Cost of Goods Sold- Licenses	Gross Profit
GAAP Measurement	\$ 782,849	\$ 34,810	\$ 144,863	\$ 139,421	\$ 65,091	\$ 398,664
Net effect from deferral in net revenues and related cost of sales	458,180	180,087	21,397	62,016	1,141	193,539
Stock-based compensation	-	-	(11,062)	-	-	11,062
Non-GAAP Measurement	\$ 1,241,029	\$ 214,897	\$ 155,198	\$ 201,437	\$ 66,232	\$ 603,265

Nine Months Ended December 31, 2014	Selling and Marketing	General and Administrative	Research and Development	Depreciation and Amortization	Income (Loss) from Operations	Net Income (Loss)
GAAP Measurement	\$ 182,874	\$ 136,891	\$ 79,886	\$ 15,123	\$ (16,110)	\$ (36,679)
Net effect from deferral in net revenues and related cost of sales	-	-	-	-	193,539	172,195
Stock-based compensation	(6,660)	(30,492)	(4,260)	-	52,474	24,756
Business reorganization	-	(195)	-	-	195	156
Non-cash amortization of discount on Convertible Notes	-	-	-	-	-	13,127
Gain on long-term investments, net	-	-	-	-	-	(9,999)
Non-cash tax expense	-	-	-	-	-	1,404
Non-GAAP Measurement	\$ 176,214	\$ 106,204	\$ 75,626	\$ 15,123	\$ 230,098	\$ 164,960