Risk Factors Comparison 2023-05-26 to 2022-05-17 Form: 10-K

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Our business is subject to many risks and uncertainties, which may affect our future financial performance. Because of the risks and uncertainties described below, as well as other factors affecting our operating results and financial condition, past financial performance should not be considered to be a reliable indicator of future performance and our business and financial performance could be harmed and the market value of our securities could decline. These risks are not presented in order of importance ~~of~~ **or** probability of occurrence. Summary of Risk Factors Material risks that may affect our business, operating results and financial condition include, but are not necessarily limited to: Risks relating to our business and industry • Results of operations may be impacted by COVID- 19 • Our industry is highly competitive • Uncertainty of achieving market acceptance, delays or disruptions for our products may have an adverse effect • We face development risks and must adapt to changes in software technologies • Increased **use of mobile devices for gaming will drive future growth of mobile gaming • Increased** competition for retailer support could increase expenses ~~• Increasing importance of digital sales exposes us to risks of that business model~~ • Our ability to develop successful products for current video game platforms • We require approval of hardware licensors to publish titles • **Reliance on complex information technology systems and networks and potential adverse impact of security breaches •** Potential adverse impact of inadequate consumer data protection • ~~Potential adverse impact of security breaches •~~ Dependence on key management and product development personnel **• Attracting, managing, and retaining our talent is critical to our success** • Offensive consumer- created content can harm our results of operations or reputation • We rely on software development arrangements with third parties • ~~Reliance on channel partners to distribute our games on their platforms •~~ Increasing importance of **digital sales and** free- to- play games exposes us to the risks of that business model **• We must compete for advertisements and offers that are incorporated into our free- to- play games** • Our acquisitions and investments may not have the anticipated results • International operations risks • ~~Connectivity issues could affect our profitability and online services • Reliance on complex information technology systems and networks •~~ The loss of server capacity ~~or~~ **,** lack of sufficient bandwidth **, or connectivity issues** could cause our business to suffer • Use of open- source software exposes us to risks • Our software is susceptible to errors • The continued ability to acquire and maintain license to intellectual property is key • We may experience fluctuations in the recurring portion of our business • Uncertainty of expansion into new products and services • We are dependent on the timing of our product releases • We are dependent on the future success of our Grand Theft Auto products and other " hit " titles • Adverse effects of price protection, returns, and used game sales • A limited number of customers account for a significant portion of our sales • Content policies could negatively affect sales • Entertainment Software Rating Board ratings for our products could negatively affect our ability to distribute and sell • The competitive position and value of our products could be adversely affected by unprotected intellectual property • ~~Contractual covenants can place certain limitations~~ **We have a significant amount of outstanding debt • The value of our virtual items is highly dependent** on **how we manage the economies in our games • There is potential for unauthorized** ~~our~~ - **or** ~~business~~ **fraudulent transactions of accounts and virtual items outside of our games** Risks related to legal or regulatory compliance • Government regulation of the internet can affect our business • Legislation could **subject us to claims** ~~limit the retail market of our~~ - **or** ~~products~~ **otherwise harm our business** • Failure to comply with laws and regulations, including data privacy, could harm our business • Adverse effect of alleged or actual infringement on the intellectual property rights of third parties Risks related to financial and economic condition • Provisions in our charter documents and debt agreements may impede or discourage a takeover • Adverse effects of changes in tax rates and additional tax liabilities • We are subject to risks and uncertainties of international trade, including foreign currency fluctuations • Potential adverse effects of existing or future accounting standards • Adverse effects of declines in consumer spending and changes in the economy General Risk Factors • Additional issuances of equity securities would cause dilution and could affect the market price of our common stock • We are subject to risks related to corporate and social responsibility and reputation • Climate change may have a long- term impact on our business • We may be adversely affected by the effects of inflation ~~Risks Related to our Pending Acquisition of Zynga~~ • **We are** ~~The Zynga acquisition may not be completed • The Zynga acquisition presents risks before~~ and ~~after closing~~ **may become involved in legal proceedings that may result in adverse outcomes** Our results of operations may be materially adversely impacted by the coronavirus pandemic (COVID- 19). Our results of operations may be materially adversely affected by COVID- 19. The global spread of COVID- 19 has created significant uncertainty, resulting in volatility and economic disruption. The extent to which COVID- 19 has an impact on our business, operations, or financial results will depend on numerous evolving factors that we may not be able to accurately predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic; economic activity and related actions taken in response to the pandemic; the effect on consumer demand for our products and the discretionary spending patterns of our customers, including the ability of our customers to pay for our products; our ability to develop **timely** , market, and sell our products, including as a result of travel restrictions and people working from home; the impact on the operations of our counterparties, including the physical retail, digital download online platforms, and cloud streaming services we rely on for the distribution of our products, the suppliers who manufacture our physical products, and other third parties with which we partner (e. g. to market or ship our products); any closures of our, our customers', and counterparties' offices and facilities; additional volatility in exchange rates; the impact of ~~potential~~ inflation; and the impact of ~~reductions~~ **changes** in interest rates by the Federal Reserve and other central banks, including on our short- term investment portfolio ~~. Further, " shelter- in- place, " quarantine, or other such initiatives by governmental entities could also disrupt our~~

~~operations. In such situations, if employees or third- party developers who cannot optimally perform their responsibilities from home are not able to or are unwilling to report to work, we may experience material interruptions in product development and delays in bringing products to market. Such circumstances may also impact the effectiveness of our quality controls and game testing measures. An increase in the number of employees working remotely also increases the potential adverse impact of risk associated with information technology systems and networks, including cyber- attacks, computer viruses, malicious software, security breach, and telecommunication failures, both for systems and networks we control directly and for those that employees and third- party developers rely on to work remotely. Any failure to prevent or mitigate security breaches or cyber risks or detect, or respond adequately to, a security breach or cyber risk, or any other disruptions to our information technology systems and networks, can have adverse effects on our business. The spread of COVID- 19 has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. Further, key personnel could contract COVID- 19, hindering their availability and productivity~~ . The global work- from- home operating environment caused some strain and fatigue within parts of our global workforce. In addition, certain of our development teams currently work in a distributed environment, whereas these teams historically collaborated in- person on the creative and technical process required to develop high- quality products and services at scale. These factors have affected, and may continue to affect, the way our teams conduct business and the creative process to which our teams are accustomed. Companies in our industry have experienced issues related to game and service quality during the work- from- home period. While we are reintroducing teams of employees to the workplace, this process could introduce operational risk, negatively impact productivity, and give rise to claims by employees or otherwise adversely affect our business. In addition, the long- term effects of the COVID- 19 pandemic on the nature of the office environment and remote working are not certain and may present operational challenges and impact our ability to attract and retain talent, and our teams' ability to collaborate creatively, each of which may adversely affect our business. ~~While we have developed and continue to develop plans to help mitigate the negative impact of the pandemic on our business, these efforts may not be effective, and a protracted economic downturn may limit the effectiveness of our mitigation efforts.~~ Any of ~~these~~ -- **the** considerations described above could cause or contribute to the risks described elsewhere herein and could materially adversely affect our business, financial condition, results of operations or stock price. Additionally, while we **saw** ~~have seen~~ increased demand for our products due **in part** to stay- at- home orders, the curtailment of certain other forms of entertainment, and other pandemic- related factors that ~~make~~ **made** consumers more inclined to spend time at home, benefiting our financial results and operating metrics, ~~the~~ **any such** trends ~~in fiscal year 2021~~ with respect to our revenues, net **(loss)** income, and other financial results and operating metrics may not be indicative of results for future periods, particularly ~~if~~ **as** these pandemic- related factors become less significant. **We have** ~~As expected, during fiscal year 2022, we~~ experienced a moderation in engagement from the all- time highs experienced **during certain periods of the pandemic, particularly** in fiscal year 2021, but overall engagement ~~continued~~ **continues** to be ~~notably~~ higher than it was pre- pandemic **.** The interactive entertainment software industry is highly competitive. We compete for both licenses to properties and the sale of interactive entertainment software with Sony and Microsoft, each of which is a large developer and marketer of software for its own platforms. We also compete with game publishers, such as Activision Blizzard, Inc., Electronic Arts Inc., **Embracer Group AB, Microsoft, Nintendo, Playrix, Playtika, Scopely, Sony, Tencent, and** Ubisoft Entertainment S. A. ~~,~~ **We also face competition from online game developers** and ~~Embracer Group AB~~ **distributors who have primarily focused on specific international markets and with high- profile companies with significant online presences with new and expanded mobile gaming offerings, such as Apple, Google, and Microsoft** . In addition, the gaming, technology / internet, and entertainment industries have converged in recent years and larger, well- funded technology companies are pursuing and strengthening their interactive entertainment capabilities ~~, as evidenced, for example, by Microsoft' s pending acquisition of Activision Blizzard~~ . As our business is dependent upon our ability to develop hit titles, which require increasing budgets for development and marketing, the availability of significant financial resources has become a major competitive factor in developing and marketing software games. Some of our competitors have greater financial, technical, personnel, and other resources than we do and are able to finance larger budgets for development and marketing ~~and~~ **,** make higher offers to licensors and developers for commercially desirable properties **, adopt more aggressive pricing policies to develop more commercially successful video game products than we do, recruit our key creative and technical talent or otherwise disrupt our operations. Competitors may develop content that imitates or competes with our best- selling games, potentially reducing our sales or our ability to charge the same prices we have historically charged for our products. These competing products may take a larger share of consumer spending than anticipated, which could cause product sales to fall below expectations** . Our titles also compete with other forms of entertainment, such as social media ~~and casual games~~ , in addition to motion pictures, television and audio and video products featuring similar themes, online computer programs and other entertainment, which may be less expensive or provide other advantages to consumers. A number of software publishers who compete with us have developed and commercialized or are currently developing online **and mobile** games. ~~As technological~~ **Technological** advances **that** significantly increase the availability of online **and mobile** games ~~and as consumer acceptance of online gaming grows substantially, it~~ could result in a decline in our platform- based software sales and negatively affect sales of such products **. Other large companies that to date have not actively focused on mobile and social games may decide to develop mobile and social games or partner with other developers. Some of these current and potential competitors have significant resources for developing or acquiring additional games, may be able to incorporate their own strong brands and assets into their games, have a more diversified set of revenue sources than we do and may be less severely affected by changes in consumer preferences, regulations or other developments that may impact our industry. As there are relatively low barriers to entry to develop a mobile or online game, we expect new game competitors to enter the market and existing competitors to allocate more**

resources to develop and market competing games and applications. We also compete or will compete with a vast number of small companies and individuals who are able to create and launch games and other content for devices and platforms using relatively limited resources and with relatively limited start- up time or expertise. The proliferation of titles in these open developer channels makes it difficult for us to differentiate ourselves from other developers and to compete for players without substantially increasing our marketing expenses and development costs. Increasing competition could result in loss of players, increasing player acquisition and retention costs, and loss of talent, all of which could harm our business, financial condition or results of operations . Additionally, we compete with other forms of entertainment and leisure activities. While we monitor general market conditions, significant shifts in consumer demand that could materially alter public preferences for different forms of entertainment and leisure activities are difficult to predict. Failure to adequately identify and adapt to these competitive pressures could have a negative impact on our business. The inability of our products to achieve significant market acceptance, **the failure to retain existing players,** delays in product releases or disruptions following the commercial release of our products may have a material adverse effect on our business, financial condition and operating results. New products may not achieve significant market acceptance, generate sufficient sales, or be introduced in a timely manner to permit us to recover development, manufacturing and marketing costs associated with these products. These products or enhancements may not be well- received by consumers, even if well- reviewed and of high quality. The life cycle of a **console or PC** title generally involves a relatively high level of sales during the first few months after introduction followed by a rapid decline in sales. Because sales associated with an initial product launch **on console or PC** generally constitute a high percentage of the total sales associated with the life of a product, delays in product releases or disruptions following the commercial release of one or more new products could have a material adverse effect on our business, financial condition, and operating results and therefore cause our operating results to be materially different from our expectations **. In addition, to retain players, we must devote significant resources so that players stay engaged, which could also result in attracting them to our other games. We might not succeed in our efforts to increase monetization rates, particularly if we are unable to retain our paying players. If we fail to grow or sustain the number of our paying players, if the rates at which we attract and retain paying players declines (whether due to financial hardship as a result of an economic downturn or for any other reason), or if the average amount our players pay declines, our financial results could be negatively affected** . We are subject to product development risks which could result in delays and additional costs, and we must adapt to changes in software technologies. We depend on our internal development studios and third- party software developers to develop new interactive entertainment software within anticipated release schedules and cost projections. The development cycle for new titles generally ranges from 12 months **or less** for **most mobile titles and** annual **console / PC** sports releases, to multiple years for certain of our top- selling titles. Therefore, our development costs can be substantial. If we or our third- party developers experience unanticipated development delays, financial difficulties, or additional costs, for example, as a result of COVID- 19 **or other unforeseen circumstances** , we may not be able to release titles according to our schedule and at budgeted costs. There can be no assurance that our products will be sufficiently successful so that we can recoup these costs or make a profit on these products. **For our products with live services, we are required to support continued development. There can be no assurance that these continued efforts will generate sufficient revenue to offset these costs.** Additionally, in order to stay competitive, our internal development studios must anticipate and adapt to rapid technological changes affecting software development, such as cloud- based game streaming, and evolving business models, such as free- to-play and subscription- based access to a portfolio of interactive content ~~, to stay competitive~~ . Rapid changes in our industry require us to anticipate, sometimes years in advance, the ways in which our products and services will be competitive in the market. We have invested, and in the future may invest, in new business and marketing strategies, technologies, distribution methods, products, and services. There can be no assurance that these strategic investments will achieve expected returns. Any inability to respond to technological advances and implement new technologies could render our products obsolete or less marketable. Further, the failure to pursue the development of new technology, platforms, or business models that obtain meaningful commercial success in a timely manner may negatively affect our business, resulting in increased production or development costs and more strenuous competition. Our reputation and brand could also be adversely affected. We also may miss opportunities or fail to respond quickly enough to adopt technology or distribution methods or develop products, services, or new ways to engage with our games that become popular with consumers, which could adversely affect our financial results. In either case, our products and services may be technologically inferior to those of our competitors, less appealing to consumers, or both. **If the use of mobile devices as game platforms and the proliferation of mobile devices generally do not increase, our business could be adversely affected. Following our acquisition of Zynga, an increased percentage of our operations consists of mobile gaming. The number of people using mobile Internet- enabled devices has increased dramatically over time, and we expect that this trend will continue. However, the mobile market, particularly the market for mobile games, may not grow in the way we anticipate. Our future success is substantially dependent upon the continued growth of the market for mobile games. In addition, we do not currently offer our games on all mobile devices. If the mobile devices on which our games are available decline in popularity or become obsolete faster than anticipated, we could experience a decline in revenue and bookings and may not achieve the anticipated return on our development efforts. Any such declines in the growth of the mobile market or in the use of mobile devices for games could harm our business, financial condition or results of operations.** Increased competition for limited shelf space and promotional support from retailers could affect the success of our business and require us to incur greater expenses to market our titles. While digital sales are increasingly important to our business, for physical sales, retailers have limited shelf space and promotional resources. Competition is intense among newly introduced interactive entertainment software titles for adequate levels of shelf space and promotional support, with most and highest quality shelf space devoted to those products expected to be best sellers. We cannot be certain that our new products will consistently achieve ~~best seller~~ **bestseller** status. Competition for retail shelf space is expected to continue to increase, which may require us to increase our marketing expenditures to maintain desirable sales levels of our titles. Competitors with more extensive lines and more popular titles may have greater bargaining power with retailers. Accordingly, we may not be able, or we may have to pay more than our competitors, to achieve similar levels of promotional support and shelf space. Similarly, as digital sales increase in importance to our business, there is increasing competition for premium placements of products on websites. Such placement is subject to many **risks** similar ~~risks as~~ **to the** physical shelf space **risks** discussed above ~~. The increasing importance of digital sales exposes us to the risks of that business model, including greater competition. The proportion of our revenues derived from digital content delivery, as compared to traditional retail sales, may continue to increase. The increased importance of digital content delivery in our industry, including through subscription- based access to a portfolio of interactive content, increases our potential competition, as the minimum capital needed to produce and publish a digitally delivered game is significantly less than that needed to produce and publish one that is delivered through retail distribution. This shift also requires us to dedicate capital to developing and implementing alternative marketing strategies, which may not be successful. If either occurs, we may be unable to effectively market and distribute our products, which could materially adversely affect our business, financial condition, and operating results. In addition, a continuing shift to digital delivery could result in a deprioritization of our products by traditional retailers. Also, while digitally - distributed products generally have higher profit margins than retail sales, as business shifts to digital distribution, the volume of orders from retailers for physical discs has been, and is expected to be, reduced~~ . Our business is subject to our ability to develop commercially successful products for the current video game platforms. We derive ~~most~~ **a significant portion** of our revenue from the sale of products made for video game platforms manufactured by third parties, such as Sony' s **PlayStation consoles** ~~PS4 and PS5~~ and Microsoft' s Xbox **consoles** ~~One and Xbox Series X | S~~, which comprised ~~72~~ **43** . ~~2~~ **1** % of our net revenue by product platform for the fiscal year ended March 31, ~~2022~~ **2023** . The success of our business is subject to the continued popularity of these platforms and our ability to develop commercially successful products for these platforms **. We also rely on the availability of an adequate supply of these video game consoles (which sometimes has been negatively affected by supply chain issues) and the continued support for these consoles by their manufacturers, including our ability to reach consumers via the online networks operated by these console manufacturers. If the consoles for which we develop new software products or modify existing products do not attain significant consumer acceptance, we may not be able to recover our development costs, which could be significant** . In 2020, Sony and Microsoft each launched their respective next generation consoles. Historically, when next generation consoles are announced or introduced into the market, consumers have typically reduced their purchases of products for prior- generation consoles in anticipation of purchasing a next- generation console and products for that console. During these periods, sales of the products we publish may decline until new platforms achieve wide consumer acceptance. Console transitions may have a comparable impact on sales of downloadable content, amplifying the impact on our revenues. This decline may not be offset by increased sales of products for the next- generation consoles. In addition, as console hardware moves through its life cycle, hardware manufacturers typically enact price reductions, and decreasing prices may put downward pressure on software prices. During console transitions, we may simultaneously incur costs both in continuing to develop and market new titles for prior- generation video game platforms, which may not sell at premium prices, and also in developing products for next- generation platforms, which may not generate immediate or near- term revenues. As a result, our business and operating results may be more volatile and difficult to predict during console transitions than during other times. **Additionally, we derive a significant portion of our revenue from distribution of our games on the Apple App Store and the Google Play Store, and the virtual items we sell in our games are purchased using the payment processing systems of these platform providers. In the fiscal year ended March 31, 2023, we derived 98. 0 % of our mobile revenue on Apple and Google platforms. We are subject to the standard policies and terms of service of third- party platforms, which govern the promotion, distribution, content and operation generally of games on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to us and other developers, and those changes may be unfavorable to us. A platform provider may also change its fee structure, add fees associated with access to and use of its platform, alter how we are able to advertise on the platform, change how the personal information of its users is made available to application developers on the platform, limit the use of personal information for advertising purposes, or restrict how players can share information with their friends on the platform or across platforms. For example, in December 2017, Apple revised its App Store Guidelines to require the disclosure of the odds of receiving certain types of virtual items from " loot boxes " (or similar mechanisms that offer a paid license to randomized virtual items) before customers purchase a license for the virtual items, and in May 2019 Google revised its Play Store policies to require similar disclosures. As another example, in April 2021, Apple released iOS version 14. 5 which required developers to get explicit permission from users, on an app- by- app basis, to use the identifier- for- advertisers, a device identifier assigned by Apple to each of its devices and used by advertisers to attribute app installs to advertising campaigns, target users through user acquisition, and deliver targeted ads. These requirements have been maintained in subsequent versions of Apple iOS. Additionally, in February 2022, Google announced plans to make privacy- focused changes to its Android advertising identifiers after a two- year process, taking into account feedback from developers, regulators and other interested parties. We are continuing to evaluate how these rules or changes may affect our business, operations and financial results. In addition, third- party platforms also impose certain file size limitations, which may limit the ability of players to download some of our larger games in over- the- air updates. Aside from these over- the- air file size limitations, a larger game file size could cause players to delete our games once the file size grows beyond the capacity of their devices' storage limitations or could reduce the number of downloads of these games. Such changes of terms of use with third- party platforms may decrease the visibility or availability of our games, limit our distribution capabilities, prevent access to our existing games, reduce the amount of revenue and bookings we may recognize from in- game**

purchases, increase our costs to operate on these platforms or result in the exclusion or limitation of our games on such platforms. Any such changes could adversely affect our business, financial condition or results of operations. Moreover, if we violate, or a platform provider believes we have violated, its terms of service (or if there is any change or deterioration in our relationship with these platform providers), that platform provider could limit or discontinue our access to the platform. A platform provider could also limit or discontinue our access to the platform if it establishes more favorable relationships with one or more of our competitors or it determines that we are a competitor. Any limit or discontinuation of our access to any platform could adversely affect our business, financial condition or results of operations. We also rely on the continued popularity, customer adoption, and functionality of third- party platforms. In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their in- app purchasing functionality. If either of these events recurs on a prolonged, or even short- term, basis or other similar issues arise that impact players’ ability to access our games, access social features or purchase a license to virtual items, our business, financial condition, results of operations or reputation may be harmed. We cannot publish our titles without the approval of hardware licensors that are also our competitors **, and we rely on a limited number of channel partners, some of whom influence the fee structures for online distribution of our games on their platforms** . We are required to obtain licenses from certain of our competitors, including Sony and Microsoft, to develop and publish titles for their respective hardware platforms. Our existing platform licenses require that we obtain approval for the publication of new titles on a title- by- title basis. As a result, the number of titles we are able to publish for these hardware platforms, our ability to manage the timing of the release of these titles, and, accordingly, our net revenue from titles for these hardware platforms, may be limited. If a licensor chooses not to renew or extend our license agreement at the end of its current term, or if a licensor were to terminate our license for any reason or does not approve one or more of our titles, we may be unable to publish that title as well as additional titles for that licensor' s platform. During or following a console transition, like the one that occurred in 2020, hardware platform manufacturers may seek to change the terms governing our relationships with them. Termination of any such agreements or disapproval of titles could seriously hurt our business and prospects. We may be unable to continue to enter into license agreements for certain current generation platforms on satisfactory terms or at all. Failure to enter into any such agreement could also seriously hurt our business. In addition, platform providers, such as Sony and Microsoft, control the networks over which consumers purchase digital products and services for their platforms and through which we provide online game capabilities for our products. The control that these platform providers have over consumer access to our games, the fee structures and / or retail pricing for products and services for their platforms and online networks and the terms and conditions under which we do business with them could impact the availability of our products or the volume of purchases of our products made over their networks and our profitability. The networks provided by these platform providers are the exclusive means of selling and distributing our content on these platforms. If the platform provider establishes terms that restrict our offerings on its platform, significantly alters the financial terms on which these products or services are offered, or does not approve the inclusion of content on its platform, our business could be negatively impacted. **Increased competition for digital “ shelf space ” has put channel partners in more favorable bargaining positions in relation to such terms of distribution.** We also derive significant revenues from distribution on third - party mobile and web platforms, such as the Apple App Store, the Google Play Store, and Facebook, which are also our direct competitors and **,** in some cases **,** the exclusive means through which our content reaches gamers on those platforms, and most of the virtual currency we sell is purchased using these platform providers’ payment processing systems. If these platforms deny access to our games, modify their current discovery mechanisms, communication channels available to developers, operating systems, terms of service, or other policies (including fees), our business could be negatively impacted. These platform providers or their services may be unavailable or may not function as intended or may experience issues with their in - app purchasing functionality. **Some of** ~~Our business could be adversely affected if our consumer data protection measures are not seen as adequate or there~~ **these** ~~are breaches of our security measures~~ **platforms have retained the right to change the fee structures** ~~or~~ **for** ~~unintended disclosures~~ **online distribution** of **both paid content** ~~our consumer data. We are collecting~~ and **free content** ~~storing consumer information, including personal information. We take measures to protect our consumer information from unauthorized access or disclosure. It is possible that our security controls over consumer information may not prevent the improper access or disclosure of personal information. In addition, due to the high- profile nature of our products, we may draw a disproportionately higher amount of attention and attempts to breach our security controls than companies with lower profile products. A security incident that leads to disclosure of consumer information~~ (including ~~personal information~~ **patches and corrections**) ~~could harm our reputation~~ , ~~compel us to comply with disparate breach notification laws in various jurisdictions~~ and **their** ~~otherwise subject us to liability~~ -- **ability** ~~under laws that protect personal information~~ **to set or influence royalty rates may increase costs** , ~~any of~~ which could **negatively affect our operating margins. Further, if we are unable to distribute our content in a cost- effective or profitable manner through such distribution channels, it could adversely affect our business, financial condition, and operating** ~~result~~ **results** ~~in increased costs or loss of revenue~~ . **We rely on complex** ~~A resulting perception that our products or services do not adequately protect the privacy of personal~~ information **technology systems and networks to operate our business. Any significant system or network disruption or cyber attack** could **have** ~~result in~~ a ~~loss of current~~ **negative impact on** ~~or~~ **our** ~~potential consumers and~~ business ~~partners~~ . ~~In addition, if any~~ **We rely on the efficient and uninterrupted operation** of **complex** ~~our business partners experience a security incident that leads to disclosure of consumer~~ information **technology systems and networks** , **some** ~~our reputation could be harmed, resulting in loss~~ of **which** ~~revenue. In addition, certain of our products~~ are ~~online enabled. The ability~~ **within Take- Two and some** of **which are managed** ~~our~~ - **or hosted by** ~~products to offer online functionality, and our ability to offer content through a video game platform' s digital distribution channel, is dependent upon the continued operation and security of such platform' s online network. These~~ third- party ~~networks,~~ **providers. The supply chain of hardware needed to maintain this technological infrastructure** ~~as~~ **has been disrupted** ~~well~~

~~as our own internal systems~~ and **geopolitical events** ~~websites, and the related security measures may be breached as a result of third- party action~~ , including ~~intentional misconduct by computer hackers, employee error, malfeasance or otherwise, and result in someone obtaining unauthorized access to our customers' information or our data — including our intellectual property and other~~ -- **the** ~~confidential business information — or our~~ **Russian invasion of Ukraine and any indirect effects, may further complicate existing supply chain constraints. All** information technology systems ~~. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently~~ and ~~generally~~ **networks** are **potentially vulnerable to damage or interruption from a variety of sources, including but** not **limited** ~~recognized until launched against a target, we may be unable~~ to **cyber- attacks** ~~anticipate these techniques or to implement adequate preventative measures. Further~~ , **computer viruses** ~~the risk of such a breach may be heightened by world events~~ , **malicious software** ~~such as the current conflict between Russia and Ukraine. If an actual or perceived breach of our safeguards occurs~~ , ~~we may lose business, suffer irreparable damage to our reputation, and / or incur significant costs and expenses relating to the investigation and possible litigation of claims relating to such event. Security~~ **security** breaches ~~involving the source code for our products or other sensitive~~ **, energy blackouts, natural disasters, terrorism, war,** and **telecommunication failures** ~~proprietary information could adversely affect our business~~ . We securely store the source code for our interactive entertainment software products as it is created. A breach, whether physical, electronic **,** or otherwise, of the systems on which such source code and other sensitive data are stored could lead to damage or piracy of our software. In addition, certain parties with whom we do business are given access to our sensitive and proprietary information in order to provide services and support our team. These third parties may misappropriate our information and engage in unauthorized use of it. A data intrusion into a server for a game with online features or for our proprietary online gaming service could also disrupt the operation of such game or platform. Further, the risk of such a breach may be heightened by world events, such as the current conflict between Russia and Ukraine. If we or these third parties are subject to data security breaches, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures which could materially and adversely affect our business, financial condition **,** and operating results. Any theft and / or unauthorized use or publication of our trade secrets and other confidential business information **because** ~~as a result~~ of such an event could adversely affect our competitive position, reputation, brand, and future sales of our products. Our business could be subject to significant disruption, and we could suffer monetary and other losses and reputational harm, in the event of such incidents and claims. We **We rely on complex information technology systems and networks to operate our business.Any significant system or network disruption could have a negative impact on our business.We rely on the efficient and uninterrupted operation of complex information technology systems and networks,some of which are within Take- Two and some of which are managed or hosted by third- party providers.All information technology systems and networks are potentially vulnerable to damage or interruption from a variety of sources** ,including **but not limited to cyber-** attacks **,computer viruses,malicious software,security breaches,energy blackouts,natural disasters,terrorism,war,and telecommunication failures.We may also face sophisticated attacks,** referred to as advanced persistent threats,which are cyber- attacks aimed at compromising our intellectual property and other commercially sensitive information,such as the source code and game assets for our software or confidential customer or employee information,which remain undetected for prolonged periods of time. ~~In September 2022,we experienced a network intrusion in which an unauthorized third party illegally accessed and downloaded confidential information from Rockstar Games' systems,including early development footage for the next Grand Theft Auto.Subsequently,also in September 2022,an unauthorized third party illegally accessed credentials for a vendor platform that 2K Games uses to provide help desk support to its customers.The unauthorized party sent a communication to certain players containing a malicious link.2K Games immediately notified all affected users and took steps to restrict further unauthorized activity until service was restored.In connection with this activity (the " Cybersecurity Incident "),we have incurred certain immaterial incremental one- time costs related to consultants,experts and data recovery efforts and expect to incur additional costs related to cybersecurity protections in the future.We have implemented and are in the process of implementing a variety of measures to enhance further our cybersecurity protections.See " Part II,Item 7- Management' s Discussion and Analysis of Financial Condition and Results of Operations- Cybersecurity Incident " for further discussion.~~ Information technology system disruptions,network failures,or security breaches ~~(including the Cybersecurity Incident and similar incidents) have negatively affected,and in the future~~ could negatively affect our business continuity,operations ~~,~~ and financial results.These risks extend to the networks and e- commerce sites of console platform providers and other partners who sell or host our content online.The risk of such threats ~~is~~ **may be** heightened as a result of international conflicts such as the one between Russia and Ukraine ~~and~~ **or** as a result of an extended period of remote work arrangements due to COVID- 19.Along with our partners,we have expended,and expect to continue to expend,financial and operational resources to implement certain systems,processes ~~,~~ and technologies to guard against cyber risks and to help protect our data and systems.However,the techniques used to exploit,disable,damage,disrupt or gain access to our networks,our products and services,supporting technological infrastructure,intellectual property and other assets change frequently,continue to evolve in sophistication and volume,and ~~may~~ **often are** not ~~be~~ detected for long periods of time.Our systems,processes and technologies,and the systems,processes and technologies of our business partners or our third- party service providers, ~~have not been and in the future~~ may not be adequate against all eventualities.In addition,the costs to respond to,mitigate,or notify affected parties of cyber- attacks and other security vulnerabilities are significant. **Any** ~~Failures~~ - **failure** to prevent or mitigate security breaches or cyber risks,or detect or respond adequately to a security breach or cyber risk,could result in a loss of anticipated revenue,interruptions to our products and services,our having to incur significant remediation and notification costs, **degrade** ~~a degradation of~~ the user experience, ~~causing~~ **cause** consumers to lose confidence in our products and services, ~~prompting regulatory inquiries~~ and significant legal and financial costs.Additionally,applicable insurance policies may be insufficient to reimburse us for all such losses,and it is uncertain whether we will be able to maintain the current level of insurance coverage in the future on reasonable terms or at all.Successful exploitation of our systems can have other negative effects upon the products,services and user experience we offer.In particular,the virtual economies that we have established in many of our games are subject to abuse,exploitation and other forms of fraudulent activity that can negatively affect our business.Virtual economies involve the use of virtual currency or virtual assets that can be used or redeemed by a player within a particular game or service.Although we have implemented and continue to develop programs reasonably designed to prevent such negative impacts,the abuse or exploitation of our virtual economies can include the illegitimate generation and sale of ~~accounts and / or~~ virtual items in black markets.These kinds of activities and the steps that we take **to address and prevent these issues may result in a loss of anticipated revenue,interfere with players' enjoyment of a balanced game environment and cause reputational harm.We depend on servers and Internet bandwidth to operate our games and digital services with online features.If we were to lose server capacity or lack sufficient Internet bandwidth for any reason,our business could suffer.We rely on data servers,including those owned or controlled by third parties,to enable our customers to download our games and other downloadable content,and to operate our online games and other products with online functionality.** depend on our key management and product development personnel. Our continued success will depend to a significant extent on our senior management team and our relationship with ~~ZelnickMedia Corporation~~ **ZMC Advisors, L. P.** (" ~~ZelnickMedia~~ **ZMC** "). Our Executive Chairman / Chief Executive Officer and President are partners of ~~ZelnickMedia~~ **ZMC** . We are also highly dependent on the expertise, skills and knowledge of our key creative personnel responsible for content creation and development **, such as** of our Grand Theft Auto and other hit titles ~~and titles based on other brands~~ . We may not be able to continue to retain these personnel at current compensation levels, or at all. Our industry is generally characterized by a high level of employee mobility, competitive compensation programs, and aggressive recruiting among competitors for employees with technical, marketing, sales, engineering, product development, creative, and / or management skills. The loss of the services of our executive officers, ~~ZelnickMedia~~ **ZMC** , or certain key creative personnel could significantly harm our business. In addition, if one or more key employees were to join a competitor or form a competing company, we may lose additional personnel, experience material interruptions in product development, delays in bringing products to market and difficulties in our relationships with licensors, suppliers and customers, which would significantly harm our business. Failure to continue to attract and retain qualified management and creative personnel could adversely affect our business and prospects. **Attracting, managing and retaining our talent is critical to our success. Our business depends on our ability to attract, train, motivate, and retain executive, technical, creative, marketing, and other personnel that are essential to the development, marketing, and support of our products and services. The market for highly- skilled workers and leaders in our industry is extremely competitive, particularly in the geographic locations in which many of our key personnel are located. If we cannot successfully recruit, train, motivate, attract, and retain qualified employees, develop and maintain a healthy culture, or replace key employees following their departure, our reputation, brand, and culture may be negatively affected and our business will be impaired. Our global workforce is primarily non- unionized, but we are aware of an increase in the industry of workers exercising their right to form or join a union. If significant employee populations were to unionize, we could experience operational changes that may materially impact our business.** Our results of operations or reputation may be harmed as a result of offensive **or potentially dangerous** consumer- created content. We are subject to risks associated with the collaborative online features in our games which allow consumers to post narrative comments, in real time, that are visible to other consumers. From time to time, objectionable and offensive **or potentially dangerous** consumer content may be posted to a gaming or other site with online chat features or game forums which allow consumers to post comments. We **have been and** may be subject to lawsuits, governmental **inquiries and** regulation or restrictions, and consumer backlash (including decreased sales and harmed reputation), as a result of consumers posting offensive content. We may also be subject to consumer backlash from comments made in response to postings we make on social media sites such as Facebook, YouTube and Twitter. If we fail to appropriately respond to the dissemination of such content, ~~we may be subject to lawsuits and governmental regulation,~~ our players may not engage with our products and services and / or may lose confidence in our brands **,** and our financial results may be adversely affected. Our business is partly dependent on our ability to enter into successful software development arrangements with third parties. Our success depends on our ability to continually identify and develop new titles timely. We rely on third- party software developers for the development of some of our titles. Quality third- party developers are continually in high demand, and those who have developed titles for us in the past may not be available to develop software for us in the future. Due to the limited availability of third- party software developers and the limited control that we exercise over them, these developers may not be able to complete titles for us on a timely basis or within acceptable quality standards, if at all. We have entered into agreements with third parties to acquire the rights to publish and distribute interactive entertainment software as well as to use licensed intellectual properties in our titles. These agreements typically require us to make development payments, pay royalties, and satisfy other conditions. Our development payments may not be sufficient to permit developers to develop new software successfully, which could result in material delays and significant increases in our costs to bring particular products to market. Software development costs, promotion and marketing expenses and royalties payable to software developers and third- party licensors have continued to increase and reduce potential profits derived from sales of our software. Future sales of our titles may not be sufficient to recover development payments and advances to software developers and licensors, and we may not have adequate financial and other resources to satisfy our contractual commitments to such developers. If we fail to satisfy our obligations under agreements with third- party developers and licensors, the agreements may be terminated or modified in ways that are burdensome to us and have a material adverse effect on our business, financial condition, and operating results. In addition, disputes occasionally arise with external developers, including with respect to game content, launch timing, achievement of certain milestones, the game development timeline, marketing campaigns, contractual terms, and interpretation. If we have disputes with external developers or they cannot meet product development schedules, acquire certain approvals or are otherwise unable or unwilling to honor their obligations to us, we may delay or cancel previously announced games, alter our launch schedule or experience increased costs and expenses, which could result in a delay or significant shortfall in anticipated revenue, harm our profitability and reputation, and cause our financial results to be materially affected. ~~We rely on a limited number of channel partners some of whom influence the fee structures for online distribution of our games on their platforms. We rely on a limited number of channel partners, some of whom have retained the right to change the fee structures for online distribution of both paid content and free content (including patches and corrections) that we license to them for distribution on their platforms. Such channel partners' ability to set or influence royalty rates may increase costs, which could negatively affect our operating margins. We may be unable to distribute our content in a cost- effective or profitable manner through such distribution channel, which could adversely affect our business, financial condition and operating results. Outside of fee arrangements, our agreements with our channel partners sometimes give them significant control over other aspects of the distribution of our products and services that we develop for their platform. If our channel partners establish terms that restrict our offerings through their channels, or significantly affect the financial terms on which these products or services are offered to our customers, we may be unable to distribute our product offerings through them or be forced to do so on materially worse financial or business terms in negotiating such various aspects of distribution. Increased competition for digital " shelf space " has put channel partners in more favorable bargaining positions in relation to such terms of distribution.~~ The increasing importance of **digital sales and** free- to- play games to our business exposes us to the risks of that business model, including **greater competition. The proportion of our revenues derived from digital content delivery, as compared to traditional retail sales, has increased significantly in recent years. The increased importance of digital content delivery in our industry, including through subscription- based access to a portfolio of interactive content, increases our potential competition, as** the ~~dependence~~ **minimum capital needed to produce and publish a digitally delivered game is significantly less than that needed to produce and publish** ~~on~~ **one that is delivered through retail distribution. This shift also requires us to dedicate capital to developing and implementing alternative marketing strategies, which may not be successful. If either occurs, we may be unable to effectively market and distribute our products, which could materially adversely affect our business, financial condition, and operating results. In addition,** a ~~relatively small number~~ **continuing shift to digital delivery could result in a deprioritization** of ~~consumers~~ **our products by traditional retailers. Also, while digitally - distributed products generally have higher profit margins than retail sales, as business shifts to digital distribution, the volume of orders from retailers** for ~~a significant portion of revenues~~ **physical discs has been,** and ~~profits from any given game~~ **is expected to be, reduced** . We are **also** increasingly dependent on our ability to develop, enhance, and monetize free - to - play games. As such, we are increasingly exposed to the risks of the free - to - play business model. For example, we may invest in the development of new free - to - play interactive entertainment products that do not achieve significant commercial success, in which case our revenues from those products likely will be lower than anticipated and we may not recover our development costs. Further, our business may be negatively impacted if: (~~1~~ **i**) we are unable to encourage new and existing consumers to purchase our virtual items ~~;~~ **,** (~~2~~ **ii**) we fail to offer monetization features that appeal to these consumers ~~;~~ **,** (~~3~~ **iii**) our platform providers make it more difficult or expensive for players to purchase our virtual items ~~;~~ **,** (~~4~~ **iv**) we cannot encourage significant additional consumers to purchase virtual items in our game **,** ~~and /~~ or (~~5~~ **v**) our free- to- play releases reduce sales of our other games **. Successfully monetizing free- to- play games is difficult and requires that we deliver valuable and entertaining player experiences that a sufficient number of players will pay for or that we are able to otherwise sufficiently monetize our games (for example, by serving in- game advertising). The success of our games depends, in part, on unpredictable and volatile factors beyond our control including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If our games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, our revenue and financial performance will be negatively affected. In addition to the market factors noted above, our ability to successfully develop games for mobile platforms and their ability to achieve commercial success will depend on our ability to: • effectively market our games to existing and new players; • achieve benefits from our player acquisition costs; • achieve viral organic growth and gain customer interest in our games through free or more efficient channels; • adapt to changing player preferences; • adapt to new technologies and feature sets for mobile and other devices; • expand and enhance games after their initial release; • attract, retain and motivate talented and experienced game designers, product managers and engineers; • partner with mobile platforms and obtain featuring opportunities; • continue to adapt game feature sets for an increasingly diverse set of mobile devices, including various operating systems and specifications, limited bandwidth and varying processing power and screen sizes; • minimize launch delays and cost overruns on the development of new games and features; • achieve and maintain successful customer engagement and effectively monetize our games; • maintain a quality social game experience and retain our players; • develop games that can build upon or become franchise games; • compete successfully against a large and growing number of existing market participants; • accurately forecast the timing and expense of our operations, including game and feature development, marketing and customer acquisition, customer adoption and success of bookings growth; • minimize and quickly resolve bugs or outages; and • acquire and successfully integrate high quality mobile game assets, personnel or companies. These and other uncertainties make it difficult to know whether we will succeed in continuing to develop successful live service games and launch new games and features in accordance with our operating plan. If we do not succeed in doing so, our business, financial condition, results of operations and reputation will suffer. We derive revenues from advertisements and offers that are incorporated into our free- to- play games through relationships with third parties. If we are unable to continue to compete for these advertisements and offers, or if any events occur that negatively impact our relationships with advertisers, our advertising revenues and operating results would be negatively impacted. We derive revenue from advertisements and offers we serve to players. We need to maintain good relationships with advertisers to provide us with a sufficient inventory of advertisements and offers. Online advertising, including through mobile games**

and other mobile applications, is an intensely competitive industry. Many large companies, such as Amazon, Facebook and Google, invest significantly in data analytics to make their websites and platforms more attractive to advertisers. In order for our advertising business to continue to succeed, we need to continue to demonstrate the reach of our player network and success of our advertising partners. If our relationship with any advertising partners terminates for any reason, or if the commercial terms of our relationships are changed or do not continue to be renewed on favorable terms, we would need to qualify new advertising partners, which could negatively impact our revenues, at least in the short term. In addition, internet- connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of targeted advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, identifier- for- advertisers, which simplifies the process for Apple users to opt out of certain types of advertising. In June 2020, Apple announced further changes, requiring its users with iOS 14 (and presumably future iOS versions) to request a user' s permission to track them or to access their mobile device' s identifier for advertising. Those changes, known as Apple' s AppTracking Transparency framework, went into effect in late April 2021, with the release of iOS 14. 5. If users do not elect participate in functionality that supports the delivery of targeted advertising on their devices, our ability to deliver effective advertising campaigns on behalf of our advertisers could suffer, which could cause our business, financial condition, or results of operations to suffer. Finally, the revenues that we derive from advertisements and offers is subject both to seasonality, as companies' advertising budgets are generally highest during the fourth calendar quarter and decline significantly in the first calendar quarter of the following year, which negatively impacts our revenues in such first calendar quarter, and to the financial health of advertisers, who, as they experience downturns or uncertainty in their own business operations for various reasons, such as the economic effects resulting from the COVID- 19 pandemic or other world events, may decrease their advertising spending . If we acquire or invest in other businesses, intellectual properties, or other assets, we may be unable to integrate them with our business, our financial performance may be impaired and / or we may not realize the anticipated financial and strategic goals for such transactions. If appropriate opportunities present themselves, we may acquire or make investments in businesses, intellectual properties and other assets that we believe are strategic **, such as our acquisition of Zynga** . We may not be able to identify, negotiate or finance any future acquisition or investment successfully. Even if we do succeed in acquiring or investing in a business, intellectual property or other asset, such acquisitions and investments involve a number of risks, including: • retaining key employees and maintaining the key business and customer relationships of the businesses we acquire; • cultural challenges associated with integrating employees from an acquired company or business into our organization; • the possibility that the combined company would not achieve the expected benefits, including any anticipated operating and product synergies, of the acquisition as quickly as anticipated or that the costs of, or operational difficulties arising from, an acquisition would be greater than anticipated; • the potential for the acquired business to underperform relative to our expectations and the acquisition price; • unexpected tax consequences from the acquisition, or the tax treatment of the acquired business' s operations going forward, giving rise to incremental tax liabilities that are difficult to predict; • significant acquisition- related accounting adjustments, particularly relating to an acquired company' s deferred revenue, that may cause reported revenue and profits of the combined company to be lower than the sum of their stand- alone revenue and profits; • significant accounting charges resulting from the completion and integration of a sizable acquisition and increased capital expenditures, including potential impairment charges incurred to write down the carrying amount of intangible assets generated as a result of an acquisition; • the possibility that significant acquisitions, when not managed cautiously, may result in the over- extension of our existing operating infrastructures, internal controls and information technology systems; • the possibility that we will not discover important facts during due diligence that could have a material adverse effect on the value of the businesses we acquire, including the possibility that a change of control of a company we acquire triggers a termination of contractual or intellectual property rights important to the operation of its business; • the need to integrate an acquired company' s accounting, management information, human resource and other administrative systems to permit effective management and timely reporting, and the need to implement or remediate controls, procedures and policies appropriate for a public company in an acquired company that, prior to the acquisition, lacked these controls, procedures and policies; • litigation or other claims in connection with, or inheritance of claims or litigation risks as a result of, an acquisition, including claims from terminated employees, customers or other third parties; and • to the extent that we engage in strategic transactions outside of the U. S., we face additional risks, including risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. • the need to implement controls, procedures and policies appropriate for a larger, U. S.- based public company at companies that prior to acquisition may not have as robust controls, procedures and policies, particularly, with respect to the effectiveness of cyber and information security practices and incident response plans, compliance with data privacy and protection and other laws and regulations protecting the rights of players and customers, and compliance with U. S.- based economic policies and sanctions which may not have previously been applicable to the acquired company' s operations. Further, any such transaction may involve the risk that our senior management' s attention will be excessively diverted from our other operations, the risk that our industry does not evolve as anticipated, and that any intellectual property or personnel skills acquired do not prove to be those needed for our future success, and the risk that our strategic objectives, cost savings or other anticipated benefits are otherwise not achieved. Future acquisitions and investments could also involve the issuance of our equity and equity- linked securities (potentially diluting our existing stockholders), the incurrence of debt, contingent liabilities or amortization expenses, write- offs of goodwill, intangibles, or acquired in- process technology, or other increased cash and non- cash expenses such as stock- based compensation. Any of the foregoing factors could harm our financial condition or prevent us from achieving improvements in our financial condition and operating performance that could have otherwise been achieved by us on a stand- alone basis. Our stockholders may not have the opportunity to review, vote on or evaluate future acquisitions or investments. We face risks from our international operations. We are subject to certain risks because of our international operations, particularly as we continue to grow our business and presence in Asia, Latin America, and other parts of the world. Changes to and compliance with a variety of foreign laws and regulations may increase our cost of doing business and our inability or failure to obtain required approvals could harm our international and domestic sales. In either the U. S. or other countries, trade legislation, such as a change in the current tariff structures, import / export compliance laws, a change in the relationship between either us or the U. S. and any country in which we have significant operations or sales, or other trade laws or policies, could adversely affect our ability to sell or to distribute in international markets. Additionally, cultural differences may affect consumer preferences and as a result, some of our" hit" products may not sell as well as they do in the U. S. Cultural differences may also require us to modify the content of our products or the method by which we charge our customers. If we do not correctly assess consumer preferences in the countries in which we sell our products, or respond to other risks related to our international operations, it could negatively affect our business. Our business may also be affected directly or indirectly by major world events, such as the conflict between Russia and Ukraine. Such events could decrease the demand for our products and services, make it difficult or impossible for us to deliver products and services to certain of our customers, or result in restrictions in trade, all of which could negatively affect our business. Further, the enforcement of regulations relating to mobile and other games with an online element in China remains uncertain, and further changes, either in the regulation or their enforcement could have a negative impact on our business in China. In order to operate in China, all games must have regulatory approval. A decision by the Chinese government to revoke its approval for any of our games or to decline to approve any products we desire to sell in China in the future could have a negative impact on our business. **China has also enacted a new privacy law that may affect how we structure our business and process of personal information.** We are subject to a variety of laws in the U. S. and abroad that affect our business, including state and federal laws regarding consumer protection, electronic marketing, protection of minors, data protection and privacy, competition, taxation, intellectual property, export, and national security, which are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly laws outside the U. S. There is a risk that existing or future laws may be interpreted in a manner that is not consistent with our current practices and could have an adverse effect on our business. We incur legal compliance costs associated with our international operations and could become subject to legal penalties in foreign countries if we do not comply with local laws and regulations which may be substantially different from those in the U. S. In many foreign countries, particularly in those with developing economies, it may be common to engage in business practices that are prohibited by U. S. laws and regulations, such as the Foreign Corrupt Practices Act, and by local laws, such as laws prohibiting corrupt payments to government officials. Although we implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all ~~of~~ our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, including those based in countries where practices which violate such laws may be customary, will not take actions in violation of our policies. Any such violation, even if prohibited by our policies, could have a material adverse effect on our business. We are potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm our business or expose us to liability. In addition, there are ongoing academic, political and regulatory discussions in the U. S., Europe, Australia, Brazil and other jurisdictions regarding whether certain game genres, such as social casino, or certain game mechanics, such as “ loot boxes ”, should be subject to a higher level or different type of regulation than other game genres or mechanics to protect consumers, in particular minors and persons susceptible to addiction, and, if so, what such regulation should include. In 2020, the U. K. left the European Union (" E. U.") (" Brexit"). Subsequently, the U. K. and the E. U. struck a bilateral trade and cooperation deal governing the future relationship between the U. K. and the E. U. (the" Trade and Cooperation Agreement"), which took effect on May 1, 2021. There remains unavoidable uncertainties and risks to our business related to Brexit and the new relationship between the U. K. and E. U., which will continue to be developed and defined. We are ~~preparing~~ **seeking** to mitigate those risks with operational and commercial changes to the extent possible and warranted. However, the legal and regulatory landscape remains uncertain, and we have no assurance that such ~~preparations~~ **actions** will enable us to avoid a material adverse impact on our business from Brexit. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U. K. determines which E. U. laws to replace and replicate ~~. For example, if there are changes to U. K. immigration policy as a result of Brexit, our employees and their ability to move freely between the E. U. member states for work- related matters could be affected~~ . The effects of the U. K.' s future trade agreements with the E. U. or other nations could potentially disrupt the markets we serve and may cause us to lose customers, distributors, and employees. The Trade and Cooperation Agreement sets out preferential arrangements in areas such as the trade in goods and services but does not reach the level of integration that existed while the U. K. was an E. U. member state, which could have a detrimental impact on our U. K. growth. Such a decline could also make our doing business in Europe more difficult, which could negatively affect sales to consumers of our products. Without access to the single E. U. market, it may be more challenging and costly to distribute our products in Europe **. The laws of some countries either do not protect our products, brands, and intellectual property to the same extent as the laws of the U. S. or are inconsistently enforced. Legal protection of our rights may be ineffective in countries with weaker intellectual property enforcement mechanisms. In addition, certain third parties have registered our intellectual property rights without authorization in foreign countries. Successfully registering such intellectual property rights could limit or restrict our ability to offer products and services based on such rights in those countries. Although we take steps to enforce and police our rights, our practices and methodologies may not be effective against all**

eventualities. We depend on servers and Internet bandwidth to operate our games and digital services with online features. If we were to lose server capacity or lack sufficient Internet bandwidth for any reason, our business could suffer . Connectivity issues could affect our profitability and our ability to sell and provide online services for our products. We rely upon third- party digital delivery platforms, such as Microsoft' s Xbox Live, PlayStation Network, Steam, Epic, and other third- party service providers, to provide connectivity from the consumer to our digital products and our online services. Connectivity issues could prevent customers from accessing this content and our ability to successfully market and sell our products could be adversely affected. Given the increasing global usage of online platforms, in part as a result of the COVID- 19 pandemic, the risks of connectivity issues may be heightened. In addition, we could experience similar issues related to services we host on our internal servers. Such issues also could affect our ability to provide game- related services and could have a material adverse effect on our business, financial condition, and operating results. We rely on complex information technology systems...... and other products with online functionality. Events such as limited hardware failure, any broad- based catastrophic server malfunction, a significant intrusion by hackers that circumvents security measures, or a failure of disaster recovery services would likely interrupt the functionality of our games with online services and could result in a loss of sales for games and related services. An extended interruption of service could materially adversely affect our business, financial condition and operating results. We expect a significant portion of our games to be online enabled in the future, and therefore we must project our future server needs and make advance purchases of servers or server capacity to accommodate expected business demands. If we underestimate the amount of server capacity our business requires ~~or~~ **,** if our business were to grow more quickly than expected **,** or if Internet bandwidth becomes limited, ~~for example as a result of COVID- 19- related increased worldwide demand,~~ our consumers may experience service problems, such as slow or interrupted gaming access. Insufficient server capacity may result in decreased sales, a loss of our consumer base and adverse consequences to our reputation. Conversely, if we overestimate the amount of server capacity required by our business, we may incur additional operating costs. Because of the importance of our online business to our revenues and results of operations, our ability to access adequate Internet bandwidth and online computational resources to support our business is critical. If the price of such resources increases, we may not be able to increase our prices or subscriber levels to compensate for such costs, which could materially adversely affect our business, financial condition, and operating results. We use open **-** source software in connection with certain of our games and services, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative impact on our business. We use open **-** source software in connection with certain of our games and the services we offer. Some open **-** source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software or make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of the open source software. If it were determined that our use was not in compliance with a particular license, we may be required to release our proprietary source code, pay damages for breach of contract, re- engineer our games, discontinue distribution in the event re- engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our game development efforts, any of which could harm our business. **Additionally, the shared nature of open- source software may increase the ability of cyber- attackers to discover and exploit vulnerabilities, which may increase the likelihood of a data breach, ransomware, network interruption, or other type of cyber- attack against us or against third parties who may use open source software, such as our platform partners or key vendors, any of which could negatively impact our business.** Our software is susceptible to errors, which can harm our financial results and reputation. The technological advancements of new hardware platforms result in the development of more complex software products. As software products become more complex, the risk of undetected errors in new products increases. We may need to produce and distribute patches in order to repair such errors, which could be costly and may distract our developers from working on new products. If, despite testing, errors are found in new products or releases after shipments have been made, we may have to consider suspending distribution of defective products or offering refunds, and we could experience a loss of or delay in timely market acceptance, product returns, loss of revenue, increases in costs relating to the repair of such errors and damage to our reputation. In such an event, the technological reliability and stability of our products and services could be below our standards and the standards of our players and our reputation, brand and sales could be adversely affected. In addition, we could be required to, or may find it necessary to, offer a refund for the product or service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results. Our ability to acquire and maintain licenses to intellectual property, especially for sports titles, affects our revenue and profitability. Competition for these licenses may make them more expensive and increase our costs. Certain of our products are based on or incorporate intellectual property owned by others. For example, certain of our 2K products include rights licensed from major sports leagues and players' associations. Similarly, some of our other titles are based on licenses of popular **products and** entertainment ~~products~~ **brands** . Competition for these licenses is intense. If we are unable to maintain and renew these licenses or obtain additional licenses on reasonable economic terms or with significant commercial value, our revenue and profitability could decline significantly. Competition for these licenses may also increase the advances, guarantees and royalties that we must pay to the licensor, which could significantly increase our costs and adversely affect our profitability. In addition, on certain intellectual property licenses, we are subject to guaranteed minimum payments, royalties or standards of performance and may not be able to terminate these agreements prior to their stated expiration. If such licensed products do not generate revenues in excess of such minimum guarantees, our profitability will be adversely affected. We may experience declines or fluctuations in the recurring portion of our business. Our business model includes revenue that we expect to be recurring in nature, such as revenue from our annualized titles and associated services, and ongoing mobile businesses. While we have been able to forecast the revenue from these areas of our business with greater certainty than for new offerings, we cannot provide assurances that consumers will purchase these games and services on a consistent basis. Furthermore, we may cease to offer games and services that we previously had deemed to be recurring in nature. Consumer purchases of our games and services may decline or fluctuate as a result of a number of factors, including their level of satisfaction with our games and services, our ability to improve and innovate our annualized titles, our ability to adapt our games and services to new platforms, outages and disruptions of online services, the games and services offered by our competitors, our marketing and advertising efforts or declines in consumer activity generally as a result of economic downturns, ~~for example, as a result of COVID- 19,~~ among others. Any decline or fluctuation in this portion of our business may have a negative impact on our financial and operating results. Our efforts to expand into new products and services may subject us to additional risks. In recent years, we have continued to invest in emerging opportunities in interactive entertainment played on mobile platforms, including tablets and smartphones, and online platforms ~~, including social networks~~ . We have also grown our product offerings that are available through digital download, including virtual currency, through our existing franchises such as Grand Theft Auto and NBA 2K, as well as through our mobile product offerings. We are actively investing to capitalize on these trends in order to diversify our product mix, reduce our operating risks, and increase our revenue. There are risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. While we anticipate growth in this area of our business, consumer demand is difficult to predict as a result of a number of factors, including satisfaction with our products and services, our ability to provide engaging products and services, third parties offering their products and services within our subscription, partners that provide, or don' t provide, access to our subscription, products and services offered by our competitors, reliability of our infrastructure and the infrastructure of our partners, pricing, the actual or perceived security of our and our partners information technology systems and reductions in consumer spending levels. There is no assurance that we will be able to attract a sufficiently large number of customers or recover costs incurred for developing and marketing any of these new products or services. For example, we may offer games that do not attract sufficient purchases of virtual currency, which may cause our investments into this product space, such as through our acquisitions of **Zynga,** Social Point ~~and~~ **,** Playdots **, Nordeus, and Popcore** ~~or our pending acquisition of Zynga~~ , to fail to realize the expected benefits. External factors, such as competitive alternatives and shifting market preferences, may also have an impact on the successful implementation of any new products or services. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on our business, financial condition and operating results. Our quarterly and annual operating results are dependent on the release of" hit" titles and therefore dependent on the timing of our product releases, which may cause our quarterly operating results to fluctuate significantly. We have experienced and may continue to experience wide fluctuations in quarterly operating results. The release of a" hit" title typically leads to a high level of sales during the first few months after introduction followed by a rapid decline in sales. In addition, the interactive entertainment industry is highly seasonal, with sales typically higher during the fourth calendar quarter, due primarily to increased demand for games during the holiday season. Demand for and sales of titles in our NBA 2K series are also seasonal in that they are typically released just prior to the start of the NBA season. If a key event or sports season to which our product release schedule is tied were to be delayed or interrupted, as has happened as a result of COVID- 19, our sales might also suffer disproportionately. Our failure or inability to produce" hit" titles or introduce products on a timely basis to meet seasonal fluctuations in demand could adversely affect our business, financial condition and operating results. The uncertainties associated with software development, manufacturing lead times, production delays and the approval process for products by hardware manufacturers and other licensors make it difficult to predict the quarter in which our products will ship and therefore may cause us to fail to meet financial expectations. We also expect that a relatively limited number of popular franchises will continue to produce a disproportionately high percentage of our revenues and profits. Due to this dependence on a limited number of franchises, the failure to achieve anticipated results by one or more products based on these franchises could negatively impact our business. Additionally, if the popularity of a franchise declines, as has happened in the past with other popular franchises, we may have to write off the unrecovered portion of the underlying intellectual property assets, which could negatively impact our business. We are dependent on the future success of our Grand Theft Auto products, and we must continue to publish" hit" titles or sequels to such" hit" titles in order to compete successfully in our industry. Grand Theft Auto and certain of our other titles, such as Red Dead Redemption or NBA 2K, are" hit" products and have historically accounted for a substantial portion of our revenue. Grand Theft Auto products contributed ~~30~~ **14** . ~~9~~ **6** % of our net revenue for the fiscal year ended March 31, ~~2022~~ **2023** , and the five best- selling franchises (including Grand Theft Auto), which may change year over year, in the aggregate accounted for ~~83~~ **52** . ~~2~~ **9** % of our net revenue for the fiscal year ended March 31, ~~2022~~ **2023** . If we fail to continue to develop and sell new commercially successful" hit" titles or sequels to such" hit" titles or experience any delays in product releases or disruptions following the commercial release of our" hit" titles or their sequels, our revenue and profits may decrease substantially **,** and we may incur losses. In addition, competition in our industry is intense and a relatively small number of **"** hit **"** titles account for a large portion of total revenue in our industry. **"** Hit **"** products offered by our competitors may take a larger share of consumer spending than we anticipate, which could cause revenue generated from our products to fall below our expectations. If our competitors develop more successful products or services at lower price points or based on payment models perceived as offering better value, or if we do not continue to develop consistently high quality and well- received products and services, our revenue and profitability may decline. In addition, both the online and mobile games marketplaces are characterized by frequent product introductions, relatively low barriers to entry, and new and evolving business methods, technologies and platforms for development. Widespread consumer adoption of these new platforms for games and other technological advances in and / or new business or payment models in online or mobile game offerings could negatively affect our sales of console and traditional PC products ~~before we have an opportunity to develop profitable businesses in such markets~~ . Price protection granted to our customers and returns of our published titles by our customers, or sales of used video games, may adversely affect our operating results. We are exposed to the risk of price protection and product returns with respect to our customers. Our distribution arrangements with customers generally do not give them the right to return titles to us or to cancel firm orders. However, we sometimes accept product returns from our distribution customers for stock balancing and negotiate accommodations for customers, which include credits and returns, when demand for specific products falls below expectations. We grant price protection and accept returns in connection with our publishing arrangements, and revenue is recognized after deducting estimated price protection and reserves for returns. While we believe that we can reliably estimate price protection and returns, if price protection and return rates for our products exceed our reserves, our revenue could decline, which could have a material adverse effect on our business, financial condition, and operating results. Certain of our larger customers sell used video games, which are generally priced lower than new video games. If our customers increase their sales of used video games, it could negatively affect our sales of new video games. A limited number of customers account for a significant portion of our sales. The loss of a principal customer or other significant business relationship could seriously hurt our business. A substantial portion of our product sales are made to a limited number of customers. Sales to our five largest customers during the fiscal year ended March 31, ~~2022~~ **2023** accounted for 79. ~~0~~ **6** % of our net revenue, with Sony **, Google, Apple,** and Microsoft each accounting for more than 10. 0 %. Our sales are made primarily without long- term agreements or other commitments, and our customers may terminate their relationship with us at any time. Certain of our customers may decline to carry products containing mature content. The loss of our relationships with principal customers or a decline in sales to principal customers, including as a result of a product being rated" AO" (age 18 and over), could materially adversely affect our business, financial condition, and operating results. In addition, if our customers are subject to pricing pressures due to deteriorating demand for our products, competition, or otherwise, such customers may pass those pricing pressures through to us, which could materially adversely affect our business, financial condition and operating results. In addition, because some of our customers are also publishers of games for their own hardware platforms and may manufacture products for other licensees, such customers may give priority to their own products or those of our competitors. Accordingly, console manufacturers like Sony or Microsoft could cause unanticipated delays in the release of our products, as well as increases to projected development, manufacturing, marketing, or distribution costs, any of which could negatively impact our business. Furthermore, our customers may also be placed into bankruptcy, become insolvent, or be liquidated due to economic downturns, global credit contractions, or other factors, for example, as a result of COVID- 19. Bankruptcies or consolidations of certain large retail customers could seriously hurt our business, including as a result of uncollectible accounts receivable from such customers and the concentration of purchasing power among large retailers. In addition, our results of operations may be adversely affected if certain of our customers who purchase on credit terms are no longer eligible to purchase on such terms due to their financial distress or lack of credit insurance, which may reduce the quantity of products they demand from us. Content policies adopted by retailers, consumer opposition and litigation could negatively affect sales of our products. Retailers, including digital storefronts and platform partners, may decline to sell interactive entertainment software containing what they judge to be graphic violence, sexually explicit material, or other content that they deem inappropriate. If retailers decline to sell our products based on their opinion that they contain objectionable themes, graphic violence, sexually explicit material, or other generally objectionable content, or if any of our previously" M" rated series products are rated" AO," we might be required to significantly change or discontinue particular titles or series, which in the case of our best- selling Grand Theft Auto titles could seriously affect our business. Consumer advocacy groups have opposed sales of interactive entertainment software containing objectionable themes, violence, sexual material, or other objectionable content by pressing for legislation in these areas and by engaging in public demonstrations and media campaigns. Additionally, although lawsuits seeking damages for injuries allegedly suffered by third parties as a result of video games have generally been unsuccessful in the courts, claims of this kind have been asserted against us from time to time and may be asserted and be successful in the future. An increase in the number of lawsuits filed by the families of victims of violence may trigger supplemental governmental scrutiny, damage our reputation, and negatively affect the sale of our products. Further, in 2019, the World Health Organization included" gaming disorder" in the 11th revision of the International Classification of Diseases, leading some to consider legislation and policies aimed at addressing this issue. In addition, public dialogue concerning interactive entertainment may have an adverse impact on our reputation and our customers' willingness to purchase our products. We submit our products for rating by the Entertainment Software Rating Board (" ESRB") in the United States and other voluntary or government ratings organizations in foreign countries. Failure to obtain a target rating for certain of our products could negatively affect our ability to distribute and sell those games, as could the re- rating of a game for any reason. We voluntarily submit our game products to the ESRB, a U. S.- based non- profit and independent ratings organization. The ESRB system provides consumers with information about game content using a rating symbol that generally suggests the appropriate player age group and specific content descriptors, such as graphic violence, profanity or sexually explicit material. The ESRB may impose significant penalties on game publishers for violations of its rules related to rating or marketing games, including revocation of a rating or monetary fines. Other countries require voluntary or government backed ratings as prerequisites for product sales. In some instances, we may have to modify our products in order to market them under the target rating, which could delay or disrupt the release of our products. In addition, some of our titles may not be sold at all or without extensive edits in certain countries. In the U. S., if the ESRB rates a game as" AO" (age 18 and older), platform licensors may not certify the game and retailers may refuse to sell it. In addition, some consumers have reacted to re- ratings or controversial game content by refusing to purchase such games, demanding refunds for games that they had already purchased, and refraining from buying other games published by us. Many of our Rockstar titles and certain of our 2K titles have been rated" M" (age 17 and older) by the ESRB. If we are unable to obtain" M" ratings and instead receive" AO" ratings on future versions of those or similar titles as a result of changes in the ESRB' s ratings standards or for other reasons, including the adoption of legislation in this area, our business and prospects could be negatively affected. If any of our games are re- rated by the ESRB or other foreign- based ratings organizations, we could be exposed to litigation, administrative fines and penalties and other potential liabilities, and our operating results and financial condition could be significantly affected. We have implemented processes to comply with the requirements of the ESRB and other ratings organizations and properly display the designated rating symbols and content descriptions. Nonetheless, these processes are subject to human error, circumvention, overriding, and reasonable resource constraints. If a video game we publish were found to contain undisclosed pertinent content, the ESRB could re- rate a game, retailers could refuse to sell it and demand that we accept the return of any unsold copies or returns from customers, and consumers could refuse to buy it or demand that we refund their money. This could have a material negative effect on our operating results and financial condition. In addition, we may be exposed to litigation, administrative fines, and penalties, and our reputation could be harmed, which could affect sales of our other video games. If any of these were to occur, our business and financial performance could be significantly harmed. Certain other countries have also established content rating systems as prerequisites for product sales in those countries. In addition, certain stores use other ratings systems, such as Apple' s use of its proprietary " App Rating System " and Google Play' s use of the International Age Rating Coalition (" IARC ") rating system. If we are unable to obtain the ratings we have targeted for our products, it could have a negative impact on our business. In some instances, we may be required to modify our products to meet the requirements of the rating systems, which could delay or disrupt the release of any given product or may prevent its sale altogether in certain territories. Further, if one of our games is " re - rated " for any reason, a ratings organization could require corrective actions, which could include a recall, retailers could refuse to sell it and demand that we accept the return of any unsold or returned copies or consumers could demand a refund for copies previously purchased. Additionally, retailers may decline to sell interactive entertainment software containing what they judge to be graphic violence or sexually explicit material or other content that they deem inappropriate for their businesses, whether because a product received a certain rating by the ESRB or other content rating system, or otherwise. If retailers decline to sell our products based upon their opinion that they contain objectionable themes, graphic violence or sexually explicit material, or other generally objectionable content, we might be required to modify particular titles or forfeit the revenue opportunity of selling such titles with that retailer. If we are unable to protect the intellectual property relating to our software, the commercial value of our products will be adversely affected **,** and our competitive position could be harmed. We develop proprietary software and have obtained the rights to publish and distribute software developed by third parties. We attempt to protect our software and production techniques under patent, copyright, trademark and trade secret laws as well as through contractual restrictions on disclosure, copying and distribution. Nonetheless, our software is susceptible to piracy and unauthorized copying, and third parties may potentially exploit or misappropriate our intellectual property and proprietary information, causing significant reputational damage. Unauthorized third parties, for example, may be able to copy or to reverse engineer our software to obtain and use programming or production techniques that we regard as proprietary. Well organized piracy operations have also proliferated in recent years, resulting in the ability to download pirated copies of our software over the Internet. Although we attempt to incorporate protective measures into our software, piracy of our products could negatively affect our future profitability. In addition," cheating" programs or other unauthorized software tools and modifications that enable consumers to cheat in games harm the experience of players who play fairly and could negatively impact the volume of microtransactions or purchases of downloadable content **which may disrupt the virtual economies of our games and reduce the demand for virtual items, disrupting our in- game economy. In addition, unrelated third parties have attempted to scam our players with fake offers for virtual items or other game benefits. We devote significant resources to discovering, discouraging, and disabling these cheating and scam programs and activities, including by" taking down" offending content and by initiating litigation where appropriate. Despite our efforts, if we are unable to do so quickly, our operations may be disrupted, our reputation may be damaged, players may stop playing our games and our ability to reliably validate our audience metrics may be negatively affected. These cheating programs and scam offers result in lost revenue from paying players, disrupt our in- game economies, divert time from our personnel, increase costs of developing technological measures to combat these programs and activities, increase our customer service costs needed to respond to dissatisfied players, and may lead to legal claims** . Also, vulnerabilities in the design of our applications and of the platforms upon which they run could be discovered after their release. This may lead to lost revenues from paying consumers or increased cost of developing technological measures to respond to these, either of which could negatively affect our business. We ~~are or~~ **have a significant amount of outstanding indebtedness, and** may ~~be subject to contractual covenants~~ **incur other indebtedness in the future, all of** which ~~place certain limitations on how~~ **may adversely affect our financial condition and future financial results. As of March 31, 2023,** we ~~manage our business~~ **had $ 2** . ~~Our~~ **700 aggregate principal amount of outstanding senior notes (the" Senior Notes issued in fiscal 2023"), a $ 350. 0 Term Loan, and a $ 500. 0 revolving** credit ~~agreement (~~ **facility under** the ~~"~~ **2022** Credit Agreement ~~"~~ **with no outstanding borrowings. (Refer to Note 11 – Debt to our Consolidated Financial Statements, herein.**) **In April 2023, we completed our offering and sale of $ 1, 000. 0 aggregate principal amount of additional senior notes (the " Senior Notes issued in fiscal 2024 " and together with the " Senior Notes issued in fiscal 2023 " the " Senior Notes "). We utilized a portion of the proceeds from the Senior Notes issued in fiscal 2024 to fully repay the $ 350. 0 Term Loan. In addition, we commenced a tender offer to repurchase up to $ 500. 0 aggregate principal amount of our outstanding 3. 300 % Senior Notes due March 2024. (Refer to Note 21 – Subsequent Events to our Consolidated Financial Statements, herein.) As our outstanding Senior Notes mature, we will have to expend significant resources to either repay or refinance such notes. If we decide to refinance our Senior Notes, we may be required to do so on different or less favorable terms or we may be unable to refinance such notes at all, either of which may adversely affect our financial condition. Our current or future levels of indebtedness may adversely affect our financial condition and future financial results by, among other things: • increasing our vulnerability to adverse changes in general economic, industry and competitive conditions; • requiring the dedication of a greater than expected portion of our expected cash from operations to service our indebtedness, thereby reducing the amount of expected cash flow available for general corporate purposes, including capital expenditures and acquisitions; and • limiting our flexibility in planning for, or reacting to, changes in our business and our industry. We are required to**

comply with the covenants set forth in the indenture governing our Senior Notes, the Convertible Notes, and the 2022 Credit Agreement. Our ability to comply with these covenants may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from the holders of the Senior Notes, the Convertible Notes, or the lenders under the 2022 Credit Agreement, then, subject to applicable cure periods, any outstanding indebtedness may be declared immediately due and payable. Further, these covenants may limit our ability to take various actions, including incurring additional debt, paying dividends, repurchasing shares, and acquiring or disposing of assets or businesses. Accordingly, we may be restricted from taking actions that management believes would be desirable and in the best ~~interests~~ - **interest** of us and our stockholders. ~~Our~~ **In addition, changes by any rating agency to our** ~~Credit~~ **credit** ~~Agreement~~ **rating may negatively impact the value and liquidity of our securities. Downgrades in our credit ratings could** also ~~requires~~ **restrict our ability to obtain additional financing in the future and could affect the terms of any such financing. The value of our virtual items is highly dependent on how we manage the economies in our games. If we fail to manage our game economies properly, our business may suffer. Paying players make purchases in our games because of the perceived value of these virtual items, which is dependent on the relative ease of obtaining an equivalent good by playing our game. The perceived value of these virtual items can be impacted by various actions that we take in the games including offering discounts for virtual items, giving away virtual items in promotions or providing easier non- paid means to secure these goods. Managing game economies is difficult and relies on our assumptions and judgement. If we fail to manage our virtual economies properly or fail to promptly and successfully respond to any such disruption, our reputation may suffer and our players may be less likely to play our games and to purchase virtual items from** us **in** ~~to satisfy specified financial covenants and comply with other~~ - - **the future** ~~affirmative and negative covenants. A breach of any of the covenants contained in our Credit Agreement could result in an event of default~~ , which would ~~allow~~ **cause our business, financial condition and results of operations to suffer. Some of our players may make sales** ~~our~~ - **or** ~~lenders~~ **purchases of virtual items used in our games through unauthorized or fraudulent third- party websites, which may reduce our revenue. Virtual items in our games have no monetary value outside of our games. Nonetheless, some of our players may make sales and / or purchases of their accounts or of our virtual items, such as virtual coins for our Social Slots games or Zynga Poker virtual poker chips, through unauthorized third- party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third- party websites and the virtual items offered may have been obtained through unauthorized means such as exploiting vulnerabilities in our games, from scamming our players with fake offers for virtual items or other game benefits, or from credit card fraud. We do not generate any revenue from these transactions. These unauthorized purchases and sales from third- party sellers have in the past and could in the future impede our revenue and profit growth by, among other things: • decreasing revenue from authorized transactions; • creating downward pressure on the prices we charge players for our virtual items; • increasing chargebacks from unauthorized credit card transactions; • causing us** to ~~pursue various remedies~~ **lose revenue from dissatisfied players who stop playing a particular game; • causing us to lose revenue from players who we take disciplinary action against** , including ~~accelerating the repayment of any outstanding indebtedness under~~ **banning certain players who may have previously made purchases within our games; • increasing costs we incur to develop technological measures to curtail unauthorized transactions; • resulting in negative publicity** ~~our~~ - **or** ~~Credit Agreement~~ **harm our reputation with players and partners; and • increasing customer support costs to respond to dissatisfied players** . ~~Change~~ **To discourage unauthorized purchases and sales of our virtual items, we state** in **our terms of service that the buying or selling of virtual items from unauthorized third- party sellers may result in bans from our games or legal action. We periodically encounter such issues and expect to continue to do so. We have banned players as a result of such activities. We have also filed lawsuits against third parties attempting to " sell " virtual items from our games outside of our games. We have also employed technological measures to help detect unauthorized transactions and continue to develop additional methods and processes by which we can identify unauthorized transactions and block such transactions. However, there can be no assurance that our efforts to detect, prevent or minimize these unauthorized or fraudulent transactions will be successful and that these actions will not increase over time. Companies and** ~~government~~ **governmental** ~~regulations relating~~ **agencies may restrict access** to **platforms, our website, mobile applications or** the Internet **generally, which** could have a negative impact on our business. We rely on our consumers' access to significant levels of Internet bandwidth for the sale and digital delivery of our content and the functionality of our games with online features. Changes in laws or regulations that adversely affect the growth, popularity, or use of the Internet, including laws affecting" net neutrality" or measures enacted in certain jurisdictions as a result of the COVID- 19 pandemic, could decrease the demand for our products and services or increase our cost of doing business. Although certain jurisdictions have implemented laws and regulations intended to prevent Internet service providers from discriminating against particular types of legal traffic on their networks, other jurisdictions may lack such laws and regulations or repeal existing laws or regulations. For example, on December 14, 2017, the Federal Communications Commission voted to repeal net neutrality regulations in the U. S., and, following that decision, several states enacted net neutrality regulations. Given uncertainty around these rules, including changing interpretations, amendments, or repeal, coupled with the potentially significant political and economic power of local Internet service providers and the relatively significant level of Internet bandwidth access our products and services require, we could experience discriminatory or anti- competitive practices that could impede our growth, cause us to incur additional expenses, or otherwise negatively affect our business. **Additionally, our players generally need to access the Internet and in particular platforms such as the Apple App Store, the Google Play Store, Facebook, Snapchat or our website to play our mobile games. Companies and governmental agencies could block access to any platform, our website or mobile applications for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Apple, Google, Facebook and our website or any social platform.**

If companies or governmental entities block or limit such or otherwise adopt policies restricting players from playing our games, our business could be negatively impacted and could lead to the loss or slower growth of our player base. Our business and products are subject to **a variety of existing U. S. and foreign laws and regulations, many of which are unsettled and still developing, as well as** potential **new** legislation **, all** ~~. The adoption~~ of **which** ~~such proposed legislation~~ could ~~limit the retail market~~ **subject us to claims** ~~for~~ **or otherwise harm** our ~~products~~ **business** . Several proposals have been made for federal legislation to regulate our industry. Such proposals seek to prohibit the sale of products containing certain content included in some of our games. If any such proposals are enacted into law, it may limit the potential market for some of our games in the U. S., and adversely affect our business, financial condition and operating results. Other countries have adopted laws regulating content both in packaged games and those transmitted over the Internet that are stricter than current U. S. laws. In the U. S., proposals have also been made by numerous state legislators to regulate and prohibit the sale of interactive entertainment software products containing certain types of violent or sexual content to audiences under the ages of 17 or 18, such as the State of California' s" ultraviolent video games law" that sought to ban the sale or rental of violent video games to minors. While such legislation to date has been enjoined by industry and retail groups or been found unconstitutional, the adoption into law of such legislation in federal and / or in state jurisdictions in which we do significant business could severely limit the retail market for some of our games. **In addition, there are ongoing academic, political and regulatory discussions in the U. S., Europe, Australia, Brazil and other jurisdictions regarding whether certain game genres, such as social casino, or certain game mechanics, such as " loot boxes, " should be subject to a higher level or different type of regulation than other game genres or mechanics to protect consumers, in particular minors and persons susceptible to addiction, and, if so, what such regulation should include. For example, in 2018 a court determined that a class- action plaintiff was able to state a claim that an online social casino game operated by Big Fish Games, Inc. violated a specific anti- gambling law in Washington State. Subsequent to this ruling, additional purported class- action suits were filed against other social casino gaming companies for alleged violations of Washington State' s gambling and consumer protection laws, and some of the defendant companies, including Zynga, have entered into settlement agreements to settle their respective lawsuits. In Australia, the Federal Government has proposed rules requiring, among other things, an 18 age rating for any games containing simulated gambling. If new social casino regulations are imposed, or other regulations are interpreted to apply to our social casino games, certain, or all, of our casino- themed games may become subject to such rules and regulations and expose us to civil and criminal penalties if we do not comply. Additionally, loot box game mechanics have been the subject of increased public discussion- for example, Belgium and the Netherlands have recommended and brought enforcement actions against certain companies, the U. S. Federal Trade Commission (" FTC ") held a public workshop on loot boxes in August 2019, at least one bill has been introduced in the U. S. Senate that would regulate loot boxes in games marketed toward players under the age of 18, and the United Kingdom' s Department for Digital, Culture, Media and Sport in September 2020 launched a call for evidence into the impact of loot boxes on in- game spending and gambling- like behavior, which ended in July 2022 with the U. K. government calling for companies within the industry to engage in self- regulation, including taking actions to protect children and their ability to access and purchase loot boxes. In addition, in Australia, there is a proposed classification bill focused on banning loot boxes for minors and preventing access to loot boxes by minors through classification guidelines, and politicians have cited loot boxes as an example of recent technology innovation where government regulation is needed. In some of our games, such as CSR Racing 2, Empires & Puzzles, FarmVille 3, Golf Rival, Harry Potter: Puzzles & Spells, Merge Dragons!, Merge Magic!, NBA 2K, WWE 2K, and Zynga Poker, certain mechanics may be deemed as " loot boxes. " New regulation by the FTC, U. S. states or other international jurisdictions, which may vary significantly across jurisdictions and which we may be required to comply with, could require that these game mechanics be modified or removed from games, increase the costs of operating our games, impact player engagement and monetization or otherwise harm our business performance. It is difficult to predict how existing or new laws may be applied to these or similar game mechanics. If we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our games, which would harm our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business, financial condition or results of operations.** Certain of our business models and features within our games and services are subject to new laws or regulations or evolving interpretations and application of existing laws and regulations, including those related to gambling. The growth and development of electronic commerce, virtual items and virtual currency has prompted calls for new laws and regulations and resulted in the application of existing laws or regulations that have limited or restricted the sale of our products and services in certain territories. In addition, certain foreign countries allow government censorship of interactive entertainment software products or require pre- approval processes of uncertain length before our games and services can be offered. Adoption of ratings systems, censorship, restrictions on distribution and changes to approval processes or the status of any approvals could harm our business by limiting the products we are able to offer to our consumers. In addition, compliance with new and possibly inconsistent regulations for different territories could be costly, delay **,** or prevent the release of our products in those territories. The laws and regulations concerning data privacy and certain other aspects of our business are continually evolving. Failure to comply with these laws and regulations could harm our business. We are subject to certain privacy and data protection laws, including those in the U. S. Certain activities related to processing the personal data of individuals in the **U. K. and** E. U. are conducted by our U. K.- based data controller or our local entities in the E. U. The U. S. Children' s Online Privacy Protection Act also regulates the collection, use, and disclosure of personal information from children under 13 years of age. Failure to comply with privacy and data protection laws or age restrictions may increase our costs, subject us to expensive and distracting government investigations, and result in substantial fines, or result in lawsuits and claims against us to the extent these laws include a private right of action. Privacy and data protection laws and industry terms are rapidly changing and likely will continue to do so for the foreseeable future, which **may be difficult to comply with and which** could have ~~an~~ **a negative** impact on **or materially change** our approach to ~~operating~~ **the sale** and marketing ~~our games and which may harm the sales~~ of our products ~~or decrease the size of our potential audience~~. For example, the E. U. General Data Protection Regulation (" GDPR") and the UK Data Protection Act 2018 (" DPA 2018") both became effective in May 2018. GDPR and DPA 2018 apply to us because we receive and process the personal information of individuals in the E. U. and the U. K., and we maintain certain local entities in the E. U. and the U. K. responsible for processing personal information. GDPR and DPA 2018 contain significant penalties for non- compliance **, which have been imposed by regulators**. Countries in the E. U. are still enacting national laws that correspond to certain portions of the GDPR. The U. K. also implemented an Age Appropriate Design Code that applies to how personal data is used for individuals up to age 18. In the U. S., the California Consumer Privacy Act (" CCPA") became effective on January 1, 2020 and applies to processing of personal information of California residents. California also enacted the California Privacy Rights Act (" CPRA"), which updates the CCPA **. Several other U. S. states have enacted comprehensive privacy laws, including Colorado, Connecticut, Indiana, Iowa, Utah**, and Virginia ~~enacted the Consumer Data Protection Act, both effective January 1, 2023~~. Other states ~~, including Nevada, have enacted or~~ are considering similar privacy or data protection laws that may apply to us. The U. S. government, including the Federal Trade Commission and the Department of Commerce, also continue to review the need for greater or different regulation over the collection of personal information and information about consumer behavior on the Internet and on mobile devices, and the U. S. Congress is considering a number of legislative proposals to regulate in this area. Various government and consumer agencies worldwide have also called for new regulation and changes in industry practices. Further, and most notably in the mobile ecosystem, companies that provide the platforms on which our games are played are changing the terms on how publishers can collect and use personal data obtained from users on those platforms. Player use of our games is subject to our privacy policy, end user license agreements (" EULA"), and terms of service **(" TOS")**. If we fail to comply with our posted privacy policy, EULA, or **TOS** ~~terms of service~~, or if we fail to comply with existing privacy or data protection laws and regulations, it could result in proceedings or litigation against us by governmental authorities or others, which could result in fines or judgments against us, damage our reputation, affect our financial condition, and harm our business. If regulators, the media, or consumers raise any concerns about our privacy and data protection or consumer protection practices, even if unfounded, this could also result in fines or judgments against us, damage our reputation, negatively affect our financial condition, and damage our business. It is possible that a number of laws and regulations may be adopted or construed to apply to us in the U. S. and elsewhere that could restrict the interactive entertainment industry, including player privacy, advertising, taxation, content suitability **, and moderation, online safety**, copyright, distribution, and antitrust. Furthermore, the growth and development of electronic commerce and virtual goods may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through digital sales. Any such changes would require us to devote legal and other resources to address such regulation. For example, existing laws or new laws regarding the regulation of currency, banking institutions, and unclaimed property may be interpreted to cover virtual currency or virtual goods. If that were to occur, we may be required to seek licenses, authorizations, or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements and we may be subject to additional regulation and oversight, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the U. S. or elsewhere regarding these activities may lessen the growth of the interactive entertainment industry and impair our business, financial condition, and operating results. ~~Further~~ **Similarly**, **new regulatory developments** ~~in 2019, the World Health Organization included" gaming disorder" in the 11th revision of the International~~ **internationally** ~~Classification of Diseases, leading some to consider legislation and policies~~ aimed at ~~mitigating the overuse of,~~ **better protecting consumers online from illegal or harmful content** and ~~overspending~~ **interactions may introduce additional compliance and reporting obligations for our business which may increase operating costs. If we were to fail to comply** ~~within~~ -- **with such new regulations**, ~~video games~~ **it could result in proceedings or litigation against us by governmental authorities or regulators, which could result in substantial fines or judgments against us, damage our reputation, affect our financial condition, and harm our business**. Although we have structured and operate our skill tournaments and game mechanics, including random digital item mechanics, with applicable laws in mind, including any applicable laws relating to gambling, and believe that playing these games does not constitute gambling, our skill tournaments or game mechanics could become subject to gambling- related rules and regulations, or be deemed violative of current rules and regulations, and expose us to civil and criminal penalties. We also sometimes offer consumers of our online and casual games various types of contests and promotional opportunities. We are subject to laws in a number of jurisdictions concerning the operation and offering of such activities and games, many of which are still evolving and could be interpreted in ways that could harm our business. Further, random digital item mechanics may become subject to **further** regulations in various jurisdictions. If ~~these~~ **this** were to occur, we might be required to **alter some of our games to address these additional requirements or** seek licenses, authorizations, or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements, and we may be subject to additional regulation and oversight, such as reporting to regulators, all of which could significantly increase our operating costs. Moreover, the inclusion of random digital item mechanics has attracted the attention of the interactive gaming community, and if the future implementation of these features creates a negative perception of gameplay fairness or other negative perceptions, our reputation and brand could be harmed and revenue could be negatively impacted. Changes in current laws or regulations or the imposition of new laws and regulations in the U. S., the E. U., or elsewhere regarding these activities may lessen the growth of online or casual game services and impair our business. Also, existing laws or new laws regarding the marketing of in- game or in- app purchases, regulation of currency, banking institutions, unclaimed property, or money laundering may be interpreted to cover virtual currency or goods. If we infringe on or are alleged to infringe on the intellectual property rights of third parties, our business could be adversely affected. As our industry grows, we may be subject to an increasing amount of litigation that is common in the software industry based on allegations of infringement or other alleged violations of patent, copyright, or trademarks. In addition, we believe that interactive entertainment software will increasingly become the subject of claims that such software infringes on the intellectual property rights of others with both the growth of online functionality and advances in technology, game content and software graphics as games become more realistic. From time to time, we receive notices from third parties or are named in lawsuits by third parties alleging infringement of their proprietary rights. Although we believe that our software and technologies and the software and technologies of third- party developers and publishers with whom we have contractual relations do not and will not infringe or violate proprietary rights of others, it is possible that infringement of proprietary rights of others may occur. Any claims of infringement, with or without merit, could be time consuming, costly and difficult to defend. Moreover, intellectual property litigation or claims could require us to discontinue the distribution of products, obtain a license or redesign our products, which could result in additional substantial costs and material delays. In addition, many patents have been issued that may apply to potential new modes of delivering, playing or monetizing products and services such as those that we produce or would like to offer in the future. We may discover that future opportunities to provide new and innovative modes of game play and game delivery may be precluded by existing patents that we are unable to acquire or license on reasonable terms. Delaware law, our charter documents, and provisions of our debt agreements may impede or discourage a takeover, which could cause the market price of our shares to decline. We are a Delaware corporation, and the anti- takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders. Our Board of Directors has the power, without stockholder approval, to adopt a stockholder rights plan and / or to designate the terms of one or more series of preferred stock and issue shares of preferred stock. The ability of our Board of Directors to create and issue a new series of preferred stock and certain provisions of Delaware law, our certificate of incorporation and bylaws could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock and the value of any outstanding notes. Changes in our tax rates or exposure to additional tax liabilities could adversely affect our earnings and financial condition. We are a multinational corporation with operations in the U. S. and various other jurisdictions around the world. Accordingly, we are subject to tax in the U. S. and in various other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes, and, in the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are required to estimate future taxes. Although we currently believe our tax estimates are reasonable, the estimation process is inherently uncertain, and such estimates are not binding on tax authorities. Further, our effective tax rate or tax payable could be adversely affected by a variety of factors, including changes in the business, the mix and level of earnings between countries with differing statutory tax rates, changes in the realizability of deferred tax assets, changes in tax elections, and changes in applicable tax laws. Additionally, tax determinations are regularly subject to audit by tax authorities, and developments in those audits could adversely affect our income tax provision. Should the ultimate tax liability exceed estimates, our income tax provision and net **(loss)** income or loss could be materially affected **. We have recorded a valuation allowance against a portion of our deferred tax assets due to uncertainty with respect to their realization. We expect to provide a valuation allowance until other significant positive evidence arises that suggests that the benefits associated with the deferred tax assets are more likely than not to be realized. Such evidence relies on forecasted data, which, as discussed in these" Risk Factors," is subject to change based on a number of factors, some of which we do not control. Therefore, while the valuation allowance recorded represents our best estimation of the realizability of the tax benefits, such realizability could continue to change before we are able to benefit from it or may ultimately fall short or exceed our expectations, any of which could impact our results** . Beginning in 2022, the Tax Cuts and Jobs Act of 2017 (“ TCJA ”) eliminates the ~~option~~ **ability** to deduct research and development expenditures currently and requires taxpayers to **capitalize and** amortize them pursuant to IRC Section 174. Although Congress is considering legislation that would defer the capitalization and amortization requirement to later years, we have no assurance that the requirement will be deferred, repealed or otherwise modified. The requirement was effective for **us** ~~the Company for fiscal year 2023,~~ beginning April 1, 2022. It is possible that this change could have a significant adverse impact on our effective tax rate, tax payments, and financial condition in future periods. In addition, the U. S. enacted the American Rescue Plan Act of 2021 (“ ARPA ”) which provided numerous tax and other stimulus measures. One such measure will expand **the** limitation of compensation deductions for certain covered employees of publicly held corporations ~~, beginning in 2027,~~ to also include our next five highly compensated employees **. This will be effective for us beginning April 1, 2027. In 2022, the U. S. enacted The Inflation Reduction Act of 2022 (the “ Inflation Reduction Act ”) which includes a new corporate alternative minimum tax (CAMT) of 15 % on the adjusted financial statement income (AFSI) of corporations with an average AFSI exceeding $ 1. 0 billion over a consecutive three- year period. The CAMT is effective for the fiscal year ending March 31, 2024. It is possible that the CAMT could result in an additional tax liability over the regular federal corporate tax liability in a particular year based on differences between book and taxable income** . It is possible that these changes could have an adverse impact on our effective tax rate, tax payments, and financial condition in future periods. Additionally, a number of countries are actively pursuing fundamental changes to the tax laws applicable to multinational companies like us **and agreed to implement a global minimum tax regime** , ~~including~~ **referred to as Pillar 2, intended to conform to new and evolving OECD guidelines. Countries may enact Pillar 2 slightly differently than the OECD model rules and on different timelines. We will continue to monitor legislative and regulatory developments to assess potential impact. In addition,** an increasing number ~~that~~ **of countries** have enacted, or are considering enacting, revenue- based taxes on digital services. These digital services taxes target various business activities, including online advertising and, in some cases, video game sales. While the scope and applicability of these taxes often remains unclear, digital services taxes that ultimately apply to us could have an adverse impact on our business. We are subject to risks and uncertainties of international trade, including fluctuations in the values of local foreign currencies against the dollar. Sales in international markets, primarily in Europe, have accounted for a significant portion of our net revenue. For the fiscal year ended March 31, ~~2022~~ **2023** , ~~40~~ **37** . ~~1~~ **2** % of our net revenue was earned outside the U. S. We are continuing to execute on our growth initiatives in Asia, where our strategy is to broaden the distribution of our existing products and expand our online gaming presence, especially in China and South Korea. 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, such as those relating to the conflict between Russia and Ukraine, all of which can have a significant influence on our operating results. Many of our international sales are made in local currencies, which could fluctuate against the dollar. While we may use forward exchange contracts to a limited extent to seek to mitigate foreign currency risk, our operating results could be adversely affected by unfavorable foreign currency fluctuations. Our reported financial results could be adversely affected by the application of existing or future accounting standards to our business as it evolves. Our financial results are reported under the accounting policies promulgated by the SEC and national accounting standards bodies and the methods, estimates, and judgments that we use in applying our accounting policies. For example, standards regarding revenue recognition have and could further significantly affect the way we account for revenue related to our products and services. We expect that an increasing number of our games will be supported with material post- release activities, such as content updates and online- enabled features, and we could therefore be required to recognize more of the related revenues for those games over a period of time rather than at the time of sale. Further, as we increase our downloadable content and add new features to our online services, user playing patterns can affect our estimate of the service period, and we could be required to recognize revenues, and defer related costs, over a shorter or longer period of time than we initially allocated. As we enhance, expand and diversify our business and product offerings, the application of existing or future financial accounting standards, particularly those relating to the way we account for revenue, could have a significant adverse effect on our reported results although not necessarily on our cash flows. Declines in consumer spending and other adverse changes in the economy could have a material adverse effect on our business, financial condition and operating results. Most of our products involve discretionary spending on the part of consumers. We believe that consumer spending is influenced by general economic conditions and the availability of discretionary income. This makes our products particularly sensitive to general economic conditions and economic cycles as consumers are generally more willing to make discretionary purchases, including purchases of products like ours, during periods in which favorable economic conditions prevail. Adverse economic conditions, such as a prolonged U. S. or international general economic downturn, such as those caused by COVID- 19, including periods of increased inflation, unemployment levels, tax rates, interest rates, energy prices, or declining consumer confidence, could also reduce consumer spending. Reduced consumer spending has and may in the future continue to result in reduced demand for our products and may also require increased selling and promotional expenses, which has had and may continue to have an adverse effect on our business, financial condition and operating results. In addition, during periods of relative economic weakness, our consolidated credit risk, reflecting our counterparty dealings with distributors, customers, capital providers and others may increase, perhaps materially so. As a result of COVID- 19, our counterparty credit risk may be particularly exacerbated, as certain of our counterparties may face financial difficulties in paying owed amounts on a timely basis or at all. Furthermore, uncertainty and adverse changes in the economy could also increase the risk of material losses on our investments, increase costs associated with developing and publishing our products, increase the cost and availability of sources of financing, and increase our exposure to material losses from bad debts, any of which could have a material adverse effect on our business, financial condition and operating results. If economic conditions worsen, our business, financial condition and operating results could be adversely affected. We are particularly susceptible to market conditions and risks associated with the entertainment industry, which, in addition to general macroeconomic downturns, also include the popularity, price, and timing of our products; changes in consumer demographics; the availability and popularity of other forms of entertainment and leisure; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted. Additional issuances or sales of equity securities by us would dilute the ownership of our existing stockholders and could adversely affect the market price of our common stock. We may issue equity or equity- based securities in the future to facilitate acquisitions or strategic transactions, **as we did in connection with our acquisition of Zynga,** to adjust our ratio of debt to equity, to fund expansion of our operations or for other purposes. To the extent we issue additional equity securities, the percentage ownership of our existing stockholders would be reduced. The sale of substantial amounts of our common stock could adversely affect its price. The sale or the availability for sale of a large number of shares of our common stock in the public market could cause the price of our common stock to decline. We are subject to risks related to corporate and social responsibility and reputation. Many factors influence our reputation including the perception held by our customers, business partners and other key stakeholders. Our business faces increasing scrutiny related to environmental, social and governance activities. We risk damage to our reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, supply chain management, climate change, workplace conduct, human rights and philanthropy. Any harm to our reputation could impact employee engagement and retention and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows. **Negative reactions to our products and services may not be foreseeable. We also may not effectively manage or respond to these negative perceptions for reasons within or outside of our control. We expect to continue to expend resources to address concerns with our products and services. Negative perceptions could arise despite our efforts, though, and may result in loss of engagement with our products and services, increased scrutiny from government bodies and consumer groups, and / or litigation, any of which could negatively impact our business.** Climate change may have a long- term impact on our business. Climate change could result in an increase in the frequency or severity of natural disasters, such as earthquakes, fires, floods, or significant power outages and other catastrophic events. Such events may adversely impact critical infrastructure, have the potential to disrupt our business, our third- party suppliers, or the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations **.** **We may be adversely affected by the effects of inflation** . Inflation has the potential to adversely affect our business, results of operations, financial position and liquidity by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we charge our customers. The existence of inflation in the economy has the potential to result in higher interest rates and capital costs, supply shortages, increased costs of labor and other similar effects. Further, world events such as the conflict between Russia and Ukraine could affect inflationary trends. As a result of inflation, we have experienced and may continue to experience, increases in our costs associated with operating our business including labor, equipment and other inputs. Although we may take measures to mitigate the impact of this inflation through pricing actions and efficiency gains, if these measures are not effective our business, results of operations, financial position and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost of inflation is incurred. ~~The Zynga acquisition~~ **We are and** may ~~not~~ **become involved in legal proceedings that may result in adverse outcomes. We are currently, and from time to time in the future may become, subject to legal proceedings, claims, litigation and government investigations or inquiries, which could** be **expensive** ~~completed and the merger agreement may be terminated in accordance with its terms. The Zynga acquisition remains subject to the approval by Take- Two stockholders of the Take- Two share issuance proposal~~ , **lengthy** ~~the Take- Two charter amendment proposal~~ , **disruptive** ~~and approval by Zynga stockholders of the Zynga merger proposal, and other customary closing conditions that must be satisfied or waived (~~ to **normal business operations** ~~the extent permitted), in each case prior to the completion of the transaction. These conditions to the completion of the transaction, some of which are beyond the control of Take- Two and Zynga, may not be satisfied or waived in a timely manner or at all, and, accordingly, the Zynga acquisition may be delayed or not completed. Additionally, either Take- Two or Zynga may terminate the merger agreement under certain circumstances, subject to the payment of a " termination fee " in certain cases, including if the merger agreement is terminated by either Take- Two or Zynga as a result of an~~ **and occupy a significant amount** ~~adverse change in the recommendation~~ of **our employees** ~~the other party~~ ' **time and attention** ~~s board of directors. In such circumstances, Take- Two is required to pay to Zynga (in the case of a termination by Zynga), or Zynga is required to pay to Take- Two (in the case of a termination by Take- Two), a termination fee of $ 550 million~~ . In addition, ~~Zynga is required to pay to Take- Two a termination fee of $ 550 million if Zynga terminates~~ the **outcome of** ~~merger agreement to enter into a definitive agreement for an~~ **any** ~~alternative business combination transaction that constitutes a " superior proposal. " The Zynga acquisition may present certain risks to our business and operations prior to the closing and, if consummated, after the closing. Our business and operations are subject to various risks related to the Zynga acquisition prior to closing, including: a. our operations will be restricted by the terms of the merger agreement, which may cause us to forgo otherwise beneficial business opportunities; b. the proposed transaction may disrupt our current business plans and operations; c. our management' s attention may be directed toward the completion of the Zynga acquisition and diverted away from our day- to- day business operations; d.~~ legal proceedings **, claims, litigation, investigations or inquiries** may be **difficult** ~~instituted against Take- Two, Zynga or others following announcement of the proposed transaction; e. we may incur significantly higher transaction costs than we currently anticipate, such as legal, financing and accounting fees, and other costs, fees, expenses and charges related~~ to **predict** ~~the Zynga acquisition, whether or not the transaction is completed;~~ and **could** ~~f. the Zynga acquisition may not be completed, which may~~ have ~~an~~ **a material** adverse effect on our ~~stock price and future~~ business ~~and~~ **, reputation, operating results, or** financial ~~results~~ **condition** . ~~In addition, in the event the Zynga acquisition is consummated, certain risks may continue to exist after the closing of the Zynga acquisition, including, among other things, risks that: a. the future results of the combined company will suffer if the combined company does not effectively manage its operations following the closing of the transaction; b. the parties may fail to successfully combine the businesses in a manner that permits the combined company to realize the benefits of the proposed transaction, including net bookings opportunities and cost synergies; c. Take- Two, Zynga, or the combined company may be unable to retain key personnel; and d. the parties may not be able to successfully integrate Zynga' s business with Take- Two' s business or to integrate the businesses within the anticipated timeframe. Should the Zynga acquisition be consummated, following which Zynga' s business is expected to constitute a significant portion of our business, additional significant risks may apply to the combined business as detailed in the joint proxy statement / prospectus previously filed on April 7, 2022, and incorporated by reference herein (File No. 333- 263511), including the risks relating to Zynga' s business as detailed in Exhibit 99. 2 of the Form 8- K previously filed on April 6, 2022, and incorporated by reference herein.~~