UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 0-12699

ACTIVISION, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-4803544**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3100 Ocean Park Blvd., Santa Monica, CA	**90405**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(310) 255-2000**

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

Title of Class	**Name of Each Exchange on Which Registered**
Preferred Stock Purchase Rights	The NASDAQ Global Select Market
Common Stock, par value $.000001 per share	

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

None

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

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

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

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

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

Large Accelerated Filer x Accelerated Filer o Non-accelerated filer o

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

The aggregate market value of the Common Stock of the registrant held by non-affiliates of the registrant on September 30, 2006 was $3,404,053,450.

The number of shares of the registrant's Common Stock outstanding as of June 7, 2007 was 283,310,734.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K, with respect to the 2007 Annual Meeting of Shareholders, are incorporated by reference into Part III of this Annual Report.

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PART I

This Annual Report on Form 10-K contains, or incorporates by reference, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, (1) projections of revenues, expenses, income or loss, earnings or loss per share, cash flow projections or other financial items; (2) statements of our plans and objectives, including those relating to product releases; (3) statements of future economic performance; and (4) statements of assumptions underlying such statements. We generally use words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "future", "intend", "may", "plan", "positioned", "potential", "project", "scheduled", "set to", "subject to", "upcoming" and other similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk, reflect management's current expectations, estimates and projections about our business, and are inherently uncertain and difficult to predict. Our actual results could differ materially. The forward-looking statements contained herein speak only as of the date on which they were made, and we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this Annual Report. Risks and uncertainties that may affect our future results include, but are not limited to, those discussed under the heading "Risk Factors", included in Part I. Item 1A. All references to "we", "us", "our", "Activision" or "the Company" in the following discussion and analysis mean Activision, Inc. and its subsidiaries.

Item 1. BUSINESS

(a) General

Activision, Inc. ("Activision," the "Company," or "we") is a leading international publisher of interactive entertainment software and peripheral products. We have built a company with a diverse portfolio of products that spans a wide range of categories and target markets and that is used on a variety of game hardware platforms and operating systems. We have created, licensed, and acquired a group of highly recognizable brands, which we market to a variety of consumer

demographics. Our fiscal 2007 product portfolio included such best-selling products as *Call of Duty 3, Guitar Hero II, Tony Hawk's Project 8, Tony Hawk's Downhill Jam, Marvel: Ultimate Alliance, Over the Hedge,* and *X-Men: The Official Game*.

Our products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming, and strategy. Our target customer base ranges from casual players to game enthusiasts, children to adults, and mass-market consumers to "value" buyers. We currently offer our products primarily in versions that operate on the Sony PlayStation 2 ("PS2"), Sony PlayStation 3 ("PS3"), Nintendo Wii ("Wii), and Microsoft Xbox 360 ("Xbox360") console systems, Nintendo Game Boy Advance ("GBA"), Sony PlayStation Portable ("PSP"), and Nintendo Dual Screen ("NDS") hand-held devices, and the personal computer ("PC"). The installed base for the current generation of hardware platforms is significant and the fiscal 2006 release of the Xbox360 and the fiscal 2007 releases of the PS3 and the Wii will further expand the software market. We had a successful and significant presence at the launches of the PS3 and the Wii with three launch titles for the PS3, *Call of Duty 3, Marvel: Ultimate Alliance*, and *Tony Hawk's Project 8*, and five launch titles for the Wii, *Call of Duty 3, Marvel: Ultimate Alliance, World Series of Poker: Tournament of Champions, Rapala Tournament Fishing*, and *Tony Hawk's Downhill Jam.* Our plan is to continue to build on our significant launch presence on the PS3, Wii, and Xbox360 ("the next-generation platforms") by continuing to expand the number of titles released on the next generation platforms while continuing to market to current-generation platforms as long as economically attractive given their large installed base.

Our publishing business involves the development, marketing, and sale of products directly, by license, or through our affiliate label program with certain third-party publishers. Our distribution business consists of operations in Europe that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

We were originally incorporated in California in 1979. In December 1992, we reincorporated in Delaware. In June 2000, we reorganized into the current holding company organizational structure.

In April 2003, the Board of Directors approved a three-for-two split of our outstanding common shares effected in the form of a 50% stock dividend. The split was paid on June 6, 2003 to shareholders of record as of May 16, 2003. In February 2004, the Board of Directors approved a three-for-two split of our outstanding common shares effected in the form of a 50% stock dividend. The split was paid on March 15, 2004 to shareholders of record as of February 23, 2004. In February 2005, the Board of Directors approved a four-for-three split of our outstanding common shares effected in the form of a 33-1/3% stock dividend. The split was paid March 22, 2005 to shareholders

of record as of March 7, 2005. In September 2005, the Board of Directors approved a four-for-three split of our outstanding common shares effected in the form of a 33-1/3% stock dividend. The split was paid October 24, 2005 to shareholders of record as of October 10, 2005. The par value of our common stock was maintained at the pre-split amount of $.000001. All share and per share data have been restated as if the stock splits had occurred as of the earliest period presented.

(b) Business Combinations

We have completed a number of acquisitions of both software development companies and interactive entertainment product distribution companies. In fiscal 2007, we acquired video game publisher RedOctane Inc., the publisher of the popular Guitar Hero franchise. See Note 3 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for additional information regarding the accounting treatment of these and prior acquisitions.

(c) Financial Information About Industry Segments

We have two reportable segments: publishing and distribution. Publishing relates to the development (both internally and externally), marketing and sale of DVD, CD, UMD, online, and cartridge-based interactive entertainment software and peripheral products owned or controlled by us directly, by license, or through our affiliate label program with certain third-party publishers. Distribution primarily refers to logistical and sales services provided by our European distribution subsidiaries to third-party publishers of interactive entertainment software, our own publishing operations and manufacturers of interactive entertainment hardware. See Note 10 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for certain financial information regarding reporting segment and geographic areas required by Item 1.

(d) Narrative Description of Business

Our objective is to be a worldwide leader in the development, publishing, and distribution of quality interactive entertainment software and peripheral products that deliver a highly satisfying consumer entertainment experience. Our business strategy, the key components of our business operations, and the risk factors that could impact our business are detailed below.

Strategy

Create, Acquire, and Maintain Strong Brands. We focus development and publishing activities principally on products that are, or have the potential to become, franchise properties with sustainable consumer appeal and brand recognition. It is our experience that these products can then serve as the basis for sequels, prequels, and related new products that can be released over an extended period of time. We believe that the publishing and distribution of products based in large part on franchise properties enhances predictability of revenues and the probability of high unit volume sales and operating profits. We have entered into a series of strategic relationships with the owners of intellectual property pursuant to which we have acquired the rights to publish products based on franchises such as Marvel Characters, Inc. properties, including Spider-Man and X-Men. We have a multi-year, multi-property, publishing agreement with DreamWorks Animation LLC that grants us the exclusive rights to publish video games based on DreamWorks Animation SKG's theatrical release "Shrek 2," which was released in the first quarter of fiscal 2005, "Shark Tale," which was released in the second quarter of fiscal 2005, "Madagascar," which was released in the first quarter of fiscal 2006, "Over the Hedge," which was released in the first quarter of fiscal 2007, and all of their respective forthcoming sequels, including "Shrek the Third," which was released in May 2007, and "Madagascar 2." As part of our agreement with DreamWorks Animation, we have the exclusive video game rights to potential future films in the "Shrek" franchise beyond "Shrek the Third," upcoming movies, including "Bee Movie" and "Kung Fu Panda," as well as other films currently in development, including "Creature Feature" and "How to Train Your Dragon." We have a strategic alliance with Harrah's Entertainment, Inc. that grants us the exclusive, worldwide interactive rights to develop and publish "World Series of Poker" video games based on the popular World Series of Poker Tournament. We also have a strategic relationship with professional skateboarder Tony Hawk through an exclusive multi-year agreement to develop video games using his name and likeness. Through fiscal 2007, we have released eight successful titles in the Tony Hawk franchise. We also have created a number of successful internally developed intellectual properties such as the True Crime and Call of Duty franchise properties, and *GUN*. We also have agreements with MGM Interactive and EON Productions Ltd. to develop and publish video games based on the James Bond license and with Hasbro Properties Group ("Hasbro") to develop and publish video games based on the "Transformers" brand. We plan on releasing our first title under the Hasbro license, *Transformers the Game*,

concurrently with the DreamWorks Pictures and Paramount Pictures Corporation motion picture release, “Transformers,” in July 2007.

Execute Disciplined Product Selection and Development Processes. The success of our publishing business depends, in significant part, on our ability to develop high quality games that will generate high unit volume sales. Our publishing units have implemented a formal control process for the selection, development, production, and quality assurance of our products. We apply this process, which we refer to as the “Greenlight Process,” to all of our products, whether externally or internally developed. The Greenlight Process includes in-depth reviews of each project at four important stages of development by a team that includes many of our highest-ranking operating managers and coordination between our sales and marketing personnel and development staff at each step in the process.

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

Create and Maintain Diversity in Product Mix, Platforms, and Markets. We believe that maintaining a diversified mix of products can reduce our operating risks and enhance profitability. Therefore, we develop and publish products spanning a wide range of product categories, including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming, and strategy. We also develop products designed for target audiences ranging from casual players to game enthusiasts, children to adults, and mass-market consumers to “value” buyers. Presently, we concentrate on developing, publishing, and distributing products that operate on PS2, PS3, Xbox360, and Wii console systems, GBA, PSP, and NDS hand-held devices, and the PC. We typically offer our products for use on multiple platforms in order to reduce the risks associated with any single platform, leverage our costs over a larger installed hardware base, and increase unit sales.

Continue to Improve Profitability. We continually strive to manage risk and increase our operating leverage and efficiency with the goal of increased profitability. We believe the key factor affecting our future profitability will be the success rate of our product releases. Therefore, our product selection and development process includes, as a significant component, periodic evaluations of the expected commercial success of products under development. Through this process, for titles that we determine to be less promising, corrections are made in the development process or, if necessary, they are discontinued before we incur additional development costs. In addition, we believe our focus on cross platform releases and branded products will contribute to improved profitability.

We continue to focus on increasing our margins. We have, for example, acquired certain experienced and specialized developers in instances where we can enhance profitability through the elimination of royalty obligations. Additionally, we often rely on independent third-party interactive entertainment software developers to develop some of our software products, thereby taking advantage of specialized independent developers without incurring the fixed overhead obligations associated with increased internally employed staff.

Our sales and marketing staff work with our studio resources to increase the visibility of new product launches and to coordinate the timing and promotion of product releases. Our finance and sales and marketing personnel work together to improve inventory management and receivables collections. We have instituted broad, objective-based reward programs that provide incentives to management and staff throughout the organization to produce results that meet our financial objectives.

Grow Through Continued Strategic Acquisitions and Alliances. The interactive entertainment industry has been consolidating, and we believe that success in this industry will be driven in part by the ability to take advantage of scale. Specifically, smaller companies are more capital constrained, enjoy less predictability of revenues and cash flow, lack product diversity and must spread fixed costs over a smaller revenue base. Several industry leaders are emerging that combine the entrepreneurial and creative spirit of the industry with professional management, the ability to access the capital markets, and the ability to maintain favorable relationships with developers, intellectual property owners, and retailers. Through numerous completed acquisitions since 1997, we believe that we have successfully diversified our operations, our channels of distribution, our development talent pool, and our library of titles, and have emerged as one of the industry’s leaders. We intend to continue to evaluate the expansion of our resources through acquisitions, strategic relationships, and key license transactions. We intend to continue expanding

our intellectual property library through key license transactions and strategic relationships with intellectual property owners and to continue to evaluate opportunities to increase our development capacity through the acquisition of or investment in selected experienced software development firms.

Products

Historically, we have been best known for our action/adventure, strategy, and simulation products. We have been successful in the superheroes and skateboarding categories with our release of titles based on the Spider-Man and X-Men properties, as well as the Tony Hawk franchise. We have also been successful in the first person action categories through the Call of Duty original intellectual property, which we plan on continuing as a successful long-term franchise. In fiscal 2007 we successfully entered the music-based gaming genre with the acquisition of the Guitar Hero franchise. This franchise combines interactive software with a hardware peripheral in the form of a guitar and provides us with an early leadership position and long-term growth opportunity. We have established ourselves as a leader in the “value” software publishing business with products under our Cabela’s, Rapala, World Series of Poker, and Greg Hasting’s Paintball licenses, as well as with products distributed on behalf of our “value” affiliate label partners. Products published by us in this category are generally developed by third parties, often under contract with us, and are marketed under the Activision Value Publishing name. Value software is typically less sophisticated and less complex, both in terms of the development process and consumer gameplay.

Hardware Licenses. Our products currently are being developed or published primarily for PS2, PS3, Wii, and Xbox360 console systems; PSP and NDS hand-held devices; and PCs. In order to maintain general access to the console systems and hand-held devices marketplace, we have maintained licenses for PS2, PS3, Wii, and Xbox360 console systems and GBA, PSP, and NDS hand-held devices with the owners of each such platform. Each license allows us to create multiple products for the applicable platform, subject to certain approval rights which are reserved by each licensor. Each license also requires that we pay the licensor a per unit royalty for each unit manufactured. In contrast, we are not required to obtain any license for the development and production of products for PCs.

Intellectual Property Rights. Many of our current and planned releases are based on intellectual property, other character or story rights, and music rights licensed from third parties, as well as a combination of characters, worlds, and concepts derived from our extensive library of titles, and original characters and concepts owned and created by us. When publishing products based on licensed intellectual property rights, we generally seek to capitalize on the name recognition, marketing efforts, and goodwill associated with the underlying property. For intellectual property owned by Activision, we generally attempt to establish such properties as sustainable, long-term game franchises.

In acquiring intellectual property rights from third parties, we seek to obtain rights to publish titles across a variety of platforms, to include the ability to produce multiple titles and to retain rights over an extended period of time. In past years, we have been able to enter into a series of long-term or multi-product agreements with owners of various intellectual properties that are well known throughout the world and to create products based on these recognizable characters, story lines, or concepts. These agreements typically provide us with exclusive publishing rights for a specific period of time and, in some cases, for specified platforms and, in other cases, with renewal rights upon the satisfaction of certain conditions. The scope of our licensing activities includes theatrical motion pictures, television shows, animated films and series, comic books, literary works, music, sports personalities and events, and celebrities. We intend to continue expanding relationships with our existing intellectual property partners and to enter into agreements with other intellectual property owners for additional recognizable properties, characters, story lines and concepts. However, we may not be able to maintain or expand our existing relationships or to seek out and sustain new long-term relationships of similar caliber in the future.

Product Development and Support

We develop and produce titles using a model in which a core group of creative, production, and technical professionals, in coordination with our marketing and finance departments, have responsibility for the entire development and production process including the supervision and coordination of internal and external resources. This team assembles the necessary creative elements to complete a title using, where appropriate, outside programmers, artists, animators, scriptwriters, musicians and songwriters, sound effects and special effects experts, and sound and video studios. We believe that this model allows us to supplement internal expertise with top quality external resources on an as-needed basis.

In addition, we often seek out and engage independent third-party developers to create products on our behalf. Such products are sometimes owned by us, and usually we have unlimited rights to commercially exploit these products. In other circumstances, the third-party developer may retain ownership of the intellectual property and/or technology included in the product and reserve certain exploitation rights. We typically select these independent third-party developers based on their expertise in developing products in a specific category and use the same developer to produce the same game for multiple platforms. Each of our third-party developers is under contract with us for specific or multiple titles. From time to time, we also acquire the license rights to publish and/or distribute software products that are or will be independently created by third-party developers. In such cases, the agreements with such developers provide us with exclusive publishing and/or distribution rights for a specific period of time, often for specified platforms and territories. In either case, we often have the ability to publish and/or distribute sequels, conversions, enhancements, and add-ons to the product initially being produced by the independent developer and frequently have the right to engage the services of the original developer with regard to the development of such products.

In consideration for the services that the independent third-party developer provides, it receives a royalty generally based on net sales of the product that it has developed. Typically, the developer also receives an advance, which we recoup from the royalties otherwise payable to the developer. The advance generally is paid in “milestone” stages. The payment at each stage is tied to the completion and delivery of a detailed performance milestone. Some contracts include minimum guaranteed royalty payments which are recorded as an asset when actually paid and as a liability when incurred, rather than recording the asset and liability upon execution of the contract. Working with an independent developer allows us to reduce our fixed development costs, share development risks with the third-party developer, take advantage of the third-party developer’s expertise in connection with certain categories of products or certain platforms, and gain access to proprietary development technologies.

From time to time, we may make a capital investment and hold a minority interest in a third-party developer in connection with interactive entertainment software products to be developed by such developer for us, which we believe helps to create a closer relationship between us and the developer. We account for those capital investments over which we have the ability to exercise significant influence using the equity method. For those investments over which we do not have the ability to exercise significant influence, we account for our investment using the cost method. There can be no assurance that we will realize long-term benefits from such investments or that we will continue to carry such investments at their current value.

“Greenlight Process”

We have adopted and implemented a rigorous procedure for the selection, development, production, and quality assurance of our internally and externally produced interactive entertainment software titles. The process, known internally as the “Greenlight Process,” involves four phases throughout the development and production phases of a title, each of which includes a number of specific performance milestones. The four phases of the “Greenlight Process” are the concept, prototype, first playable, and alpha. This procedure is designed to enable us to manage and control production and development budgets and timetables, to identify and address production and technical issues at the earliest opportunity, and to coordinate marketing and quality control strategies throughout the production and development phases, all in an environment that fosters creativity. Checks and balances are intended to be provided through the structured interaction of the project team with our creative, technical, marketing, and quality assurance/customer support personnel, as well as our legal, accounting, and finance departments. In order to maintain the competitiveness of our products and to take advantage of increasingly sophisticated technology associated with hardware platforms, our development process includes a significant amount of time for play-testing new products, and extensive product quality evaluations.

Product Support

We provide various forms of product support to both our internally and externally developed titles. Our quality assurance personnel are involved throughout the development and production of each title published by us. We subject all such products to extensive testing before release to ensure compatibility with all appropriate hardware systems and configurations and to minimize the number of bugs and other defects found in the products. To support our products after release, we provide online access to our customers on a 24-hour basis as well as telephone operator help lines during regular business hours. The customer support group tracks customer inquiries and we use this data to help improve the development and production processes.

Publishing Activities

Marketing

Our marketing efforts include online activities (such as the creation of World Wide Web pages to promote specific titles), public relations, print and broadcast advertising, coordinated in-store and industry promotions (including merchandising and point of purchase displays), participation in cooperative advertising programs, direct response vehicles, and product sampling through demonstration software distributed through the Internet or on compact discs. From time to time, we also receive marketing support from hardware manufacturers and retailers in connection with their own promotional efforts. In addition, certain of our products contain software that enables customers to “electronically register” their purchases with us online.

We believe that certain of our franchise properties have loyal and devoted audiences who purchase our sequels as a result of dedication to the property and satisfaction from previous product purchases. We therefore market these sequels both toward the established market as well as broader audiences. In addition, in marketing titles based on licensed properties, we believe that we derive benefits from the continued exploitation of these licensed properties and the marketing and promotional activities of the property owners.

Sales and Distribution

North America. Our products are available for sale or rental in thousands of retail outlets domestically. Our North American customers include Best Buy, Blockbuster, Circuit City, GameStop, Target, Toys "R" Us, and Wal-Mart. Our largest customers, Wal-Mart and GameStop, accounted for approximately 22% and 8%, respectively, of consolidated net revenues for the fiscal year ended March 31, 2007. For the fiscal year ended March 31, 2006, our largest customers, Wal-Mart and GameStop, accounted for 22% and 10%, respectively, of consolidated net revenues.

In the United States and Canada, our products are sold primarily on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. We believe that a direct relationship with retail accounts results in more effective inventory management, merchandising, and communications than would be possible through indirect relationships. We have implemented electronic data interchange linkages with many of our retailers to facilitate the placing and shipping of orders. We sell our products to a limited number of distributors.

International. Our products are sold internationally on a direct-to-retail basis, through third-party distribution and licensing arrangements, and through our wholly-owned European distribution subsidiaries. We conduct our international publishing activities through offices in the United Kingdom, Germany, France, Italy, Spain, the Netherlands, Canada, Sweden, Australia, South Korea, and Japan. Whenever practicable, we seek to maximize our worldwide revenues and profits by releasing high quality foreign language releases concurrently with English language releases and by continuing to expand the number of direct selling relationships we maintain with key retailers in major territories.

Affiliate Labels. In addition to our own products, we distribute a select number of interactive entertainment products that are developed and marketed by other third-party publishers through our "affiliate label" programs in North America, Europe, and the Asia Pacific region. The distribution of other publishers' products allows us to increase the efficiencies of our sales force and provides us with the ability to better ensure adequate shelf presence at retail stores for all of the products that we distribute. Distributing other publishers' titles mitigates the risk associated with a particular title or titles published by us failing to achieve expectations. Services provided by us under our affiliate label program include order solicitation, in-store marketing, logistics and order fulfillment, sales channel management, as well as other accounting and general administrative functions. Our current affiliate label partners include LucasArts, as well as several affiliate label partners in our "value" business. Each affiliate label relationship is unique and may pertain only to distribution in certain geographic territories such as the North America, Europe, or the Asia Pacific region and may be further limited only to specific titles or titles for specific platforms.

See Note 10 to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for certain financial information regarding reporting segments and geographic areas required by Item 1.

Distribution

We distribute interactive entertainment hardware and software products in Europe through our European distribution subsidiaries: Centresoft in the United Kingdom; NBG in Germany; and CD Contact in the Benelux

countries. These subsidiaries act as wholesalers in the distribution of products and also provide packaging and logistical and sales services. They provide services to our publishing operations and to various third-party publishers, including Sony Computer Entertainment ("Sony"), Nintendo Co. Ltd. ("Nintendo"), and Microsoft Corporation ("Microsoft"). Centresoft is Sony's exclusive distributor of PlayStation products to the independent channel in the United Kingdom. In the fiscal year ended March 31, 2007, sales for Sony, Nintendo, and Microsoft accounted for approximately 22%, 6%, and 2%, respectively, of our worldwide distribution net revenues.

We entered into the distribution business to obtain distribution capacity in Europe for our own products, while supporting the distribution infrastructure with third-party sales, and to diversify our operations into the European market. Centresoft and our other distribution subsidiaries operate in accordance with strict confidentiality procedures in order to provide independent services to various third-party publishers.

Emerging Technologies

We are actively supporting emerging platforms (wireless devices, digital downloads, closed and open online networks, and interactive television) by publishing and licensing key brands for these emerging platforms. We have published and licensed rights to various brands, such as *Tony Hawk's Project 8*, *Tony Hawk's Downhill Jam*, *GUN*, *Activision Anthology*, and *Call of Duty 3* for various hand-held wireless devices. We also develop and optimize many of our titles for consoles that support online play, such as PS2, Xbox Live on the Xbox360, and the Sony PS3 and Nintendo Wii consoles. We believe that more of our brands can be successfully published for wireless and online platforms, as well as exploited through other emerging technologies, as they continue to evolve.

In addition, we derive revenue from in-game advertising consisting primarily of fixed product placement. We are developing and expanding on dynamic ad serving technology and will continue to focus on attracting third parties to advertise in our video games.

Manufacturing

We prepare a set of master program copies, documentation, and packaging materials for our products for each hardware platform on which the product will be released. Except with respect to products for use on the Sony, Nintendo, and Microsoft systems, our disk duplication, packaging, printing, manufacturing, warehousing, assembly, and shipping are performed by third-party subcontractors.

To maintain protection over their hardware technologies, Sony, Nintendo, and Microsoft generally specify or control the manufacturing and assembly of finished products. We deliver the master materials to the licensor or its approved replicator, which then manufactures finished goods and delivers them to us for distribution under our label. At the time our product unit orders are filled by the manufacturer, we become responsible for the costs of manufacturing and the applicable per unit royalty on such units, even if the units do not ultimately sell.

To date, we have not experienced any material difficulties or delays in the manufacture and assembly of our products or material returns due to product defects.

Competition

The interactive entertainment software industry is intensely competitive and new interactive entertainment software products and platforms are regularly introduced. Our competitors vary in size from small companies with limited resources to very large corporations with significantly greater financial, marketing, and product development resources than we have. Due to their greater resources, certain of our competitors can spend more money and time on developing and testing products, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors for desirable motion picture, television, sports and character properties, and pay more to third-party software developers than we can. In addition, competitors with larger product lines and popular titles typically have greater leverage with retailers, distributors, and other customers who may be willing to promote titles with less consumer appeal in return for access to such competitor's most popular titles. We believe that the main competitive factors in the interactive entertainment software industry include: product features and playability; brand name recognition; compatibility of products with popular platforms; access to distribution channels; quality of products; ease of use; price; marketing support; and quality of customer service.

We compete primarily with other publishers of personal computer and video game console interactive entertainment software. Significant third-party software competitors currently include, among others: Atari, Inc.;

Capcom Co. Ltd.; Eidos PLC; Electronic Arts Inc.; Konami Company Ltd.; Midway Games Inc.; Namco Bandai Games Ltd.; Sega Enterprises, Ltd.; Take-Two Interactive Software, Inc.; THQ Inc.; Ubisoft Entertainment; Vivendi Games Publishing; and the Walt Disney Company. In addition, integrated video game console hardware and software companies such as Sony, Nintendo, and Microsoft compete directly with us in the development of software titles for their respective platforms.

Employees

As of March 31, 2007, we had approximately 2,125 employees, including approximately 1,300 in product development, 200 in North American publishing, 175 in international publishing, 150 in operations, corporate finance and administration, and 300 in European distribution activities.

As of March 31, 2007, approximately 340 of our full-time employees were subject to term employment agreements with us. These agreements generally commit such employees to employment terms of between one and five years from the commencement of their respective agreements. Most of the employees subject to such agreements are executive officers or key members of the product development, sales, or marketing divisions. These individuals perform services for us as executives, directors, producers, associate producers, computer programmers, game designers, sales directors, and marketing product managers. The execution by us of employment agreements with such employees, in our experience, reduces our turnover during the development, production, and distribution phases of our entertainment software products and allows us to plan more effectively for future development and marketing activities.

None of our employees are subject to a collective bargaining agreement except for the employees of our German distribution subsidiary who are allowed by German law to belong to an organized labor council. To date, we have not experienced any labor-related work stoppages.

Financial Information about Foreign Geographic Areas

See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 10 of Notes to Consolidated Financial Statements included in Item 8.

Available Information

Our website is located at http://www.activision.com. Furthermore, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through our website. The information found on our website is not a part of, and is not incorporated by reference into, this or any other report that we file with or furnish to the SEC.

Item 1A. RISK FACTORS

Our business is subject to many risks and uncertainties, which may affect our future financial performance. If any of the events or circumstances described below occurs, our business and financial performance could be harmed, our actual results could differ materially from our expectations, and the market value of our securities could decline. The risks discussed below are not the only ones we face. Additional risks exist that we do not currently believe to be material, and there may also be other risks that are not currently known to us, that may also harm our business and adversely affect our future financial performance and the market value of our stock.

Risks Factors Relating to the Interactive Entertainment Software Industry and Our Business

We depend on a relatively small number of brands for a significant portion of our revenues and profits.

A significant portion of our revenues is derived from products based on a relatively small number of popular brands each year, and these products are responsible for a disproportionate amount of our profits. In addition, many of these products have substantial production or acquisition costs and marketing budgets. In fiscal 2007, 39% of our consolidated net revenues (and 52% of our worldwide publishing net revenues) was derived from three brands, which

accounted for 17%, 13%, and 9% of consolidated net revenues, respectively (and 23%, 18%, and 11% of worldwide publishing net revenues, respectively). In fiscal 2006, 30% of our consolidated net revenues (and 38% of our worldwide publishing net revenues) was derived from three brands, which accounted for 14%, 8%, and 8% of consolidated net revenues, respectively (and 18%, 10%, and 10% of our worldwide publishing net revenues, respectively). In fiscal 2005, 37% of our consolidated net revenues (and 48% of our worldwide publishing net revenues) was derived from three brands, which accounted for 16%, 11%, and 10% of consolidated net revenues, respectively (and 21%, 14%, and 13% of our worldwide publishing net revenues, respectively). We expect that a limited number of popular brands will continue to produce a disproportionately large amount of our revenues and profits. Due to this dependence on a limited number of brands, the failure to achieve anticipated results by one or more products based on these brands may significantly harm our business and financial results.

Our future success depends on our ability to release popular products.

The life of any one game product is relatively short and generally involves a relatively high level of sales during the first few months after introduction followed by a rapid decline in sales. Because revenues associated with an initial product launch generally constitute a high percentage of the total revenues 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 operating results and cause our operating results to be materially different from expectations. It is therefore important for us to be able to continue to develop many high quality new products that are popularly received. We focus our development and publishing activities principally on products that are, or have the potential to become, franchise brand properties. If we are unable to do this, our business and financial results may be negatively affected.

Our business is "hit" driven. If we do not deliver "hit" titles, or if consumers prefer competing products, our sales could suffer.

While many new products are regularly introduced, only a relatively small number of "hit" titles account for a significant portion of net revenue. Competitors may develop titles that imitate or compete with our "hit" titles, and take sales away from us or reduce our ability to command premium prices for those titles. Hit products published by our competitors may take a larger share of consumer spending than we anticipate, which could cause our product sales to fall below our expectations. If our competitors develop more successful products or offer competitive products at lower price, or if we do not continue to develop consistently high-quality and well received products, our revenue, margins, and profitability will decline.

If we are unable to maintain or acquire licenses to intellectual property, we may publish fewer "hit" titles and our revenue may decline.

Many of our products are based on intellectual property and other character or story rights acquired or licensed from third parties. These license and distribution agreements are limited in scope and time, and we may not be able to renew key licenses when they expire or to include new products in existing licenses. The loss of a significant number of our intellectual property licenses or of our relationships with licensors, or inability to obtain additional licenses of significant commercial value could have a material adverse effect on our ability to develop new products and therefore on our business and financial results. Additionally, the failure of intellectual property acquired by us to be popularly received could impact the market acceptance of our products in which the intellectual property is included. Such lack of market acceptance could result in the write-off of the unrecovered portion of acquired intellectual property assets, which could cause material harm to our business and financial results. Furthermore, the competition for these licenses and distribution agreements is often intense. Competition for these licenses may also drive up the advances, guarantees, and royalties that we must pay to the licensor, which could increase our costs.

Our business is highly dependent on the success, timely release and availability of new video game platforms, on the continued availability of existing video game platforms, as well as our ability to develop commercially successful products for these platforms.

We derive most of our revenue from the sale of products for play on video game platforms manufactured by third parties, such as Sony's PlayStation 2 and PlayStation 3, Microsoft's Xbox 360 and Nintendo's Wii and DS. The success of our business is driven in large part by the availability of an adequate supply of these video game platforms, our ability to accurately predict which platforms will be successful in the marketplace, and our ability to develop commercially successful products for these platforms. We must make product development decisions and commit significant resources well in advance of the anticipated introduction of a new platform. A new platform for which we

are developing products may be delayed, may not succeed or may have a shorter life cycle than anticipated. Alternatively, a platform for which we have not devoted significant resources could be more successful than we had initially anticipated, causing us to miss out on a meaningful revenue opportunity. If the platforms for which we are developing products are not released when anticipated, are not available in adequate quantities to meet consumer demand, or do not attain wide market acceptance, our revenue will suffer, we may be unable to fully recover the investments we have made in developing our products, and our financial performance will be harmed.

Transitions in console platforms could have a material impact on the market for interactive entertainment software.

In fiscal 2006, Microsoft released Xbox and in fiscal 2007, Sony and Nintendo introduced their respective next-generation hardware platforms, the PlayStation 3 and Wii. When new console platforms are announced or introduced into the market, consumers typically reduce their purchases of game console entertainment software products for current console platforms in anticipation of new platforms becoming available. During these periods, sales of our game console entertainment software products may be expected to slow or even decline until new platforms are introduced and achieve wide consumer acceptance. This decline may not be offset by increased sales of products for the new console platforms. As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions and decreasing prices may put downward pressure on our software prices. During platform 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 will not generate immediate or near-term revenue. As a result, our operating results during platform transitions may be more volatile and more difficult to predict than during other times, which may cause greater fluctuations in our stock price.

We must make significant expenditures to develop products for new platforms which may not be successful or released when anticipated.

We must make substantial product development and other investments in a particular platform well in advance of introduction of the platform and we may be required to realign our product portfolio and development efforts in response to market changes. Furthermore, development costs for new console platforms are greater than such costs for current console platforms. If increased costs are not offset by higher revenues and other cost efficiencies, our operating results will suffer and our financial position will be harmed. If the platforms for which we develop new software products or modify existing products are not released on a timely basis or do not attain significant market penetration, or if we develop products for a delayed or unsuccessful platform or cancel development of products in response to market changes, we may not be able to recover in revenues our development costs, which could be significant, and our business and financial results could be significantly harmed.

In addition, we seek to release many of our products in conjunction with specific events, such as the release of a related movie. If we miss these key selling periods due to product delays or delayed introduction of a new platform for which we have developed products, our sales will suffer disproportionately.

If the average price of prior-generation titles continues to decline or if we are unable to sustain launch pricing on next-generation titles, our operating results will suffer.

We have experienced a decrease in the average price of our titles for prior-generation platforms. As the interactive entertainment industry transitions to next-generation video game platforms, we expect there to be fewer prior-generation titles able to command premium prices, and we expect that even these titles will be

subject to price reductions at an earlier point in their sales cycle than we have seen in prior years. We expect the average price of prior-generation titles to continue to decline, which may have a negative effect on our margins and operating results.

Our next-generation titles for the Xbox360, Sony's PlayStation 3 and the Nintendo Wii have been offered at premium retail prices since the launch of such consoles. We expect to continue to price next-generation titles at a premium level, but if we are unable to sustain launch pricing on these next-generation titles we may experience a negative effect on our margins and operating results.

Our industry is highly competitive and our competition may succeed in narrowing our market share and reducing our sales.

We compete primarily with other publishers of personal computer and video game console interactive entertainment software and peripherals. Our competitors vary in size from small companies with limited resources to very large corporations with significantly greater financial, marketing, and product development resources than we have. In addition, integrated video game console hardware and software companies such as Sony, Nintendo, and Microsoft compete directly with us in the development of software titles for their respective platforms. Certain of these competitors can spend more money and time on developing and testing products, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors for desirable motion picture, television, sports, music and character properties, and pay more to third-party software developers than we can.

We also compete with other forms of entertainment and leisure activities. For example, we believe that the overall growth in the use of the Internet and online services by consumers may pose a competitive threat if customers and potential customers spend less of their available time using interactive entertainment software and more using the Internet and online services. A number of software publishers who compete with us have developed and commercialized or are currently developing online games for use by consumers over the Internet. Future increased consumer acceptance and increases in the availability of online games or technological advances in online game software or the Internet could result in a decline in platform-based software and negatively impact sales of our products. Direct sales of software over the Internet by competitors could materially adversely affect our distribution business.

Competition in our industry is intense and we expect new competitors to continue to emerge.

Our platform licensors are our chief competitors and frequently control the manufacturing of and have broad approval rights over our video game products.

Generally, when we develop interactive entertainment software products for hardware platforms offered by Sony, Nintendo, or Microsoft, the products are manufactured exclusively by that hardware manufacturer or their approved replicator.

Our agreements with these manufacturers include certain provisions, such as approval rights over all software products and related hardware peripherals and promotional materials and the ability to change the fee they charge for the manufacturing of products, which allow them substantial influence over our costs and the release schedule of our products. In addition, since each of the manufacturers is also a publisher of games for its own hardware platforms and manufactures products for all of its other licensees, a manufacturer may give priority to its own products or those of our competitors in the event of insufficient manufacturing capacity. Accordingly, Sony, Nintendo, or Microsoft could cause unanticipated delays in the release of our products as well as increases to our development, manufacturing, marketing, or distribution costs, which could materially harm our business and financial results.

In addition, our platform licensors control our ability to provide online game capabilities for our console platform products and in large part establish the financial terms on which these services are offered to consumers. Currently, Microsoft provides online capabilities for the Xbox360 and Sony provides online capabilities for PS2 and PS3 products. In each case, compatibility code and/or the consent of the licensor are required for us to include online capabilities in our products. As these capabilities become more significant, the failure or refusal of our licensors to approve our products may harm our business.

Our platform licensors set the royalty rates and other fees that we must pay to publish games for their platforms, and therefore have significant influence on our costs.

We pay a licensing fee to the hardware manufacturer for each copy of a product manufactured for that manufacturer's game platform. In order to publish products for new hardware platforms, we must take a license from the platform licensor which gives the platform licensor the opportunity to set the fee structure that we must pay in order to publish games for that platform. Similarly, the platform licensors have retained the flexibility to change their fee structures for online gameplay and features for their consoles and the manufacturing of products. The control that platform licensors have over the fee structures for their platforms and online access makes it difficult for us to predict our costs and profitability in the medium to long term. It is also possible that platform licensors will not renew our licenses. Because publishing products for console systems is the largest portion of our business, any increase in fee structures or nonrenewal of licenses would have a significant negative impact on our business model and profitability.

We rely on independent third parties to develop some of our software products.

We rely on independent third-party interactive entertainment software developers to develop some of our software products. Since we depend on these developers, in the aggregate, we remain subject to the following risks:

- Continuing strong demand for developers' resources, combined with the recognition they receive in connection with their work, may cause developers who worked for us in the past either to work for our competitors in the future or to renegotiate our agreements with them on terms less favorable for us;

- Limited financial resources and business expertise and inability to retain skilled personnel may force developers out of business prior to completing our products or require us to fund additional costs; and

- Our competitors may acquire the businesses of key developers or sign them to exclusive development arrangements. In either case, we would not be able to continue to engage such developers' services for our products, except for those that they are contractually obligated to complete for us.

Increased competition for skilled third-party software developers also has compelled us to agree to make significant advance payments on royalties to game developers. If the products subject to these arrangements do not generate sufficient revenues to recover these royalty advances, we would have to write-off unrecovered portions of these payments, which could cause material harm to our business and financial results. Typically, we pay developers a royalty based on a percentage of net revenues, less agreed upon deductions, but from time to time, we have agreed to pay developers fixed per unit product royalties after royalty

advances are fully recouped. To the extent that sales prices of products on which we have agreed to pay a fixed per unit royalty are marked down, our profitability could be adversely affected.

If our products contain defects, our business could be harmed significantly.

Software products and peripherals as complex as the ones we publish may contain undetected errors when first introduced or when new versions are released. Despite extensive testing prior to release, we cannot be certain that errors will not be found in new products or releases after shipment, that could result in loss of or delay in market acceptance. This loss or delay could significantly harm our business, financial results, and reputation.

We may permit our customers to return our products and to receive pricing concessions which could reduce our net revenues and results of operations.

We are exposed to the risk of product returns and price protection with respect to our distributors and retailers. Return policies allow distributors and retailers to return defective, shelf-worn, and damaged products in accordance with terms granted. Price protection, when granted and applicable, allows customers a credit against amounts they owe us with respect to merchandise unsold by them. We may permit product returns from, or grant price protection to, our customers under certain conditions. The conditions our customers must meet to be granted the right to return products or price protection are, among other things, compliance with applicable payment terms, delivery to us of weekly inventory and sell-through reports, and consistent participation in the launches of our premium title releases. We may also consider other factors, including the facilitation of slow-moving inventory and other market factors. When we offer price protection, we offer it with respect to a particular product to all of our retail customers; however, only those customers who meet the conditions detailed above can avail themselves of such price protection. We also offer a 90-day limited warranty to our end users that our products will be free from manufacturing defects. Although we maintain a reserve for returns and price protection, and although we may place limits on product returns and price protection, we could be forced to accept substantial product returns and provide substantial price protection to maintain our relationships with retailers and our access to distribution channels. Product returns and price protection that exceed our reserves could significantly harm our business and financial results.

Sales of certain titles such as Guitar Hero™ are affected by hardware peripheral availability.

Some of our titles involve a separate hardware peripheral, such as the guitar in Guitar Hero™ . Typically, we sell such software both in bundles with the hardware peripheral and on a stand-alone basis. Consumer may not want to buy such game software if they cannot also buy the hardware peripheral. If we underestimate demand or otherwise are unable to produce sufficient quantities of the hardware peripheral or allocate too few peripherals to geographic markets and hardware platforms where demand exceeds supply, we will forego revenue. This may also create greater opportunities for competitors to develop or gain market share with competitive product offerings. If we overestimate demand and make too many peripherals, or allocate too many peripherals to geographic markets and

hardware platforms where there is insufficient demand, we will incur unrecoverable manufacturing costs for unsold units as well as for unsold game software. In either case, hardware peripheral manufacturing and allocation decisions may negatively affect our financial performance.

There are a limited number of manufacturers who are authorized by Sony, Nintendo or Microsoft to make the hardware peripherals for Guitar Hero™, and the majority of those manufacturers are located in China. Anything that adversely impacts the ability of those manufacturers to produce the hardware peripheral for us, including without limitation the revocation of the first party license to produce the hardware, the utilization of such manufacturer's capacity by one or our competitors, or issues generally negatively impacting international companies operating in China, will adversely impact our ability to supply those peripherals to the market.

We may face difficulty obtaining access to retail shelf space necessary to market and sell our products effectively.

Retailers of our products typically have a limited amount of shelf space and promotional resources, and there is intense competition among consumer interactive entertainment software products for high quality retail shelf space and promotional support from retailers. To the extent that the number of products and platforms increases, competition for shelf space may intensify and may require us to increase our marketing expenditures. Retailers with limited shelf space typically devote the most and highest quality shelf space to those products expected to be best sellers. We cannot be certain that our new products will consistently achieve such "best seller" status. Due to increased competition for limited shelf space, retailers and distributors are in an increasingly better position to negotiate favorable terms of sale, including price discounts, price protection, marketing and display fees, and product return policies. Our products constitute a relatively small percentage of any retailer's sales volume. We cannot be certain that retailers will continue to purchase our products or to provide our products with adequate levels of shelf space and promotional support on acceptable terms. A prolonged failure in this regard may significantly harm our business and financial results.

Our sales may decline substantially without warning and in a brief period of time because a majority of our sales are made to a relatively small number of key customers and because we do not have long-term contracts for the sale of our products.

In the United States and Canada, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. Our products are sold internationally on a direct-to-retail basis, through third-party distribution and licensing arrangements and through our wholly-owned European distribution subsidiaries. Our sales are made primarily on a purchase order basis without long-term agreements or other forms of commitments. Our largest customers, Wal-Mart and GameStop, accounted for approximately 22% and 8%, respectively, of our consolidated net revenues for the fiscal year ended March 31, 2007 and approximately 22% and 10% of our consolidated net revenues for the fiscal year ended March 31, 2006. The loss of, or significant reduction in sales to, any of our principal retail customers or distributors could significantly harm our business and financial results. The concentration of sales in a small number of large customers also could make us more vulnerable to collection risk if one or more of these large customers became unable to pay for our products. In addition, having such a large portion of our total net revenue concentrated in a few customers reduces our negotiating leverage with these customers.

We may be burdened with payment defaults and uncollectible accounts if our distributors or retailers cannot honor their credit arrangement with us.

Distributors and retailers in the interactive entertainment software industry have from time to time experienced significant fluctuations in their businesses and a number of them have failed. The insolvency or business failure of any significant retailer or distributor of our products could materially harm our business and financial results. We typically make sales to most of our retailers and some distributors on unsecured credit, with terms that vary depending upon the customer's credit history, solvency, credit limits, and sales history, as well as whether we can obtain sufficient credit insurance. Although, as in the case with most of our customers, we have insolvency risk insurance to protect against our customers' bankruptcy, insolvency, or liquidation, this insurance contains a significant deductible and a co-payment obligation, and the policy does not cover all instances of non-payment. In addition, although we maintain a reserve for uncollectible receivables, the reserve may not be sufficient in every circumstance. As a result, a payment default by a significant customer could significantly harm our business and financial results.

We may not be able to maintain our distribution relationships with key vendors and customers.

Our CD Contact, NBG, and Centresoft subsidiaries distribute interactive entertainment software and hardware products and provide related services in the Benelux countries, Germany, and the United Kingdom, respectively, and via export in other European countries for a variety of entertainment software publishers, many of which are our competitors, and hardware manufacturers. From time to time, they also maintain exclusive relationships to serve certain retail customers. These services are generally performed subject to limited-term arrangements. Although we expect to use reasonable efforts to retain these vendors and retail customer relationships, we may not be successful in this regard. The cancellation or non-renewal of one or more of these arrangements could significantly harm our business and financial results.

Our business is subject to risks generally associated with the entertainment industry, any of which could significantly harm our operating results.

Our business is subject to risks that are generally associated with the entertainment industry, including: the popularity, price and timing of our games and the platforms on which they are played; economic conditions that adversely affect discretionary consumer spending; changes in consumer demographics; the availability and popularity of other forms of entertainment; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted. Many of these risks are beyond our control. These risks could negatively impact our business and financial results.

We are exposed to seasonality in the sale of our products.

The interactive entertainment software industry is highly seasonal, with the highest levels of consumer demand occurring during the calendar year end holiday buying season. As a result, our net revenues, gross profits, and operating income have historically been highest during the second half of the calendar year. Our receivables and credit risk are likewise higher during the second half of the calendar year as our customers stock up on our products for the holiday season. Additionally, in a platform transition period, sales of game console software products can be significantly affected by the timeliness of introduction of game console platforms by the manufacturers of those platforms, such as Sony, Nintendo, and Microsoft. The timing of hardware platform introduction is also often tied to holidays and is not within our control. If a hardware platform is released unexpectedly close to the holidays, this would result in a shortened holiday buying season and could negatively impact the sales of our products. Further, delays in development, licensor approvals, or manufacturing can also affect the timing of the release of our products, causing us to miss key selling periods such as the calendar year end holiday buying season.

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

A significant portion of our selling and general and administrative expense is comprised of personnel and facilities. In the event of a significant decline in revenues, we may not be able to exit facilities, reduce personnel, or make other changes to our cost structure without disruption to our operations or without significant termination and exit costs. Management may not be able to implement such actions in a timely manner, if at all, to offset an immediate shortfall in revenues and profit.

If we do not continue to attract and retain key personnel, we will be unable to effectively conduct our business.

Our success depends to a significant extent on our ability to identify, hire, and retain skilled personnel. The software industry is characterized by a high level of employee mobility and aggressive recruiting among competitors for personnel with technical, marketing, sales, product development, and management skills. We may not be able to attract and retain skilled personnel or may incur significant costs in order to do so. If we are unable to attract additional qualified employees or retain the services of key personnel, our business and financial results could be negatively impacted.

Our products are subject to the threat of piracy and unauthorized copying, and inadequate intellectual property laws and other protections could prevent us from enforcing or defending our proprietary technology.

We regard our software as proprietary and rely on a combination of copyright, patent, trademark and trade secret laws, employee and third-party nondisclosure agreements, and other methods to protect our proprietary rights. We own or license various copyrights, patents, and trademarks. We are aware that some unauthorized copying occurs within the interactive entertainment software industry, and if a significantly greater amount of unauthorized copying of our software products were to occur, it could cause material harm to our business and financial results.

Policing unauthorized use of our products is difficult, and software piracy is a persistent problem, especially in some countries. Further, the laws of some countries where our products are or may be distributed either do not protect our products and intellectual property rights to the same extent as the laws of the United States, or are poorly enforced. Legal protection of our rights may be ineffective in such countries. In addition, though we take steps to make the unauthorized copying and distribution of our products more difficult, as do the manufacturers of consoles on which our games are played, neither our efforts nor those of the console manufacturers may be successful in controlling the piracy of our products. Organized pirate operations have been expanding globally. In addition, the proliferation of technology designed to circumvent the protection measures we use in our products, the availability of broadband access to the Internet, the ability to download pirated copies of our games from various Internet sites and peer-to-peer networks, and the widespread proliferation of Internet cafes using pirated copies of our products, all have contributed to an expansion in piracy. This could have a negative effect on our growth and profitability in the future.

Moreover, as we leverage our software products using emerging technologies such as the Internet and online services, our ability to protect our intellectual property rights and to avoid infringing intellectual property rights of others may diminish. We cannot be certain that existing intellectual property laws will provide adequate protection for our products in connection with these emerging technologies.

Data breaches involving the source code for our products or customer or employee data stored by us could adversely affect our reputation and revenue.

We store the source code for our interactive entertainment software products as it is created on multiple electronic devices. In addition, we store customer account information for, and other confidential information related to, our employees. A breach of the systems on which such source code, account information and other sensitive data is stored could lead to piracy of our software or fraudulent activity and claims and lawsuits against us in connection with data security breaches. If we are subject to data security breaches, we may have a loss in sales or be forced to pay damages or other amounts, which could materially and adversely affect our profitability. In addition, any damage to our reputation resulting from a data breach could have a material adverse impact on our revenue and future growth prospects, or increase our costs by leading to additional security measures being required.

We may be subject to intellectual property claims.

As the number of interactive entertainment software products increases and the features and content of these products continue to overlap, software developers increasingly may become subject to infringement claims. Many of our products are highly realistic and feature materials that are based on real world examples, which may be the subject of intellectual property infringement claims of others. In addition, our products often utilize complex, cutting edge technology that may become subject to emerging intellectual property rights of others. Although we believe that we make reasonable efforts to ensure that our products do not violate the intellectual property rights of others, it is possible that third parties still may claim infringement. From time to time, we receive communications from third parties regarding such claims. Existing or future infringement claims against us, whether valid or not, may be time consuming and expensive to defend.

- Intellectual property litigation or claims could force us to do one or more of the following:
    - Cease selling, incorporating, or using products or services that incorporate the challenged intellectual property;
    - Obtain a license from the holder of the infringed intellectual property, which if available at all, may not be available on commercially favorable terms; or
    - Redesign the affected interactive entertainment software products or hardware peripherals, which could cause us to incur additional costs, delay introduction and possibly reduce commercial appeal of our products.

Any of these actions may cause material harm to our business and financial results.

We are subject to the rating of our content by the Entertainment Software Rating Board and similar agencies. Failure to obtain our target ratings for our products could negatively impact our sales.

The Entertainment Software Rating Board (the "ESRB") requires game publishers to provide consumers with ratings information, including information relating to violence, nudity, or sexual content contained in software titles,

and imposes significant penalties for noncompliance. Certain countries have also established similar rating systems as prerequisites for product sales in those countries. In some instances, we may be required to modify our products to comply with the requirements of rating systems, which could delay or disrupt the release of our products, or we may be prevented from selling them altogether in certain territories. Our software titles receive a rating from the ESRB of "Everyone" (age 6 and older), "Everyone 10+" (age 10 and older), "Teen" (age 13 and over), or "Mature" (age 17 and over). Many of our titles have received an "Mature" rating. None of our titles have received the "Adults Only" rating (18 and over). We believe that we comply with rating systems and properly display the ratings and content descriptions received for our titles. If we are unable to obtain the ratings we have targeted for our products 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.

Our business, products, and distribution are subject to increasing regulation of content in key territories. If we do not successfully respond to these regulations, our business may suffer.

Legislation is continually being introduced that may affect both the content of our products and their distribution. For example, privacy laws in the United States and Europe impose various restrictions on our collection and storage of personal information. Those rules vary by territory although the Internet recognizes no geographical boundaries. In addition, many foreign countries have laws that permit governmental entities to censor the content and/or advertising of interactive entertainment software. Other countries, such as Germany, prohibit certain types of content.

In the United States, numerous laws have been introduced at the federal and state level which attempt to restrict the content of products such as ours or the distribution of such products. For example, recent legislation has been adopted in several states, and proposed at the federal level, that prohibits the sale of certain games (*e.g.*, violent games or those with "M (Mature)" or "AO (Adults Only)" ratings) to minors. In addition, a number of state legislative bodies in states such as Illinois, California, Michigan, and Washington have introduced various forms of legislation designed to regulate and control sales of video games deemed inappropriate for sales to minors. New and recent incidents may lead to increased pressure for legislative activity. To date, all the courts have ruled on such legislation in a manner favorable to the interactive entertainment software industry. But in the event such legislation is adopted and enforced, the sales of our products may be harmed because the products we are able to offer to our customers and the size of the potential market for our products may be limited. We may also be required to modify our products or alter our marketing strategies to comply with new and possibly inconsistent regulations, which could be costly or delay the release of our products.

If one or more of our titles were found to contain objectionable undisclosed, pertinent content, our business could suffer.

Throughout the history of our industry, many video games have been designed to include certain hidden content and gameplay features that are accessible through the use of in-game cheat codes or other technological means that are intended to enhance the gameplay experience. However, in some cases, undisclosed, pertinent content or features have been found in other publishers' interactive entertainment software products. In a few cases, the ESRB has reacted to discoveries of undisclosed, pertinent content and features by changing the rating that was originally assigned to the product, requiring the publisher to change the game and/or game packaging and/or fining the publisher. Retailers have on occasion reacted to the discovery of such undisclosed content by removing these games from their shelves, refusing to sell them, and demanding that their publishers accept them as product returns. Likewise, interactive entertainment software consumers have reacted to the revelation of undisclosed content by refusing to purchase such games, demanding refunds for games they have already purchased, refraining from buying other games published by the company whose game contained the objectionable material, and, in at least one occasion, filing a lawsuit against the publisher of the product containing such content.

We have implemented preventative measures designed to reduce the possibility of objectionable undisclosed, pertinent content from appearing in the video games we publish. Nonetheless, these preventative measures are subject to human error, circumvention, overriding, and reasonable resource constraints. If a video game we published were found to contain undisclosed, pertinent content, the ESRB could demand that we recall a game and change its packaging to reflect a revised rating, retailers could refuse to sell it and demand we accept the return of any unsold copies or returns from customers, and/or consumers could refuse to buy it, demand that we refund their money or file a lawsuit against us. This could have a material negative impact on our operating results and financial condition. In addition, our reputation could be harmed, which could impact sales of other video games we sell. If any of these consequences were to occur, our business and financial performance could be significantly harmed.

Our products may be subject to legal claims.

In prior fiscal years, at least two lawsuits have been filed against numerous video game companies, including us, by the families of victims who were shot and killed by teenage gunmen in attacks perpetrated at schools. These lawsuits alleged that the video game companies manufactured and/or supplied these teenagers with violent video games, teaching them how to use a gun and causing them to act out in a violent manner. These lawsuits have been dismissed. Similar additional lawsuits may be filed in the future. Although our general liability insurance carrier agreed to defend us in such lawsuits in the past, it is uncertain whether the insurance carrier would do so in the future, or if it would cover all or any amounts which we might be liable for if such future lawsuits are not decided in our favor. If such future lawsuits are filed and ultimately decided against us and our insurance carrier does not cover the amounts we are liable for, it could have a material adverse effect on our business and financial results. Payment of significant claims by insurance carriers may make such insurance coverage materially more expensive or unavailable in the future, thereby exposing our business to additional risk.

Other Risks Relating to Our Business and Ownership of Our Stock

We seek to manage our business with a view to achieving long-term results, and this could have a negative effect on short-term trading.

We focus on creation of shareholder value over time, and we intend to make decisions that will be consistent with this long-term view. As a result, some of our decisions, such as whether to make or discontinue operating investments, manage our balance sheet and capital structure, or pursue or discontinue strategic initiatives, may be in conflict with the objectives of short-term traders. Further, this could adversely affect our quarterly or other short-term results of operations.

We may face limitations on our ability to find suitable acquisition opportunities or to integrate additional acquired businesses.

We intend to pursue additional acquisitions of companies, properties, and other assets that can be purchased or licensed on acceptable terms and which we believe can be operated or exploited profitably. Some of these transactions could be material in size and scope. Although we continue to search for additional acquisition opportunities, we may not be successful in identifying suitable acquisitions. As the interactive entertainment software industry continues to consolidate, we face significant competition in seeking and consummating acquisition opportunities. We may not be able to consummate potential acquisitions or an acquisition may not enhance our business or may decrease rather than increase our earnings. In the future, we may issue additional shares of our common stock in connection with one or more acquisitions, which may dilute our existing shareholders. Future acquisitions could also divert substantial management time and result in short-term reductions in earnings or special transaction or other charges. In addition, we cannot guarantee that we will be able to successfully integrate the businesses that we may acquire into our existing business. Our shareholders may not have the opportunity to review, vote on, or evaluate future acquisitions.

From time to time, we may make a capital investment and hold a minority interest in a third-party developer in connection with interactive entertainment software products to be developed by such developer for us, which we believe helps to create a closer relationship between us and the developer. We account for those capital investments over which we have the ability to exercise significant influence using the equity method. For those investments over which we do not have the ability to exercise significant influence, we account for our investment using the cost method. There can be no assurance that we will realize long-term benefits from such investments or that we will continue to carry such investments at their current value.

Our shareholder rights plan, charter documents, and other agreements may make it more difficult to acquire us without the approval of our Board of Directors.

We have adopted a shareholder rights plan under which one right entitling the holder to purchase one six-hundredths (1/600) of a share, as adjusted on account of stock dividends made since the plan's adoption, of our Series A Junior Preferred Stock price at an exercise price of $6.67 per share, subject to adjustment and as adjusted on account of stock dividends made since the plan's adoption, is attached to each outstanding share of common stock. Such shareholder rights plan makes an acquisition of control in a transaction not approved by our Board of Directors more difficult. Our Amended and Restated By-laws have advance notice provisions for nominations for election of nominees to the Board of Directors which may make it more difficult to acquire control of us. Our long-term

incentive plans provide, in the discretion of a committee, for acceleration of stock options following a change in control under certain circumstances, which has the effect of making an acquisition of control more expensive. In addition, some of our officers have severance compensation agreements that provide for substantial cash payments and accelerations of other benefits in the event of a change in control. These agreements and arrangements may also inhibit a change in control.

Limitations on our capacity or ability to issue stock and options may require us to use more cash in our employee compensation packages.

Our amended and restated certificate of incorporation and our option plans limit the number of shares of our stock and the number of stock options that we can issue. To increase these limits, we must seek and obtain approval of our stockholders. If our stockholders do not approve increases in our available stock and option "pool", our ability to offer stock and stock options to new and existing employees will be limited. This may in turn impair our ability to recruit and retain employees. It may also require us to place greater reliance on cash compensation, which may not be as attractive to existing and prospective employees. Increased use of cash for employee compensation will also reduce the amount of cash available to us for other uses. Each of these consequences could have negative effects on our business and financial results.

Our stock price is highly volatile.

The trading price of our common stock has been and could continue to be subject to wide fluctuations in response to many factors, including:

- Quarter to quarter variations in results of operations;
- Our announcements of new products;
- Our competitors' announcements of new products;
- Our product development or release schedule;
- General conditions in the computer, software, entertainment, media or electronics industries, and in the economy;
- Timing of the introduction of new platforms and delays in the actual release of new platforms;
- Hardware manufacturers' announcements of price reductions in hardware platforms;

- Consumer spending trends;
- Changes in earnings estimates or buy/sell recommendations by analysts; and
- Investor perceptions and expectations regarding our products, plans and strategic position, and those of our competitors and customers.

In addition, the public stock markets experience extreme price and trading volume volatility, particularly in high technology sectors of the market. This volatility has significantly affected the market prices of securities of many technology companies for reasons often unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock.

In our fiscal year 2007, we began recognizing stock-based compensation expense in accordance with Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment," related to our employee equity compensation and employee stock purchase programs. The recognition of this expense has a significant impact in lowering our reported net income (or increase our reported net loss).

Beginning in the fiscal year ended March 31, 2007, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires us to recognize compensation expense for all stock-based awards based on estimated fair values. As a result, beginning with our first quarter

of fiscal 2007, our operating results contain a charge for stock-based compensation related to the equity-based awards we provide to our employees, as well as stock purchases under our employee stock purchase plans. This expense is in addition to the stock-based compensation expense we have recognized in prior periods related to restricted stock unit grants, acquisitions and other grants. The stock-based compensation charges we incur depend on the number of equity-based awards we grant and the number of shares of common stock we sell under our employee stock purchase plans, as well as a number of estimates and variables such as estimated forfeiture rates, the trading price and volatility of our common stock, the expected term of our options, and interest rates. As a result, our stock-based compensation charges can vary significantly from period to period. Going forward, our adoption of SFAS 123R will continue to significantly lower our reported net income (or increase our reported net loss), which could have an adverse impact on the trading price of our common stock.

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

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

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

Our international revenues may be affected by regulatory requirements and barriers, cultural differences and currency fluctuations.

Our international revenues have accounted for a significant portion of our total revenues. International sales and licensing accounted for 50%, 52% and 50%, respectively, of our consolidated net revenues in fiscal 2007, 2006 and 2005, respectively. We expect that international revenues will continue to account for a significant portion of our total revenues in the future. International sales may be subject to unexpected regulatory requirements, tariffs, and other barriers. Additionally, foreign sales that are made in local currencies may fluctuate. We have and may continue to engage in limited currency hedging activities. While these hedging activities mitigate some foreign currency risk, our reported results of operations and financial condition would be adversely affected by unfavorable foreign currency fluctuations, particularly the Euro, British pound sterling, Australian dollar and Canadian dollar. Currency exchange rate fluctuations had a positive impact on revenues from internal sales and licensing in the fiscal year ended March 31, 2007. In the future, currency exchange rates may have a negative or materially adverse impact on revenues from international sales and licensing and thus on our business and financial results. In addition, cultural differences may affect consumer preferences and limit the popularity of titles that are "hits" in the United States. If we do not correctly assess consumer preferences in the countries in our market, our sales and revenue may be lower than expected.

Risk Factors Relating to Results of the Special Subcommittee Review of our Stock Option Granting Practices

SEC investigation and litigation relating to stock options remain pending and may adversely affect our business and results of operations.

Although the special subcommittee of independent members of our Board of Directors established in July 2006 to review our historical stock option granting practices (the "Special Subcommittee") has completed its review of those practices and our stock option grants made in the period between 1992 and 2006, a formal investigation by

the SEC relating to our stock option granting practices remains pending, as does derivative litigation against us and certain of our current and former directors and officers. Although we believe that we have taken appropriate action by restating our financial statements for the fiscal year ended March 31, 2006, as filed in our Amended Annual Report on Form 10-K/A on May 25, 2007, and made appropriate disclosures for matters relating to stock options, the SEC (or the court in the derivative actions) may disagree with the findings of the Special Subcommittee or with the manner in which we have accounted for and reported, or not reported, the financial impact of past option grant measurement date errors. If so, we may need to further restate our prior financial statements, further amend our filings with the SEC, or take other actions not currently contemplated. In addition, these proceedings are likely to result in additional legal expense that may affect our results in future periods, and may also result in diversion of management attention and other resources, as well as fines, penalties, damages and other sanctions. These eventualities could materially and adversely affect our business and results of operations. We cannot currently predict the ultimate outcome of these proceedings.

We had a material weakness in internal control over financial reporting and cannot assure you that additional material weaknesses will not be identified in the future. If our internal control over financial reporting or disclosure controls and procedures are not effective, there may be errors in our financial statements that could require a restatement or our filings may not be timely and investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate the effectiveness of our internal control over financial reporting as of the end of each year, and to include a management report assessing the effectiveness of our internal control over financial reporting in each Annual Report on Form 10-K. Section 404 also requires our independent registered public accounting firm to attest to, and report on, management's assessment of our internal control over financial reporting. In assessing the findings of the Special Subcommittee's review and the restatement set forth in our Amended Annual Report on Form 10-K/A for the fiscal year ended March 31, 2006, our management concluded that there was a material weakness, as defined in the Public Company Accounting Oversight Board's Auditing Standard No. 2, in our internal control over financial reporting as of March 31, 2006. Our management concluded that this weakness was remedied as of March 31, 2007 with the adoption of new equity compensation policies and procedures by the Compensation Committee and Nominating/Corporate Governance Committees of our Board of Directors and, accordingly, no longer exists as of the date of this filing. See the discussion included in Part II, Item 9A of this Annual Report on Form 10-K for the fiscal year ended March 31, 2007 for additional information regarding our internal control over financial reporting.

Our management does not expect that our internal control over financial reporting will prevent all error or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As a result, we cannot assure you that significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in significant deficiencies or material weaknesses, cause us to fail to timely meet our periodic reporting obligations, or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to timely meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

As a result of the delayed filing of certain of our periodic reports, we will be ineligible to use Form S-3 or Form S-4 for a period of time. This may adversely affect our ability to engage in certain types of corporate acquisition and capital-raising transactions.

As a result of our delayed filing of certain of our periodic reports, we will be ineligible to register our securities on Form S-3 or Form S-4 for sale by us or resale by other security holders until we have timely filed all periodic reports under the Securities Exchange Act of 1934 for a period of time. In the meantime, we have the ability

to use Form S-1 to raise capital or complete acquisitions. The need to use Form S-1, and the inability to use Form S-3 or Form S-4, could increase our transaction costs and adversely affect our ability to engage in certain types of corporate acquisition and capital-raising transactions until we regain our S-3/S-4 eligibility.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal corporate and administrative offices are located in approximately 122,200 square feet of leased space in a building located at 3100 Ocean Park Boulevard, Santa Monica, California 90405. The following is a listing of the principal offices maintained by us on May 31, 2007:

PROPERTY	LOCATION	SQ FT	OWNERSHIP	LEASE EXPIRATION
Corporate Offices	Santa Monica, CA, USA	122,200	Lease	December 2010
Product Development Facilities				
Activision Canada	Barrie, Ontario	1,900	Lease	July 2007
Beenox, Inc.	Quebec City, Quebec, Canada	11,110	Lease	September 2007 + January 2010
China	Shanghai & Taipei, China	1,500	Lease	Month to Month
Infinity Ward, Inc.	Encino, CA, USA	35,300	Lease	October 2012
Luxoflux, Inc.	Santa Monica, CA, USA	14,800	Lease	January 2009
Motion Capture Studio	Los Angeles, CA, USA	11,500	Lease	March 2009
Neversoft Entertainment, Inc.	Woodland Hills, CA, USA	53,300	Lease	September 2014
Raven Studios	Middleton, WI, USA	35,300	Lease	June 2015
RedOctane	Chennai, India	6,500	Lease	July 2008 + May 2009
Shaba Games, Inc.	San Francisco, CA, USA	23,300	Lease	February 2013
Toys For Bob, Inc.	Novato, CA, USA	9,500	Lease	July 2007
Treyarch Corporation	Santa Monica, CA, USA	56,200	Lease	November 2009
Vicarious Visions, Inc.	Menands, NY, USA	37,100	Lease	May 2016
Vicarious Visions, Inc.	Mountain View, CA, USA	3,100	Lease	June 2007
Z-Axis, Ltd.	Foster City, CA, USA	24,000	Lease	February 2009

Publishing Facilities				
Australia Publishing	Sydney, Australia	7,300	Lease	July 2007
France Publishing	Bezons, France	3,500	Lease	October 2007
German Publishing	Burglengenfeld, Germany	2,200	Own	N/A
Italy Publishing	Legnano, Italy	2,700	Lease	September 2009
Japan Publishing	Tokyo, Japan	2,200	Lease	March 2008
Korea Publishing	Seoul, South Korea	1,700	Lease	August 2007
Nordic Publishing	Stockholm, Sweden	1,000	Lease	July 2010
RedOctane	Sunnyvale, CA, USA	11,800	Lease	March 2008
Spain Publishing	Madrid, Spain	1,000	Lease	April 2009
United Kingdom Publishing	Stockley Park, UK	15,000	Lease	September 2015
Value Publishing	Eden Prairie, MN, USA	14,000	Lease	May 2008
Distribution Facilities				
German Distribution	Burglengenfeld, Germany	40,900	Own	N/A
Netherlands Distribution-offices	Breda, the Netherlands	1,000	Lease	Month to Month
Netherlands Distribution-warehouse	Venlo, the Netherlands	44,600	Own	N/A
United Kingdom Distribution	Birmingham, UK	182,100	Lease	May 2011-2018

Our publishing operations additionally lease facilities in Arkansas, Canada, Minnesota, New York, and Texas for purposes of sales and branch offices.

Item 3. LEGAL PROCEEDINGS

In July 2006, individuals and/or entities claiming to be stockholders of the Company have filed derivative lawsuits, purportedly on behalf of the Company, against certain current and former members of the Company's Board of Directors as well as several current and former officers of the Company. Three derivative actions have been filed in Los Angeles Superior Court: Vazquez v. Kotick, et al., L.A.S.C. Case No. BC355327 (filed July 12, 2006); Greuer v. Kotick, et al., L.A.S.C. Case No. SC090343 (filed July 12, 2006); and Amalgamated Bank v. Baker, et al., L.A.S.C.

Case No. BC356454 (filed August 3, 2006). These actions have been consolidated by the court under the caption In re Activision Shareholder Derivative Litigation, L.A.S.C. Master File No. SC090343 (West, J.). Two derivative actions have been filed in the United States District Court for the Central District of California: Pfeiffer v. Kotick, et al., C.D. Cal. Case No. CV06-4771 MRP (JTLx) (filed July 31, 2006); and Hamian v. Kotick, et al., C.D. Cal. Case No. CV06-5375 MRP (JLTx) (filed August 25, 2006). These actions have also been consolidated, under the caption In re Activision, Inc. Shareholder Derivative Litigation, C.D. Cal. Case No. CV06-4771 MRP (JTLx) (Pfaelzer, J.). The consolidated complaints allege, among other things, purported improprieties in the Company's issuance of stock options. Plaintiffs seek various relief on behalf of the Company, including damages, restitution of benefits obtained from the alleged misconduct, equitable relief, including an accounting and rescission of option contracts; and various corporate governance reforms. The Company expects that defense expenses associated with the matters will be covered by its directors and officers insurance, subject to the terms and conditions of the applicable policies. On May 24, 2007, the Superior Court granted the Company's motion to stay the state action. The court's order stays the action pending the resolution of motions to dismiss in the federal action, but is without prejudice to any party's right to seek modification of the stay upon a showing of good cause, including a showing that matters may be addressed in the Superior Court without the potential for conflict with or duplication of the federal court proceedings. The Company filed motions to dismiss in the federal action on June 1, 2007, which will be fully briefed by August 15, 2007. The Company was also informed that, on June 1, 2007, a derivative case, Abdelnur vs. Kotick et al., was filed in the United States District Court for the Central District of California, C.D. Case No. CV07-3575 AHM (PJWx), by the same law firm that previously filed the Hamian case, alleging substantially the same claims.

On July 27, 2006, the Company received a letter of informal inquiry from the SEC requesting certain documents and information relating to the Company's historical stock option grant practices. In early June 2007, the SEC informed the Company that the SEC has issued a formal order of non-public investigation, which allows the SEC, among other things, to subpoena witnesses and to require the production of documents. The Company is cooperating with the SEC's investigation, and representatives of the special subcommittee of independent members of our Board of Directors established in July 2006 to review our historical stock option granting practices (the "Special Subcommittee") and its legal counsel have met with members of the staff of the SEC on several occasions, in person and by telephone (as has the Company's outside legal counsel), to discuss the progress of the Special Subcommittee's investigation and on February 28, 2007 to brief the SEC staff on the Special Subcommittee's findings and recommendations following the substantial completion of the Special Subcommittee's investigation. A representative of the U.S. Department of Justice has attended certain of these meetings and requested copies of certain documents that we have provided to the staff of the SEC. At this time, the Company has not received any grand jury subpoenas or written requests from the Department of Justice.

In addition, we are party to other routine claims and suits brought by us and against us in the ordinary course of business, including disputes arising over the ownership of intellectual property rights, contractual claims, employment relationships, and collection matters. In the opinion of management, after consultation with legal counsel, the outcome of such routine claims and lawsuits will not have a material adverse effect on our business, financial condition, results of operations, or liquidity.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is quoted on the NASDAQ National Market under the symbol "ATVI."

The following table sets forth for the periods indicated the high and low reported sale prices for our common stock. As of June 7, 2007, there were approximately 2,417 holders of record of our common stock.

	High	Low
Fiscal 2006		
First Quarter ended June 30, 2005	$ 13.88	$ 10.64
Second Quarter ended September 30, 2005	17.30	12.07
Third Quarter ended December 31, 2005	18.03	12.94
Fourth Quarter ended March 31, 2006	15.93	11.81
Fiscal 2007		
First Quarter ended June 30, 2006	$ 15.11	$ 10.71
Second Quarter ended September 30, 2006	16.00	10.47
Third Quarter ended December 31, 2006	18.19	14.22
Fourth Quarter ended March 31, 2007	19.20	16.05

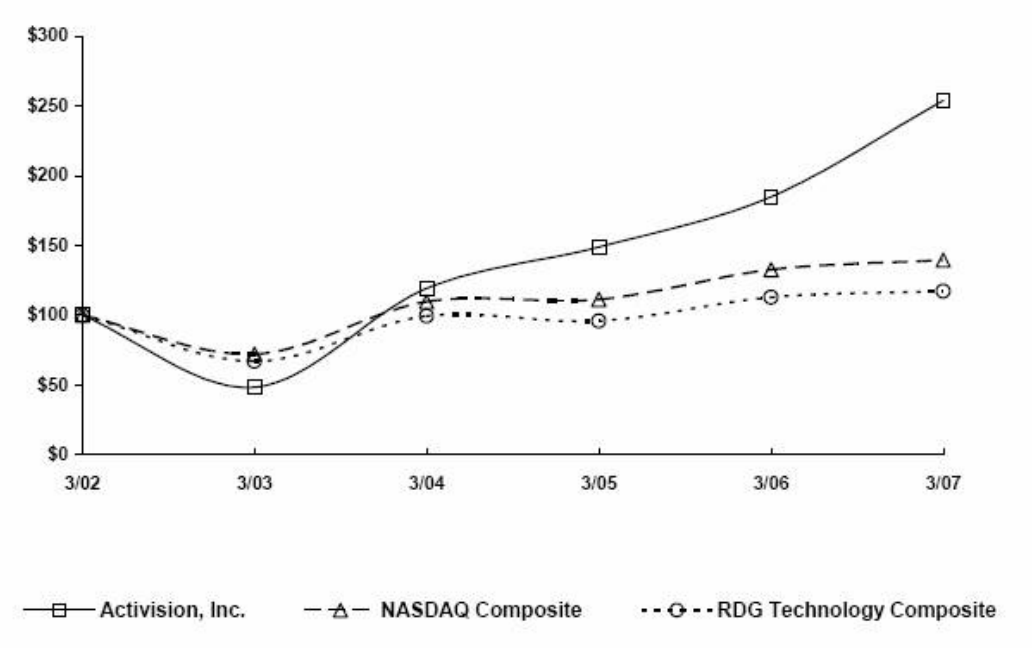
On June 7, 2007, the last reported sales price of our common stock was $18.46.

Stock Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Activision, Inc. under the Securities Act of 1933, as amended or the Exchange Act.

The graph below compares the cumulative 5-year total return of holders of Activision, Inc.'s common stock with the cumulative total returns of the NASDAQ Composite index and the RDG Technology Composite index. The graph tracks the performance of a $100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from March 31, 2002 to March 31, 2007. We have never paid cash dividends on our common stock and have no present plans to do so.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Activision, Inc., The NASDAQ Composite Index
And The RDG Technology Composite Index



* $100 invested on 3/31/02 in stock or index-including reinvestment of dividends.
Fiscal year ending March 31.

	3/02	3/03	3/04	3/05	3/06	3/07
Activision, Inc.	**100.00**	**48.44**	**119.33**	**148.84**	**184.91**	**253.97**
NASDAQ Composite	**100.00**	**72.11**	**109.76**	**111.26**	**132.74**	**139.65**
RDG Technology Composite	**100.00**	**66.96**	**99.40**	**95.82**	**112.91**	**117.27**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Cash Dividends

We paid no cash dividends in our fiscal years 2007 or 2006 nor do we anticipate paying any cash dividends at any time in the foreseeable future. We expect that earnings will be retained for the continued growth and development of the business. Future dividends, if any, will depend upon our earnings, financial condition, cash requirements, future prospects, and other factors deemed relevant by our Board of Directors.

Stock Splits

In April 2003, the Board of Directors approved a three-for-two split of our outstanding common shares effected in the form of a 50% stock dividend. The split was paid on June 6, 2003 to shareholders of record as of May 16, 2003. In February 2004, the Board of Directors approved a second three-for-two split of our outstanding common shares effected in the form of a 50% stock dividend. The split was paid on March 15, 2004 to shareholders of record as of February 23, 2004. In February 2005, the Board of Directors approved a four-for-three split of our outstanding common shares effected in the form of a 33-1/3% stock dividend. The split was paid on March 22, 2005 to shareholders of record as of March 7, 2005. In September 2005, the Board of Directors approved a four-for-three split of our outstanding common shares effected in the form of a 33-1/3% stock dividend. The split was paid October 24, 2005 to shareholders of record as of October 10, 2005. The par value of our common stock was maintained at the pre-split amount of $.000001. All share and per share data have been restated as if the stock splits had occurred as of the earliest period presented.

On March 7, 2005, in connection with our March 22, 2005 stock split, all shares of common stock held as treasury stock were formally cancelled and restored to the status of authorized but unissued shares of common stock.

Buyback Program

During fiscal 2003, our Board of Directors authorized a buyback program under which we can repurchase up to $350.0 million of our common stock. Under the program, shares may be purchased as determined by management, from time to time and within certain guidelines, in the open market or in privately negotiated transactions, including privately negotiated structured stock repurchase transactions and through transactions in the options markets. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time to time without prior notice.

Under the buyback program, we did not repurchase any shares of our common stock in the fiscal years ended March 31, 2007, 2006, or 2005. We repurchased approximately 3.4 million shares of our common stock for $12.4 million in the fiscal year ended March 31, 2004. In addition, approximately 3.1 million shares of common stock were acquired in the fiscal year ended March 31, 2004 as a result of the settlement of $10.0 million of structured stock repurchase transactions entered into in fiscal 2003. As of March 31, 2007, we had no outstanding structured stock repurchase transactions. Structured stock repurchase transactions are settled in cash or stock based on the market price of our common stock on the date of the settlement. Upon settlement, we either have our capital investment returned with a premium or receive shares of our common stock, depending, respectively, on whether the market price of our common stock is above or below a pre-determined price agreed in connection with each such transaction.

Shareholders' Rights Plan

On April 18, 2000, our Board of Directors approved a shareholders rights plan (the "Rights Plan"). Under the Rights Plan, each common shareholder at the close of business on April 19, 2000 received a dividend of one right for each share of common stock held. Each right represents the right to purchase one six-hundredths (1/600) of a share, as adjusted on account of stock dividends made since the plan's adoption, of our Series A Junior Preferred Stock at an exercise price of $6.67, as adjusted on account of stock dividends made since the plan's adoption. Initially, the rights are represented by our common stock certificates and are neither exercisable nor traded separately from our common stock. The rights will only become exercisable if a person or group acquires 15% or more of the common stock of Activision, or announces or commences a tender or exchange offer which would result in the bidder's beneficial ownership of 15% or more of our common stock.

In the event that any person or group acquires 15% or more of our outstanding common stock, each holder of a right (other than such person or members of such group) will thereafter have the right to receive upon exercise of such right, in lieu of shares of Series A Junior Preferred Stock, the number of shares of common stock of Activision having a value equal to two times the then current exercise price of the right. If we are acquired in a merger or other business combination transaction after a person has acquired 15% or more of our common stock, each holder of a right will thereafter have the right to receive upon exercise of such right a number of the acquiring company's common shares having a market value equal to two times the then current exercise price of the right. For persons who, as of the close of business on April 18, 2000, beneficially own 15% or more of the common stock of Activision, the Rights Plan "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

We may redeem the rights for $0.01 per right at any time until the first public announcement of the acquisition of beneficial ownership of 15% of our common stock. At any time after a person has acquired 15% or more (but before any person has acquired more than 50%) of our common stock, we may exchange all or part of the rights for shares of common stock at an exchange ratio of one share of common stock per right. The rights expire on April 18, 2010.

Securities Authorized for Issuance Under Equity Compensation Plans

Information for our equity compensation plans in effect as of March 31, 2007 is as follows (amounts in thousands, except per share amounts):

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	27,060	$ 9.36	9,619
Equity compensation plans not approved by security holders	23,304	$ 4.53	256
Total	50,364		9,875

See Note 14 of the Notes to Consolidated Financial Statements included in Item 8 for the material features of each equity compensation plan that was adopted without security holder approval.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes certain selected consolidated financial data, which should be read in conjunction with our Consolidated Financial Statements and Notes thereto and with Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein. The selected consolidated financial data presented below as of and for each of the fiscal years in the five-year period ended March 31, 2007 are derived from our consolidated financial statements except basic and diluted earnings per share and basic and diluted weighted average shares outstanding which have been restated for the effect of our stock splits. The Consolidated Balance Sheets as of March 31, 2007 and 2006 and the Consolidated Statements of Operations and Consolidated Statements of Cash Flows for each of the fiscal years in the three-year period ended March 31, 2007, and the report thereon, are included elsewhere in this Form 10-K (in thousands, except per share data).

	For the fiscal years ended March 31,				
	2007	2006	2005	2004	2003
Statement of Operations Data:					
Net revenues	$ 1,513,012	$ 1,468,000	$ 1,405,857	$ 947,656	$ 864,116
Cost of sales – product costs	799,587	734,874	658,949	475,541	440,977
Cost of sales – intellectual property licenses and software royalties and amortization	178,478	205,488	185,997	91,606	124,196
Income from operations	73,147	15,226	179,608	104,537	84,691
Income before income tax provision	109,825	45,856	192,700	110,712	93,251
Net income	85,787	40,251	135,057	74,098	59,003
Basic earnings per share (1)	0.31	0.15	0.54	0.31	0.23
Diluted earnings per share (1)	0.28	0.14	0.49	0.29	0.21
Basic weighted average common shares outstanding (1)	281,114	273,177	250,023	236,887	256,639
Diluted weighted average common shares outstanding (1)	305,339	294,002	277,712	258,350	277,620
Net Cash Provided By (Used In):					
Operating activities	27,162	86,007	215,309	67,403	90,975
Investing activities	(35,242)	(85,796)	(143,896)	(170,155)	(301,547)
Financing activities	27,968	45,088	72,654	117,569	64,090

	As of March 31,				
	2007	2006	2005	2004	2003
Balance Sheet Data:					
Working capital	$ 1,060,064	$ 922,199	$ 913,819	$ 675,796	$ 422,500
Cash, cash equivalents and short-term investments	954,849	944,960	840,864	587,649	406,954
Capitalized software development and intellectual property licenses	231,196	147,665	127,340	135,201	107,921
Goodwill	195,374	100,446	91,661	76,493	68,019
Total assets	1,793,947	1,418,255	1,305,919	966,220	703,070
Long-term debt	—	—	—	—	2,671
Shareholders' equity	1,411,532	1,222,623	1,097,274	830,141	595,994

(1) Consolidated financial information for fiscal years 2005-2002 has been restated for the effect of our four-for-three stock split effected in the form of a 33-1/3% stock dividend to shareholders of record as of October 10, 2005, paid October 24, 2005.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Our Business

We are a leading international publisher of interactive entertainment software products. We have built a company with a diverse portfolio of products that spans a wide range of categories and target markets and that are used on a variety of game hardware platforms and operating systems. We have created, licensed, and acquired a group of highly recognizable brands, which we market to a variety of consumer demographics. Our fiscal 2007 product portfolio includes titles such as *Over the Hedge*, *X-Men: The Official Game*, *Marvel: Ultimate Alliance*, *Tony Hawk's Project 8*, *Tony Hawk's Downhill Jam*, *Call of Duty 3*, and *Guitar Hero 2*.

Our products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming, and strategy. Our target customer base ranges from casual players to game enthusiasts, children to adults, and mass-market consumers to "value" buyers. We currently offer our products primarily in versions that operate on the Sony PlayStation 2 ("PS2"), the Sony PlayStation 3 ("PS3"), the Nintendo Wii ("Wii"), and the Microsoft Xbox360 ("Xbox360") console systems, the Nintendo Game Boy Advance ("GBA"), the Nintendo Dual Screen ("NDS"), and the Sony PlayStation Portable ("PSP") hand-held devices, and the personal computer ("PC"). The installed base for the previous generation of hardware platforms (e.g., PS2, Xbox) is significant and the fiscal 2006 release of the Xbox360 and the fiscal 2007 releases of the PS3 and the Wii will further expand the software market. During the third quarter of fiscal 2007, we had a successful and significant presence at the launches of the PS3 and the Wii with three launch titles for the PS3, *Call of Duty 3*, *Marvel: Ultimate Alliance*, and *Tony Hawk's Project 8*, and five launch titles for the Wii, *Call of Duty 3*, *Marvel: Ultimate Alliance*, *World Series of Poker: Tournament of Champions*, *Rapala Tournament Fishing*, and *Tony Hawk's Downhill Jam*. Our plan is to continue to build on our significant launch presence on the PS3, Wii, and Xbox360 ("the next-generation platforms") by continuing to expand the number of titles released on the next generation platforms while continuing to market to current-generation platforms as long as economically attractive given their large installed base.

Our publishing business involves the development, marketing, and sale of products directly, by license, or through our affiliate label program with certain third party publishers. In North America, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. We conduct our international publishing activities through offices in the United Kingdom ("UK"), Germany, France, Italy, Spain, the Netherlands, Australia, Scandinavia, Canada, South Korea, and Japan. Our products are sold internationally on a direct-to-retail basis, through third party distribution and licensing arrangements, and through our wholly owned European distribution subsidiaries. Our distribution business consists of operations located in the UK, the Netherlands, and Germany that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Our profitability is directly affected by the mix of revenues from our publishing and distribution businesses. Operating margins realized from our publishing business are typically substantially higher than margins realized from our distribution business. Operating margins in our publishing business are affected by our ability to release highly successful or "hit" titles. Though many of these titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs, incremental net revenues directly and positively impact our operating margin. Operating margins in our distribution business are affected by the mix of hardware and software sales, with software typically producing higher margins than hardware.

Our Focus

With respect to future game development, we will continue to focus on our "big propositions," products that are backed by strong brands and high quality development, for which we will provide significant marketing support.

Our fiscal 2007 releases have included well-established brands, which are backed by high-profile intellectual property and/or highly anticipated motion picture releases. For example, we have a long-term relationship with Marvel Entertainment, Inc. through an exclusive licensing agreement for the Spider-Man and X-Men franchises through 2017. This agreement grants us the exclusive rights to develop and publish video games based on Marvel's comic book and movie franchises Spider-Man and X-Men. Through March 31, 2007, games based on the Spider-Man and X-Men franchises have generated approximately $852.7 million in net revenues worldwide. Under this agreement, in the

first quarter of fiscal 2007 we released the video game, *X-Men: The Official Game*, coinciding with the theatrical release of "X-Men: The Last Stand." In the third quarter of fiscal 2007, we released *Marvel: Ultimate Alliance* across multiple platforms and *Spider-Man: Battle for New York* on the NDS and GBA. In addition, through our licensing agreement with Spider-Man Merchandising, LP, we developed and published video games based on Columbia Pictures/Marvel Entertainment, Inc.'s feature film "Spider-Man 3," which was released in May 2007. Our agreement with Spider-Man Merchandising, LP grants us exclusive worldwide publishing rights to publish entertainment software products based on subsequent Spider-Man movie sequels or new television series through 2017.

We also have an exclusive licensing agreement with professional skateboarder Tony Hawk. The agreement grants us exclusive rights to develop and publish video games through 2015 using Tony Hawk's name and likeness. Through March 31, 2007, we have released eight successful titles in the Tony Hawk franchise with cumulative net revenues of $1.2 billion, including the two fiscal 2007 third quarter releases, *Tony Hawk's Project 8*, which was released on the PSP, Xbox360, PS2, and PS3, and *Tony Hawk's Downhill Jam* which was released on the Wii, NDS, and GBA. According to the NPD Group, which is a provider of consumer and retail market research information for a wide range of industries, for the eighth consecutive year the Tony Hawk franchise had a top 10 best-selling game in the U.S. for the month of December. We will continue to build on the highly successful Tony Hawk franchise with future releases currently in development for multiple platforms.

We continue to develop a number of original intellectual properties internally. For example, in the third quarter of fiscal 2007 we released *Call of Duty 3* on the PS2, PS3, Xbox, Xbox360, and the Wii. According to the NPD Group, *Call of Duty 3* was the #3 best-selling console game in the U.S. *Call of Duty 3* was the sixth release based upon this original intellectual property following two PC exclusive titles, *Call of Duty* and *Call of Duty: United Offensive*, as well as multi-platform releases of *Call of Duty: Finest Hour, Call of Duty: Big Red One,* and *Call of Duty 2*. We expect to continue to develop a variety of games on multiple platforms based on this original intellectual property as well as continue to invest in developing other original intellectual properties.

We have continued our focus on establishing and maintaining relationships with talented and experienced software development and publishing teams. In June 2006, we acquired RedOctane, Inc. ("RedOctane"), the publisher of the popular Guitar Hero franchise. In the third quarter of fiscal 2007 we released *Guitar Hero 2* on the PS2, which according to the NPD Group was the #1 game in dollars for the U.S. for the month of December and the #2 game overall for the third quarter of fiscal 2007. We have also developed *Guitar Hero 2* for the Xbox360 and plan on continuing to build on this franchise by investing in future development of Guitar Hero titles across a variety of platforms. We also have development agreements with other top-level, third-party developers such as id Software, Inc., Splash Damage, Ltd., and Traveller's Tales.

We will also continue to evaluate and exploit emerging brands that we believe have potential to become successful game franchises. For example, we have a multi-year, multi-property, publishing agreement with DreamWorks Animation LLC that grants us the exclusive rights to publish video games based on DreamWorks Animation SKG's theatrical release "Shrek 2," which was released in the first quarter of fiscal 2005, "Shark Tale," which was released in the second quarter of fiscal 2005, "Madagascar," which was released in the first quarter of fiscal 2006, "Over the Hedge," which was released in the first quarter of fiscal 2007, and all of their respective sequels. In addition, our multi-year agreement with DreamWorks Animation LLC also grants us the exclusive video game rights to four upcoming feature films, as well as potential future films in the "Shrek" franchise beyond the "Shrek the Third."

Additionally, we have a strategic alliance with Harrah's Entertainment, Inc. that grants us the exclusive, worldwide interactive rights to develop and publish "World Series of Poker" video games based on the popular World Series of Poker Tournament. In the second quarter of fiscal 2006, we released our first title under this alliance, *World Series of Poker,* which became the number one poker title of calendar 2005. Further building on this franchise, in the second quarter of fiscal 2007, we released our second title under this alliance, *World Series of Poker: Tournament of Champions*.

We also continue to build on our portfolio of licensed intellectual property. In February 2006, we signed an agreement with Hasbro Properties Group granting us the exclusive global rights (excluding Japan) to develop console, hand-held, and PC games based on Hasbro's "Transformers" brand. We anticipate releasing the first game concurrently with the July 2007 movie release of the live action "Transformers" film from DreamWorks Pictures and Paramount Pictures. In April 2006, we signed an agreement with MGM Interactive and EON Productions Ltd. granting us the exclusive rights to develop and publish interactive entertainment games based on the James Bond license through 2014. In May 2006, we signed a multi-year agreement with Mattel, Inc. which grants us the exclusive

worldwide distribution rights to new video games on all platforms based on Mattel, Inc.'s *Barbie* brand. In the third quarter of fiscal 2006, we distributed six *Barbie* titles: *Barbie in the 12 Dancing Princesses, The Barbie Diaries: High School Mystery, Barbie Fashion Show, Barbie Horse Adventures: Mystery Ride, Barbie and*

the Magic of Pegasus, and *Barbie as the Princess and the Pauper.* In September 2006, we entered into a distribution agreement with MTV Networks Kids and Family Group's Nickelodeon, a division of Viacom Inc., to be the exclusive distributor of three new Nick Jr. PC CD-ROM titles, published by Nickelodeon and based on the top preschool series on commercial television, *Dora The Explorer, The Backyardigans*, and *Go, Diego, Go!*.

We are utilizing these developer relationships, new intellectual property acquisitions, new original intellectual property creations, and our existing library of intellectual property to further focus our game development on product lines that will deliver significant, lasting, and recurring revenues and operating profits.

Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our financial results. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note 1 to the Notes to Consolidated Financial Statements included in Item 8. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition. We recognize revenue from the sale of our products upon the transfer of title and risk of loss to our customers. Certain products are sold to customers with a street date (i.e., a date on which products are made widely available by retailers). For these products we recognize revenue no earlier than the street date. Revenue from product sales is recognized after deducting the estimated allowance for returns and price protection. With respect to license agreements that provide customers the right to make multiple copies in exchange for guaranteed amounts, revenue is recognized upon delivery of such copies. Per copy royalties on sales that exceed the guarantee are recognized as earned. With respect to on-line transactions, such as electronic downloads of titles or product add-ons, revenue is recognized when the fee is paid by the on-line customer to purchase online content and we are notified by the online retailer that the product has been downloaded. In addition, in order to recognize revenue for both product sales and licensing transactions, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable. Revenue recognition also determines the timing of certain expenses, including "cost of sales – intellectual property licenses" and "cost of sales – software royalties and amortization."

Sales incentives or other consideration given by us to our customers are accounted for in accordance with the Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." In accordance with EITF Issue 01-9, sales incentives and other consideration that are considered adjustments of the selling price of our products, such as rebates and product placement fees, are reflected as reductions of revenue. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular ad, are reflected as sales and marketing expenses.

Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence. In determining the appropriate unit shipments to our customers, we benchmark our titles using historical and industry data. We closely monitor and analyze the historical performance of our various titles, the performance of products released by other publishers and the anticipated timing of other releases in order to assess future demands of current and upcoming titles. Initial volumes shipped upon title launch and subsequent reorders are evaluated to ensure that quantities are sufficient to meet the demands from the retail markets but at the same time, are controlled to prevent excess inventory in the channel.

We may permit product returns from, or grant price protection to, our customers under certain conditions. In general, price protection refers to the circumstances when we elect to decrease the wholesale price of a product by a certain amount and, when granted and applicable, allows customers a credit against amounts owed by such customers to us with respect to open and/or future invoices. The conditions our customers must meet to be granted the right to return products or price protection are, among other things, compliance with applicable payment terms, and consistent delivery to us of inventory and sell-through reports. We may also consider other factors, including the facilitation of

slow-moving inventory and other market factors. Management must make estimates of potential future product returns and price protection related to current period product revenue. We estimate the amount of future returns and price protection for current period product revenue utilizing historical experience and information regarding inventory levels and the demand and acceptance of our products by the end consumer. The following factors are used to estimate the amount of future returns and price protection for a particular title: historical performance of titles in similar genres, historical performance of the hardware platform, historical performance of the brand, console hardware life cycle, Activision sales force and retail customer feedback, industry pricing, weeks of on-hand retail channel inventory, absolute quantity of on-hand retail channel inventory, our warehouse on-hand inventory levels, the title's recent sell-through history (if available), marketing trade programs, and competing titles. The relative importance of these factors varies among titles depending upon, among other items, genre, platform, seasonality, and sales strategy. Significant management judgments and estimates must be made and used in connection with establishing the allowance for returns and price protection in any accounting period. Based upon historical experience we believe our estimates are reasonable. However, actual returns and price protection could vary materially from our allowance estimates due to a number of reasons including, among others, a lack of consumer acceptance of a title, the release in the same period of a similarly themed title by a competitor, or technological obsolescence due to the emergence of new hardware platforms. Material differences may result in the amount and timing of our revenue for any period if factors or market conditions change or if management makes different judgments or utilizes different estimates in determining the allowances for returns and price protection. For example, a 1% change in our March 31, 2007 allowance for returns and price protection would impact net revenues by $0.9 million.

Similarly, management must make estimates of the uncollectibility of our accounts receivable. In estimating the allowance for doubtful accounts, we analyze the age of current outstanding account balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends, and changes in our customers' payment terms and their economic condition, as well as whether we can obtain sufficient credit insurance. Any significant changes in any of these criteria would affect management's estimates in establishing our allowance for doubtful accounts.

We value inventory at the lower of cost or market. We regularly review inventory quantities on hand and in the retail channel and record a provision for excess or obsolete inventory based on the future expected demand for our products. Significant changes in demand for our products would impact management's estimates in establishing our inventory provision.

Software Development Costs. Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed products.

We account for software development costs in accordance with Statement of Financial Accounting Standard ("SFAS") No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses both technical design documentation and game design documentation. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a

product-by-product basis. Prior to a product's release, we expense, as part of "cost of sales — software royalties and amortization," capitalized costs when we believe such amounts are not recoverable. Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Amounts related to software development which are not capitalized are charged immediately to product development expense. We evaluate the future recoverability of capitalized amounts on a quarterly basis. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific products for which the costs relate. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

Commencing upon product release, capitalized software development costs are amortized to "cost of sales — software royalties and amortization" based on the ratio of current revenues to total projected revenues, generally resulting in an amortization period of six months or less. For products that have been released in prior periods, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing assessment of the recoverability of capitalized costs. In evaluating

the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than and/or revised forecasted or actual costs are greater than the original forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge.

Intellectual Property Licenses. Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, or other intellectual property or proprietary rights in the development of our products. Depending upon the agreement with the rights holder, we may obtain the rights to use acquired intellectual property in multiple products over multiple years, or alternatively, for a single product.

We evaluate the future recoverability of capitalized intellectual property licenses on a quarterly basis. The recoverability of capitalized intellectual property license costs is evaluated based on the expected performance of the specific products in which the licensed trademark or copyright is to be used. As many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property, and the rights holder's continued promotion and exploitation of the intellectual property. Prior to the related product's release, we expense, as part of "cost of sales — intellectual property licenses," capitalized intellectual property costs when we believe such amounts are not recoverable. Capitalized intellectual property costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

Commencing upon the related product's release, capitalized intellectual property license costs are amortized to "cost of sales — intellectual property licenses" based on the ratio of current revenues for the specific product to total projected revenues for all products in which the licensed property will be utilized. As intellectual property license contracts may extend for multiple years, the amortization of capitalized intellectual property license costs relating to such contracts may extend beyond one year. For intellectual property included in products that have been released and unreleased products, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

Significant management judgments and estimates are utilized in the assessment of the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than, and/or revised forecasted or actual costs are greater than, the original forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Additionally, as noted above, as many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property and the rights holder's continued promotion and exploitation of the intellectual property. Material differences may result in the amount and timing of charges for any period if management makes different judgments or utilizes different estimates in evaluating these qualitative factors.

Stock-Based Compensation. On April 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases"), based on estimated fair values. SFAS 123R supersedes our previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123R. We have applied the provisions of SAB 107 in our adoption of SFAS 123R.

We adopted SFAS 123R using the modified prospective transition method, which requires the application of the accounting standard as of April 1, 2006, the first day of our fiscal year 2007. The Company's Consolidated Financial Statements as of and for the fiscal year ended March 31, 2007 reflect the impact of SFAS 123R. In

accordance with the modified prospective transition method, the Company's Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. See Note 14 for additional information.

In November 2005, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards" ("FSP 123R-3"). We have elected not to adopt the alternative transition method provided in the FSP 123R-3 for calculating the tax effects of stock-based compensation pursuant to SFAS 123R. We followed paragraph 81 of SFAS No. 123R to calculate the initial pool of excess tax benefits and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the measurement date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statement of Operations. Stock-based compensation expense recognized under SFAS 123R for the fiscal year ended March 31, 2007 was $25.5 million. Prior to the adoption of SFAS 123R, the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under APB 25, compensation expense was recorded for the issuance of stock options and other stock-based compensation based on the intrinsic value of the stock options and other stock-based compensation on the date of grant or measurement date. Under the intrinsic value method, compensation expense was recorded on the measurement date only if the current market price of the underlying stock exceeded the stock option or other stock-based award's exercise price. For the fiscal years ended March 31, 2006 and 2005, we recognized $3.1 million and $3.4 million, respectively, in stock-based compensation expense related to employee stock options and restricted stock, under APB 25. See Note 14 to the Consolidated Financial Statements for additional information.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in our Consolidated Statements of Operations for the fiscal year ended March 31, 2007 includes compensation expense for share-based payment awards granted prior to, but not yet vested as of, April 1, 2006 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123, and compensation expense for the share-based payment awards granted subsequent to April 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. As stock-based compensation expense recognized in the Consolidated Statements of Operations for the fiscal year ended March 31, 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

As of April 1, 2005, we changed our method of valuation for share-based awards to a binomial-lattice model from the Black-Scholes option-pricing model ("Black-Scholes model") which was used for options granted prior to April 1, 2005 for FAS 123 fair value disclosures. For additional information, see Note 14 to the Consolidated Financial Statements. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

Selected Consolidated Statements of Operations Data

The following table sets forth certain Consolidated Statements of Operations data for the periods indicated as a percentage of consolidated net revenues and also breaks down net revenues by territory, business segment, and platform, as well as operating income by business segment (in thousands):

	Fiscal Year ended March 31,					
	2007		2006		2005	
Net revenues	$ 1,513,012	100%	$ 1,468,000	100%	$ 1,405,857	100%
Costs and expenses:						
Cost of sales – product costs	799,587	52	734,874	50	658,949	47
Cost of sales – software royalties and amortization	132,353	9	147,822	10	123,800	9
Cost of sales – intellectual property licenses	46,125	3	57,666	4	62,197	5
Product development	133,073	9	132,651	9	87,776	6
Sales and marketing	196,213	13	283,395	19	230,299	16
General and administrative	132,514	9	96,366	7	63,228	4
Total costs and expenses	1,439,865	95	1,452,774	99	1,226,249	87
Income from operations	73,147	5	15,226	1	179,608	13
Investment income, net	36,678	2	30,630	2	13,092	1
Income before income tax provision	109,825	7	45,856	3	192,700	14
Income tax provision	24,038	1	5,605	—	57,643	4
Net income	$ 85,787	6%	$ 40,251	3%	$ 135,057	10%
Net Revenues by Territory:						
North America	$ 753,376	50%	$ 710,040	48%	$ 696,325	50%
Europe	718,973	47	717,494	49	675,074	48
Other	40,663	3	40,466	3	34,458	2
Total net revenues	$ 1,513,012	100%	$ 1,468,000	100%	$ 1,405,857	100%
Net Revenues by Segment/Platform Mix:						
Publishing:						
Console	$ 886,795	59%	$ 812,345	55%	$ 713,947	51%
Hand-held	153,357	10	158,861	11	138,695	10
PC	78,886	5	183,457	13	220,087	15
Total publishing net revenues	1,119,038	74	1,154,663	79	1,072,729	76
Distribution:						
Console	238,662	16	196,413	13	256,452	18
Hand-held	122,293	8	76,973	5	23,282	2

PC	33,019	2	39,951	3	53,394	4
Total distribution net revenues	393,974	26	313,337	21	333,128	24
Total net revenues	$ 1,513,012	100%	$ 1,468,000	100%	$ 1,405,857	100%
Operating Income (Loss) by Segment:						
Publishing	$ 64,076	4%	$ (6,715)	—%	$ 155,863	11%
Distribution	9,071	1	21,941	1	23,745	2
Total operating income	$ 73,147	5%	$ 15,226	1%	$ 179,608	13%

Results of Operations – Fiscal Years Ended March 31, 2007 and 2006

Net Revenues

We primarily derive revenue from sales of packaged interactive software games designed for play on video game consoles (such as the PS2, PS3, Xbox360, and Wii), PCs, and hand-held game devices (such as the GBA, NDS, and PSP). We also derive revenue from our distribution business in Europe that provides logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations and third-party manufacturers of interactive entertainment hardware.

The following table details our consolidated net revenues by business segment and our publishing net revenues by territory for the years ended March 31, 2007 and 2006 (in thousands):

	For the fiscal years ended March 31,		Increase/ (Decrease)	Percent Change
	2007	2006		
Publishing net revenues				
North America	$ 753,376	$ 710,040	$ 43,336	6%
Europe	324,999	404,157	(79,158)	(20)%
Other	40,663	40,466	197	0%
Total international	365,662	444,623	(78,961)	(18)%
Total publishing net revenues	1,119,038	1,154,663	(35,625)	(3)%
Distribution net revenues	393,974	313,337	80,637	26%
Consolidated net revenues	$ 1,513,012	$ 1,468,000	$ 45,012	3%

Consolidated net revenues increased 3% from $1,468.0 million for the fiscal year ended March 31, 2006 to $1,513.0 million for the fiscal year ended March 31, 2007. This increase in consolidated net revenues was driven by the following:

- Strong performance of our North American publishing unit led to a year over year increase in net revenues of $43.3 million or 6%. In the third quarter of fiscal 2007, we released a focused but high quality slate of titles, which resulted in strong consumer demand for our new releases in the third quarter, continuing reorders in the fourth quarter and strong price realization. In fiscal 2007, our major releases included *Call of Duty 3*, *Guitar Hero 2*, *Marvel: Ultimate Alliance*, *Tony Hawk's Project 8*, *Over the Hedge*, *X-Men: Official Game*, *Shrek Smash N' Crash*, *Tony Hawk's Downhill Jam*, *Series of Poker Tournament of Champions*, *Pimp My Ride*, and titles for our Cabela's, History Channel and new Barbie franchises. In fiscal 2006, we released the following major releases: *Doom 3* for the Xbox, *Madagascar*, *Fantastic Four*, *Ultimate Spider-Man*, *X-Men Legends II*, *THAW*, *Call of Duty 2*, *Call of Duty 2: Big Red One*, *GUN*, *True Crime: New York City*, *Quake 4*, *Shrek SuperSlam*, *The Movies*, *Cabela's Dangerous Hunts 2*, and *World Series of Poker.*

- An increase in net revenues from our distribution business due to a stronger release schedule for certain third-party publishers, higher revenues from hardware sales related to the launch of PS3 and Nintendo Wii, as well as ongoing sales of NDS and PSP, and the addition of a significant new customer in the second quarter of fiscal 2007.

- Impact of the year over year strengthening of the Great Britain Pound ("GBP"), Euro ("EUR") and Australian Dollar ("AUD") in relation to the United States Dollar ("USD"). Foreign exchange rates increased reported net revenues by approximately $51.6 million or 4% for the year ended March 31, 2007. Excluding the impact of changing foreign currency rates, our consolidated net revenues remained about in line with prior year.

Partially offset by:

- A decrease in publishing net revenues from our European publishing operations primarily due to a more focused slate in fiscal 2007, and a decrease in our affiliate business as only one title, LucasArts' *Star Wars*

Lego 2 was released in 2007, whereas two strong affiliate titles, LucasArts' *Star Wars: Episode III Revenge of the Sith* and LucasArts' *Star Wars Battlefront II*, were released in fiscal 2006.

In fiscal 2008, we plan to leverage our traditional core franchises, such as Spiderman, Shrek, Call of Duty and Tony Hawk, and extend our market leadership in the music-based gaming genre with Guitar Hero. In addition, we expect strong market growth as the next generation consoles gain critical mass. As a result, we

anticipate revenues will increase in fiscal 2008 in comparison to the record net revenues achieved in fiscal 2007.

North America Publishing Net Revenues (in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 753,376	50%	$ 710,040	48%	$ 43,336	6%

North America publishing net revenues increased 6% from $710.0 million for the year ended March 31, 2006 to $753.4 million for the year ended March 31, 2007. Although the company released fewer titles in fiscal 2007, the high quality slate drove strong consumer demand and enabled the company to maintain pricing and record lower provisions for returns and price protection than in fiscal 2006. Net revenues were impacted by strong performances from *Guitar Hero 2*, *Call of Duty 3*, *Marvel: Ultimate Alliance* and *Tony Hawk's Project 8*. North America publishing net revenues increased as a percentage of consolidated net revenues from 48% for the year ended March 31, 2006 to 50% for the year ended March 31, 2007. The increase in the percentage of consolidated net revenues is due to a combination of strong performance in North America and a decrease in our international publishing net revenues due to a smaller slate and a decrease in the number of affiliate titles in Europe released in fiscal 2007.

International Publishing Net Revenues (in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 365,662	24%	$ 444,623	30%	$ (78,961)	(18)%

International publishing net revenues decreased by 18% from $444.6 million for the year ended March 31, 2006 to $365.7 million for the year ended March 31, 2007. Additionally, international publishing net revenues as a percentage of consolidated net revenues decreased from 30% for the year ended March 31, 2006 to 24% for the year ended March 31, 2007. The decrease in international publishing net revenues was primarily due to the decrease in the number of titles released internationally in fiscal 2007. Additionally, in Europe, our net revenues were impacted by a decrease in revenues from our affiliate titles. Fiscal 2006 included the successful LucasArts' titles, *Star Wars: Revenge of the Sith* and *Star Wars Battlefront II*, while fiscal 2007 included one major affiliate label release, LucasArts' *Lego Star Wars II: The Original Trilogy*. The decrease in international publishing net revenues was partially offset by a year over year strengthening of the EUR and the GBP in relation to the USD, which increased reported net revenues for fiscal 2007 by approximately $24.2 million. Excluding the impact of changing foreign currency rates, our international publishing net revenues decreased 23% year over year.

Publishing Net Revenues by Platform

Publishing net revenues decreased 3% from $1,154.7 million for the year ended March 31, 2006 to $1,119.0 million for the year ended March 31, 2007. The following table details our publishing net revenues by platform and as a percentage of total publishing net revenues for the years ended March 31, 2007 and 2006 (in thousands):

	Year Ended March 31, 2007	% of Publishing Net Revs	Year Ended March 31, 2006	% of Publishing Net Revs	Increase/ (Decrease)	Percent Change
Publishing Net Revenues						
PC	$ 78,886	7%	$ 183,457	16%	$ (104,571)	(57)%
Console						
Sony PlayStation 3	53,842	5%	—	—%	53,842	n/a
Sony PlayStation 2	500,927	45%	422,239	36%	78,688	19%
Microsoft Xbox360	200,394	18%	102,809	9%	97,585	95%
Microsoft Xbox	54,232	5%	205,864	18%	(151,632)	(74)%
Nintendo Wii	54,636	5%	—	—%	54,636	n/a
Nintendo GameCube	22,761	2%	80,964	7%	(58,203)	(72)%
Other	3	—%	469	—%	(466)	(99)%
Total console	886,795	80%	812,345	70%	74,450	9%
Hand-held						
Game Boy Advance	48,478	4%	79,738	7%	(31,260)	(39)%
PlayStation Portable	49,931	4%	52,016	5%	(2,085)	(4)%
Nintendo Dual Screen	54,948	5%	27,107	2%	27,841	103%
Total hand-held	153,357	13%	158,861	14%	(5,504)	(3)%
Total publishing net revenues	$ 1,119,038	100%	$ 1,154,663	100%	$ (35,625)	(3)%

Personal Computer Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 78,886	7%	$ 183,457	16%	$ (104,571)	(57)%

Net revenues from sales of titles for the PC decreased 57% from $183.5 million and 16% of publishing net revenues for the year ended March 31, 2006 to $78.9 million and 7% of publishing net revenues for the year ended March 31, 2007. The decreases were primarily due to the strong performance of our fiscal 2006 PC releases, as well as a decrease in the number of titles released for the PC during fiscal 2007 as compared to fiscal 2006. In fiscal 2006, we released the highly

successful PC title, *Call of Duty 2*, which was ranked by NPD Funworld as the number two best selling PC title in the United States for the third quarter of fiscal 2006, as well as *Quake 4*, *The Movies*, and *Doom 3: Resurrection of Evil*. This compares to fiscal 2007 where net revenues were primarily derived from catalog sales of *Call of Duty 2*, *Quake 4* and *The Movies*, as well as revenues from our European affiliate title LucasArts' *Lego Star Wars II: The Original Trilogy*.

We expect fiscal 2008 PC publishing net revenues to increase due to the release of *Enemy Territory: Quake Wars*, and *Call of Duty 4*, as well as PC releases of large scale movie titles (*Spider Man the Movie 3*, *Shrek the Third and Transformers*). *Quake* and *Call of Duty* had no PC releases in the fiscal 2007 base period and should attract a significant audience on the PC platform in fiscal 2008.

Sony PlayStation 3 Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 53,842	5%	$ —	—%	$ 53,842	n/a

The PS3 was released in November 2006 in North America and in March 2007 in Europe. Consistent with our goal of having a significant presence at the launch of each new platform, we released three titles concurrently with the hardware releases: *Call of Duty 3, Marvel: Ultimate Alliance,* and *Tony Hawk's Project 8*. All of these titles were released at premium retail pricing (i.e. $59.99 in the United States).

We expect net revenues from sales of titles for the PS3 to increase as the installed base of hardware grows.

Sony PlayStation 2 Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 500,927	45%	$ 422,239	36%	$ 78,688	19%

Net revenues from sales of titles for the PS2 increased 19% from $422.2 million for the year ended March 31, 2006 to $500.9 million for the year ended March 31, 2007. Although we released a fewer number of major titles for the PS2 in fiscal 2007, the strong performance of these releases, particularly the PS2 exclusive title Guitar Hero 2, resulted in higher net revenues in absolute dollars and as a percentage of publishing net revenues. The key titles impacting the fiscal 2007 results were *Call of Duty 3*, the #3 title overall for the third quarter of fiscal 2007 according to NPD Funworld, and *Guitar Hero 2* (game and accessories), the #1 best selling title on the PS2 platform for the third quarter of fiscal 2007 per NPD Funworld. In addition, we released *Marvel: Ultimate Alliance, Over the Hedge, Tony Hawk's Project 8, X-Men: The Official Game, Shrek Smash N' Crash Racing* and our European affiliate title, LucasArts' *Star Wars Lego 2*. This compares to fiscal 2006 where we released the PS2 titles *Call of Duty 2: Big Red One, Tony Hawk's American Wasteland, Shrek SuperSlam, GUN, True Crime: New York City, Madagascar, Fantastic Four, X-Men Legends 2, Ultimate Spiderman* and two affiliate titles in Europe, LucasArts' *Star Wars: Revenge of the Sith* and *Star Wars Battlefront II*.

Although we expect net revenues from sales of titles for the PS2 to decline over time as consumers transition to next generation platforms, we continue to expect significant net revenues for PS2 for fiscal 2008 as we plan to develop and release many of our key titles on this platform.

Microsoft Xbox360 Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 200,394	18%	$ 102,809	9%	$ 97,585	95%

Net revenues from sales of titles for the Xbox360 increased 95% from $102.8 million for the year ended March 31, 2006 to $200.4 million for the year ended March 31, 2007. As a percentage of publishing net revenues, net revenues from sales of titles for the Xbox360 doubled from 9% for the year ended March 31, 2006 to 18% for the year ended March 31, 2007. These increases are due to the growing installed base for the Xbox360, as well as an increase in the number of titles released. In fiscal 2007, we released ten titles for this platform, and according to NPD Funworld, three of our titles, *Call of Duty 3, Tony Hawk's Project 8* and *Marvel: Ultimate Alliance* ranked among the top ten Xbox 360 titles during the third quarter of fiscal 2007. In fiscal 2006, we released four titles concurrently with the November 2005 launch of the Xbox360 hardware, *Call of Duty 2, THAW, Quake 4,* and *GUN,* and we experienced strong sales for these four titles although limited by hardware availability.

We expect net revenues from sales of titles for the XBox360 to significantly increase in the upcoming fiscal year due to the growing installed base and our strong slate of Xbox360 titles.

Microsoft Xbox Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 54,232	5%	$ 205,864	18%	$ (151,632)	(74)%

Net revenues from sales of titles for the Xbox decreased 74% from $205.9 million for the year ended March 31, 2006 to $54.2 million for the year ended March 31, 2007. As a percentage of publishing net revenues, net revenues from sales of titles for the Xbox decreased from 18% for the year ended March 31, 2006 to 5% for the year ended March 31, 2007. These decreases were primarily attributable to a slowdown in sales for the Xbox as customers upgrade to the Xbox360, and the reduction in the number of titles released by us for this platform. In fiscal 2007 we released five major titles for Xbox: *Call of Duty 3, Tony Hawk's Project 8, Marvel: Ultimate Alliance, Over the Hedge* and *X-Men: The Official Game.* In fiscal 2006, we released our largest slate including *Call of Duty: Big Red One, Tony*

Hawk's American Wasteland, GUN, Ultimate Spiderman, X-Men Legends 2, True Crime: New York City, Shrek: SuperSlam, Madagascar, Fantastic Four and the Xbox exclusive, *Doom 3.*

We expect our fiscal 2008 net revenues from sales of titles for the Xbox to decrease as consumers transition to next generation platforms and as we stop developing new titles for this platform.

Nintendo Wii Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 54,636	5%	$ —	—%	$ 54,636	n/a

The Nintendo Wii was released in November 2006. Consistent with our goal of having a significant presence at the launch of each next generation platform, we released five titles concurrently with the release of Wii;

Call of Duty 3, Marvel: Ultimate Alliance, World Series of Poker: Tournament of Champions, Rapala Tournament Fishing, and *Tony Hawk's Downhill Jam.* With the strong consumer demand for the platform, our five releases performed well, three of which were top ten Wii titles in the third quarter of fiscal 2007, according to NPD Funworld: *Call of Duty 3, Marvel Ultimate Alliance and Tony Hawk's Downhill Jam.*

We expect net revenues from sales of titles for the Wii to significantly increase with the growth of the installed base and an increase in the number of titles on our slate for fiscal 2008. Due to its mass market appeal, we believe that the Wii will provide a significant opportunity for us in the upcoming fiscal years.

Nintendo GameCube Net Revenues (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 22,761	2%	$ 80,964	7%	$ (58,203)	(72)%

Net revenues from sales of titles for the Nintendo GameCube decreased 72% from $81.0 million for the year ended March 31, 2006 to $22.8 million for the year ended March 31, 2007. The decrease in absolute dollars and as a percentage of publishing net revenues reflects a decrease in the number of new releases in fiscal 2007 compared to fiscal 2006 and a significant slowdown in sales on the GameCube platform as customers transition to the next generation platforms. In fiscal 2006, we released nine major titles: *Madagascar, Tony Hawk's American Wasteland, Ultimate Spiderman, Fantastic Four, Call of Duty: Big Red One, True Crime: New York City, GUN, Shrek Super Slam* and *X-Men Legends 2.* This compares to fiscal 2007 when we released four titles: *Over the Hedge, X-Men: The Official Game, Shrek Smash N' Crash Racing,* and our European affiliate title, *Star Wars Lego 2.*

We expect net revenues for the GameCube to significantly decrease in fiscal 2008. Net revenues will be generated from catalog sales only, as we will no longer develop titles for this platform.

Hand-held (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 153,357	13%	$ 158,861	14%	$ (5,504)	(3)%

Net revenues from sales of titles for the hand-held platforms decreased 3% from $158.9 million for the year ended March 31, 2006 to $153.4 million for the year ended March 31, 2007. Hand-held net revenues as a percentage of publishing net revenues decreased slightly from 14% to 13%. Within the hand-held platforms, net revenues for the GBA platform decreased 39%, from $79.7 million for the prior fiscal year, to $48.5 million for fiscal 2007, PSP decreased by 4%, from $52.0 million to $49.9 million, and net revenues for the NDS doubled from $27.1 million for fiscal 2006 to $54.9 million for the current year. The decrease in net revenues for GBA is primarily related to slower GBA sales due to wider acceptance of the NDS platform. The net revenue increase for NDS reflects the strong performance of our key fiscal 2007 titles which includes *Over the Hedge, Tony Hawk's Downhill Jam, X-Men: The Official Game, Spider-Man: Battle for New York* and LucasArts' *Star Wars Lego 2* in Europe, as the platform continued to gain consumer acceptance and market share. PSP net revenues for fiscal 2007 were slightly lower than the previous year. In fiscal 2006, we released a stronger PSP slate and our titles performed well with the consumer excitement for the March 2005 North America platform launch, and the September 2005 European platform launch. The 2006 slate included *Tony Hawk's Underground 2, Spider-Man: The Movie 2, X-Men Legends 2, World Series of Poker,* and two affiliate titles in Europe. Our key releases in fiscal 2007 *were Marvel: Ultimate Alliance, Tony Hawk's Project 8, Call of Duty: Roads to Victory,* and one European affiliate title, LucasArts' *Star Wars Lego 2.*

With the installed base of the NDS and PSP continuing to increase, we expect that fiscal 2008 hand-held net revenues to continue to increase year over year.

Overall

The platform mix of our future publishing net revenues will likely be impacted by a number of factors, including the ability of hardware manufacturers to continue to increase their installed hardware base for the next-generation platforms, as well as the performance of key product releases from our product release schedule. We expect that net revenues from console titles will continue to represent the largest component of our publishing net revenues with Xbox 360 having the largest percentage of that business in fiscal 2008 due to its large installed hardware base and our strong slate of titles. We expect significant growth in net revenues from PS3 and Wii next-generation console systems and a decrease in the percentage of PS2 business in fiscal 2008. With the installed base of the NDS and PSP platforms continuing to increase, we also expect to see a continued increase in our hand-held business in line with the growth in the installed base. Our net revenues from PC titles will be primarily driven by our product release schedule.

A significant portion of our revenues and profits are derived from a relatively small number of popular titles and brands each year and revenues and profits are significantly affected by our ability to release highly successful "hit" titles. For example, for the year ended March 31, 2007, 29% of our consolidated net revenues and 39% of worldwide publishing net revenues were derived from net revenues from our *Call of Duty 3*, *Guitar Hero 2*, *and Marvel: Ultimate Alliance* titles. Though many of these titles have substantial production or acquisition costs and marketing budgets, once a title recoups these costs, incremental net revenues directly and positively impact operating profits resulting in a disproportionate amount of operating income being derived from these select titles. We expect that a limited number of titles and brands will continue to produce a disproportionately large amount of our net revenues and profits.

Three key factors that could affect future publishing and distribution net revenue performance are console hardware pricing, software pricing, and transitions in console platforms. As console hardware moves through its life cycle, hardware manufacturers typically enact price reductions. Reductions in the price of console hardware typically result in an increase in the installed base of hardware owned by consumers. Historically, we have seen that lower console hardware prices put downward pressure on software pricing. However, we expect console software launch pricing for the Xbox360 and PS3 to hold at current levels as a result of the strong consumer acceptance of these price points that has occurred since the launch of the next generation platforms and the greater product capability and value of next generation titles. We continue to expect software pricing on PS2 to hold at $39.99 with continued momentum on this platform. We will not be launching any new NGC or Xbox title in fiscal year 2008.

Distribution Net Revenues (in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 393,974	26%	$ 313,337	21%	$ 80,637	26%

Distribution net revenues for the year ended March 31, 2007 increased 26% from the prior fiscal year, from $313.3 million to $394.0 million. Foreign exchange rates increased reported distribution net revenues by approximately $27.3 million for the year ended March 31, 2007. Excluding the impact of the changing foreign currency rates, our distribution net revenues increased $53.3 million or 17% year over year. This year over year increase was primarily due to the strong releases for certain third-party publishers, increased hardware sales primarily related to the launch of two new platforms in fiscal 2007, the PS3 and the Nintendo Wii, as well as ongoing sales of NDS and PSP hardware, and the addition of a new customer in the second quarter of fiscal 2007.

The mix of distribution net revenues between hardware and software sales varied year over year with approximately 17% of distribution net revenues from hardware sales in the year ended March 31, 2007 as compared to 20% in the prior fiscal year. Fiscal 2007 results included the hardware releases of the Nintendo Wii in November 2006 and the PS3 in late March 2007. Fiscal 2006 included the release of the PSP in Europe in the second quarter and the Xbox360 in November 2005. The mix of future distribution net revenues will be driven by a number of factors including the occurrence of further hardware price reductions instituted by hardware manufacturers, and our ability to establish and maintain distribution agreements with hardware manufacturers, third-party software publishers and retail customers.

We expect our fiscal 2008 distribution net revenues to decrease in absolute dollars and as a percentage of consolidated net revenues when compared with fiscal 2007 primarily due to the loss of a customer at the end of fiscal 2007 and strong growth of our publishing business.

Costs and Expenses

Cost of Sales – Product Costs (in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 799,587	52%	$ 734,874	50%	$ 64,713	9%

"Cost of sales – product costs" represented 52% and 50% of consolidated net revenues for the years ended March 31, 2007 and 2006, respectively. In absolute dollars, "cost of sales — product costs" increased 9% from $734.9 million for the year ended March 31, 2006 to $799.6 million for the year ended March 31, 2007. The primary factors affecting the increase in "cost of sales – product costs" in absolute dollars and as a percentage of consolidated net revenues were:

- An increase in consolidated net revenues of 3% from $1,468.0 million for the year ended March 31, 2006 to $1,513.0 million for the year ended March 31, 2007.
- A higher percentage of our business relating to distribution which carries higher product costs than our publishing business.
- Higher net revenues from products for console platforms in absolute dollars and as a percentage of publishing net revenues from $812.3 million and 70% of publishing net revenues in fiscal 2006 to $886.8 million and 80% of publishing net revenues in fiscal 2007. Console products have higher costs of sales – product costs associated with them than PC products, due to the royalty payments to hardware manufacturers.

Partially offset by:

- Non-recurring write-downs of inventory costs recorded in fiscal 2006 in the amount of $14.5 million due to the high level of inventory for certain titles which, due to weaker market conditions and a slow down in re-orders caused by the console transition.

We expect cost of sales — product costs as a percentage of net revenues to decrease in fiscal 2008 as compared to fiscal 2007 primarily due to a larger proportion of our business being derived from the publishing segment in fiscal 2008.

Cost of Sales – Software Royalties and Amortization (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 132,353	12%	$ 147,822	13%	$ (15,469)	(10)%

"Cost of sales – software royalties and amortization" for the year ended March 31, 2007 decreased as a percentage of publishing net revenues from the prior fiscal year, from 13% to 12%. In absolute dollars, "cost of sales

– software royalties and amortization" for the year ended March 31, 2007 also decreased from the prior fiscal year, from $147.8 million to $132.4 million. The decreases were mainly due to:

- A decrease in the number of titles released in fiscal 2007 as compared to the prior year when we had the largest slate of new releases in our history. A decrease in amortization of software development costs from internally developed games, was partially offset by increases in royalties for games developed by third party developers.

- Non-recurring costs recorded in fiscal 2006 totaling $12.6 million, related to impairment charges for a title in development in 2006, and recoverability write-offs related to released titles.

We expect "costs of sales – software royalties and amortization" to increase in fiscal 2008 in proportion to the expected increase in publishing net revenues.

Cost of Sales – Intellectual Property Licenses (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 46,125	4%	$ 57,666	5%	$ (11,541)	(20)%

"Cost of sales – intellectual property licenses" for the year ended March 31, 2007 decreased in absolute dollars and as a percentage of publishing net revenues over the same period last year, from $57.7 million to $46.1 million and from 5% to 4%, respectively. The decreases in both absolute dollars and as a percentage of publishing net revenues were due mainly to a decrease in the number of titles with associated intellectual property in fiscal 2007 compared to fiscal 2006. In fiscal 2007, we released the following titles with associated intellectual property: *Marvel: Ultimate Alliance, Over the Hedge, X-Men: Official Game, Guitar Hero 1 and 2, Tony Hawk's Project 8* and *Tony Hawk's Downhill Jam*. In fiscal 2006, we released the following titles with associated intellectual property: *Doom 3* for the Xbox, *Madagascar, Fantastic Four, Ultimate Spider-Man, X-Men Legends II, THAW, Quake IV,* and *Shrek SuperSlam.*

We expect intellectual property licenses to increase in absolute dollars and as a percentage of publishing net revenues in fiscal 2008 as a result of our planned title slate which includes several key releases with licensed intellectual property such as *Spider-Man: The Movie 3, Transformers, Shrek the Third,* and *Bee Movie.*

Product Development (in thousands)

March 31, 2007	% of Publishing Net Revenues	March 31, 2006	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 133,073	12%	$ 132,651	11%	$ 422	—%

Product development expenses of $133.1 million and $132.7 million represented 12% and 11% of publishing net revenues for the years ended March 31, 2007 and 2006, respectively. The increases in both absolute dollars and as a percentage of net revenues was primarily generated by:

- Increased costs incurred to fund more product development capacity at certain studios as well as the addition of Red Octane.

- Increases in product development expenses of $4.8 million in fiscal 2007 related to stock-based compensation expense as a result of the implementation of SFAS 123R.

- Compensation provided to employees in fiscal 2007 to cure tax penalties related to previously-exercised stock options.

Partially offset by:

- Product cancellation charges of $11.4 million, including termination fees, incurred during fiscal 2006. Given the market conditions, the lower than expected performance of some of our third quarter fiscal 2006 releases, and risks associated with console transition, we performed a thorough review of the then pending product slate. To better align opportunities associated with the next-generation console platforms with income potential and risks associated with certain titles in development, we canceled development of certain titles and permanently removed them from our future title slate. There were no product cancellation charges during fiscal 2007.

- The implementation during fiscal 2007 of certain cost control initiatives including sharing technologies and tools across multiple platforms and studios, increasing our development schedules to facilitate a longer pre-production phase and more predictable workflow times, and outsourcing certain areas of game development to lower cost service providers.

Sales and Marketing (in thousands)

March 31, 2007	% of Consolidated Net Revenue	March 31, 2006	% of Consolidated Net Revenue	Increase/ (Decrease)	Percent Change
$ 196,213	13%	$ 283,395	19%	$ (87,182)	(31)%

Sales and marketing expenses of $196.2 million and $283.4 million represented 13% and 19% of consolidated net revenues for the years ended March 31, 2007 and 2006, respectively. The decrease in both absolute dollars and as a percentage of net revenues was a result of the implementation of a more targeted media program which worked more efficiently helped by the overall strength and high quality of our fiscal 2007 title slate. We also released fewer titles in fiscal 2007 compared to fiscal 2006, where we had the largest slate of new releases in our history. The decreases were partially offset by expenses of $5.1 million in fiscal 2007 related to stock-based compensation expense as a result of the implementation of SFAS 123R, as well as sales and marketing expenses associated with the acquisition of the Guitar Hero franchise.

General and Administrative (in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 132,514	9%	$ 96,366	7%	$ 36,148	38%

General and administrative expenses of $132.5 million and $96.4 million represented 9% and 7% of consolidated net revenues for the years ended March 31, 2007 and 2006, respectively. The increases were primarily due to increased legal expenses and professional fees relating primarily to our internal review of historical stock option granting practices, the consolidation of RedOctane into our results of operations, amortization of intangible assets related to the RedOctane acquisition, and stock-based compensation expense of $10.0 million in fiscal 2007 as a result of the implementation of SFAS 123R. These increases were partially offset by the benefits of our cost optimization program launched in the fourth quarter of fiscal 2006 and gains on foreign currency.

Operating Income (in thousands)

	March 31, 2007	% of Segment Net Revs	March 31, 2006	% of Segment Net Revs	Increase/ (Decrease)	Percent Change
Publishing	$ 64,076	6%	$ (6,715)	(1)%	$ 70,791	1054%
Distribution	9,071	2%	21,941	7%	(12,870)	(59)%
Consolidated	$ 73,147	5%	$ 15,226	1%	$ 57,921	380%

Publishing operating income for the year ended March 31, 2007 increased $70.8 million from the same period last year, from an operating loss of $6.7 million to operating income of $64.1 million. The increase is primarily due to:

- The strong performance of our fiscal 2007 titles.
- A decrease in provision for returns and price protection in fiscal 2007 from 18% of consolidated net revenues in fiscal 2006 compared to 9% of consolidated net revenues in fiscal 2007, primarily due to improved market conditions and stronger sell through of our 2007 title releases.
- A significant decrease in sales and marketing spending as a result of improved efficiency in executing our marketing programs.
- The implementation of certain cost control initiatives resulting in decreased product development and general and administrative expenses (excluding expenses related to our internal review of historical stock option granting practices and expenses relating to the informal SEC inquiry and derivative litigation).
- Fiscal 2006 results included cancellation, impairment, and earn-out recoverability charges totaling $24.0 million. See additional description of charges incurred in the cost of sales – software royalties and amortization and the product development discussions.
- Fiscal 2006 results also included write-downs of inventory costs of $14.5 million. See additional description in the cost of sales – product costs discussion.

Partially offset by:

- Stock-based compensation expenses of $22.4 million for the year ended March 31, 2007 as a result of the implementation of SFAS 123R.
- Legal and other professional fees of $26.9 million associated with our internal review of historical stock option granting practices, including expenses relating to the informal SEC inquiry and derivative litigation.
- Amortization of intangible assets related to the RedOctane acquisition of $11.7 million.

Distribution operating income for the year ended March 31, 2007 decreased over the same period last year, from $21.9 million to $9.1 million. The decrease in operating income in 2007 was primarily due to increased business from large mass-market customers for which we earn smaller margins, an increase in hardware sales which carries a lower margin than software, and higher reserves for inventory obsolescence.

Investment Income, Net (in thousands)

March 31, 2007	% of Consolidated Net Revenues	March 31, 2006	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 36,678	2%	$ 30,630	2%	$ 6,048	20%

Investment income, net for the year ended March 31, 2007 was $36.7 million as compared to $30.6 million for the year ended March 31, 2006. The increase was primarily due to higher yields earned on our short term investments and cash equivalents, and a realized gain in the third quarter of fiscal 2007 of $1.8 million on the sale of an investment in common stock.

Provision for Income Taxes (in thousands)

March 31, 2007	% of Pre Tax Income	March 31, 2006	% of Pre Tax Income	Increase/ (Decrease)	Percent Change
$ 24,038	22%	$ 5,605	12%	$ 18,433	329%

The income tax provision of $24.0 million for the year ended March 31, 2007 reflects our effective income tax rate of 22%. This is higher than prior years as a result of an increase in pretax income for the year ended March 31, 2007, versus the amount of pretax income for the year ended March 31, 2006, without a corresponding increase in the benefit of book/tax differences. The significant items that generated the variance between our effective rate and our statutory rate of 35% were research and development tax credits, the impact of foreign tax rate differentials, and the elimination of the valuation allowance for research and development tax credits, partially offset by state taxes and the establishment of tax reserves for these credits and other deferred tax assets. The realization of deferred tax assets depends primarily on the generation of future taxable income. We believe that it is more likely than not that we will generate taxable income sufficient to realize the benefit of net deferred tax assets recognized.

Net Income

Net income for the year ended March 31, 2007 was $85.8 million or $0.28 per diluted share, as compared to $40.3 million or $0.14 per diluted share for the year ended March 31, 2006.

Results of Operations – Fiscal Years Ended March 31, 2006 and 2005

Net Revenues

We primarily derive revenue from sales of packaged interactive software games designed for play on video game consoles (such as the PS2, Xbox, Xbox360, and GameCube), PCs, and hand-held game devices (such as the GBA, NDS, and PSP). We also derive revenue from our distribution business in Europe that provides logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations and third-party manufacturers of interactive entertainment hardware.

The following table details our consolidated net revenues by business segment and our publishing net revenues by territory for the years ended March 31, 2006 and 2005 (in thousands):

	For the years ended March 31, 2006	2005	Increase/ (Decrease)	Percent Change
Publishing net revenues				
North America	$ 710,040	$ 696,325	$ 13,715	2%
Europe	404,157	341,946	62,211	18%
Other	40,466	34,458	6,008	17%
Total international	444,623	376,404	68,219	18%
Total publishing net revenues	1,154,663	1,072,729	81,934	8%
Distribution net revenues	313,337	333,128	(19,791)	(6)%
Consolidated net revenues	$ 1,468,000	$ 1,405,857	$ 62,143	4%

Consolidated net revenues increased 4% from $1,405.9 million for the year ended March 31, 2005 to $1,468.0 million for the year ended March 31, 2006. This increase in consolidated net revenues was solely generated by our publishing business and was driven by the following:

- An increase year over year in the number of titles released. Our fiscal 2006 launch schedule included the largest slate of new releases in our history. In fiscal 2006, we released seventeen major titles including the following major releases: *Doom 3* for the Xbox, *Madagascar*, *Fantastic Four, Ultimate Spider-Man, X-Men Legends II*, *THAW*, *Call of Duty 2*, *Call of Duty 2: Big Red One*, *GUN*, *True Crime: New York City*, *Quake 4*, *Shrek SuperSlam*, *The Movies*, *Cabela's Dangerous Hunts 2*, and *World Series of Poker.* In addition, four of these titles, *Call of Duty 2*, *THAW*, *Quake 4*, and *GUN*, were released concurrently with the release of the Xbox360 platform at a premium retail price of $59.99. This compares to fourteen titles in fiscal 2005, which included the following major releases: *Spider-Man 2*, *Call of Duty: Finest Hour*, *Tony Hawk's Underground 2 ("THUG 2")*, *Shrek 2*, *X-Men Legends*, *Doom 3*, *Lemony Snicket's A Series of Unfortunate Events*, *Shark Tale*, *Cabela's Big Game Hunter 2005*, and *Rome: Total War.* Additionally in fiscal 2006, we achieved our goal of increasing the number of million and multi-million unit selling titles.

- An increase in our hand-held platform presence growing publishing hand-held revenues by $20.2 million or 15% from $138.7 million for the year ended March 31, 2005 to $158.9 million for the year ended March 31, 2006. This was driven by an increase in the number of hand-held titles released combined with titles being released across more hand-held platforms with the fiscal 2005 introductions of the PSP and NDS.

Partially offset by:

- An increase in provision for return and price protection throughout fiscal 2006 from 12% of net revenues in fiscal 2005 to 18% of net revenues in fiscal 2006, due to challenging market conditions and the ongoing console transition.

- A decrease in net revenues from our distribution business due mostly to the effect of year over year weakening of the Euro ("EUR") and Great Britain Pound ("GBP") in relation to the United States Dollar ("USD"). Foreign exchange rates decreased reported distribution net revenues by approximately $14.9 million for the year ended March 31, 2006. Excluding the impact of changing foreign currency rates, our distribution net revenues decreased 1% year over year.

North America Publishing Net Revenues (in thousands)

March 31, 2006	% of Consolidated Net Revenues	March 31, 2005	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 710,040	48%	$ 696,325	50%	$ 13,715	2%

North America publishing net revenues increased 2% from $696.3 million for the year ended March 31, 2005 to $710.0 million for the year ended March 31, 2006. The increase reflects our largest slate of releases in company history and expansion of our hand-held presence with products for PSP, NDS, and GBA. This was offset by weaker market conditions resulting in higher provisions for returns and price protection. North America publishing net

revenues decreased as a percentage of consolidated net revenues from 50% for year ended March 31, 2005 to 48% for the year ended March 31, 2006. The decrease is due to a larger increase in our international publishing net revenues due to successful expansion efforts into new territories and the strong performance of our affiliate titles in Europe.

International Publishing Net Revenues (in thousands)

March 31, 2006	% of Consolidated Net Revenues	March 31, 2005	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 444,623	30%	$ 376,404	27%	$ 68,219	18%

International publishing net revenues increased by 18% from $376.4 million for the year ended March 31, 2005 to $444.6 million for the year ended March 31, 2006. Additionally, international publishing net revenues as a percentage of consolidated net revenues increased from 27% for the year ended March 31, 2005 to 30% for the year ended March 31, 2006. The increases were due mainly to our successful expansion efforts into new territories combined with strong performance from our affiliate label products which included the successful LucasArts' titles, *Star Wars: Revenge of the Sith* and *Star Wars Battlefront II*. The increase in international publishing net revenues was partially offset by a weakening of the EUR and the GBP in relation to the USD of approximately $14.5 million. Excluding the impact of changing foreign currency rates, our international publishing net revenues increased 22% year over year.

Publishing Net Revenues by Platform

Publishing net revenues increased 8% from $1,072.7 million for the year ended March 31, 2005 to $1,154.7 million for the year ended March 31, 2006. The following table details our publishing net revenues by platform and as a percentage of total publishing net revenues for the years ended March 31, 2006 and 2005 (in thousands):

	Year Ended March 31, 2006	% of Publishing Net Revs	Year Ended March 31, 2005	% of Publishing Net Revs	Increase/ (Decrease)	Percent Change
Publishing Net Revenues						
PC	$ 183,457	16%	$ 220,087	21%	$ (36,630)	(17)%
Console						
Sony PlayStation 2	422,239	36%	417,310	39%	4,929	1%
Microsoft Xbox	205,864	18%	196,894	18%	8,970	5%
Microsoft Xbox360	102,809	9%	—	—%	102,809	—%
Nintendo GameCube	80,964	7%	96,936	9%	(15,972)	(16)%
Other	469	—%	2,807	—%	(2,338)	(83)%
Total console	812,345	70%	713,947	66%	98,398	14%
Hand-held						
Game Boy Advance	79,738	7%	101,796	9%	(22,058)	(22)%
PlayStation Portable	52,016	5%	19,200	2%	32,816	171%
Nintendo Dual Screen	27,107	2%	17,699	2%	9,408	53%
Total hand-held	158,861	14%	138,695	13%	20,166	15%
Total publishing net revenues	$ 1,154,663	100%	$ 1,072,729	100%	$ 81,934	8%

Personal Computer Net Revenues (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 183,457	16%	$ 220,087	21%	$ (36,630)	(17)%

Net revenues from sales of titles for the PC decreased 17% from $220.1 million and 21% of publishing net revenues for the year ended March 31, 2005 to $183.5 million and 16% of publishing net revenues for the year ended

March 31, 2006. The decrease in both absolute dollars and as a percentage of publishing revenue was due to the slate of PC titles released in fiscal 2005 in comparison to fiscal 2006. In fiscal 2005, we released the highly successful PC titles *Doom 3* and *Rome: Total War* and also had strong continued sell through of our catalog title, *Call of Duty.* Although we had strong sales from our fiscal 2006 PC titles, *Call of Duty* 2, *The Movies*, and *Quake 4*, in fiscal 2005, according to NPD Funworld, we were the only publisher to have three top-ten PC titles for calendar year 2004.

Sony PlayStation 2 Net Revenues (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 422,239	36%	$ 417,310	39%	$ 4,929	1%

Net revenues from sales of titles for the PS2 increased 1% from $417.3 million for the year ended March 31, 2005 to $422.2 million for the year ended March 31, 2006. The slight increase was primarily due to an increase in the number of major titles released for the PS2 from seven major titles in fiscal 2005 to nine major titles in fiscal 2006. This increase was offset by an increase in the provision for returns and price protection on new releases due to weaker market conditions. In addition, *Madagascar,* which was our fifth best selling PS2 title for fiscal 2006 in terms of units sold, was released at a lower initial retail pricing point of $39.99 compared to $49.99 for comparable children's titles in fiscal 2005. As a percentage of publishing net revenues, net revenues from sales of titles for the PS2 decreased from 39% for the year ended March 31, 2005 to 36% for the year ended March 31, 2006. The decrease is due to a change in our platform revenue mix due to the introduction of the Xbox360.

Microsoft Xbox Net Revenues (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 205,864	18%	$ 196,894	18%	$ 8,970	5%

Net revenues from sales of titles for the Xbox increased 5% from $196.9 million for the year ended March 31, 2005 to $205.9 million for the year ended March 31, 2006 and held steady as a percentage of publishing net revenues at 18%. The increase was primarily attributable to the strong performance of our first quarter fiscal 2006 Xbox exclusive release of *Doom 3* which had no comparable Xbox exclusive title released in fiscal 2005. This increase was offset by increased provisions for returns and price protection in anticipation of quicker required pricing actions as a result of the introduction of the Xbox360, which is expected to result in a gradual slowdown in sales for the Xbox as customers upgrade or anticipate upgrading to the next-generation platform.

Microsoft Xbox360 Net Revenues (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 102,809	9%	$ —	—%	$ 102,809	—%

The Xbox360 was released in November 2005 and was the first of the next-generation hardware to be released. Consistent with our goal of having a significant presence at the launch of each new platform, we released four titles concurrently with the release of the Xbox360, *Call of Duty 2*, *THAW*, *Quake 4*, and *GUN*. All of these titles were released at premium retail pricing of $59.99. Although limited by hardware availability in fiscal 2006, we experienced strong sales of these four titles, and, according to NPD Funworld, *Call of Duty 2* was the number one title on the Xbox360 and had the highest attach rate of any console launch in video game history.

Nintendo GameCube Net Revenues (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 80,964	7%	$ 96,936	9%	$ (15,972)	(16)%

Net revenues from sales of titles for the Nintendo GameCube decreased 16% from $96.9 million for the year ended March 31, 2005 to $81.0 million for the year ended March 31, 2006. Despite an increase in the number of titles released for the GameCube from seven major titles for the year ended March 31, 2005 to nine major titles for the year ended March 31, 2006, the releases in fiscal 2006, which included *GUN*, *Call of Duty 2: Big Red One*, *THAW,* and *True Crime: New York City,* were less geared toward the demographics of the GameCube audience as compared to our fiscal 2005 title releases, which included *Spider-Man 2* and *Shrek 2.* Additionally, *Madagascar,* which was our top selling title on the GameCube in fiscal 2006, was released at a lower initial retail pricing of $39.99 as compared to *Spider-Man 2* and *Shrek 2*, which were both released at an initial retail price of $49.99. *Madagascar* was our top selling title on the GameCube for fiscal 2006 and although it performed strongly, it compares to fiscal 2005 where our top two selling titles on the GameCube were *Spider-Man 2* and *Shrek 2*, each of which outperformed *Madagascar.*

Hand-held (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 158,861	14%	$ 138,695	13%	$ 20,166	15%

Net revenues from sales of titles for the hand-held for the year ended March 31, 2006 increased 15% from the prior fiscal year, from $138.7 million to $158.9 million. Additionally, hand-held net revenues as a percentage of publishing net revenues increased from 13% for the year ended March 31, 2005 to 14% for the year ended March 31, 2006. The increases were due to the worldwide introductions of the NDS and PSP hand-held platforms in late fiscal 2005 and the continued growth of their installed base throughout fiscal 2006, which resulted in hand-held titles being sold across more platforms. In addition, compared to the other hand-held platforms, titles for the PSP have a higher retail pricing point of $49.99. The major titles driving hand-held net revenues in fiscal 2006 were *Madagascar, Madagascar: Operation Penguin*, *Fantastic Four, Ultimate Spider-Man,* and *Shrek SuperSlam* for the GBA; *Madagascar, Ultimate Spider-Man*, *Tony Hawk's American Sk8land,* and *Shrek SuperSlam* for the NDS; and *THUG 2*, *Spider-Man 2*, *X-Men Legends II*, and LucasArts' *Star Wars Battlefront II* for the PSP. This compares to fiscal 2005 where the main titles driving hand-held net revenues were *Shrek 2*, *Spider-Man 2*, and *DreamWorks' Shark Tale* for the GBA; *Spider-Man 2* for the NDS; and *THUG 2* and *Spider-Man 2* for the PSP.

Distribution Net Revenues (in thousands)

March 31, 2006	% of Consolidated Net Revenues	March 31, 2005	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 313,337	21%	$ 333,128	24%	$ (19,791)	(6)%

Distribution net revenues for the year ended March 31, 2006 decreased 6% from the prior fiscal year, from $333.1 million to $313.3 million. Foreign exchange rates decreased reported distribution net revenues by approximately $14.9 million for the year ended March 31, 2006. Excluding the impact of the changing foreign currency rates, our distribution net revenues decreased $4.9 million or 1% year over year. The remaining year over year decrease was primarily due to the termination of relationships with unprofitable publishers and stronger third-party releases in fiscal 2005.

The mix of distribution net revenues between hardware and software sales varied year over year with approximately 20% of distribution net revenues from hardware sales in the year ended March 31, 2006 as compared to 13% in the prior fiscal year. This was mainly attributed to the release of the PSP in Europe in the second quarter of

fiscal 2006 and the release of the Xbox360 in November 2005. In both fiscal years, hardware sales were principally comprised of sales of console hardware.

Costs and Expenses

Cost of Sales – Product Costs (in thousands)

March 31, 2006	% of Consolidated Net Revenues	March 31, 2005	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 734,874	50%	$ 658,949	47%	$ 75,925	12%

Cost of sales – product costs represented 50% and 47% of consolidated net revenues for the years ended March 31, 2006 and 2005, respectively. In absolute dollars, cost of sales – product costs increased 12% from $658.9 million for the year ended March 31, 2005 to $734.9 million for the year ended March 31, 2006. The primary factors affecting the increase in cost of sales – product costs in absolute dollars and as a percentage of consolidated net revenues were:

- Volume growth in our European territories of LucasArts' *Star Wars: Episode III Revenge of the Sith*, and *Star Wars Battlefront II*. LucasArts' titles are part of our affiliate label program and carry a significantly higher product cost than Activision developed titles.
- Write-downs of inventory costs for certain titles in fiscal 2006 in the amount of $14.5 million due to the high level of inventory for certain titles at the end of our third quarter of fiscal 2006. At the end of the third quarter of fiscal 2006 we reviewed the levels of inventory and determined that, due to lower than expected re-orders caused by weaker market conditions and the ongoing console transition, we anticipated that certain titles in our inventory would likely be sold below its original cost.
- A decrease in our PC net revenues as a percentage of publishing net revenues from 21% in fiscal 2005 to 16% in fiscal 2006. Products for PC typically have lower costs of sales – product costs associated with them as they do not require royalty payments to hardware manufacturers.
- An increase in provision for returns and price protection throughout fiscal 2006 from 12% of net revenues in fiscal 2005 compared to 18% of net revenues in fiscal 2006, due to challenging market conditions and the ongoing console transition.
- An increase in consolidated net revenues of 4% from $1,405.9 million for the year ended March 31, 2005 to $1,468.0 million for the year ended March 31, 2006.
- Reduced pricing on a number of catalog titles as well as new releases in our kids genre.

Cost of Sales – Software Royalties and Amortization (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 147,822	13%	$ 123,800	12%	$ 24,022	19%

Cost of sales – software royalties and amortization for the year ended March 31, 2006 increased as a percentage of publishing net revenues from the prior fiscal year, from 12% to 13%. In absolute dollars, cost of sales – software royalties and amortization for the year ended March 31, 2006 also increased from the prior fiscal year, from $123.8 million to $147.8 million. The increases in cost of sales – software royalties and amortization in both absolute dollars and as a percentage of publishing net revenues were mainly due to:

- Impairment charges and recoverability write-offs of $12.6 million in fiscal 2006. We performed a detailed review of capitalized costs for released titles and determined that expected future revenues, given the change

in market conditions, on certain titles would not support the remaining capitalized software balance on these titles. As a result, we incurred a $3.8 million recoverability charge on these titles in fiscal 2006. In addition, we reviewed future recoverability of capitalized amounts on titles in development and determined that one of our titles, to be released in fiscal 2007, was unlikely to fully recover capitalized costs given the change in expectations as a result of weaker market conditions and uncertainty involved in the console transition and, as a result, took an impairment charge of $8.8 million on this title.

- Overall continued increases in costs to develop titles for additional platforms, particularly those titles released for the more technologically advanced next-generation console platforms.

Cost of Sales – Intellectual Property Licenses (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 57,666	5%	$ 62,197	6%	$ (4,531)	(7)%

Cost of sales – intellectual property licenses for the year ended March 31, 2006 decreased in absolute dollars and as a percentage of publishing net revenues over the same period last year, from $62.2 million to $57.7 and from 6% to 5%, respectively. The decreases in both absolute dollars and as a percentage of publishing net revenues were due mainly to a one-time benefit related to the settlement of an intellectual property claim in the second quarter of fiscal 2006. The number of titles with associated intellectual property remained relatively flat year over year. In fiscal 2006, we released the following titles with associated intellectual property: *Doom 3* for the Xbox, *Madagascar, Fantastic Four, Ultimate Spider-Man, X-Men Legends II, THAW, Quake IV,* and *Shrek SuperSlam.* In fiscal 2005 we released the following titles with associated intellectual property: *Spider-Man 2, Shrek 2, Shark Tale, X-Men Legends, THUG 2, Lemony Snicket's A Series of Unfortunate Events,* and *Doom 3.*

Product Development (in thousands)

March 31, 2006	% of Publishing Net Revenues	March 31, 2005	% of Publishing Net Revenues	Increase/ (Decrease)	Percent Change
$ 132,651	11%	$ 87,776	8%	44,875	51%

Product development expenses for the year ended March 31, 2006 increased as a percentage of publishing net revenues from the prior fiscal year, from 8% to 11%. In absolute dollars, product development expenses for the year ended March 31, 2006 also increased from the prior fiscal year, from $87.8 million to $132.7 million. The increase in product development expenses both in absolute dollars and as a percentage of publishing net revenues was due to:

- Increased development, quality assurance, and outside developer costs as a result of the development of more technologically advanced titles across more platforms.

- Product cancellation charges of $11.4 million, including termination fees, incurred during fiscal 2006. Given the market conditions, the lower than expected performance of some of our third quarter fiscal 2006 releases, and risks associated with console transition, we performed a thorough review of our upcoming product slate. To better align opportunities associated with the next-generation console platforms with income potential and risks associated with certain titles in development, we canceled development of certain titles and permanently removed them from our future title slate.

- Increased costs in fiscal 2006 related to the full year operation of three recently acquired studios, Vicarious Visions, Inc., Toys for Bob, Inc., and Beenox, Inc., as well as costs incurred to fund more product development capacity at certain studios.

Sales and Marketing (in thousands)

March 31, 2006	% of Consolidated Net Revenue	March 31, 2005	% of Consolidated Net Revenue	Increase/ (Decrease)	Percent Change
$ 283,395	19%	$ 230,299	16%	53,096	23%

Sales and marketing expenses of $283.4 million and $230.3 million represented 19% and 16% of consolidated net revenues for the years ended March 31, 2006 and 2005, respectively. The increases in both absolute dollars and as a percentage of net revenues was primarily generated by our publishing business as a result of significant marketing programs including television and in-theatre ad campaigns and in-store promotions to support our biggest product release slate in company history. The increase in sales and marketing investment as a percentage of net revenues was a result of additional sales and marketing investment during the key holiday season which did not provide the revenue increase that was anticipated at the time that the marketing costs were incurred.

General and Administrative (in thousands)

March 31, 2006	% of Consolidated Net Revenues	March 31, 2005	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 96,366	7%	$ 63,228	4%	33,138	52%

General and administrative expenses for the year ended March 31, 2006 increased $33.1 million over the same period last year, from $63.2 million to $96.4 million. As a percentage of consolidated net revenues, general and administrative expenses increased from 4% to 7%. The increases were primarily due to an increase in personnel costs including costs related to European territory expansion, separation and severance costs associated with a less than 7% reduction in workforce in the fourth quarter of fiscal 2006, increased bad debt write-offs, an increase in foreign currency transaction losses, and increased legal costs.

Operating Income (in thousands)

	March 31, 2006	% of Segment Net Revs	March 31, 2005	% of Segment Net Revs	Increase/ (Decrease)	Percent Change
Publishing	$ (6,715)	(1)%	$ 155,863	15%	$ (162,578)	(104)%
Distribution	21,941	7%	23,745	7%	(1,804)	(8)%
Consolidated	$ 15,226	1%	$ 179,608	13%	$ (164,382)	(92)%

Publishing operating income for the year ended March 31, 2006 decreased $162.6 million from the same period last year, from $155.9 million to an operating loss of $6.7 million. The decrease is primarily due to:

- Increased sales and marketing spending to support our large title release slate.
- An increase in provision for returns and price protection throughout fiscal 2006 from 12% of net revenues in fiscal 2005 compared to 18% of net revenues in fiscal 2006, due to challenging market conditions and the ongoing console transition.
- Cancellation, impairment, and earn-out recoverability charges totaling $24.0 million taken in fiscal 2006. See additional description of charges incurred in the cost of sales – software royalties and amortization and the product development discussions.

- Write-downs of inventory costs of $14.5 million taken during fiscal 2006. See additional description in the cost of sales – product costs discussion.

Distribution operating income for the year ended March 31, 2006 decreased over the same period last year, from $23.7 million to $21.9 million. The decrease was primarily due to the impact of changes in foreign currency rates on distribution operating income of approximately $1.4 million. Excluding the impact of changes in foreign currency rates, distribution operating income for the year ended March 31, 2006 decreased approximately $0.4 million or 2% from the same period last year.

Investment Income, Net (in thousands)

March 31, 2006	% of Consolidated Net Revenues	March 31, 2005	% of Consolidated Net Revenues	Increase/ (Decrease)	Percent Change
$ 30,630	2%	$ 13,092	1%	$ 17,538	134%

Investment income, net for the year ended March 31, 2006 was $30.6 million as compared to $13.1 million for the year ended March 31, 2005. The increase was primarily due to higher invested balances combined with rising yields, a realized gain in the first quarter of fiscal 2006 of $1.3 million on the sale of an investment in common stock, and a realized gain of $2.9 million on the sale of a cost basis investment during the year ended March 31, 2006 as compared to 2005.

Provision for Income Taxes (in thousands)

March 31, 2006	% of Pre Tax Income	March 31, 2005	% of Pre Tax Income	Increase/ (Decrease)	Percent Change
$ 5,605	12%	$ 57,643	30%	$ (52,038)	(90)%

The income tax provision of $5.6 million for the year ended March 31, 2006 reflects our effective income tax rate of 12%, which differs from our effective rate of 30% for the year ended March 31, 2005, due to an increase in federal research and development credit for the year ended March 31, 2006, over the amount generated for the year ended March 31, 2005, and a decrease in pretax income for the year ended March 31, 2006, versus the amount of pretax income for the year ended March 31, 2005, without a corresponding decrease in the benefit of book/tax. The significant items that generated the variance between our effective rate and our statutory rate of 35% were research and development tax credits and the impact of foreign tax rate differentials, partially offset by an increase in our deferred tax asset valuation allowance and state taxes. The realization of deferred tax assets depends primarily on the generation of future taxable income. We believe that it is more likely than not that we will generate taxable income sufficient to realize the benefit of net deferred tax assets recognized.

Net Income

Net income for the year ended March 31, 2006 was $40.3 million or $0.14 per diluted share, as compared to $135.1 million or $0.49 per diluted share for the year ended March 31, 2005.

Selected Quarterly Operating Results

Our quarterly operating results have in the past varied significantly and will likely vary significantly in the future, depending on numerous factors, several of which are not under our control. See Item 1A - “Risk Factors.” Our business also has experienced and is expected to continue to experience significant seasonality, largely due to consumer buying patterns and our product release schedule focusing on those patterns. Net revenues typically are significantly higher during the fourth calendar quarter, primarily due to the increased demand for consumer software during the year-end holiday buying season. Accordingly, we believe that period to period comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

The following table is a comparative breakdown of our unaudited quarterly results for the immediately preceding eight quarters (amounts in thousands, except per share data):

	For the quarters ended							
	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005
Net revenues	$ 312,512	$ 824,259	$ 188,172	$ 188,069	$ 188,125	$ 816,242	$ 222,540	$ 241,093
Cost of sales	216,007	483,180	141,078	137,800	128,309	498,325	141,458	172,270
Operating income (loss)	(29,114)	173,120	(37,410)	(33,449)	(26,560)	83,893	(27,788)	(14,319)
Net income (loss)	(14,422)	142,820	(24,302)	(18,309)	(9,128)	67,856	(14,230)	(4,247)
Basic earnings (loss) per share (1)	(0.05)	0.51	(0.09)	(0.07)	(0.03)	0.25	(0.05)	(0.02)
Diluted earnings (loss) per	(0.05)	0.46	(0.09)	(0.07)	(0.03)	0.23	(0.05)	(0.02)

share (1)

(1) Consolidated financial information has been restated for the effect of our four-for-three stock split effected in the form of a 33-1/3% stock dividend to shareholders of record as of October 10, 2005, paid October 24, 2005.

Liquidity and Capital Resources

Sources of Liquidity

(in thousands)	As of and for the year ended March 31, 2007	2006	Increase/ (Decrease)
Cash and cash equivalents	$ 384,409	$ 354,331	$ 30,078
Short-term investments	570,440	590,629	(20,189)
	$ 954,849	$ 944,960	$ 9,889
Percentage of total assets	53%	67%	
Cash flows provided by operating activities	$ 27,162	$ 86,007	$ (58,845)
Cash flows used in investing activities	(35,242)	(85,796)	50,554
Cash flows provided by financing activities	27,968	45,088	(17,120)

As of March 31, 2007, our primary source of liquidity is comprised of $384.4 million of cash and cash equivalents and $570.4 million of short-term investments. Over the last two years, our primary sources of liquidity have included cash on hand at the beginning of the year and cash flows generated from continuing operations. We have also generated cash flows from the issuance of our common stock to employees through the exercise of options, which is described in more detail below in “Cash Flows from Financing Activities.” We have not utilized debt financing as a significant source of cash flows. However, we do have available at certain of our international locations, credit facilities, which are described below in “Credit Facilities,” that can be utilized if needed.

We believe that we have sufficient working capital ($1,060.1 million at March 31, 2007), as well as proceeds available from our international credit facilities, to finance our operational requirements for at least the next twelve months, including purchases of inventory and equipment, the funding of the development, production, marketing and sale of new products, and the acquisition of intellectual property rights for future products from third parties.

Cash Flows from Operating Activities

The primary source of cash flows from operating activities typically have included the collection of customer receivables generated by the sale of our products, offset by payments to vendors for the manufacture, distribution, and marketing of our products, third-party developers and intellectual property holders, and our own employees. A significant operating use of our cash relates to our continued investment in software development and intellectual property licenses. We spent approximately $166.1 million and $193.9 million in the years ended March 31, 2007 and 2006, respectively, in connection with the acquisition of publishing or distribution rights for products being developed by third parties, the execution of new license agreements granting us long-term rights to intellectual property of third parties, as well as the capitalization of product development costs relating to internally developed products. The decrease period over period is primarily due to new agreements with DreamWorks Animation LLC, Marvel Characters which were signed in fiscal 2006, partially offset by increased product development costs related to titles in development and additional intellectual property licenses in fiscal 2007. We expect that we will continue to make significant expenditures relating to our investment in software development and intellectual property licenses. Our future cash commitments relating to these investments are detailed below in “Commitments.” Cash flows from operations are affected by our ability to release highly successful or “hit” titles. Though many of these titles have substantial production or acquisition costs and marketing expenditures, once a title recoups these costs, incremental net revenues typically will directly and positively impact cash flows.

For the years ended March 31, 2007 and 2006, cash flows from operating activities were $27.2 million and $86.0 million, respectively. The principal components comprising cash flows from operating activities for the year ended March 31, 2007, included favorable operating results, amortization of capitalized software development costs and intellectual property licenses, increases in payables and accrued liabilities, partially offset by investments in software development and intellectual property licenses and increases in accounts receivables. See an analysis of the

change in key balance sheet accounts below in “Key Balance Sheet Accounts.” We expect that a primary source of future liquidity, both short-term and long-term, will be the result of cash flows from continuing operations.

Cash Flows from Investing Activities

The primary source of cash used in investing activities typically have included capital expenditures, acquisitions of privately held interactive software development companies and publishing companies, and the net effect of purchases and sales/maturities of short-term investment vehicles. The goal of our short-term investments is to maximize return while minimizing risk, maintaining liquidity, coordinating with anticipated working capital needs, and providing for prudent investment diversification.

For the years ended March 31, 2007 and 2006, cash flows used in investing activities were $35.2 million and $85.8 million, respectively. For the year ended March 31, 2007, cash flows used in investing activities were primarily the result of cash paid for business acquisitions and capital expenditures, purchases of short-term investments, partially offset by proceeds from sales and maturities of short-term investments. The decrease in cash flows used in investing activities versus the prior year was primarily related to our short term investment activity as we had net proceeds from maturities in fiscal 2007 versus net purchases of short term investments in fiscal 2006. We have historically financed our acquisitions through the issuance of shares of common stock or a combination of common stock and cash. We will continue to evaluate potential acquisition candidates as to the benefit they bring to us.

Cash Flows from Financing Activities

The primary source of cash provided by financing activities has been transactions involving our common stock, including the issuance of shares of common stock to employees. We have not utilized debt financing as a significant source of cash flows. However, we do have available at certain of our international locations, credit facilities, which are described below in "Credit Facilities," that can be utilized if needed.

For the years ended March 31, 2007 and 2006, cash flows from financing activities were $28.0 million and $45.1 million, respectively. The cash provided by financing activities for the year ended March 31, 2007 was the result of the issuance of common stock related to employee stock option and stock purchase plans. The decrease in cash provided by financing activities from the prior year is due to the suspension of stock option exercises as of November 9, 2006 due to our internal review of historical stock option granting practices.

During fiscal 2003, our Board of Directors authorized a buyback program under which we can repurchase up to $350.0 million of our common stock. Under the program, shares may be purchased as determined by management and within certain guidelines, from time to time, in the open market or in privately negotiated transactions, including privately negotiated structured stock repurchase transactions and through transactions in the options markets. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time to time without prior notice. As of March 31, 2007, we had approximately $226.2 million available for utilization under the buyback program. We actively manage our capital structure as a component of our overall business strategy. Accordingly, in the future, when we determine that market conditions are appropriate, we may seek to achieve long term value for the shareholders through, among other things, new debt or equity financings or refinancings, share repurchases, and other transactions involving our equity or debt securities.

Key Balance Sheet Accounts

Accounts Receivable

(amounts in thousands)	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Gross accounts receivable	$ 240,112	$ 127,035	$ 113,077
Net accounts receivable	148,694	28,782	119,912

The increase in gross accounts receivable was primarily the result of higher fourth quarter revenues due to:

- The fourth quarter fiscal 2007 European release of the PS3 hardware.
- Late fourth quarter fiscal 2007 European releases of *Call of Duty 3*, *Tony Hawk's Project 8*, and *Marvel: Ultimate Alliance* for the PS3. There were no corresponding new releases in the fourth quarter of fiscal 2006.
- Continued strong catalogue performance of our 2006 holiday slate.

Reserves for returns, price protection and bad debt decreased from $98.3 million at March 31, 2006 to $91.4 million at March 31, 2007 while reserves as a percentage of gross receivables decreased from 77% to 38%. This decrease was largely due to significant reserves for returns and price protection required at March 31, 2006 related to weak market conditions and the uncertainty involved in the ongoing console transition. Reserves for returns and price protection are a function of the number of units and pricing of titles in retail inventory (see description of Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence in Item 7: Critical Accounting Policies).

Inventories

(amounts in thousands)	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Inventories	$ 91,231	$ 61,483	$ 29,748

The increase in inventories at March 31, 2007 compared to March 31, 2006 is the result of additional inventories associated with RedOctane and the Guitar Hero products, which was acquired in the first quarter of fiscal 2007, additional PS3 inventory due to the European release of the console late in the fourth quarter of fiscal 2007, and an increase in inventories at our distribution business related to the addition of a significant new customer in the second quarter of fiscal 2007.

Software Development

(amounts in thousands)	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Software development	$ 130,922	$ 60,619	$ 70,303

Software development increased from $60.6 million at March 31, 2006 to $130.9 million at March 31, 2007 due to continued investment in software development for titles being developed for release in fiscal 2008, particularly for three significant new games slated for release in the first quarter of fiscal 2008, offset by amortization of software development costs for titles launched in fiscal 2007.

Intellectual Property Licenses

(amounts in thousands)	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Intellectual Property Licenses	$ 100,274	$ 87,046	$ 13,228

Intellectual property licenses increased from $87.0 million at March 31, 2006 to $100.3 million at March 31, 2007. The increase in intellectual property licenses was primarily the result of:

- Continued investment in intellectual property licenses totaling $23.2 million in fiscal 2007 for license agreements granting us long-term rights to intellectual property of third parties, such as our agreement with MGM Interactive and EON Productions Ltd. to develop and publish interactive entertainment games based on the James Bond license.

Partially offset by:

- $10.0 million of amortization of intellectual property licenses mostly related to releases in the first quarter of fiscal 2007.

Accounts Payable

(amounts in thousands)	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Accounts payable	$ 136,517	$ 88,994	$ 47,523

The increase in accounts payable of $47.5 million from March 31, 2006 to March 31, 2007 primarily reflects amounts due to support the significant launch slate in the first quarter of fiscal 2008 versus no similar launches in the same quarter of fiscal 2007.

Accrued Expenses

(amounts in thousands)	March 31, 2007	March 31, 2006	Increase/ (Decrease)
Accrued expenses	$ 204,652	$ 104,862	$ 99,790

The increase in accrued expenses was primarily driven by:

- Tax reserves recorded in fiscal 2007 as a result of improved profitability leading to utilization of net operating loss carryforwards.
- Increased annual bonuses as a result of company performance.
- Increased royalties payable due to higher percentage of products being developed externally.

Credit Facilities

We have revolving credit facilities with our Centresoft subsidiary located in the UK (the “UK Facility”) and our NBG subsidiary located in Germany (the “German Facility”). The UK Facility provided Centresoft with the ability to borrow up to GBP 12.0 million ($23.6 million), including issuing letters of credit, on a revolving basis as of March 31, 2007. Furthermore, under the UK Facility, Centresoft provided a GBP 0.6 million ($1.2 million) guarantee for the benefit of our CD Contact subsidiary as of March 31, 2006. The UK Facility bore interest at LIBOR plus 2.0% as of March 31, 2007, is collateralized by substantially all of the assets of the subsidiary and expires in January 2008.

The UK Facility also contains various covenants that require the subsidiary to maintain specified financial ratios related to, among others, fixed charges. As of March 31, 2006, we were in compliance with these covenants. No borrowings were outstanding against the UK Facility as of March 31, 2006. The German Facility provided for revolving loans up to EUR 0.5 million ($0.7 million) as of March 31, 2007, bore interest at a Eurocurrency rate plus 2.5%, is collateralized by certain of the subsidiary’s property and equipment and has no expiration date. No borrowings were outstanding against the German Facility as of March 31, 2007.

As of March 31, 2007, we maintained a $7.5 million irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. Under the terms of this arrangement, we are required to maintain on deposit with the bank a compensating balance, restricted as to use, of not less than the sum of the available amount of the letter of credit plus the aggregate amount of any drawings under the letter of credit that have been honored thereunder but not reimbursed. At March 31, 2007, the $7.5 million deposit is included in short-term investments as restricted cash. No borrowings were outstanding as of March 31, 2007 or 2006.

As of March 31, 2007, our publishing subsidiary located in the UK maintained a EUR 4.0 million ($5.3 million) irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. The standby letter of credit does not require a compensating balance and is collateralized by substantially all of the assets of the subsidiary and expires in August 2007. No borrowings were outstanding as of March 31, 2007 or 2006.

Commitments

In the normal course of business, we enter into contractual arrangements with third parties for non-cancelable operating lease agreements for our offices, for the development of products, as well as for the rights to intellectual property. Under these agreements, we commit to provide specified payments to a lessor, developer, or intellectual property holder, based upon contractual arrangements. Typically, the payments to third-party developers are conditioned upon the achievement by the developers of contractually specified development milestones. These payments to third-party developers and intellectual property holders typically are deemed to be advances and are recoupable against future royalties earned by the developer or intellectual property holder based on the sale of the related game. Additionally, in connection with certain intellectual property right acquisitions and development agreements, we will commit to spend specified amounts for marketing support for the related game(s) which is to be developed or in which the intellectual property will be utilized. Additionally, we lease certain of our facilities and equipment under non-cancelable operating lease agreements. Assuming all contractual provisions are met, the total future minimum commitments for these and other contractual arrangements in place as of March 31, 2007, are scheduled to be paid as follows (amounts in thousands):

	Contractual Obligations			
	Facility & Equipment Leases	Developer & IP	Marketing	Total
Fiscal year ending March 31,				
2008	$ 14,213	$ 67,836	$ 40,254	$ 122,303
2009	13,131	31,579	30,679	75,389

2010	12,070	29,936	100	42,106
2011	9,854	30,586	13,100	53,540
2012	5,543	16,586	—	22,129
Thereafter	17,783	47,586	—	65,369
Total	$ 72,594	$ 224,109	$ 84,133	$ 380,836

As of March 31, 2007 and 2006, we did not have any relationships with unconsolidated entities or financial parties, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

Related Parties

From August 2001 until September 2005, one of the members of our Board of Directors was an individual who is a partner in a law firm that has provided legal services to Activision for more than ten years. For the years ended March 31, 2005 and 2004, the years presented in this Annual Report for which that person was a member of the Board of Directors, the fees we paid to the law firm were an insignificant portion of the law firm's total revenues. We believe that the fees charged to us by the law firm were competitive with the fees charged by other law firms.

Financial Disclosure

We maintain internal controls over financial reporting, which generally include those controls relating to the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. We also are focused on our "disclosure controls and procedures," which as defined by the Securities and Exchange Commission are generally those controls and procedures designed to ensure that financial and non-financial information required to be disclosed in our reports filed with the Securities and Exchange Commission is reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is communicated to management, including our Chief Executive Officers and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Disclosure Committee, which operates under the Board approved Disclosure Committee Charter and Disclosure Controls & Procedures Policy, includes senior management representatives and assists executive management in its oversight of the accuracy and timeliness of our disclosures, as well as in implementing and evaluating our overall disclosure process. As part of our disclosure process, senior finance and operational representatives from all of our corporate divisions and business units prepare quarterly reports regarding their current quarter operational performance, future trends, subsequent events, internal controls, changes in internal controls, and other accounting and disclosure-relevant information. These quarterly reports are reviewed by certain key corporate finance representatives. These corporate finance representatives also conduct quarterly interviews on a rotating basis with the preparers of selected quarterly reports. The results of the quarterly reports and related interviews are reviewed by the Disclosure Committee. Finance representatives also conduct reviews with our senior management team, our internal and external counsel, and other appropriate personnel involved in the disclosure process, as appropriate. Additionally, senior finance and operational representatives provide internal certifications regarding the accuracy of information they provide that is utilized in the preparation of our periodic public reports filed with the Securities and Exchange Commission. Financial results and other financial information also are reviewed with the Audit Committee of the Board of Directors on a quarterly basis. As required by applicable regulatory requirements, the Chief Executive Officers and the Chief Financial Officer review and make various certifications regarding the accuracy of our periodic public reports filed with the Securities and Exchange Commission, our disclosure controls and procedures, and our internal control over financial reporting. With the assistance of the Disclosure Committee, we will continue to assess and monitor our disclosure controls and procedures, and our internal controls over financial reporting, and will make refinements as necessary.

Recently Issued Accounting Standards and Laws

In February 2006, the FASB issued Statement No. 155 ("SFAS No. 155"), *Accounting for Certain Hybrid Financial Instruments – An amendment of FASB Statements No. 133 and 140.* SFAS No. 155 amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to resolve issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133; establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and amends Statement 140 to eliminate the prohibition on a qualifying

special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We do not expect that the adoption of SFAS No. 155 will have a material effect on our financial position or results of operations.

In March 2006, the FASB issued Statement No. 156 ("SFAS No. 156"), *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140.* SFAS No. 156 amends Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations; requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; permits either the "amortization method" or the "fair value measurement method," as subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities; permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights; and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective in the first fiscal year that begins after September 15, 2006. We do not expect that the adoption of SFAS No. 156 will have a material effect on our financial position or results of operations.

In July 2006, the FASB issued Final Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest, and penalties, accounting in interim periods, disclosure,

and transition. In addition, FIN 48 excludes income taxes from the scope of SFAS No. 5, *Accounting for Contingencies*. FIN 48 is effective for fiscal years beginning after December 15, 2006. Differences between the amounts recognized in the consolidated balance sheets prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. We are currently evaluating the effect that the adoption of FIN 48 will have on our results of operations and financial position.

In September 2006, the FASB issued Statement No. 157 ("SFAS No. 157"), *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not expect that the adoption of SFAS No. 157 will have a material effect on our financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, *Financial Statements — Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 requires the use of both the "iron curtain" and "rollover" approach in quantifying the materiality of misstatements. SAB 108 also discusses the implications of misstatements uncovered upon the application of SAB 108 in situations when a registrant has historically been using either the iron curtain approach or the rollover approach. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 had no impact on our financial position or results of operations.

In September 2006, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). This new standard aims to make it easier for investors, employees, retirees and other parties to understand and assess an employer's financial position and its ability to fulfill the obligations under its benefit plans. SFAS No. 158 requires employers to fully recognize in their financial statements the obligations associated with single-employer defined benefit pension plans, retiree healthcare plans, and other postretirement plans. Specifically, it requires a company to (1) recognize on its balance sheet an asset for a plan's overfunded status or a liability for a plan's underfunded status, (2) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (3) recognize changes in the funded status of a plan through comprehensive income in the year in which the changes occur. The adoption of SFAS No. 158 had no impact on our financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The provisions of SFAS No. 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We are evaluating if we will adopt SFAS No. 159 and what impact the adoption will have on our Consolidated Financial Statements if we adopt.

Inflation

Our management currently believes that inflation has not had a material impact on continuing operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from fluctuations in market rates and prices. Our market risk exposures primarily include fluctuations in interest rates, foreign currency exchange rates, and market prices. Our market risk sensitive instruments are classified as instruments entered into for purposes "other than trading." Our views on market risk are not necessarily indicative of actual results that may occur and do not represent the maximum possible gains and losses that may occur, since actual gains and losses will differ from those estimated, based upon actual fluctuations in interest rates, foreign currency exchange rates, market prices, and the timing of transactions.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio. We manage our interest rate risk by maintaining an investment portfolio consisting primarily of debt instruments with high credit quality and relatively short average maturities. We also manage our interest rate risk by maintaining sufficient cash and cash equivalent balances such that we are typically able to hold our investments to maturity. As of March 31, 2007, our cash equivalents and short-term investments included debt securities of $652.8 million.

The following table presents the amounts and related weighted average interest rates of our investment portfolio as of March 31, 2007 (amounts in thousands):

	Average Interest Rate	Amortized Cost	Fair Value
Cash equivalents:			
Fixed rate	5.04%	$ 89,863	$ 89,829
Variable rate	5.25	106,986	106,986
Short-term investments:			
Fixed rate	4.89%	$ 564,324	$ 562,940

Our short-term investments generally mature between three months and thirty months.

Foreign Currency Exchange Rate Risk

We transact business in many different foreign currencies and may be exposed to financial market risk resulting from fluctuations in foreign currency exchange rates, particularly EUR, GBP, and AUD. The volatility of EUR, GBP, and AUD (and all other applicable currencies) will be monitored frequently throughout the coming year. When appropriate, we enter into hedging transactions in order to mitigate our risk from foreign currency fluctuations. We will continue to use hedging programs in the future and may use currency forward contracts, currency options, and/or other derivative financial instruments commonly utilized to

reduce financial market risks if it is determined that such hedging activities are appropriate to reduce risk. We do not hold or purchase any foreign currency contracts for trading purposes. As of March 31, 2007, accrued expenses included approximately $90,000 of pre-tax unrealized losses for the estimated fair value of outstanding foreign currency exchange forward contracts, which was recorded in earnings as the contracts did not qualify as hedging instruments. As of March 31, 2006, we had no outstanding foreign exchange forward contracts.

Market Price Risk

With regard to the structured stock repurchase transactions described in Note 15 in the Notes to the Consolidated Financial Statements, at those times when we have structured stock repurchase transactions outstanding, it is possible that at settlement we could take delivery of shares at an effective repurchase price higher than the then market price. As of March 31, 2007, we had no structured stock repurchase transactions outstanding.

Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All other schedules of Activision are omitted because of the absence of conditions under which they are required or because the required information is included elsewhere in the financial statements or in the notes thereto.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 9A. CONTROLS AND PROCEDURES

1) Definition and Limitations of Disclosure Controls and Procedures.

Our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to reasonably assure that: (i) information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) information is accumulated and communicated to management, including our Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports. Inherent limitations to any system of disclosure controls and procedures include, but are not limited to, the possibility of human error and the circumvention or overriding of such controls by one or more persons. In addition, we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, and our system of controls may therefore not achieve its desired objectives under all possible future events.

2) Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of the Chief Executive Officers and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007. Based on this controls evaluation, and subject to the limitations described above, the Chief Executive Officers and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported on a timely basis.

3) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our management, with the participation of our Chief Executive Officers and Chief Financial Officer, conducted an evaluation of the effectiveness, as of March 31, 2007, of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of March 31, 2007.

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

Our assessment of the effectiveness of our internal control over financial reporting as of March 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in this annual report on Form 10-K.

4) Changes in Internal Control Over Financial Reporting

There were changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act) during the last quarter of this period covered by this report that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting related to the remediation of the previously identified material weakness as discussed below within the Remediation of the Material Weakness.

5) Remediation of the Material Weakness.

During the quarter ended March 31, 2007, we made the following changes that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

New policies and procedures for our stock option grant practices were approved on November 21, 2006 by the Joint Compensation and Nominating and Governance Committee of our Board, and became effective January 1, 2007. Our new option granting policies and procedures are designed to ensure internal control surrounding the pricing and modification of option grants is adequate, and also provide the Compensation Committee with the full ability to review and approve all grants prior to pricing on a date set on or after the date of the Compensation Committee action. Some of the highlights of the new option granting process are:

- All proposed grants during the month are verified so as to comply with pre-approved grant guidelines and other financial and legal requirements by the seventh day of the following month. For these purposes, a team of legal, human resources and finance personnel (“Cross Functional Team”) has been established to review each proposed grant for compliance with documentation and procedures. No grant is issued until such compliance is established and the grant is approved by the Compensation Committee.

- The Compensation Committee meets at least quarterly, to review and approve all documented and verified proposed grants submitted by the Cross Functional Team. All grants approved by the Compensation Committee are effective, and priced based on the closing price of our stock, on a date set by the Compensation Committee that is on or after the date of Compensation Committee action. Details of the grant (including the exercise price) are communicated to the grantees promptly following approval and pricing.

- All new hire offer letters and employee renewal agreements provide that all grants and terms of grants are subject to approval by the Compensation Committee.

- Stock option data is entered into Equity Edge, our stock option tracking software, promptly (and only) after grant approval is received from the Compensation Committee.

In addition, we have realigned certain internal responsibilities related to the granting and reporting of stock options. In this regard, the employment contract of our former head of human resources, which expired on March 31, 2007, was not renewed; a new head of human resources is being recruited and, in the interim, responsibilities for stock option granting and reporting have been reassigned. To further enhance our corporate governance practices, we have established and filled a position of principal compliance officer, with a reporting line directly to the Nominating and Governance Committee, and are reviewing the configuration of the Compensation Committee of the Board.

In addition, consistent with the recommendations of the Special Subcommittee, we have disengaged from our prior outside corporate counsel and have engaged new outside corporate counsel.

Finally, Board meetings include more senior executives and human resources, finance and legal personnel have received additional training on options and compliance issues.

Management evaluated the design and operation of these new controls and concluded that these controls were in place, designed and operating effectively as of March 31, 2007. Management has concluded that the additional controls described above have remediated our previously disclosed material weakness in our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2007 Annual Meeting of Shareholders, entitled “Proposal 1—Election of Directors,” “Executive Officers and Key Employees,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance Matters—Code of Ethics for Senior Executive and Senior Financial Officers” and “Corporate Governance Matters—Board of Directors and Committees—Audit Committee” to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2007 Annual Meeting of Shareholders, entitled “Executive Compensation,” “Director Compensation” and “Compensation Committee Report” to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2007 Annual Meeting of Shareholders, entitled "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2007 Annual Meeting of Shareholders, entitled "Certain Relationships and Related Transactions" and "Corporate Governance Matters—Board of Directors and Committees—Director Independence" to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the sections of our definitive Proxy Statement for our 2007 Annual Meeting of Shareholders, entitled "Independent Registered Public Accounting Firm's Fees" to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements See Item 8. — Consolidated Financial Statements and Supplementary Data Index for Financial Statements and Schedule on page 62 herein.

2. Financial Statement Schedule The following financial statement schedule of Activision, Inc. for the fiscal years ended March 31, 2007, 2006, and 2005 is filed as part of this report and should be read in conjunction with the Consolidated Financial Statements of Activision, Inc.:

Schedule II — Valuation and Qualifying Accounts and Reserves

Other financial statement schedules are omitted because the information called for is not required or is shown either in the Consolidated Financial Statements or the notes thereto.

3. Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	Exhibit
3.1	Amended and Restated Certificate of Incorporation of Activision Holdings, dated June 9, 2000 (incorporated by reference to Exhibit 2.5 of Activision's Form 8-K, filed June 16, 2000).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Activision Holdings dated as of June 9, 2000 (incorporated by reference to Exhibit 2.7 of Activision's Form 8-K, filed June 16, 2000).
3.3	Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated as of December 27, 2001 (incorporated by reference to Exhibit 3.4 of Activision's Form 10-Q for the quarter ended December 31, 2001).
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation, as amended, of Activision, Inc., dated as of April 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed April 5, 2005).
3.5	Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated August 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed August 5, 2005).
3.6	Second Amended and Restated Bylaws of Activision, Inc. dated September 15, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed September 19, 2005).

4.1	Rights Agreement dated as of April 18, 2000, between Activision. Inc. and Continental Stock Transfer & Trust Company, which includes as exhibits the form of Right Certificates as Exhibit A, the Summary of Rights to Purchase Series A Junior Preferred Stock as Exhibit B and the form of Certificate of Designation of Series A Junior Preferred Stock of Activision as Exhibit C, (incorporated by reference to Activision's Registration Statement on Form 8-A, Registration No. 001-15839, filed April 19, 2000).
10.1	Activision, Inc. 1991 Stock Option and Stock Award Plan, as amended (incorporated by reference to Exhibit 10.1 of Activision's Form 10-K for the year ended March 31, 2002).
10.2	Activision, Inc. 1998 Incentive Plan, as amended (incorporated by reference to Exhibit 10.4 of Activision's Form 10-Q for the quarter ended September 30, 2001).
10.3	Activision, Inc. 1999 Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended June 30, 2002).

10.4	Activision, Inc. 2001 Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended June 30, 2002).
10.5	Activision, Inc. 2002 Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended June 30, 2003).
10.6	Activision, Inc. 2002 Executive Incentive Plan (incorporated by reference to Exhibit 4.1 of Activision's Form S-8, Registration No. 333-100114 filed September 26, 2002).
10.7	Activision, Inc. 2002 Studio Employee Retention Incentive Plan (incorporated by reference to Exhibit 4.1 of Activision's Form S-8, Registration No. 333-103323 filed February 19, 2003).
10.8	Activision, Inc. Second Amended and Restated 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K, filed March 8, 2005).
10.9	Activision, Inc. 2002 Second Amended and Restated Employee Stock Purchase Plan for International Employees (incorporated by reference to Exhibit 10.2 of Activision's Form 8-K, filed March 8, 2005).
10.10	Activision, Inc. Amended and Restated 2003 Incentive Plan, effective as of July 26, 2005 (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended June 30, 2005).

10.11	Form of Stock Option Certificate for grants issued pursuant to the 1998 Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K, filed May 31, 2005).
10.12	Form of Stock Option Certificate for grants issued pursuant the 1999 Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.2 of Activision's Form 8-K, filed May 31, 2005).
10.13	Form of Stock Option Agreement for grants issued pursuant the 2001 Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.3 of Activision's Form 8-K, filed May 31, 2005).
10.14	Form of Stock Option Agreement for grants issued pursuant the 2002 Executive Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.4 of Activision's Form 8-K, filed May 31, 2005).
10.15	Form of Executive Stock Option Agreement for grants to Robert Kotick or Brian Kelly issued pursuant the 2003 Incentive Plan of Activision, Inc. (adopted May 2005) (incorporated by reference to Exhibit 10.40 of Activision's Form 10-K for the year ended March 31, 2005).
10.16	Form of Non-Executive Stock Option Agreement for grants to non-executives issued pursuant the 2003 Incentive Plan of Activision, Inc. (adopted May 2005) (incorporated by reference to Exhibit 10.41 of Activision's Form 10-K for the year ended March 31, 2005).
10.17	Form of Non-Employee Director Stock Option Agreement for grants to non-employee directors issued pursuant the 2003 Incentive Plan of Activision, Inc. (adopted May 2005).
10.18	Notice of Share Option Award for grants to persons other than non-employee directors issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.19	Notice of Share Option Award for grants to non-employee directors issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.20	Notice of Restricted Share Award for grants issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).

10.21	Notice of Restricted Share Unit Award for grants issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.22	Amended and Restated Employment Agreement, dated May 22, 2000, between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended September 30, 2000).
10.23	Amendment, dated July 22, 2002, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended September 30, 2002).
10.24	Amendment, dated December 29, 2006, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K

filed January 8, 2007).

10.25 Stock Option Agreement, dated May 22, 2000, between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ending September 30, 2000).

10.26 Amended and Restated Employment Agreement, dated May 22, 2000, between Activision, Inc. and Brian G. Kelly (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ending September 30, 2000).

10.27 Amendment, dated July 22, 2002, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Brian G. Kelly (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended September 30, 2002).

10.28 Amendment, dated December 29, 2006, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Brian G. Kelly (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K filed January 8, 2007).

10.29 Employment Agreement, dated July 22, 2002, between Ronald Doornink and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.6 of Activision's Form 10-Q for the quarter ended June 30, 2002).

10.30 Amendment, dated February 27, 2003, to Employment Agreement dated July 22, 2002 between Activision Publishing, Inc. and Ronald Doornink (incorporated by reference to Exhibit 10.34 of Activision's Form 10-K for the year ended March 31, 2005).

10.31 Amendment, dated June 1, 2004, to Employment Agreement dated July 22, 2002, between Activision Publishing, Inc. and Ronald Doornink (incorporated by reference to Exhibit 10.5 of Activision's Form 10-Q for the quarter ended June 30, 2004).

10.32 Amendment, dated June 15, 2005, to Employment Agreement dated July 22, 2002 between Activision Publishing, Inc. and Ronald Doornink (incorporated by reference to Exhibit 10.5 of Activision's Form 10-Q for the quarter ended June 30, 2005).

10.33 Employment agreement, dated November 20, 2002, between Activision Publishing, Inc. and George Rose (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended December 31, 2002).

10.34 Amendment, dated March 30, 2005, to the Employment Agreement dated November 20, 2002 between Activision Publishing, Inc. and George Rose (incorporated by reference to Exhibit 10.51 of Activision's Form 10-K for the year ended March 31, 2005).

10.35 Employment Agreement, dated May 10, 2005, between Charles J. Huebner and Activision Publishing, Inc (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended December 31, 2005).

10.36 Amendment, dated March 30, 2007, to Employment Agreement dated May 10, 2005 between Charles J. Huebner and Activision Publishing, Inc.

10.37 Employment Agreement, dated June 15, 2005, between Michael Griffith and Activision Publishing, Inc (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended June 30, 2005).

10.38 Stock Option Agreement, dated June 15, 2005, between Michael Griffith and Activision, Inc. (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ended June 30, 2005).

10.39 Restricted Stock Agreement, dated June 15, 2005, between Michael Griffith and Activision, Inc. (incorporated by reference to Exhibit 10.4 of Activision's Form 10-Q for the quarter ended June 30, 2005).

10.40 Employment Agreement, dated September 9, 2005, between Thomas Tippl and Activision Publishing, Inc (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended September 30, 2005).

10.41 Stock Option Agreement, dated October 3, 2005, between Thomas Tippl and Activision, Inc. (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended September 30, 2005).

10.42 Restricted Stock Agreement, dated October 3, 2005, between Thomas Tippl and Activision, Inc. (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ended September 30, 2005).

10.43 Employment Agreement, dated September 18, 2006, between Brian Hodous and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended December 31, 2006).

10.44	Letter Agreement, dated September 6, 2006, between Brian Hodous and Activision, Inc.
10.45	Stock Option Agreement, dated as of November 3, 2006, between Activision and Brian Hodous.
10.46	Restricted Stock Agreement, dated as of November 3, 2006, between Activision and Brian Hodous.
10.47	Restricted Stock Agreement, dated as of November 3, 2006, between Activision and Brian Hodous.
10.48	Employment Agreement, dated October 1, 2006, between Robin Kaminsky and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ended December 31, 2006).
10.49	PlayStation 2 CD-ROM/DVD-ROM Licensed Publisher Agreement, dated as of April 1, 2000, between Sony Computer Entertainment America Inc. and Activision, Inc. (incorporated by reference to Exhibit 10.9 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.50	Letter regarding Modification of Territory for PlayStation 2 CD-ROM/DVD-ROM Licensed Publisher Agreement, dated as of June 11, 2004, from Sony Computer Entertainment America Inc. to Activision, Inc.
10.51	PlayStation 2 Licensed Publisher Agreement, dated as of March 23, 2001, between Sony Computer Entertainment Europe Limited and Activision UK Limited (incorporated by reference to Exhibit 10.10 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.52	PlayStation Portable ("PSP") Licensed PSP Publisher Agreement, dated September 15, 2004, between Sony Computer Entertainment America Inc. and Activision, Inc. (incorporated by reference to Exhibit 10.46 of Activision's Form 10-K for the year ended March 31, 2005).*

10.53	PlayStation Portable ("PSP") Licensed PSP Publisher Agreement, dated September 27, 2005, between Sony Computer Entertainment Europe Limited and Activision UK Limited (incorporated by reference to Exhibit 10.60 of Activision's Form 10-K for year ended March 31, 2006).*
10.54	Global PlayStation 3 Format Licensed Publisher Agreement, dated March 5, 2007, between Sony Computer Entertainment America, Inc. and Activision. Inc.*
10.55	First Renewal License Agreement for the Game Boy Advance Video Game System (EEA, Australia, and New Zealand), dated September 14, 2004, between Nintendo Co., Ltd. and Activision, Inc. (incorporated by reference to Exhibit 10.44 of Activision's Form 10-K for the year ended March 31, 2005).*
10.56	First Addendum to First Renewal License Agreement for the Game Boy Advance Video Game System (EEA, Australia and New Zealand), dated June 20, 2006, between Nintendo Co., Ltd. and Activision, Inc.
10.57	Confidential License Agreement for Nintendo GameCube (Western Hemisphere), dated as of November 9, 2001, between Nintendo of America Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.1 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.58	First Amendment to the Confidential License Agreement for Nintendo GameCube (Western Hemisphere), dated November 9, 2004, between Nintendo of America, Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.45 of Activision's Form 10-K for the year ended March 31, 2005).
10.59	First Renewal License Agreement for the Nintendo GameCube System (EEA), dated June 20, 2006, between Nintendo, Co., Ltd. and Activision, Inc.*
10.60	Confidential License Agreement for the Nintendo DS (Western Hemisphere), dated as of October 11, 2004, between Nintendo Co., Ltd. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.42 of Activision's Form 10-K for the year ended March 31, 2005).*
10.61	License Agreement for the Nintendo DS System (EEA, Australia and New Zealand), dated June 20, 2006, between Nintendo Co., Ltd. and Activision, Inc.*
10.62	Microsoft Corporation Xbox Publisher License Agreement, dated as of July 18, 2001, between Microsoft Corporation and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.5 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*

10.63	Amendment to Microsoft Corporation Xbox Publisher License Agreement, dated as of April 19, 2002, between Microsoft Licensing, Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.6 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.64	Xbox Live Distribution Amendment to the Xbox Publisher Licensing Agreement, dated as of October 28, 2002, between Microsoft Licensing, Inc. and Activision Publishing, Inc. (incorporated by reference to

	Exhibit 10.7 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.65	Amendment to the Xbox Publisher Licensing Agreement, dated as of March 1, 2005, between Microsoft Licensing, GP, and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.47 of Activision's Form 10-K for the year ended March 31, 2005).*
10.66	Microsoft Corporation Xbox 360 Publisher License Agreement, dated as of October 25, 2005, between Microsoft Licensing, GP and Activision Publishing, Inc (incorporated by reference to Exhibit 10.4 of Activision's Form 10-Q for the quarter ended December 31, 2005).*
10.67	Xbox 360 Disc Program Addendum to the Xbox 360 Publisher License Agreement, dated as of December 15, 2005, between Microsoft Licensing, GP and Activision Publishing, Inc (incorporated by reference to Exhibit 10.5 of Activision's Form 10-Q for the quarter ended December 31, 2005).*
10.68	Amendment to the Xbox 360 Publisher Licensing Agreement (Platinum/Classic Hits Program), dated as of October 1, 2006, by and between Microsoft Licensing, GP and Activision, Inc.*
10.69	Xbox Live Server Platform Addendum to the Xbox 360 Publisher Licensing Agreement, dated as of February 6, 2007, by and between Microsoft Licensing, GP and Activision Publishing, Inc.
10.70	Chart of Compensation to Non-Employee Directors (incorporated by reference to Exhibit 10.6 of Activision's Form 10-Q for the quarter ended December 31, 2005).
14.1	Code of Ethics for Senior Executive and Senior Financial Officers (incorporated by reference to Exhibit 14.1 of Activision's Form 10-K for the year ended March 31, 2004).
21.1	Principal subsidiaries of Activision.
23.1	Consent of Independent Registered Public Accounting Firm.

31.1	Certification of Robert A. Kotick pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Michael Griffith pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Thomas Tippl pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert A. Kotick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Michael Griffith pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Thomas Tippl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Portions omitted pursuant to a request for confidential treatment.

SIGNATURES

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

Date: June 14, 2007

ACTIVISION, INC.

By: */s/ Michael Griffith*
Michael Griffith
President and Chief Executive Officer,
Activision Publishing, Inc.
(Principal Executive Officer)

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

By:	*/s/ Robert A. Kotick* (Robert A. Kotick)	Chairman, Chief Executive Officer, Activision, Inc., and Director	June 14, 2007
By:	*/s/ Brian G. Kelly* (Brian G. Kelly)	Co-Chairman and Director	June 14, 2007

By:	*/s/ Michael Griffith* (Michael Griffith)	President and Chief Executive Officer of Activision Publishing, Inc. and Principal Executive Officer of Activision, Inc.	June 14, 2007
By:	*/s/ Thomas Tippl* (Thomas Tippl)	Chief Financial Officer of Activision Publishing, Inc. and Principal Financial and Accounting Officer of Activision, Inc.	June 14, 2007
By:	*/s/ Robert J. Corti* (Robert J. Corti)	Director	June 14, 2007
By:	*/s/ Ronald Doornink* (Ronald Doornink)	Director	June 14, 2007
By:	*/s/ Barbara S. Isgur* (Barbara S. Isgur)	Director	June 14, 2007
By:	*/s/ Robert J. Morgado* (Robert J. Morgado)	Director	June 14, 2007
By:	*/s/ Peter J. Nolan* (Peter J. Nolan)	Director	June 14, 2007
By:	*/s/ Richard Sarnoff* (Richard Sarnoff)	Director	June 14, 2007

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Activision, Inc.:

We have completed integrated audits of Activision, Inc.'s consolidated financial statements and of its internal control over financial reporting as of March 31, 2007, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 8, present fairly, in all material respects, the financial position of Activision, Inc. and its subsidiaries at March 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements the Company changed the manner in which it accounts for share-based compensation in fiscal 2007.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of March 31, 2007 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

PricewaterhouseCoopers LLP
Los Angeles, California
June 14, 2007

Part II. Financial Information.
Item 8. Financial Statements.

ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	As of March 31,	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	$ 384,409	$ 354,331
Short-term investments	570,440	590,629
Accounts receivable, net of allowances of $91,418 and $98,253 at March 31, 2007 and 2006, respectively	148,694	28,782
Inventories	91,231	61,483
Software development	107,779	40,260
Intellectual property licenses	27,784	4,973
Deferred income taxes	51,564	9,664
Other current assets	19,332	25,933
Total current assets	1,401,233	1,116,055
Software development	23,143	20,359
Intellectual property licenses	72,490	82,073
Property and equipment, net	46,540	45,368
Deferred income taxes	48,791	52,545
Other assets	6,376	1,409
Goodwill	195,374	100,446
Total assets	$ 1,793,947	$ 1,418,255
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 136,517	$ 88,994
Accrued expenses	204,652	104,862
Total current liabilities	341,169	193,856
Other liabilities	41,246	1,776
Total liabilities	382,415	195,632
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $.000001 par value, 3,750,000 shares authorized, no shares issued at March 31, 2007 and 2006	—	—
Series A Junior Preferred stock, $.000001 par value, 1,250,000 shares authorized, no shares issued at March 31, 2007 and 2006	—	—
Common stock, $.000001 par value and 450,000,000 shares authorized, 283,310,734 and 277,020,898 shares issued and outstanding at March 31, 2007 and 2006, respectively	—	—
Additional paid-in capital	963,553	867,297
Retained earnings	427,777	341,990
Accumulated other comprehensive income	20,202	16,369
Unearned compensation	—	(3,033)
Total shareholders' equity	1,411,532	1,222,623
Total liabilities and shareholders' equity	$ 1,793,947	$ 1,418,255

The accompanying notes are an integral part of these consolidated financial statements.

ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	For the fiscal years ended March 31,		
	2007	2006	2005
Net revenues	$ 1,513,012	$ 1,468,000	$ 1,405,857
Costs and expenses:			
Cost of sales – product costs	799,587	734,874	658,949
Cost of sales – software royalties and amortization	132,353	147,822	123,800
Cost of sales – intellectual property licenses	46,125	57,666	62,197
Product development	133,073	132,651	87,776
Sales and marketing	196,213	283,395	230,299
General and administrative	132,514	96,366	63,228
Total costs and expenses	1,439,865	1,452,774	1,226,249
Income from operations	73,147	15,226	179,608
Investment income, net	36,678	30,630	13,092
Income before income tax provision	109,825	45,856	192,700
Income tax provision	24,038	5,605	57,643
Net income	$ 85,787	$ 40,251	$ 135,057
Basic earnings per share	$ 0.31	$ 0.15	$ 0.54
Weighted average common shares outstanding	281,114	273,177	250,023
Diluted earnings per share	$ 0.28	$ 0.14	$ 0.49
Weighted average common shares outstanding – assuming dilution	305,339	294,002	277,712

The accompanying notes are an integral part of these consolidated financial statements.

ACTIVISION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the fiscal years ended March 31, 2007, 2006, and 2005

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Shareholders' Equity
Balance, March 31, 2004	**296,669**	**$ —**	**$ 797,626**	**$ 166,682**	**(52,525)**	**$ (144,128)**	**$ 9,961**	**$ —**	**$ 830,141**
Components of comprehensive income:									
Net income for the year	—	—	—	135,057	—	—	—	—	135,057
Unrealized depreciation on short-term investments	—	—	—	—	—	—	(3,317)	—	(3,317)
Foreign currency translation adjustment	—	—	—	—	—	—	4,974	—	4,974
Total comprehensive income								—	136,714
Issuance of common stock to employees	22,255	—	68,192	—	—	—	—	—	68,192
Issuance of common stock pursuant to warrants and common stock warrants	1,497	—	4,462	—	—	—	—	—	4,462
Stock-based compensation	—	—	3,368	—	—	—	—	—	3,368
Tax benefit attributable to employee stock options and common stock warrants	—	—	53,206	—	—	—	—	—	53,206
Issuance of common stock to effect business combinations	145	—	1,191	—	—	—	—	—	**1,191**
Retirement of treasury shares	(52,525)	—	(144,128)	—	52,525	144,128	—	—	—
Balance, March 31, 2005	**268,041**	**—**	**783,917**	**301,739**	**—**	**—**	**11,618**	**—**	**1,097,274**
Components of comprehensive income:									
Net income for the year	—	—	—	40,251	—	—	—	—	40,251
Unrealized appreciation on short-term investments	—	—	—	—	—	—	10,576	—	10,576
Foreign currency translation adjustment	—	—	—	—	—	—	(5,825)	—	(5,825)
Total comprehensive income								—	45,002
Issuance of common stock to employees	8,782	—	45,188	—	—	—	—	—	45,188
Stock-based compensation	—	—	2,632	—	—	—	—	—	2,632
Restricted stock grant	—	—	3,500	—	—	—	—	(3,500)	—
Cash distribution for fractional shares	(7)	—	(100)	—	—	—	—	—	(100)
Amortization of unearned compensation	—	—	—	—	—	—	—	467	467
Tax benefit attributable to employee stock options and common stock warrants	—	—	29,367	—	—	—	—	—	29,367
Issuance of common stock to effect business combinations	205	—	2,793	—	—	—	—	—	2,793
Balance, March 31, 2006	**277,021**	**—**	**867,297**	**341,990**	**—**	**—**	**16,369**	**(3,033)**	**1,222,623**
Components of comprehensive income:									
Net income for the year	—	—	—	85,787	—	—	—	—	85,787
Unrealized depreciation, net of tax on short-term investments	—	—	—	—	—	—	(8,224)	—	(8,224)
Foreign currency translation adjustment	—	—	—	—	—	—	12,057	—	12,057
Total comprehensive income								—	89,620
Issuance of common stock to employees	3,532	—	18,956	—	—	—	—	—	18,956
Stock-based compensation	—	—	32,077	—	—	—	—	—	32,077
Tax benefit attributable to employee stock options	—	—	11,338	—	—	—	—	—	11,338

and common stock warrants									
Issuance of common stock to effect business combinations	2,758	—	36,918	—	—	—	—	—	36,918
Reclassification of unearned compensation	—	—	(3,033)	—	—	—	—	3,033	—
Balance, March 31, 2007	**283,311**	**$ —**	**$ 963,553**	**$ 427,777**	**—**	**$ —**	**$ 20,202**	**$ —**	**$ 1,411,532**

The accompanying notes are an integral part of these consolidated financial statements.

ACTIVISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the fiscal years ended March 31,		
	2007	**2006**	**2005**
Cash flows from operating activities:			
Net income	$ 85,787	$ 40,251	$ 135,057
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(44,092)	(28,453)	(674)
Depreciation and amortization	30,155	14,634	10,702
Realized gain on sale of short term investments	(1,823)	(4,297)	(471)
Amortization and write-offs of capitalized software development costs and intellectual property licenses	91,456	173,602	134,799
Amortization of stock compensation expenses	25,522	3,099	3,368
Tax benefit of stock options and warrants exercised	11,338	29,367	53,206
Excess tax benefit from stock option exercises	(9,012)	—	—
Change in operating assets and liabilities (net of effects of acquisitions):			
Accounts receivable, net	(108,802)	80,405	(46,527)
Inventories	(26,124)	(13,465)	(21,591)
Software development and intellectual property licenses	(166,138)	(193,927)	(126,938)
Other assets	7,294	(2,038)	1,543
Accounts payable	41,115	(19,985)	35,413
Accrued expenses and other liabilities	90,486	6,814	37,422
Net cash provided by operating activities	27,162	86,007	215,309
Cash flows from investing activities:			
Cash used in business acquisitions (net of cash acquired)	(30,545)	(6,890)	(21,382)
Capital expenditures	(17,935)	(30,406)	(14,941)
Increase in restricted cash	—	(7,500)	—
Purchase of short-term investments	(479,533)	(242,568)	(868,723)
Proceeds from sales and maturities of short-term investments	492,771	201,568	761,150
Net cash used in investing activities	(35,242)	(85,796)	(143,896)
Cash flows from financing activities:			
Proceeds from issuance of common stock to employees and common stock pursuant to warrants	18,956	45,088	72,654
Excess tax benefit from stock option exercises	9,012	—	—
Net cash provided by financing activities	27,968	45,088	72,654
Effect of exchange rate changes on cash	10,190	(4,576)	4,421
Net increase in cash and cash equivalents	30,078	40,723	148,488
Cash and cash equivalents at beginning of period	354,331	313,608	165,120
Cash and cash equivalents at end of period	$ 384,409	$ 354,331	$ 313,608

The accompanying notes are an integral part of these consolidated financial statements.

ACTIVISION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the year ended March 31, 2007

1. Summary of Significant Accounting Policies

Business

Activision, Inc. (“Activision,” the “Company,” or “we”) is a leading international publisher of interactive entertainment software and peripheral products. We have built a company with a diverse portfolio of products that spans a wide range of categories and target markets and that is used on a variety of game hardware platforms and operating systems. We have created, licensed, and acquired a group of highly recognizable brands, which we market to a variety of consumer demographics. Our products cover diverse game categories including action/adventure, action sports, racing, role-playing, simulation, first-person action, music-based gaming and strategy. Our target customer base ranges from casual players to game enthusiasts, children to adults, and mass-market consumers to “value” buyers. We currently offer our products primarily in versions that operate on the Sony PlayStation 2 (“PS2”), Sony PlayStation 3 (“PS3”), Nintendo Wii (“Wii”), and Microsoft Xbox 360 (“Xbox360”) console systems, Nintendo Game Boy Advance (“GBA”), Sony PlayStation Portable (“PSP”), and Nintendo Dual Screen (“NDS”) hand-held devices, and the personal computer (“PC”). In prior years, we have also offered our products on the Sony PlayStation (“PS1”), Microsoft Xbox (“Xbox”), Nintendo GameCube (“NGC”), and Nintendo 64 (“N64”) console systems, and the Nintendo Game Boy Color (“GBC”) hand-held device.

Our publishing business involves the development, marketing, and sale of products directly, by license, or through our affiliate label program with certain third-party publishers. Our distribution business consists of operations in Europe that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

We maintain operations in the United States, Canada, the United Kingdom (“UK”), Germany, France, Italy, Spain, Japan, Australia, Sweden, South Korea, and the Netherlands. In fiscal year 2007, international operations contributed approximately 50% of consolidated net revenues.

Principles of Consolidation

The consolidated financial statements include the accounts of Activision, Inc., a Delaware corporation, and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash, Cash Equivalents, and Short-term Investments

Cash and cash equivalents include cash, money markets, and short-term investments with original maturities of not more than 90 days.

Short-term investments generally mature between three and thirty months. Investments with maturities beyond one year may be classified as short-term based on their liquid nature and because such securities represent the investment of cash that is available for current operations. All of our short-term investments are classified as available-for-sale and are carried at fair market value with unrealized appreciation (depreciation) reported as a component of accumulated other comprehensive income (loss) in shareholders’ equity. The specific identification method is used to determine the cost of securities disposed with realized gains and losses reflected in investment income, net.

Restricted Cash – Compensating Balances

As of March 31, 2007 and 2006, we maintained a $7.5 million irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. Under the terms of this arrangement, we are required to maintain on deposit with the bank a compensating balance, restricted as to use, of not less than the sum of the available amount of the letter of credit plus the aggregate amount of any drawings under the letter of credit that have been honored thereunder but not reimbursed. At March 31, 2007 and 2006, the $7.5 million deposit is included in short-term investments as restricted cash.

Concentration of Credit Risk

Financial instruments which potentially subject us to concentration of credit risk consist principally of temporary cash investments and accounts receivable. We place our temporary cash investments with financial institutions. At various times during the fiscal years ended March 31, 2007, 2006, and 2005, we had deposits in excess of the Federal Deposit Insurance Corporation (“FDIC”) limit at these financial institutions.

Our customer base includes retail outlets and distributors, including mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores in the United States and countries worldwide. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. We generally do not require collateral or other security from our customers. We had two customers, Wal-Mart and GameStop, that accounted for 22% and 8% of consolidated net revenues for the fiscal year ended March 31, 2007 and 26% and 6% of consolidated gross accounts receivable at March 31, 2007. These customers were customers of both our publishing and distribution businesses. We had two customers, Wal-Mart and Gamestop, that accounted for 22% and 10% of consolidated net revenues for the year ended March 31, 2006 and 43% and 4% of consolidated gross accounts receivable at March 31, 2006. For the fiscal year ended March 31, 2005, our largest customer, Wal-Mart, accounted for 23% of consolidated net revenues.

Financial Instruments

The estimated fair values of financial instruments have been determined using available market information and valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein may not be indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short-term nature. Short-term investments are carried at fair value with fair values being estimated based on quoted market prices.

We account for derivative instruments in accordance with Statement of Financial Accounting Standard (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133” and SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS No. 133, 138, and 149 require that all derivatives, including foreign exchange contracts, be recognized in the balance sheet in other current assets or accrued expenses at their fair value.

We utilize forward contracts in order to reduce financial market risks. These instruments are used to hedge foreign currency exposures of underlying assets or liabilities. Our accounting policies for these instruments are based on whether they meet the criteria for designation as hedging transactions. Changes in fair value of derivatives that are designated as cash flow hedges, are highly effective, and qualify as hedging instruments, are recorded in other comprehensive income until the underlying hedged item is recognized in earnings within the financial statement line item consistent with the hedged item. Any ineffective portion of a derivative change in fair value is immediately recognized in earnings. Changes in fair value of derivatives that do not qualify as hedging instruments are recorded in earnings. The fair value of foreign currency contracts is estimated based on the spot rate of the various hedged currencies as of the end of the

period. As of March 31, 2007, accrued expenses included approximately $90,000 of pre-tax unrealized losses for the estimated fair value of outstanding foreign currency exchange forward contracts, which was recorded in earnings as the contracts did not qualify as hedging instruments. As of March 31, 2006, we had no outstanding foreign exchange forward contracts.

Equity Investments

From time to time, we may make a capital investment and hold a minority interest in a third-party developer in connection with entertainment software products to be developed by such developer for us. We account for those capital investments over which we have the ability to exercise significant influence using the equity method. For

those investments over which we do not have the ability to exercise significant influence, we account for our investment using the cost method.

Software Development Costs and Intellectual Property Licenses

Software development costs include payments made to independent software developers under development agreements, as well as direct costs incurred for internally developed products.

We account for software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Software development costs are capitalized once the technological feasibility of a product is established and such costs are determined to be recoverable. Technological feasibility of a product encompasses both technical design documentation and game design documentation. For products where proven technology exists, this may occur early in the development cycle. Technological feasibility is evaluated on a product-by-product basis. Prior to a product's release, we expense, as part of "cost of sales – software royalties and amortization," capitalized costs when we believe such amounts are not recoverable. Capitalized costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Amounts related to software development which are not capitalized are charged immediately to product development expense. We evaluate the future recoverability of capitalized amounts on a quarterly basis. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific products for which the costs relate. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

Commencing upon product release, capitalized software development costs are amortized to "cost of sales – software royalties and amortization" based on the ratio of current revenues to total projected revenues, generally resulting in an amortization period of six months or less. For products that have been released in prior periods, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

Significant management judgments and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing assessment of the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than, and/or revised forecasted or actual costs are greater than, the original forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge.

Intellectual property license costs represent license fees paid to intellectual property rights holders for use of their trademarks, copyrights, software, technology, music or other intellectual property or proprietary rights in the development of our products. Depending upon the agreement with the rights holder, we may obtain the rights to use acquired intellectual property in multiple products over multiple years, or alternatively, for a single product.

We evaluate the future recoverability of capitalized intellectual property licenses on a quarterly basis. The recoverability of capitalized intellectual property license costs is evaluated based on the expected performance of the specific products in which the licensed trademark or copyright is to be used. As many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors, such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property, and the rights holder's continued promotion and exploitation of the intellectual property. Prior to the related product's release, we expense, as part of "cost of sales – intellectual property licenses," capitalized intellectual property costs when we believe such amounts are not recoverable. Capitalized intellectual property costs for those products that are cancelled or abandoned are charged to product development expense in the period of cancellation. Criteria used to evaluate expected product performance include: historical performance of comparable products using comparable technology; orders for the

product prior to its release; and estimated performance of a sequel product based on the performance of the product on which the sequel is based.

Commencing upon the related product's release, capitalized intellectual property license costs are amortized to "cost of sales – intellectual property licenses" based on the ratio of current revenues for the specific product to total projected revenues for all products in which the licensed property will be utilized. As intellectual property license contracts may extend for multiple years, the amortization of capitalized intellectual property license costs relating to such contracts may extend beyond one year. For intellectual property included in products that have been released, we evaluate the future recoverability of capitalized amounts on a quarterly basis. The primary evaluation criterion is actual title performance.

Significant management judgments and estimates are utilized in the assessment of the recoverability of capitalized costs. In evaluating the recoverability of capitalized costs, the assessment of expected product performance utilizes forecasted sales amounts and estimates of additional costs to be incurred. If revised forecasted or actual product sales are less than, and/or revised forecasted or actual costs are greater than, the original forecasted amounts utilized in the initial recoverability analysis, the net realizable value may be lower than originally estimated in any given quarter, which could result in an impairment charge. Additionally, as noted above, as many of our intellectual property licenses extend for multiple products over multiple years, we also assess the recoverability of capitalized intellectual property license costs based on certain qualitative factors such as the success of other products and/or entertainment vehicles utilizing the intellectual property, whether there are any future planned theatrical releases or television series based on the intellectual property and the rights holder's continued promotion and exploitation of the intellectual property. Material differences may result in the amount and timing of charges for any period if management makes different judgments or utilizes different estimates in evaluating these qualitative factors.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the shorter of the estimated useful lives or the lease term: buildings, 25 to 33 years; computer equipment, office furniture and other equipment, 2 to 5 years; leasehold improvements, through the life of the lease. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed and any resulting gains or losses are recognized in current operations.

Goodwill

We account for goodwill using the provisions of SFAS No. 142, "Goodwill and Other Intangibles." SFAS No. 142 addresses financial accounting and reporting requirements for acquired goodwill and other intangible assets. Under SFAS No. 142, goodwill is deemed to have an indefinite useful life and should not be amortized but rather tested at least annually for impairment. An impairment loss should be recognized if the carrying amount of goodwill is not recoverable and its carrying amount exceeds its fair value. Our impairment tests as of March 31, 2007, 2006, and 2005 did not indicate that goodwill was impaired. In accordance with SFAS No. 142, we have not amortized goodwill during the fiscal years ended March 31, 2007, 2006, and 2005.

Revenue Recognition

We recognize revenue from the sale of our products upon the transfer of title and risk of loss to our customers. Certain products are sold to customers with a street date (i.e., a date on which products are made widely available by retailers). For these products we recognize revenue no earlier than the street date. Revenue from product sales is recognized after deducting the estimated allowance for returns and price protection. With respect to license agreements that provide customers the right to make multiple copies in exchange for guaranteed amounts, revenue is recognized upon delivery of such copies. Per copy royalties on sales that exceed the guarantee are recognized as earned. With respect to on-line transactions, such as electronic downloads of titles or product add-ons, revenue is recognized when the fee is paid by the on-line customer to purchase online content and we are notified by the

online retailer that the product has been downloaded. In addition, in order to recognize revenue for both product sales and licensing transactions, persuasive evidence of an arrangement must exist and collection of the related receivable must be probable. Revenue recognition also determines the timing of certain expenses, including "cost of sales – intellectual property licenses" and "cost of sales – software royalties and amortization."

Sales incentives or other consideration given by us to our customers are accounted for in accordance with the Financial Accounting Standards Board's Emerging Issues Task Force ("EITF") Issue 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." In accordance with EITF Issue 01-9, sales incentives and other consideration that are considered adjustments of the selling price of our products, such as rebates and product placement fees, are reflected as reductions of revenue. Sales incentives and other consideration that represent costs incurred by us for assets or services received, such as the appearance of our products in a customer's national circular ad, are reflected as sales and marketing expenses.

Allowances for Returns, Price Protection, Doubtful Accounts, and Inventory Obsolescence

In determining the appropriate unit shipments to our customers, we benchmark our titles using historical and industry data. We closely monitor and analyze the historical performance of our various titles, the performance of products released by other publishers, and the anticipated timing of other releases in order to assess future demands of current and upcoming titles. Initial volumes shipped upon title launch and subsequent reorders are evaluated to ensure that quantities are sufficient to meet the demands from the retail markets, but at the same time are controlled to prevent excess inventory in the channel.

We may permit product returns from, or grant price protection to, our customers under certain conditions. In general, price protection refers to the circumstances when we elect to decrease the wholesale price of a product by a certain amount and, when granted and applicable, allows customers a credit against amounts owed by such customers to us with respect to open and/or future invoices. The conditions our customers must meet to be granted the right to return products or price protection are, among other things, compliance with applicable payment terms, and consistent delivery to us of inventory and sell-through reports. We may also consider other factors, including the facilitation of slow-moving inventory and other market factors. Management must make estimates of potential future product returns and price protection related to current period product revenue. We estimate the amount of future returns and price protection for current period product revenue utilizing historical experience and information regarding inventory levels and the demand and acceptance of our products by the end consumer. The following factors are used to estimate the amount of future returns and price protection for a particular title: historical performance of titles in similar genres; historical performance of the hardware platform; historical performance of the brand; console hardware life cycle; Activision sales force and retail customer feedback; industry pricing; weeks of on-hand retail channel inventory; absolute quantity of on-hand retail channel inventory; our warehouse on-hand inventory levels; the title's recent sell-through history (if available); marketing trade programs; and competing titles. The relative importance of these factors varies among titles depending upon, among other items, genre, platform, seasonality, and sales strategy. Significant management judgments and estimates must be made and used in connection with establishing the allowance for returns and price protection in any accounting period. Based upon historical experience we believe our estimates are reasonable. However, actual returns and price protection could vary materially from our allowance estimates due to a number of reasons including, among others, a lack of consumer acceptance of a title, the release in the same period of a similarly themed title by a competitor, or technological obsolescence due to the emergence of new hardware platforms. Material differences may result in the amount and timing of our revenue for any period if factors or market conditions change or if management makes different judgments or utilizes different estimates in determining the allowances for returns and price protection. For example, a 1% change in our March 31, 2007 allowance for returns and price protection would impact net revenues by $0.9 million.

Similarly, management must make estimates of the uncollectibility of our accounts receivable. In estimating the allowance for doubtful accounts, we analyze the age of current outstanding account balances, historical bad debts, customer concentrations, customer creditworthiness, current economic trends, and changes in our customers' payment terms and their economic condition, as well as whether we can obtain sufficient credit insurance. Any significant changes in any of these criteria would affect management's estimates in establishing our allowance for doubtful accounts.

We value inventory at the lower of cost or market. We regularly review inventory quantities on hand and in the retail channel and record a provision for excess or obsolete inventory based on the future expected demand for

our products. Significant changes in demand for our products would impact management's estimates in establishing our inventory provision.

Shipping and Handling

Shipping and handling costs, which consist primarily of packaging and transportation charges incurred to move finished goods to customers, are included in cost of sales – product costs.

Advertising Expenses

We expense advertising as incurred, except for production costs associated with media advertising which are deferred and charged to expense the first time the related ad is run. Advertising expenses for the fiscal years ended March 31, 2007, 2006, and 2005 were approximately $98.4 million, $192.6 million, and $150.7 million, respectively, and are included in sales and marketing expense in the Consolidated Statements of Operations.

Investment Income, Net

Investment income, net is comprised of the following, (amounts in thousands):

	For the fiscal years ended March 31,		
	2007	2006	2005
Interest income	$ 34,952	$ 26,595	$ 12,898
Interest expense	(97)	(262)	(277)
Net realized gain on investments	1,823	4,297	471
Investment income, net	$ 36,678	$ 30,630	$ 13,092

Income Taxes

We account for income taxes using SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Foreign Currency Translation

The functional currencies of our foreign subsidiaries are their local currencies. All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars at the exchange rate in effect at the end of the period, and revenue and expenses are translated at weighted average exchange rates during the period. The resulting translation adjustments are reflected as a component of accumulated other comprehensive income (loss) in shareholders' equity.

Comprehensive Income

Comprehensive income includes net income, unrealized appreciation (depreciation) on short-term investments, foreign currency translation adjustments, and, if applicable, the effective portion of gains or losses on cash flow hedges that are presented as a component of accumulated other comprehensive income (loss) in shareholders' equity.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities or the disclosure of gain or loss contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Earnings Per Common Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for all periods. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding, increased by common stock equivalents. Common stock equivalents are calculated using the treasury stock method and represent incremental shares issuable upon exercise of our outstanding options and warrants and, if applicable in the period, conversion of our convertible debt. However, potential common shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive, such as in a period in which a net loss is recorded.

Stock-Based Compensation

On April 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases related to the Employee Stock Purchase Plan ("employee stock purchases"), based on estimated fair values. SFAS 123R supersedes our previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123R. We have applied the provisions of SAB 107 in our adoption of SFAS 123R.

We adopted SFAS 123R using the modified prospective transition method, which requires the application of the accounting standard as of April 1, 2006, the first day of our fiscal year 2007. The Company's Consolidated Financial Statements as of and for the fiscal year ended March 31, 2007 reflect the impact of SFAS 123R. In accordance with the modified prospective transition method, the Company's Consolidated Financial Statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. See Note 14 for additional information.

In November 2005, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards" ("FSP 123R-3"). We have elected not to adopt the alternative transition method provided in the FSP 123R-3 for calculating the tax effects of stock-based compensation pursuant to SFAS 123R. We followed paragraph 81 of SFAS No. 123R to calculate the initial pool ("APIC pool") of excess tax benefits and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the measurement date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statement of Operations. Stock-based compensation expense recognized under SFAS 123R for the fiscal year ended March 31, 2007 was $25.5 million. Prior to the adoption of SFAS 123R, the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under APB 25, compensation expense was recorded for the issuance of stock options and other stock-based compensation based on the intrinsic value of the stock options and other stock-based compensation on the date of grant or measurement date. Under the intrinsic value method, compensation expense was recorded on the measurement date only if the current market price of the underlying stock exceeded the stock option or other stock-based award's exercise price. For the fiscal years ended March 31, 2006 and 2005, we recognized $3.1 million and $3.4

million, respectively, in stock-based compensation expense related to employee stock options and restricted stock, under APB 25. See Note 14 for additional information.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Stock-based compensation expense recognized in our Consolidated Statements of Operations for the fiscal year ended March 31, 2007 includes compensation expense for share-based payment awards granted prior to, but not yet vested as of, April 1, 2006 based on the grant date fair value estimated in accordance with the pro forma provisions of SFAS 123, and compensation expense for the share-based payment awards granted subsequent to April 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. As stock-based compensation expense recognized in the Consolidated Statements of Operations for the fiscal year ended March 31, 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

As of April 1, 2005, we changed our method of valuation for share-based awards to a binomial-lattice model from the Black-Scholes option-pricing model ("Black-Scholes model") which was used for options granted prior to April 1, 2005 for FAS 123 fair value disclosures. For additional information, see Note 14. Our determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors.

2. Stock Splits

In February 2005, the Board of Directors approved a four-for-three split of our outstanding common shares effected in the form of a 33-1/3% stock dividend. The split was paid March 22, 2005 to shareholders of record as of March 7, 2005. In September 2005, the Board of Directors approved a four-for-three split of our outstanding common shares effected in the form of a 33-1/3% stock dividend. The split was paid October 24, 2005 to shareholders of record as of October 10, 2005. The par value of our common stock was maintained at the pre-split amount of $.000001. The Consolidated Financial Statements and Notes thereto, including all share and per share data, have been restated as if the stock splits had occurred as of the earliest period presented.

On March 7, 2005, in connection with our March 22, 2005 stock split, all shares of common stock held as treasury stock were formally cancelled and restored to the status of authorized but unissued shares of common stock.

3. Acquisitions

During the three years ended March 31, 2007, we separately completed the acquisition of four privately held interactive software development companies. We accounted for these acquisitions in accordance with SFAS No. 141, "Business Combinations." SFAS No. 141 addresses financial accounting and reporting for business combinations, requiring that the purchase method be used to account and report for all business combinations. These acquisitions have further enabled us to implement our multi-platform development strategy by bolstering our internal product development capabilities for console systems and personal computers and strengthening our position in the first-person action, action/adventure, music-based gaming and action sports game categories. A significant portion of the purchase price for all of these acquisitions was assigned to goodwill as the primary asset we acquired in each of the transactions was an assembled workforce with proven technical and design talent with a history of high quality product creation. Pro forma Consolidated Statements of Operations for these acquisitions, are not shown, as they would not differ materially from reported results.

RedOctane, Inc.

On June 6, 2006, we completed our acquisition of 100% of RedOctane, Inc. ("RedOctane") for an aggregate accounting purchase price of $99.9 million, including transaction costs, consisting of $30.9 million in cash and 2,382,077 shares of Activision common stock valued at approximately $30.0 million based upon prevailing market prices which was issued on the closing date, and $39.0 million payable in Activision common stock

within two years of the closing date, which is recorded in other liabilities. In addition, in the event the net income of the business over a certain period of time exceeds specified target levels by certain amounts, certain former shareholders of RedOctane will be entitled to an additional amount of up to $51.0 million payable in shares of Activision common stock. The contingent consideration will be recorded as an additional element of the purchase price if those contingencies are achieved. Based in Sunnyvale, California, RedOctane is a publisher, developer, and distributor of interactive entertainment software, hardware and accessories. RedOctane offers its interactive entertainment products in versions that operate on the PS2, Xbox 360, and PC, and its leading software product offering is *Guitar Hero*. RedOctane also designs, manufactures, and markets high quality video game peripherals and accessories. This acquisition provides Activision with an early leadership position in music-based gaming, which we expect will be one of the fastest growing genres in the coming years.

The results of operations of RedOctane and the estimated fair market values of the acquired assets and liabilities have been included in the Consolidated Financial Statements since the date of acquisition. Pro forma Consolidated Statements of Operations for this acquisition are not shown, as they would not differ materially from reported results. The acquired, finite-lived intangible assets are being amortized over estimated lives ranging from 0.6 to 1.6 years. Goodwill has been included in the publishing segment of our business and is non-deductible for tax purposes.

Purchase Price Allocation

The purchase price for the RedOctane transaction was allocated to assets acquired and liabilities assumed as set forth below (in thousands):

Current assets	$ 17,530
Property and equipment, net	207
Other assets	1,033
Goodwill	87,004
Trademark and other intangibles	16,700
Deferred tax liability	(6,496)
Other liabilities	(16,033)
Total consideration	$ 99,945

Purchased Intangible Assets

The following table presents details of the purchased finite-lived intangible assets acquired in the RedOctane acquisition (in thousands):

	Estimated Useful Life (in years)	Amount
Finite-lived intangibles:		
Trademark	1.3	$ 1,000
Development-related intangibles	0.6-1.6	15,700
Total finite-lived intangibles		$ 16,700

The following tables present details of our total purchased finite-lived intangible assets which are included in other current assets as of March 31, 2007 (in thousands):

	Gross	Accumulated Amortization	Net
Trademark	$ 1,000	$ 660	$ 340
Other intangibles	15,700	11,042	4,658
Total	$ 16,700	$ 11,702	$ 4,998

The estimated future amortization expense of purchased, finite-lived intangible assets as of March 31, 2007 is as follows (in thousands):

Fiscal year ending March 31,	Amount
2008	$ 4,998
2009	—
2010	—
2011	—
Thereafter	—
Total	$ 4,998

4. Cash, Cash Equivalents, and Short-Term Investments

The following table summarizes our cash, cash equivalents and short-term investments as of March 31, 2007 (amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash and time deposits	$ 187,594	$ —	$ —	$ 187,594
Commercial paper	86,776	—	(34)	86,742
Money market instruments	106,986	—	—	106,986
Corporate bonds	3,087	—	—	3,087
Cash and cash equivalents	384,443	—	(34)	384,409
Short-term investments:				
U.S. agency issues	191,840	8	(1,011)	190,837
Corporate bonds	103,006	39	(148)	102,897
Mortgage-backed securities	33,142	—	(199)	32,943
Taxable auction rate notes	114,698	—	—	114,698
Asset-backed securities	7,754	2	(7)	7,749
Commercial paper	92,018	—	(67)	91,951
Certificate of deposit	21,866	2	(3)	21,865
Restricted cash	7,500	—	—	7,500

Short-term investments	571,824	51	(1,435)	570,440
Cash, cash equivalents and short-term investments	$ 956,267	$ 51	$ (1,469)	$ 954,849

The following table summarizes our cash, cash equivalents, and short-term investments as of March 31, 2006 (amounts in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents:				
Cash and time deposits	$ 162,403	$ —	$ —	$ 162,403
Commercial paper	141,086	4	(155)	140,935
Money market instruments	37,560	—	—	37,560
U.S. agency issues	13,436	—	(3)	13,433
Cash and cash equivalents	354,485	4	(158)	354,331
Short-term investments:				
U.S. agency issues	259,055	—	(3,444)	255,611
Corporate bonds	171,207	1	(1,376)	169,832
Mortgage-backed securities	55,139	—	(459)	54,680
Common stock	47,868	12,880	—	60,748
Asset-backed securities	16,866	—	(47)	16,819
Commercial paper	15,016	—	(26)	14,990
Certificate of deposit	10,468	—	(19)	10,449
Restricted cash	7,500	—	—	7,500
Short-term investments	583,119	12,881	(5,371)	590,629
Cash, cash equivalents and short-term investments	$ 937,604	$ 12,885	$ (5,529)	$ 944,960

Auction rate securities are securities that are structured with short-term reset dates of generally less than 90 days but with maturities in excess of 90 days. At the end of the reset period, investors can sell or continue to hold the securities at par. These securities are classified in the table below based on their legal stated maturity dates.

The following table summarizes the final maturities of our investments in securities as of March 31, 2007 (amounts in thousands):

	Amortized Cost	Fair Value
Due after one year or less	$ 378,929	$ 378,105
Due after one year through two years	83,333	83,251
Due after two years through three years	14,465	14,158
	476,727	475,514
Auction rate notes	114,698	114,698
Certificate of deposit	21,866	21,865
Asset/mortgage backed securities	40,896	40,692
Total investments in securities	$ 654,187	$ 652,769

For the years ended March 31, 2007, 2006, and 2005 net realized gains on investments consisted of $1.8 million, $4.3 million, and $471,000 of gross realized gains, respectively, and no gross realized losses.

In accordance with EITF 03-1, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,"* the fair value of investments in an unrealized loss position for which an other-than-temporary impairment has not been recognized was $496.2 million and $672.4 million at March 31, 2007 and 2006, respectively, with related gross unrealized losses of $1.5 million and $5.5 million, respectively. At March 31, 2007, the gross unrealized losses were comprised mostly of unrealized losses on U.S. agency issues, corporate bonds, and mortgage-backed securities with $1.1 million of unrealized loss being in a continuous unrealized loss position for twelve months or greater. At March 31, 2006, the gross unrealized losses were comprised mostly of unrealized losses on U.S. agency issues, corporate bonds, and mortgage-backed securities with $3.9 million of unrealized loss being in a continuous unrealized loss position for twelve months or greater.

The Company's investment portfolio usually consists of government and corporate securities with effective maturities less than 30 months. The longer the term of the securities, the more susceptible they are to changes in market rates of interest and yields on bonds. Investments are reviewed periodically to identify possible impairment. When evaluating the investments, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. The Company has the intent and ability to hold these securities for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the initial cost of the investment. The Company expects to realize the full value of all of these investments upon maturity or sale.

5. Software Development Costs and Intellectual Property Licenses

As of March 31, 2007, capitalized software development costs included $94.3 million of internally developed software costs and $36.6 million of payments made to third-party software developers. As of March 31, 2006, capitalized software development costs included $45.0 million of internally developed software costs and $15.6 million of payments made to third-party software developers. Capitalized intellectual property licenses were $100.3 million and $87.0 million as of March 31, 2007 and 2006, respectively. Amortization and write-offs of capitalized software development costs and intellectual property licenses, including capitalizated stock-based compensation expense, was $94.0 million, $173.6 million, and $134.8 million for the years ended March 31, 2007, 2006, and 2005, respectively.

6. Inventories

Our inventories consist of the following (amounts in thousands):

	As of March 31, 2007	As of March 31, 2006
Finished goods	$ 89,048	$ 58,876
Purchased parts and components	2,183	2,607
	$ 91,231	$ 61,483

For the year ended March 31, 2006, we had write downs of inventory costs for certain titles in the amount of $14.5 million.

7. Property and Equipment, Net

Property and equipment, net was comprised of the following (amounts in thousands):

	As of March 31, 2007	As of March 31, 2006
Land	$ 612	$ 557
Buildings	4,915	4,463
Leasehold improvements	19,816	18,904
Computer equipment	61,382	50,795
Office furniture and other equipment	19,879	18,480
Total cost of property and equipment	106,604	93,199
Less accumulated depreciation	(60,064)	(47,831)
Property and equipment, net	$ 46,540	$ 45,368

Depreciation expense for the years ended March 31, 2007, 2006, and 2005 was $17.8 million, $14.2 million, and $10.6 million, respectively.

8. Goodwill

The changes in the carrying amount of goodwill were as follows (amounts in thousands):

	Publishing	Distribution	Total
Balance as of March 31, 2005	$ 85,899	$ 5,762	$ 91,661
Goodwill acquired during the year	6,459	—	6,459
Issuance of contingent consideration	2,793	—	2,793
Adjustment-prior period purchase allocation	(260)	—	(260)
Effect of foreign currency exchange rates	203	(410)	(207)
Balance as of March 31, 2006	95,094	5,352	100,446
Goodwill acquired during the year	87,257	—	87,257
Issuance of contingent consideration	6,918	—	6,918
Adjustment-prior period purchase allocation	51	—	51
Effect of foreign currency exchange rates	22	680	702
Balance as of March 31, 2007	$ 189,342	$ 6,032	$ 195,374

9. Accrued Expenses

Accrued expenses were comprised of the following (amounts in thousands):

	As of March 31, 2007	As of March 31, 2006
Accrued royalties payable	$ 21,583	$ 8,961
Accrued selling and marketing costs	23,909	24,637

Affiliate label program payable	1,846	1,121
Income tax payable	55,530	2,253
Accrued payroll related costs	63,249	33,434
Accrued customer payments	2,088	5,077
Accrued professional and legal costs	9,494	11,568
Other	26,953	17,811
Total accrued expenses	$ 204,652	$ 104,862

10. Operations by Reportable Segments and Geographic Area

We operate two business segments: (i) publishing of interactive entertainment software and peripherals and (ii) distribution of interactive entertainment software and hardware products.

Publishing refers to the development, marketing, and sale of products directly, by license or through our affiliate label program with certain third-party publishers. In the United States, we primarily sell our products on a direct basis to mass-market retailers, consumer electronics stores, discount warehouses, and game specialty stores. We conduct our international publishing activities through offices in the UK, Germany, France, Italy, Spain, the Netherlands, Australia, Sweden, Canada, South Korea and Japan. Our products are sold internationally on a direct-to-retail basis and through third-party distribution and licensing arrangements and through our wholly-owned distribution subsidiaries located in the UK, the Netherlands, and Germany.

Distribution refers to our operations in the UK, the Netherlands, and Germany that provide logistical and sales services to third-party publishers of interactive entertainment software, our own publishing operations, and manufacturers of interactive entertainment hardware.

Resources are allocated to each of these segments using information on their respective net revenues and operating profits before interest and taxes.

The accounting policies of these segments are the same as those described in the Summary of Significant Accounting Policies. Transactions between segments are eliminated in consolidation.

Information on the reportable segments for the three years ended March 31, 2007 is as follows (amounts in thousands):

	For the year ended March 31, 2007		
	Publishing	Distribution	Total
Total segment revenues	$ 1,119,038	$ 393,974	$ 1,513,012
Revenue from sales between segments	(80,726)	80,726	—
Revenues from external customers	$ 1,038,312	$ 474,700	$ 1,513,012
Operating income	$ 64,076	$ 9,071	$ 73,147
Total assets	$ 1,618,195	$ 175,752	$ 1,793,947

	For the year ended March 31, 2006		
	Publishing	Distribution	Total
Total segment revenues	$ 1,154,663	$ 313,337	$ 1,468,000
Revenue from sales between segments	(131,631)	131,631	—
Revenues from external customers	$ 1,023,032	$ 444,968	$ 1,468,000
Operating income (loss)	$ (6,715)	$ 21,941	$ 15,226
Total assets	$ 1,293,014	$ 125,241	$ 1,418,255

	For the year ended March 31, 2005		
	Publishing	Distribution	Total
Total segment revenues	$ 1,072,729	$ 333,128	$ 1,405,857
Revenue from sales between segments	(111,676)	111,676	—
Revenues from external customers	$ 961,053	$ 444,804	$ 1,405,857
Operating income	$ 155,863	$ 23,745	$ 179,608
Total assets	$ 1,173,866	$ 132,053	$ 1,305,919

Geographic information is based on the location of the selling entity. Revenues from external customers by geographic region were as follows (amounts in thousands):

	For the years ended March 31,		
	2007	2006	2005

North America	$ 753,376	$ 710,040	$ 696,325
Europe	718,973	717,494	675,074
Other	40,663	40,466	34,458
Total	$ 1,513,012	$ 1,468,000	$ 1,405,857

Revenues by platform were as follows (amounts in thousands):

	For the years ended March 31,		
	2007	2006	2005
Console	$ 1,125,457	$ 1,008,758	$ 970,399
Hand-held	275,650	235,834	161,977
PC	111,905	223,408	273,481
Total	$ 1,513,012	$ 1,468,000	$ 1,405,857

A significant portion of our revenues is derived from products based on a relatively small number of popular brands each year. In fiscal 2007, 39% of our consolidated net revenues (52% of worldwide publishing net revenues) was derived from three brands, which accounted for 17%, 13%, and 9% of consolidated net revenues (23%, 18%, and 11% of worldwide publishing net revenues). In fiscal 2006, 30% of our consolidated net revenues (38% of worldwide publishing net revenues) was derived from three brands, which accounted for 14%, 8%, and 8% of consolidated net revenues (18%, 10%, and 10% of worldwide publishing net revenues). In fiscal 2005, 37% of our consolidated net revenues (48% of worldwide publishing net revenues) was derived from three brands, which accounted for 16%, 11%, and 10% of consolidated net revenues (21%, 14%, and 13% of worldwide publishing net revenues).

11. Computation of Earnings Per Share

The following table sets forth the computations of basic and diluted earnings per share (amounts in thousands, except per share data):

	For the years ended March 31,		
	2007	2006	2005
Numerator:			
Numerator for basic and diluted earnings per share - income available to common shareholders	$ 85,787	$ 40,251	$ 135,057
Denominator:			
Denominator for basic earnings per share - weighted average common shares outstanding	281,114	273,177	250,023
Effect of dilutive securities:			
Employee stock options and stock purchase plan	23,611	20,232	26,398
Warrants to purchase common stock	614	593	1,291
Potential dilutive common shares	24,225	20,825	27,689
Denominator for diluted earnings per share - weighted average common shares outstanding plus assumed conversions	305,339	294,002	277,712
Basic earnings per share	$ 0.31	$ 0.15	$ 0.54
Diluted earnings per share	$ 0.28	$ 0.14	$ 0.49

Options to purchase approximately 7.9 million, 993,000, and 243,000 shares of common stock for the years ended March 31, 2007, 2006, and 2005, respectively, were not included in the calculation of diluted earnings per share because their effect would be antidilutive.

12. Income Taxes

Domestic and foreign income before income taxes and details of the income tax provision are as follows (amounts in thousands):

	For the years ended March 31,		
	2007	2006	2005
Income (loss) before income taxes:			
Domestic	$ 99,210	$ 52,321	$ 169,572
Foreign	10,615	(6,465)	23,128
	$ 109,825	$ 45,856	$ 192,700
Income tax expense (benefit):			
Current:			
Federal	$ 34,342	$ —	$ (355)
State	15,325	308	342
Foreign	3,842	4,383	5,126
Total current	53,509	4,691	5,113

Deferred:			
Federal	(17,074)	(11,095)	4,346
State	(19,608)	(7,266)	(2,863)
Foreign	(4,127)	(10,092)	(2,159)
Total deferred	(40,809)	(28,453)	(676)
Add back benefit credited to additional paid-in capital:			
Tax benefit related to stock option and warrant exercises	11,338	29,367	53,206
Income tax provision	$ 24,038	$ 5,605	$ 57,643

The items accounting for the difference between income taxes computed at the U.S. federal statutory income tax rate and the income tax provision for each of the years are as follows:

	For the years ended March 31,		
	2007	2006	2005
Federal income tax provision at statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.1	4.3	2.8
Research and development credits	(8.5)	(36.2)	(6.6)
Decremental effect of foreign tax rates	(3.6)	(10.5)	(2.4)
Increase (decrease) in valuation allowance	(26.6)	18.0	3.2
Increase (decrease) in tax reserves	18.8	(2.2)	(0.9)
Other	2.7	3.8	(1.2)
	21.9%	12.2%	29.9%

Deferred income taxes reflect the net tax effects of temporary differences between the amounts of assets and liabilities for accounting purposes and the amounts used for income tax purposes. The components of the net deferred tax asset and liability are as follows (amounts in thousands):

	As of March 31,	
	2007	2006
Deferred asset:		
Allowance for doubtful accounts	$ 369	$ 739
Allowance for sales returns	14,094	16,200
Inventory reserve	1,507	2,474
Vacation and bonus reserve	5,996	4,993
Amortization and depreciation	1,566	3,970
Tax credit carryforwards	89,014	74,488
Net operating loss carryforwards	29,822	13,770
Stock-based compensation	11,879	3,272
Other	8,958	6,209
Deferred asset	163,205	126,115
Valuation allowance	(382)	(35,555)
Net deferred asset	162,823	90,560
Deferred liability:		
Capitalized development expenses	50,159	22,537
State taxes	12,309	5,814
Deferred liability	62,468	28,351
Net deferred asset	$ 100,355	$ 62,209

The tax benefits associated with certain net operating loss carryforwards relate to employee stock options. For the year ended March 31, 2006, pursuant to SFAS No. 109, deferred tax assets for net operating losses did not include $30.9 million relating to these items which will be credited to additional paid-in capital when realized. For the year ended March 31, 2007, $30.9 million relating to these items was realized and included in deferred tax assets for net operating losses; however, a reserve was established for this amount, as well as a reserve of $20.6 million for tax credits and foreign taxes. These reserves were established because the tax positions are subject to certain assumptions of the relevant legislative and judicial history that may or may not be accepted by the tax authorities.

As of March 31, 2007, our available federal net operating loss carryforward of approximately $34.9 million is subject to certain limitations as defined under Section 382 of the Internal Revenue Code. The net operating loss carryforwards expire between 2022 and 2026. We have various state net operating loss carryforwards totaling $17.6 million which are not subject to limitations under Section 382 of the Internal Revenue Code. We have tax credit carryforwards of $52.5 million and $36.5 million for federal and state purposes, respectively, which begin to expire in fiscal year 2008.

At March 31, 2007, our deferred income tax asset for tax credit carryforwards and net operating loss carryforwards was reduced by a valuation allowance of $0.4 million, as compared to $35.6 million in the prior fiscal year. In management's judgment, based on the utilization of domestic net operating loss carryforwards in the current fiscal year, it was determined to be more likely than not that the tax credit carryforwards would ultimately be utilized, and consequently, the valuation allowance relating to tax credit carryforwards was reversed.

Realization of the deferred tax assets is dependent upon the continued generation of sufficient taxable income prior to expiration of tax credits and loss carryforwards. Although realization is not assured, management believes it is more likely than not that the net carrying value of the deferred tax asset will be realized.

Cumulative undistributed earnings of foreign subsidiaries for which no deferred taxes have been provided approximated $97.5 million at March 31, 2007. Deferred income taxes on these earnings have not been provided as these amounts are considered to be permanent in duration.

On October 22, 2004, the President of the United States signed the American Jobs Creation Act of 2004 (the "Act") which contains a number of tax law modifications with accounting implications. For companies that pay U.S. income taxes on manufacturing activities in the U.S., the Act provides a deduction from taxable income equal to a stipulated percentage of qualified income from domestic production activities. The manufacturing deduction provided by the Act replaces the extraterritorial income ("ETI") deduction currently in place. We currently derive benefits from the ETI exclusion which was repealed by the Act. Our exclusion for fiscal 2006 and 2007 will be limited to 75% and 45% of the otherwise allowable exclusion and no exclusion will be available in fiscal 2008 and thereafter. The Act also creates a temporary incentive for U.S. multinationals to repatriate accumulated income earned abroad by providing an 85% dividends received deduction for certain dividends from controlled foreign corporations ("Homeland Investment Act"). The deduction is subject to a number of limitations. The Act also provides for other changes in tax law that will affect a variety of taxpayers. On December 21, 2004, the Financial Accounting Standards Board ("FASB") issued two FASB Staff Positions ("FSP") regarding the accounting implications of the Act related to (1) the deduction for qualified domestic production activities and (2) the one-time tax benefit for the repatriation of foreign earnings. The FASB determined that the deduction for qualified domestic production activities should be accounted for as a special deduction under FASB Statement No. 109, *Accounting for Income Taxes*. The FASB also confirmed, that upon deciding that some amount of earnings will be repatriated, a company must record in that period the associated tax liability. The guidance in the FSPs apply to financial statements for periods ending after the date the Act was enacted. We have evaluated the Act and have concluded that we will not repatriate foreign earnings under the Homeland Investment Act Provisions.

13. Commitments and Contingencies

Credit Facilities

We have revolving credit facilities with our Centresoft subsidiary located in the UK (the "UK Facility") and our NBG subsidiary located in Germany (the "German Facility"). The UK Facility provided Centresoft with the ability to borrow up to Great British Pounds ("GBP") 12.0 million ($23.6 million) and GBP 12.0 million ($21.0 million, including issuing letters of credit, on a revolving basis as of March 31, 2007 and 2006, respectively. Furthermore, under the UK Facility, Centresoft provided a GBP 0.6 million ($1.2 million) and a GBP 0.6 million ($1.0 million) guarantee for the benefit of our CD Contact subsidiary as of March 31, 2007 and 2006, respectively. The UK Facility bore interest at LIBOR plus 2.0% as of March 31, 2007 and 2006, is collateralized by substantially all of the assets of the subsidiary and expires in January 2008. The UK Facility also contains various covenants that require the subsidiary to maintain specified financial ratios related to, among others, fixed charges. As of March 31, 2007 and 2006, we were in compliance with these covenants. No borrowings were outstanding against the UK Facility as of March 31, 2007 or 2006. The German Facility provided for revolving loans up to EUR 0.5 million ($0.7 million) as of March 31, 2007 and EUR 0.5 million ($0.6 million) as of March 31, 2006, bore interest at a Eurocurrency rate plus 2.5%, is collateralized by certain of the subsidiary's property and equipment and has no expiration date. No borrowings were outstanding against the German Facility as of March 31, 2007 or 2006.

As of March 31, 2007 and 2006, we maintained a $7.5 million irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. Under the terms of this arrangement, we are required to maintain on deposit with the bank a compensating balance, restricted as to use, of not less than the sum of the available amount of the letter of credit plus the aggregate amount of any drawings under the letter of credit that have been honored thereunder but not reimbursed. At March 31, 2007 and 2006, the $7.5 million deposit is included in short-term investments as restricted cash. No borrowings were outstanding as of March 31, 2007 or 2006.

As of March 31, 2007, our publishing subsidiary located in the UK maintained a EUR 4.0 million ($5.3 million) irrevocable standby letter of credit. As of March 31, 2006, our publishing subsidiary located in the UK maintained a EUR 2.5 million ($3.0 million) irrevocable standby letter of credit. The standby letter of credit is required by one of our inventory manufacturers to qualify for payment terms on our inventory purchases. The standby letter of credit does not require a compensating balance and is collateralized by substantially all of the assets of the subsidiary and expires in August 2007. No borrowings were outstanding as of March 31, 2007 or 2006.

Commitments

In the normal course of business, we enter into contractual arrangements with third parties for non-cancelable operating lease agreements for our offices, for the development of products, as well as for the rights to intellectual property. Under these agreements, we commit to provide specified payments to a lessor, developer, or intellectual property holder, based upon contractual arrangements. Typically, the payments to third-party developers are conditioned upon the achievement by the developers of contractually specified development milestones. These payments to third-party developers and intellectual property holders typically are deemed to be advances and are recoupable against future royalties earned by the developer or intellectual property holder based on the sale of the related game. Additionally, in connection with certain intellectual property right acquisitions and development agreements, we will commit to spend specified amounts for marketing support for the related game(s) which is to be developed or in which the intellectual property will be utilized.

Additionally, we lease certain of our facilities and equipment under non-cancelable operating lease agreements. Assuming all contractual provisions are met, the total future minimum commitments for these and other contractual arrangements in place as of March 31, 2007, are scheduled to be paid as follows (amounts in thousands):

	Contractual Obligations			
	Facility & Equipment Leases	Developer and IP	Marketing	Total

Fiscal year ending March 31,				
2008	$ 14,213	$ 67,836	$ 40,254	$ 122,303
2009	13,131	31,579	30,679	75,389
2010	12,070	29,936	100	42,106
2011	9,854	30,586	13,100	53,540
2012	5,543	16,586	—	22,129
Thereafter	17,783	47,586	—	65,369
Total	$ 72,594	$ 224,109	$ 84,133	$ 380,836

Facilities rent expense for the years ended March 31, 2007, 2006, and 2005 was approximately $14.8 million, $14.2 million, and $10.6 million, respectively.

Compensation Guarantee

In June 2005, we entered into an employment agreement with the President and Chief Executive Officer of Activision Publishing, Inc. containing a guarantee related to total compensation. The agreement guarantees that in the event that on May 15, 2010 total compensation has not exceeded $20.0 million, we will make a payment for the amount of the shortfall. The $20.0 million guarantee will be recognized as compensation expense over the term of the employment agreement comprising of salary payments, bonus payments, restricted stock expense, stock option expense, and an accrual for any anticipated remaining portion of the guarantee. The remaining portion of the guarantee is accrued over the term of the agreement in “Other liabilities” and will remain accrued until the end of the employment agreement at which point it will be used to make a payment for any shortfall or reclassified into shareholders’ equity.

Legal Proceedings

In July 2006, individuals and/or entities claiming to be stockholders of the Company have filed derivative lawsuits, purportedly on behalf of the Company, against certain current and former members of the Company’s Board of Directors as well as several current and former officers of the Company. Three derivative actions have been filed in Los Angeles Superior Court: Vazquez v. Kotick, et al., L.A.S.C. Case No. BC355327 (filed July 12, 2006); Greuer v. Kotick, et al., L.A.S.C. Case No. SC090343 (filed July 12, 2006); and Amalgamated Bank v. Baker, et al., L.A.S.C. Case No. BC356454 (filed August 3, 2006). These actions have been consolidated by the court under the caption In re Activision Shareholder Derivative Litigation, L.A.S.C. Master File No. SC090343 (West, J.). Two derivative actions have been filed in the United States District Court for the Central District of California: Pfeiffer v. Kotick, et al., C.D. Cal. Case No. CV06-4771 MRP (JTLx) (filed July 31, 2006); and Hamian v. Kotick, et al., C.D. Cal. Case No. CV06-5375 MRP (JLTx) (filed August 25, 2006). These actions have also been consolidated, under the caption In re Activision, Inc. Shareholder Derivative Litigation, C.D. Cal. Case No. CV06-4771 MRP (JTLx) (Pfaelzer, J.). The consolidated complaints allege, among other things, purported improprieties in the Company’s issuance of stock options. Plaintiffs seek various relief on behalf of the Company, including damages, restitution of benefits obtained from the alleged misconduct, equitable relief, including an accounting and rescission of option contracts; and various corporate governance reforms. The Company expects that defense expenses associated with the matters will be covered by its directors and officers insurance, subject to the terms and conditions of the applicable policies. On May

24, 2007, the Superior Court granted the Company’s motion to stay the state action. The court’s order stays the action pending the resolution of motions to dismiss in the federal action, but is without prejudice to any party’s right to seek modification of the stay upon a showing of good cause, including a showing that matters may be addressed in the Superior Court without the potential for conflict with or duplication of the federal court proceedings. The Company filed motions to dismiss in the federal action on June 1, 2007, which will be fully briefed by August 15, 2007. The Company was also informed that, on June 1, 2007, a derivative case, Abdelnur vs. Kotick et al., was filed in the United States District Court for the Central District of California, C.D. Case No. CV07-3575 AHM (PJWx), by the same law firm that previously filed the Hamian case, alleging substantially the same claims.

On July 27, 2006, the Company received a letter of informal inquiry from the SEC requesting certain documents and information relating to the Company’s historical stock option grant practices. In early June 2007, the SEC informed the Company that the SEC has issued a formal order of non-public investigation, which allows the SEC, among other things, to subpoena witnesses and require the production of documents. The Company is cooperating with the SEC’s investigation, and representatives of the special subcommittee of independent members of our Board of Directors established in July 2006 to review our historical stock option granting practices (the “Special Subcommittee”) and its legal counsel have met with members of the staff of the SEC on several occasions, in person and by telephone (as has the Company’s outside legal counsel), to discuss the progress of the Special Subcommittee’s investigation and on February 28, 2007 to brief the SEC staff on the Special Subcommittee’s findings and recommendations following the substantial completion of the Special Subcommittee’s investigation. A representative of the U.S. Department of Justice has attended certain of these meetings and requested copies of certain documents that we have provided to the staff of the SEC. At this time, the Company has not received any grand jury subpoenas or written requests from the Department of Justice.

In addition, we are party to other routine claims and suits brought by us and against us in the ordinary course of business, including disputes arising over the ownership of intellectual property rights, contractual claims, employment relationships, and collection matters. In the opinion of management, after consultation with legal counsel, the outcome of such routine claims and lawsuits will not have a material adverse effect on our business, financial condition, results of operations, or liquidity.

14. Stock-Based Compensation and Employee Benefit Plans

We have a stock-based compensation program that provides our Board of Directors broad discretion in creating employee equity incentives. This program includes incentive and non-statutory stock options and restricted stock awards granted under various plans, the majority of which are stockholder approved. Stock options are generally time-based, vesting on each annual anniversary of the grant date over periods of three to five years and expire ten years from the grant date, with some options containing performance clauses which would accelerate the vesting into earlier annual periods. Additionally, we have an Employee Stock Purchase Plan (“ESPP”) that allows employees to purchase shares of common stock at 85% of the fair market value at either the date of enrollment or the date of purchase, whichever is lower. Shares issued as a result of stock option exercises and our ESPP are generally issued as new stock issuances. As of March 31, 2007, we had approximately 11.2 million shares of common stock reserved for future issuance under our stock option plans and ESPP.

Stock Incentive Plans

We sponsor several stock option plans for the benefit of officers, employees, consultants, and others.

On February 28, 1992, the shareholders of Activision approved the Activision 1991 Stock Option and Stock Award Plan, as amended, (the "1991 Plan") which permits the granting of "Awards" in the form of non-qualified stock options, incentive stock options ("ISOs"), stock appreciation rights ("SARs"), restricted stock awards, deferred stock awards, and other common stock-based awards to directors, officers, employees, consultants, and others. The total number of shares of common stock available for distribution under the 1991 Plan is 45,400,000. The 1991 Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. There were no shares remaining available for grant under the 1991 Plan as of March 31, 2007.

On September 23, 1998, the shareholders of Activision approved the Activision 1998 Incentive Plan, as amended (the "1998 Plan"). The 1998 Plan permits the granting of "Awards" in the form of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred stock awards, and other common stock-based awards to directors, officers, employees, consultants, and others. The total number of shares of common stock available for distribution under the 1998 Plan is 18,000,000. The 1998 Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. There were approximately 56,300 shares remaining available for grant under the 1998 Plan as of March 31, 2007.

On April 26, 1999, the Board of Directors approved the Activision 1999 Incentive Plan, as amended (the "1999 Plan"). The 1999 Plan permits the granting of "Awards" in the form of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards, and other common stock-based awards to directors, officers, employees, consultants, and others. The total number of shares of common stock available for distribution under the 1999 Plan is 30,000,000. The 1999 Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. There were approximately 84,500 shares remaining available for grant under the 1999 Plan as of March 31, 2007.

On August 23, 2001, the shareholders of Activision approved the Activision 2001 Incentive Plan, as amended (the "2001 Plan"). The 2001 Plan permits the granting of "Awards" in the form of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred stock awards, and other common stock-based awards to directors, officers, employees, consultants, and others. The total number of shares of common stock available for distribution under the 2001 Plan is 9,000,000. The 2001 Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. There were approximately 158,300 shares remaining available for grant under the 2001 Plan as of March 31, 2007.

On April 4, 2002, the Board of Directors approved the Activision 2002 Incentive Plan (the "2002 Plan"). The 2002 Plan permits the granting of "Awards" in the form of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards, and other common stock-based awards to officers (other than executive officers), employees, consultants, advisors, and others. The 2002 Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. The total number of shares of common stock available for distribution under the 2002 Plan is 17,400,000. There were approximately 167,600 shares remaining available for grant under the 2002 Plan as of March 31, 2007.

On September 19, 2002, the shareholders of Activision approved the Activision 2002 Executive Incentive Plan (the "2002 Executive Plan"). The 2002 Executive Plan permits the granting of "Awards" in the form of non-qualified stock options, ISOs, SARs, restricted stock awards, deferred share awards, and other common stock-based awards to officers, employees, directors, consultants, and advisors. The total number of shares of common stock available for distribution under the 2002 Executive Plan is 10,000,000. The 2002 Executive Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. There were approximately 488,700 shares remaining available for grant under the 2002 Executive Plan as of March 31, 2007.

On December 16, 2002, the Board of Directors approved the Activision 2002 Studio Employee Retention Incentive Plan, as amended (the "2002 Studio Plan"). The 2002 Studio Plan permits the granting of "Awards" in the form of non-qualified stock options and restricted stock awards to key studio employees (other than executive officers) of Activision, its subsidiaries and affiliates, and to contractors and others. The 2002 Studio Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. The total number of shares of common stock available for distribution under the 2002 Studio Plan is 6,000,000. There were approximately 4,200 shares remaining available for grant under the 2002 Studio Plan as of March 31, 2007.

On April 29, 2003, our Board of Directors approved the Activision 2003 Incentive Plan (the "2003 Plan"). On September 15, 2005, the shareholders of Activision approved the 2003 Plan. The 2003 Plan permits the granting of "Awards" in the form of non-qualified stock options, SARs, restricted stock awards, deferred stock awards, and other common stock-based awards to directors, officers, employees, consultants, and others. The 2003 Plan requires available shares to consist in whole or in part of authorized and unissued shares or treasury shares. The total number of shares of common stock available for distribution under the 2003 Plan is 24,000,000. There were approximately 8,915,300 shares remaining available for grant under the 2003 Plan as of March 31, 2007.

Under the terms of the plans, the exercise price for Awards issued under the 1991 Plan, 1998 Plan, 1999 Plan, 2001 Plan, 2002 Plan, 2002 Executive Plan, 2002 Studio Plan, and 2003 Plan (collectively, the "Plans") is determined at the discretion of the Board of Directors (or the Compensation Committee of the Board of Directors, which administers the Plans), and under the terms of the plans, the exercise price for ISOs is not to be less than the fair market value of our common stock at the date of grant, and in the case of non-qualified options, the exercise price must exceed or be equal to 85% of the fair market value of our common stock at the date of grant. Options typically become exercisable in installments over a period of three to five years and must be exercised within 10 years of the date of grant. We have recently determined that certain Awards issued in certain past periods were issued with exercise prices below the fair market value of our common stock on the dates that we have determined to be the correct grant and measurement dates for those Awards.

Other Employee Stock Options

In connection with prior employment agreements between Activision and Robert A. Kotick, Activision's Chairman and Chief Executive Officer, and Brian G. Kelly, Activision's Co-Chairman, Mr. Kotick and Mr. Kelly were granted options to purchase common stock. The Board of Directors approved the granting of these options. Relating to such grants, as of March 31, 2007, approximately 8,304,800 options were outstanding with a weighted average exercise price of $1.74.

We additionally have approximately 9,500 options outstanding to employees as of March 31, 2007, with a weighted average exercise price of $3.48. The Board of Directors approved the granting of these options. Such options have terms similar to those options granted under the Plans.

Employee Stock Purchase Plan

On April 11, 2005, the Board of Directors approved the 2002 Employee Stock Purchase Plan and on February 11, 2003 the Board approved the 2002 Employee Stock Purchase Plan for International Employees (together, the "2002 Employee Stock Purchase Plan"). Under the 2002 Employee Stock Purchase Plan, up to an aggregate of 4,000,000 shares of our common stock may be purchased by eligible employees during two six-month offering periods that commence each April 1

and October 1 (the “Offering Period”). Common stock is purchased by the Amended 2002 Purchase Plans participants at a price per share generally equal to 85% of the lower of the fair market value of the common stock on the first day of the Offering Period and the fair market value of the common stock on the purchase date (the last day of the Offering Period). Employees may purchase shares having a value not exceeding 15% of their gross compensation during an Offering Period and are limited to a maximum of $10,000 in value for any two purchases within the same calendar year. On June 13, 2007, the most recent purchase date, employees purchased 228,337 shares of our common stock at a purchase price of $12.8350 per share.

Non-Employee Warrants

In prior years, we have granted stock warrants to third parties in connection with the development of software and the acquisition of licensing rights for intellectual property. The warrants generally vest upon grant and are exercisable over the term of the warrant. The exercise price of third-party warrants is generally greater than or equal to their fair market value of our common stock at the date of grant. No third-party warrants were granted during the years ended March 31, 2007, 2006, and 2005. As of March 31, 2007 and 2006, third-party warrants to purchase 936,000 shares of common stock were outstanding with a weighted average exercise price of $4.54 per share.

In accordance with EITF 96-18, we measure the fair value of the securities on the measurement date. The fair value of each warrant is capitalized and amortized to expense when the related product is released and the related revenue is recognized. Additionally, as more fully described in Note 1, the recoverability of capitalized software development costs and intellectual property licenses is evaluated on a quarterly basis with amounts determined as not recoverable being charged to expense. In connection with the evaluation of capitalized software development costs and intellectual property licenses, any capitalized amounts for related third-party warrants are additionally reviewed for recoverability with amounts determined as not recoverable being amortized to expense. As of March 31, 2006, capitalized amounts of third-party warrants had been fully amortized and there was no amortization related to third-party warrants for the fiscal year ended March 31, 2007. For the fiscal years ended March 31, 2006 and 2005, $0.5 and $1.6 million, respectively was amortized and included in cost of sales - software royalties and amortization and/or cost of sales - intellectual property licenses.

Employee Retirement Plan

We have a retirement plan covering substantially all of our eligible employees. The retirement plan is qualified in accordance with Section 401(k) of the Internal Revenue Code. Under the plan, employees may defer up to the lesser of 92% of their pre-tax salary and the maximum amount allowed by law. We contribute an amount equal to 20% of each dollar contributed by a participant. Our matching contributions to the plan were approximately $1.5 million, $1.3 million, and $905,000 for the years ended March 31, 2007, 2006, and 2005, respectively.

Restricted Stock

In June 2005, we issued the rights to 155,763 shares of restricted stock to an employee. Additionally, in October 2005 we issued the rights to 96,712 shares of restricted stock to an employee. These shares all vest over a five-year period and remain subject to forfeiture if vesting conditions are not met. In accordance with APB 25, we recognized unearned compensation in connection with the grant of restricted shares equal to the fair value of our common stock on the date of grant. The fair value of these shares when issued was approximately $12.84 and $15.51 per share, respectively, and resulted in a total increase in “Additional paid-in capital” and “Unearned compensation” of $2.0 million and $1.5 million on the respective balance sheets at the times of grant. Prior to the adoption of SFAS 123R, we reduced unearned compensation and recognized compensation expense over the vesting periods. Upon adoption of SFAS 123R, unearned compensation was reclassified against additional paid in capital and we will increase additional paid in capital and recognize compensation expense over the respective remaining vesting periods. Additionally, in the third quarter of fiscal 2007 we issued the rights to an aggregate of 81,000 shares of restricted stock to various employees. These shares vest over two and three year periods (with some subject to vesting acceleration clauses if the holder achieves certain performance objectives) and remain subject to forfeiture if vesting conditions are not met. In accordance with SFAS 123R we will recognize compensation expense and increase additional paid in capital related to these restricted stock shares over the requisite service period. For the year ended March 31, 2007, we recorded expenses related to these shares of approximately $981,000, which was included as a component of stock-based compensation expense within “General and administrative” on the accompanying Consolidated Statements of Operations. Since the issuance dates, we have recognized $1.4 million of the $4.8 million total fair value, with the remainder to be recognized over a weighted-average period of 2.88 years.

On April 1, 2006, we adopted the provisions of SFAS 123R, requiring us to recognize expense related to the fair value of our stock-based compensation awards. We elected to use the modified prospective transition method as permitted by SFAS 123R and therefore have not restated our financial results for prior periods. Under this transition method, stock-based compensation expense for the year ended March 31, 2007 includes compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of April 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123. Stock-based compensation expense for all stock-based compensation awards granted subsequent to April 1, 2006 was based on the grant-date fair value, estimated in accordance with the provisions of SFAS 123R.

The effect of adopting SFAS 123R in the year ended March 31, 2007 was as follows:

(in thousands except per share data)	For the year ended March 31, 2007
Additional pre-tax stock-based compensation	$ 21,436
Additional stock-based compensation, net of tax	13,055
Cash flows from operations	(9,012)
Cash flows from financing activities	9,012
Effect on earnings per share:	
Basic	$ (0.05)
Diluted	$ (0.04)

The following table sets forth the total stock-based compensation expense resulting from stock options, restricted stock awards, and the ESPP included in our Consolidated Statements of Operations (in thousands) in accordance with SFAS 123R for the fiscal year ended March 31, 2007, and APB 25 for the fiscal years ended March 31, 2006 and 2005:

	For the year ended March 31,		
	2007	2006	2005
Cost of sales - software royalties and amortization	$ 2,503	$ —	$ —
Product development	5,728	869	1,233
Sales and marketing	5,267	175	241
General and administrative	12,024	2,055	1,894

Stock-based compensation expense before income taxes	25,522	3,099	3,368
Income tax benefit	(9,979)	(1,208)	(1,310)
Total stock-based compensation expense after income taxes	$ 15,543	$ 1,891	$ 2,058

Additionally, stock option expenses are capitalized in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed” as discussed in Note 1. For the year ended March 31, 2007, stock-based compensation costs in the amount of $9.1 million were capitalized and $2.5 million of capitalized stock-based compensation costs were amortized. The following table summarizes stock –based compensation included in our Consolidated Balance Sheets as a component of software development (in thousands):

	Software Development.
Balance, March 31, 2006	$ —
Stock-based compensation expense capitalized during period	9,069
Amortization of capitalized stock-based compensation expense	(2,503)
Balance, March 31, 2007	$ 6,566

Net cash proceeds from the exercise of stock options were $19.0 million, $45.1 million, and $72.7 million for the years ended March 31, 2007, 2006, and 2005, respectively. Income tax benefit from stock option exercises was $11.3 million, $29.4 million, and $53.2 million for the years ended March 31, 2007, 2006, and 2005, respectively. In accordance with SFAS 123R, we present excess tax benefits from the exercise of stock options, if any, as financing cash flows rather than operating cash flows.

Prior to the adoption of SFAS 123R, we applied SFAS 123, amended by SFAS No. 148, “Accounting for Stock-Based Compensation – Transition and Disclosure” (“SFAS 148”), which allowed companies to apply the existing accounting rules under APB 25 and related Interpretations. According to APB 25, a non-cash stock-based compensation expense is recognized for any options granted where the exercise price is lower than the market price on the actual date of grant. This expense is then amortized over the vesting period of the associated option. As required by SFAS 148, prior to the adoption of SFAS 123R, we provided pro forma net income and pro forma net income per common share disclosures for stock-based awards, as if the fair-value-based method defined in SFAS 123 had been applied.

The following table illustrates the effect on net income after tax and net earnings per common share as if we had applied the fair value recognition provisions of SFAS 123 to stock-based compensation during the years ended March 31, 2006 and 2005 (in thousands, except per share amounts):

	For the years ended March 31, 2006	2005
Net income, as reported	$ 40,251	$ 135,057
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	1,589	2,313
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(16,175)	(14,233)
Pro forma net income	$ 25,665	$ 123,137
Earnings per share		
Basic - as reported	$ 0.15	$ 0.54
Basic - pro forma	$ 0.09	$ 0.49
Diluted - as reported	$ 0.14	$ 0.49
Diluted - pro forma	$ 0.09	$ 0.44

In the table above, stock-based compensation has been tax effected using our effective tax rate which differs from our statutory rate. Additionally, included in fiscal year 2006 net income, as reported, is $467,000 of amortization of unearned compensation related to restricted stock.

As of April 1, 2005, the Company began estimating the value of employee stock options on the date of grant using a binomial-lattice model. Prior to April 1, 2005 the value of each employee stock option was estimated on the date of grant using the Black-Scholes model for the purpose of the pro forma financial information in accordance with SFAS 123.

Our employee stock options have features that differentiate them from exchange-traded options. These features include lack of transferability, early exercise, vesting restrictions, pre- and post-vesting termination provisions, blackout dates, and time-varying inputs. In addition, some of the options have non-traditional features, such as accelerated vesting upon the satisfaction of certain performance conditions that must be reflected in the valuation. A binomial-lattice model was selected because it is better able to explicitly address these features than closed-form models such as the Black-Scholes model, and is able to reflect expected future changes in model inputs, including changes in volatility, during the option’s contractual term.

Consistent with SFAS 123R, we have attempted to reflect expected future changes in model inputs during the option’s contractual term. The inputs required by our binomial-lattice model include expected volatility, risk-free interest rate, risk-adjusted stock return, dividend yield, contractual term, and vesting schedule, as well as measures of employees’ forfeiture, exercise, and post-vesting termination behavior. Statistical methods were used to estimate employee type specific termination rates. These termination rates, in turn, were used to model the number of options that are expected to vest and post-vesting termination behavior. Employee type specific estimates of Expected Time-To-Exercise (“ETTE”) were used to reflect employee exercise behavior. ETTE was estimated by using statistical procedures to first estimate the conditional probability of exercise occurring during each time period, conditional on the option surviving to that time

period. These probabilities are then used to estimate ETTE. The model was calibrated by adjusting parameters controlling exercise and post-vesting termination behavior so that the measures output by the model matched values of these measures that were estimated from historical data. The weighted-average estimated value of employee stock options granted during the years ended March 31, 2007, 2006, and 2005 was $5.86, $5.09, and $3.06 per share, respectively, using the binomial-lattice model with the following weighted-average assumptions:

	Employee and Director Options and Warrants For the year ended March 31,			Employee Stock Purchase Plan For the year ended March 31,		
	2007	2006	2005	2007	2006	2005
Expected life (in years)	4.87	4.85	3.20	0.5	0.5	0.5
Risk free interest rate	4.99%	5.17%	3.25%	4.71%	3.05%	2.66%
Volatility	54%	48%	48%	43%	42%	46%
Dividend yield	—	—	—	—	—	—
Weighted-average fair value at grant date	$ 5.86	$ 5.09	$ 3.06	$ 3.72	$ 3.11	$ 1.59

To estimate volatility for the binomial-lattice model, we use methods or capabilities that are discussed in SFAS 123R and SAB 107. These methods included the implied volatility method based upon the volatilities for exchange-traded options on our stock to estimate short-term volatility, the historical method (annualized standard deviation of the instantaneous returns on Activision's stock) during the option's contractual term to estimate long-term volatility and a statistical model to estimate the transition or "mean reversion" from short-term volatility to long-term volatility. Based on these methods, for options granted during the year ended March 31, 2007, the expected stock price volatility ranged from 38% to 56%, with a weighted-average volatility of 54%. For options granted during the year ended March 31, 2006, the expected stock price volatility ranged from 40% to 55%, with a weighted average volatility of 48%. For options granted during the year ended March 31, 2005, the expected stock price volatility ranged from 45% to 48%, with a weighted average volatility of 48%.

As is the case for volatility, the risk-free rate is assumed to change during the option's contractual term. Consistent with the calculation required by a binomial lattice model, the risk-free rate reflects the interest from one time period to the next ("forward rate") as opposed to the interest rate from the grant date to the given time period ("spot rate"). Since we do not currently pay dividends and are not expected to pay them in the future, we have assumed that the dividend yield is zero.

The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding and is, as required by SFAS 123R, an output by the binomial-lattice model. The expected life of employee stock options depends on all of the underlying assumptions and calibration of our model. A binomial-lattice model can be viewed as assuming that employees will exercise their options when the stock price equals or exceeds an exercise boundary. The exercise boundary is not constant but continually declines as one approaches the option's expiration date. The exact placement of the exercise boundary depends on all of the model inputs as well as the measures that are used to calibrate the model to estimated measures of employees' exercise and termination behavior.

As stock-based compensation expense recognized in the Consolidated Statement of Operations for the year ended March 31, 2007 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience.

Accuracy of Fair Value Estimates

The Company uses third-party analyses to assist in developing the assumptions used in the binomial-lattice model, including model inputs and measures of employees' exercise and post-vesting termination behavior. However, we are ultimately responsible for the assumptions used to estimate the fair value of our share-based payment awards.

Our ability to accurately estimate the fair value of share-based payment awards as of the grant date depends upon the accuracy of the model and our ability to accurately forecast model inputs as long as ten years into the future. These inputs include, but are not limited to, expected stock price volatility, risk-free rate, dividend yield, and employee termination rates. Although the fair value of employee stock options is determined in accordance with SFAS 123R and SAB 107 using an option-pricing model, the estimates that are produced by this model may not

be indicative of the fair value observed between a willing buyer/willing seller. Unfortunately, it is difficult to determine if this is the case, because markets do not currently exist that permit the active trading of employee stock option and other share-based instruments.

Stock option activity for the years ended March 31, 2007, 2006, and 2005 is as follows (in thousands, except per share amounts):

	2007		2006		2005	
	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price
Outstanding at beginning of year	48,337	$ 6.20	48,772	$ 4.84	65,135	$ 3.71
Granted	6,361	13.91	8,728	12.66	7,501	8.82
Exercised	(3,352)	5.03	(8,108)	4.81	(22,167)	2.90
Forfeited	(1,917)	8.61	(1,055)	7.35	(1,697)	4.47
Outstanding at end of year	49,429	$ 7.18	48,337	$ 6.20	48,772	$ 4.84
Exercisable at end of year	31,291	$ 4.60	27,126	$ 4.17	25,180	$ 3.92

The following table shows the weighted-average remaining contractual term and aggregate intrinsic value for options outstanding and options exercisable at March 31, 2007 (amounts in thousands):

	Weighted-Average	Aggregate

	Remaining Contractual Term	Intrinsic Value
Outstanding at March 31, 2007	5.97	$ 581,459
Exercisable at March 31, 2007	4.69	$ 448,621

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between our closing stock price on the last trading day of the period and the exercise price, times the number of shares for options where the exercise price is below the closing stock price) that would have been received by the option holders had all option holders exercised their options on that date. This amount changes based on the fair market value of our stock. Total intrinsic value of options actually exercised was $32.0 million, $77.9 million, and $198.0 million for the years ended March 31, 2007, 2006, and 2005, respectively.

As of March 31, 2007, $34.0 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.61 years.

The following table summarizes information about all employee and director stock options outstanding as of March 31, 2007 (share amounts in thousands):

	Outstanding Options			Exercisable Options	
	Shares	Remaining Wtd. Avg. Contractual Life (in years)	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price
Range of exercise prices:					
$1.00 to $1.08	665	3.11	$ 1.05	665	$ 1.05
$1.72 to $1.75	8,202	1.95	1.75	8,202	1.75
$1.76 to $3.53	5,354	5.09	3.34	4,714	3.34
$3.54 to $5.00	5,696	5.74	4.04	5,185	4.07
$5.08 to $5.74	4,959	5.36	5.72	4,292	5.72
$5.79 to $7.73	6,605	5.96	7.12	6,032	7.10
$7.75 to $11.10	5,440	7.61	9.77	1,009	8.99
$11.15 to $13.61	8,959	8.65	12.90	779	12.14
$13.62 to $17.21	3,388	8.97	15.24	413	15.06
$18.43 to $18.43	161	9.80	18.43	—	—
	49,429	5.97	$ 7.18	31,291	$ 4.60

15. Capital Transactions

Buyback Program

During fiscal 2003, our Board of Directors authorized a buyback program under which we can repurchase up to $350.0 million of our common stock. Under the program, shares may be purchased as determined by management, from time to time and within certain guidelines, in the open market or in privately negotiated transactions, including privately negotiated structured stock repurchase transactions and through transactions in the options markets. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time to time without prior notice.

Under the buyback program, we did not repurchase any shares of our common stock in the years ended March 31, 2007, March 31, 2006 and March 31, 2005. As of March 31, 2007, we had no outstanding structured stock repurchase transactions. Structured stock repurchase transactions are settled in cash or stock-based on the market price of our common stock on the date of the settlement. Upon settlement, we either have our capital investment returned with a premium or receive shares of our common stock, depending, respectively, on whether the market price of our common stock is above or below a pre-determined price agreed in connection with each such transaction. These transactions are recorded in shareholders' equity in the accompanying Consolidated Balance Sheets. As of March 31, 2007, we had approximately $226.2 million available for utilization under the buyback program and no outstanding stock repurchase transactions.

Shareholders' Rights Plan

On April 18, 2000, our Board of Directors approved a shareholders rights plan (the "Rights Plan"). Under the Rights Plan, each common shareholder at the close of business on April 19, 2000, received a dividend of one right for each share of common stock held. Each right represents the right to purchase one-six hundredths (1/600) of a share, as adjusted on account of stock dividends made since the plan's adoption, of our Series A Junior Preferred Stock at an exercise price of $6.67 per share, as adjusted on account of stock dividends made since the plan's adoption. Initially, the rights are represented by our common stock certificates and are neither exercisable nor traded separately from our common stock. The rights will only become exercisable if a person or group acquires 15% or more of the common stock of Activision, or announces or commences a tender or exchange offer which would result in the bidder's beneficial ownership of 15% or more of our common stock.

In the event that any person or group acquires 15% or more of our outstanding common stock each holder of a right (other than such person or members of such group) will thereafter have the right to receive upon exercise of such right, in lieu of shares of Series A Junior Preferred Stock, the number of shares of common stock of Activision having a value equal to two times the then current exercise price of the right. If we are acquired in a merger or other business combination transaction after a person has acquired 15% or more of our common stock, each holder of a right will thereafter have the right to receive upon exercise of such right a number of the acquiring company's common shares having a market value equal to two times the then current exercise price of the right. For persons who, as of the close of business on April 18, 2000, beneficially own 15% or more of the common stock of Activision, the Rights Plan "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

We may redeem the rights for $.01 per right at any time until the first public announcement of the acquisition of beneficial ownership of 15% of our common stock. At any time after a person has acquired 15% or more (but before any person has acquired more than 50%) of our common stock, we may exchange all or part of the rights for shares of common stock at an exchange ratio of one share of common stock per right. The rights expire on April 18, 2010.

16. Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

The components of comprehensive income (loss) for the year ended March 31, 2007, 2006, and 2005 were as follows (amounts in thousands):

	March 31, 2007	March 31, 2006	March 31, 2005
Net income	$ 85,787	$ 40,251	$ 135,057
Other comprehensive income (loss):			
Unrealized appreciation (depreciation) on investments, net of taxes	(8,224)	10,576	(3,317)
Foreign currency translation adjustment	12,057	(5,825)	4,974
Other comprehensive income	3,833	4,751	1,657
Comprehensive income	$ 89,620	$ 45,002	$ 136,714

The components of accumulated other comprehensive income (loss) for the years ended March 31, 2007 and 2006 were as follows (amounts in thousands):

	Foreign Currency	Unrealized Appreciation (Depreciation) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, March 31, 2006	$ 9,013	$ 7,356	$ 16,369
Other comprehensive income (loss)	12,057	(8,224)	3,833
Balance, March 31, 2007	$ 21,070	$ (868)	$ 20,202

Comprehensive income is presented net of taxes of $0.6 million related to unrealized depreciation on investments. Income taxes were not provided for foreign currency translation items as these are considered indefinite investments in non-U.S. subsidiaries.

17. Supplemental Cash Flow Information

Non-cash investing and financing activities and supplemental cash flow information are as follows (amounts in thousands):

	For the years ended March 31, 2007	2006	2005
Non-cash investing and financing activities:			
Subsidiaries acquired with common stock	$ 30,000	$ 2,793	$ 1,191
Change in unrealized appreciation (depreciation) on investments	(8,224)	10,576	(3,317)
Common stock payable, related to acquisition	39,000	—	—
Adjustment-prior period purchase allocation	51	(260)	(2,384)
Supplemental cash flow information:			
Cash paid for income taxes	$ 3,677	$ 4,698	$ 12,178
Cash received for interest, net	35,345	25,912	10,543

18. Quarterly Financial and Market Information (Unaudited)

(Amounts in thousands, except per share data)	For the quarters ended June 30(a)	Sept. 30	Dec. 31	Mar. 31	For the year ended
Fiscal 2007:					
Net revenues	$ 188,069	$ 188,172	$ 824,259	$ 312,512	$ 1,513,012
Cost of sales	137,800	141,078	483,180	216,007	978,065
Operating income (loss)	(33,449)	(37,410)	173,120	(29,114)	73,147
Net income (loss)	(18,309)	(24,302)	142,820	(14,422)	85,787
Basic earnings (loss) per share	(0.07)	(0.09)	0.51	(0.05)	0.31
Diluted earnings (loss) per share	(0.07)	(0.09)	0.46	(0.05)	0.28
Common stock price per share:					
High	15.11	16.00	18.19	19.20	19.20
Low	10.71	10.47	14.22	16.05	10.47
Fiscal 2006:					
Net revenues	$ 241,093	$ 222,540	$ 816,242	$ 188,125	$ 1,468,000

Cost of sales	172,270	141,458	498,325	128,309	940,362
Operating income (loss)	(14,319)	(27,788)	83,893	(26,560)	15,226
Net income (loss)	(4,247)	(14,230)	67,856	(9,128)	40,251
Basic earnings (loss) per share	(0.02)	(0.05)	0.25	(0.03)	0.15
Diluted earnings (loss) per share	(0.02)	(0.05)	0.23	(0.03)	0.14
Common stock price per share:					
High	13.88	17.30	18.03	15.93	18.03
Low	10.64	12.07	12.94	11.81	10.64

a) On June 7, 2007, we filed an Amended Quarterly Report on Form 10-Q/A to restate our unaudited consolidated financial statements as of June 30, 2006 and for the three months ended June 30, 2006 and 2005 and the related disclosures to correct our stock-based compensation expense and related tax effects as discussed in the Form 10-Q/A.

The following table reflects the impact of the non-cash charges for stock-based compensation expense and related tax effects:

	For the three months ended June 30, 2006		
	As previously reported	Adjustments	As restated
Net revenues	$ 188,069	$ —	$ 188,069
Cost of sales	137,789	11	137,800
Operating loss	(32,786)	(663)	(33,449)
Net loss	(17,826)	(483)	(18,309)
Basic loss per share	(0.06)	(0.01)	(0.07)
Diluted loss per share	(0.06)	(0.01)	(0.07)

19. Recently Issued Accounting Standards and Laws

In February 2006, the FASB issued Statement No. 155 ("SFAS No. 155"), *Accounting for Certain Hybrid Financial Instruments – An amendment of FASB Statements No. 133 and 140.* SFAS No. 155 amends FASB Statements No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* to resolve issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133; establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and amends Statement 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. We do not expect that the adoption of SFAS No. 155 will have a material effect on our financial position or results of operations.

In March 2006, the FASB issued Statement No. 156 ("SFAS No. 156"), *Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140.* SFAS No. 156 amends Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset

by entering into a servicing contract in certain situations; requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; permits either the "amortization method" or the "fair value measurement method," as subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities; permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights; and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. SFAS No. 156 is effective in the first fiscal year that begins after September 15, 2006. We do not expect that the adoption of SFAS No. 156 will have a material effect on our financial position or results of operations.

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*, an interpretation of SFAS No. 109. FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. In addition, FIN 48 excludes income taxes from the scope of SFAS No. 5, *Accounting for Contingencies*. FIN 48 is effective for fiscal years beginning after December 15, 2006. Differences between the amounts recognized in the consolidated balance sheets prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. We are currently evaluating the effect that the adoption of FIN 48 will have on our results of operations and financial position.

In September 2006, the FASB issued Statement No. 157 ("SFAS No. 157"), *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not expect that the adoption of SFAS No. 157 will have a material effect on our financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") No. 108, *Financial Statements — Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 requires the use of both the "iron curtain" and "rollover" approach in quantifying the materiality of misstatements. SAB 108 also discusses the implications of misstatements uncovered upon the application of SAB 108 in situations when a registrant has historically been using either the iron curtain approach or the rollover approach. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 had no impact on our financial position or results of operations.

In September 2006, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS No. 158"). This new standard aims to make it easier for investors, employees, retirees and other parties to understand and assess an employer's financial position and its ability to fulfill the obligations under its benefit plans. SFAS No. 158 requires

employers to fully recognize in their financial statements the obligations associated with single-employer defined benefit pension plans, retiree healthcare plans, and other postretirement plans. Specifically, it requires a company to (1) recognize on its balance sheet an asset for a plan's overfunded status or a liability for a plan's underfunded status, (2) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (3) recognize changes in the funded status of a plan through comprehensive income in the year in which the changes occur. The adoption of SFAS No. 158 had no impact on our financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The provisions of SFAS No. 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. We are evaluating

if we will adopt SFAS No. 159 and what impact the adoption will have on our Consolidated Financial Statements if we adopt.

20. Subsequent Events

On May 11, 2007, Activision completed its acquisition of DemonWare, the leading provider of network middleware technologies for console and PC games headquartered in Dublin, Ireland. The acquisition is expected to enable Activision to gain efficiencies related to online game development and to position the company to take advantage of the growth in online gameplay that is expected to be driven by the next-generation consoles.

On June 8, 2007, with respect to unexercised options subject to Section 409A of the Internal Revenue Code held by employees who are not executive officers, Activision commenced an offer to amend the exercise price of these options to eliminate the grantee's Section 409A tax liability consistent with Internal Revenue Service guidance. Pursuant to the offer, the Company will also make a cash payment in January 2008 to employees who accept the offer, in an amount equal to the difference between the original exercise price of each amended option and the amended exercise price of each amended option. The offer with respect to all eligible options is considered a modification of those options for financial reporting purposes. Pursuant to the accounting standards in effect under SFAS 123R (revised 2004), the fair value of the modified options (including for this purpose the cash payments that become payable pursuant to the terms of the offer) will be recognized as compensation expense over the remaining requisite service period with the fair value created as a result of cash payments that become payable pursuant to the terms of the offer recognized as compensation expense at the expiration of the offer period on July 6, 2007. In addition, a portion of the compensation costs associated with the original award may be accelerated and recognized as compensation expense at the expiration of the offer period as a result of the cash payment.

SCHEDULE II

ACTIVISION, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Col. A Description	Col. B Balance at Beginning of Period	Col. C Additions (A)	Col. D Deductions (B)	Col. E Balance at End of Period
Year ended March 31, 2007				
Allowance for sales returns and price protection	$ 95,150	$ 143,456	$ (148,963)	$ 89,643
Allowance for doubtful accounts	3,103	(1,804)	476	1,775
Deferred tax valuation allowance	35,555	—	(35,173)	382
Year ended March 31, 2006				
Allowance for sales returns and price protection	$ 67,603	$ 262,555	$ (235,008)	$ 95,150
Allowance for doubtful accounts	1,588	5,149	(3,634)	3,103
Deferred tax valuation allowance	25,666	9,943	(54)	35,555
Year ended March 31, 2005				
Allowance for sales returns and price protection	$ 44,538	$ 172,156	$ (149,091)	$ 67,603
Allowance for doubtful accounts	2,490	(1,451)	549	1,588
Deferred tax valuation allowance	18,857	7,703	(894)	25,666

(A) Includes increases in allowance for sales returns, price protection, doubtful accounts, and deferred tax valuation due to normal reserving terms and allowance accounts acquired in conjunction with acquisitions.

(B) Includes actual write-offs of sales returns, price protection, uncollectible accounts receivable, net of recoveries, and foreign currency translation and other adjustments, and deferred taxes.

EXHIBIT INDEX

Exhibit Number	Exhibit
3.1	Amended and Restated Certificate of Incorporation of Activision Holdings, dated June 9, 2000 (incorporated by reference to Exhibit 2.5 of Activision's Form 8-K, filed June 16, 2000).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Activision Holdings dated as of June 9, 2000 (incorporated by reference to Exhibit 2.7 of Activision's Form 8-K, filed June 16, 2000).
3.3	Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated as of December 27, 2001 (incorporated by reference to Exhibit 3.4 of Activision's Form 10-Q for the quarter ended December 31, 2001).
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation, as amended, of Activision, Inc., dated as of April 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed April 5, 2005).
3.5	Certificate of Designation of Series A Junior Preferred Stock of Activision, Inc. dated August 4, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed August 5, 2005).
3.6	Second Amended and Restated Bylaws of Activision, Inc. dated September 15, 2005 (incorporated by reference to Exhibit 3.1 of Activision's Form 8-K, filed September 19, 2005).
4.1	Rights Agreement dated as of April 18, 2000, between Activision. Inc. and Continental Stock Transfer & Trust Company, which includes as exhibits the form of Right Certificates as Exhibit A, the Summary of Rights to Purchase Series A Junior Preferred Stock as Exhibit B and the form of Certificate of Designation of Series A Junior Preferred Stock of Activision as Exhibit C, (incorporated by reference to Activision's Registration Statement on Form 8-A, Registration No. 001-15839, filed April 19, 2000).
10.1	Activision, Inc. 1991 Stock Option and Stock Award Plan, as amended (incorporated by reference to Exhibit 10.1 of Activision's Form 10-K for the year ended March 31, 2002).
10.2	Activision, Inc. 1998 Incentive Plan, as amended (incorporated by reference to Exhibit 10.4 of Activision's Form 10-Q for the quarter ended September 30, 2001).

10.3	Activision, Inc. 1999 Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended June 30, 2002).
10.4	Activision, Inc. 2001 Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended June 30, 2002).
10.5	Activision, Inc. 2002 Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended June 30, 2003).
10.6	Activision, Inc. 2002 Executive Incentive Plan (incorporated by reference to Exhibit 4.1 of Activision's Form S-8, Registration No. 333-100114 filed September 26, 2002).
10.7	Activision, Inc. 2002 Studio Employee Retention Incentive Plan (incorporated by reference to Exhibit 4.1 of Activision's Form S-8, Registration No. 333-103323 filed February 19, 2003).
10.8	Activision, Inc. Second Amended and Restated 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K, filed March 8, 2005).
10.9	Activision, Inc. 2002 Second Amended and Restated Employee Stock Purchase Plan for International Employees (incorporated by reference to Exhibit 10.2 of Activision's Form 8-K, filed March 8, 2005).
10.10	Activision, Inc. Amended and Restated 2003 Incentive Plan, effective as of July 26, 2005 (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended June 30, 2005).
10.11	Form of Stock Option Certificate for grants issued pursuant to the 1998 Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K, filed May 31, 2005).
10.12	Form of Stock Option Certificate for grants issued pursuant the 1999 Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.2 of Activision's Form 8-K, filed May 31, 2005).
10.13	Form of Stock Option Agreement for grants issued pursuant the 2001 Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.3 of Activision's Form 8-K, filed May 31, 2005).

10.14	Form of Stock Option Agreement for grants issued pursuant the 2002 Executive Incentive Plan of Activision, Inc. (adopted May 24, 2005) (incorporated by reference to Exhibit 10.4 of Activision's Form 8-K, filed May 31, 2005).
10.15	Form of Executive Stock Option Agreement for grants to Robert Kotick or Brian Kelly issued pursuant the 2003 Incentive Plan of Activision, Inc. (adopted May 2005) (incorporated by reference to Exhibit 10.40 of Activision's Form 10-K for the year ended March 31, 2005).
10.16	Form of Non-Executive Stock Option Agreement for grants to non-executives issued pursuant the 2003 Incentive Plan of Activision, Inc. (adopted May 2005) (incorporated by reference to Exhibit 10.41 of Activision's Form 10-K for the year ended March 31, 2005).
10.17	Form of Non-Employee Director Stock Option Agreement for grants to non-employee directors issued pursuant the 2003 Incentive Plan of Activision, Inc. (adopted May 2005).
10.18	Notice of Share Option Award for grants to persons other than non-employee directors issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.19	Notice of Share Option Award for grants to non-employee directors issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.20	Notice of Restricted Share Award for grants issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.21	Notice of Restricted Share Unit Award for grants issued pursuant to the 2003 Incentive Plan of Activision, Inc. (adopted June 13, 2007).
10.22	Amended and Restated Employment Agreement, dated May 22, 2000, between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended September 30, 2000).
10.23	Amendment, dated July 22, 2002, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended September 30, 2002).

10.24	Amendment, dated December 29, 2006, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K filed January 8, 2007).
10.25	Stock Option Agreement, dated May 22, 2000, between Activision, Inc. and Robert A. Kotick (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ending September 30, 2000).
10.26	Amended and Restated Employment Agreement, dated May 22, 2000, between Activision, Inc. and Brian G. Kelly (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ending September 30, 2000).
10.27	Amendment, dated July 22, 2002, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Brian G. Kelly (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended September 30, 2002).
10.28	Amendment, dated December 29, 2006, to Employment Agreement dated May 22, 2000 between Activision, Inc. and Brian G. Kelly (incorporated by reference to Exhibit 10.1 of Activision's Form 8-K filed January 8, 2007).
10.29	Employment Agreement, dated July 22, 2002, between Ronald Doornink and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.6 of Activision's Form 10-Q for the quarter ended June 30, 2002).
10.30	Amendment, dated February 27, 2003, to Employment Agreement dated July 22, 2002 between Activision Publishing, Inc. and Ronald Doornink (incorporated by reference to Exhibit 10.34 of Activision's Form 10-K for the year ended March 31, 2005).
10.31	Amendment, dated June 1, 2004, to Employment Agreement dated July 22, 2002, between Activision Publishing, Inc. and Ronald Doornink (incorporated by reference to Exhibit 10.5 of Activision's Form 10-Q for the quarter ended June 30, 2004).
10.32	Amendment, dated June 15, 2005, to Employment Agreement dated July 22, 2002 between Activision Publishing, Inc. and Ronald Doornink (incorporated by reference to Exhibit 10.5 of Activision's Form 10-Q for the quarter ended June 30, 2005).
10.33	Employment agreement, dated November 20, 2002, between Activision Publishing, Inc. and George Rose (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended December 31, 2002).

10.34	Amendment, dated March 30, 2005, to the Employment Agreement dated November 20, 2002 between Activision Publishing, Inc. and George Rose (incorporated by reference to Exhibit 10.51 of Activision's Form 10-K for the year ended March 31, 2005).
10.35	Employment Agreement, dated May 10, 2005, between Charles J. Huebner and Activision Publishing, Inc (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended December 31, 2005).
10.36	Amendment, dated March 30, 2007, to Employment Agreement dated May 10, 2005 between Charles J. Huebner and Activision Publishing, Inc.
10.37	Employment Agreement, dated June 15, 2005, between Michael Griffith and Activision Publishing, Inc (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended June 30, 2005).
10.38	Stock Option Agreement, dated June 15, 2005, between Michael Griffith and Activision, Inc. (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ended June 30, 2005).
10.39	Restricted Stock Agreement, dated June 15, 2005, between Michael Griffith and Activision, Inc. (incorporated by reference to Exhibit 10.4 of Activision's Form 10-Q for the quarter ended June 30, 2005).
10.40	Employment Agreement, dated September 9, 2005, between Thomas Tippl and Activision Publishing, Inc (incorporated by reference to Exhibit 10.1 of Activision's Form 10-Q for the quarter ended September 30, 2005).
10.41	Stock Option Agreement, dated October 3, 2005, between Thomas Tippl and Activision, Inc. (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended September 30, 2005).
10.42	Restricted Stock Agreement, dated October 3, 2005, between Thomas Tippl and Activision, Inc. (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ended September 30, 2005).
10.43	Employment Agreement, dated September 18, 2006, between Brian Hodous and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.2 of Activision's Form 10-Q for the quarter ended December 31, 2006).
10.44	Letter Agreement, dated September 6, 2006, between Brian Hodous and Activision, Inc.
10.45	Stock Option Agreement, dated as of November 3, 2006, between Activision and Brian Hodous.

10.46	Restricted Stock Agreement, dated as of November 3, 2006, between Activision and Brian Hodous.
10.47	Restricted Stock Agreement, dated as of November 3, 2006, between Activision and Brian Hodous.
10.48	Employment Agreement, dated October 1, 2006, between Robin Kaminsky and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.3 of Activision's Form 10-Q for the quarter ended December 31, 2006).
10.49	PlayStation 2 CD-ROM/DVD-ROM Licensed Publisher Agreement, dated as of April 1, 2000, between Sony Computer Entertainment America Inc. and Activision, Inc. (incorporated by reference to Exhibit 10.9 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.50	Letter regarding Modification of Territory for PlayStation 2 CD-ROM/DVD-ROM Licensed Publisher Agreement, dated as of June 11, 2004, from Sony Computer Entertainment America Inc. to Activision, Inc.
10.51	PlayStation 2 Licensed Publisher Agreement, dated as of March 23, 2001, between Sony Computer Entertainment Europe Limited and Activision UK Limited (incorporated by reference to Exhibit 10.10 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.52	PlayStation Portable ("PSP") Licensed PSP Publisher Agreement, dated September 15, 2004, between Sony Computer Entertainment America Inc. and Activision, Inc. (incorporated by reference to Exhibit 10.46 of Activision's Form 10-K for the year ended March 31, 2005).*
10.53	PlayStation Portable ("PSP") Licensed PSP Publisher Agreement, dated September 27, 2005, between Sony Computer Entertainment Europe Limited and Activision UK Limited (incorporated by reference to Exhibit 10.60 of Activision's Form 10-K for year ended March 31, 2006).*
10.54	Global PlayStation 3 Format Licensed Publisher Agreement, dated March 5, 2007, between Sony Computer Entertainment America, Inc. and Activision. Inc.*
10.55	First Renewal License Agreement for the Game Boy Advance Video Game System (EEA, Australia, and New Zealand), dated September 14, 2004, between Nintendo Co., Ltd. and Activision, Inc. (incorporated by reference to Exhibit 10.44 of Activision's Form 10-K for the year ended March 31, 2005).*

10.56	First Addendum to First Renewal License Agreement for the Game Boy Advance Video Game System (EEA,

	Australia and New Zealand), dated June 20, 2006, between Nintendo Co., Ltd. and Activision, Inc.
10.57	Confidential License Agreement for Nintendo GameCube (Western Hemisphere), dated as of November 9, 2001, between Nintendo of America Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.1 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.58	First Amendment to the Confidential License Agreement for Nintendo GameCube (Western Hemisphere), dated November 9, 2004, between Nintendo of America, Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.45 of Activision's Form 10-K for the year ended March 31, 2005).
10.59	First Renewal License Agreement for the Nintendo GameCube System (EEA), dated June 20, 2006, between Nintendo, Co., Ltd. and Activision, Inc.*
10.60	Confidential License Agreement for the Nintendo DS (Western Hemisphere), dated as of October 11, 2004, between Nintendo Co., Ltd. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.42 of Activision's Form 10-K for the year ended March 31, 2005).*
10.61	License Agreement for the Nintendo DS System (EEA, Australia and New Zealand), dated June 20, 2006, between Nintendo Co., Ltd. and Activision, Inc.*
10.62	Microsoft Corporation Xbox Publisher License Agreement, dated as of July 18, 2001, between Microsoft Corporation and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.5 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.63	Amendment to Microsoft Corporation Xbox Publisher License Agreement, dated as of April 19, 2002, between Microsoft Licensing, Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.6 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*
10.64	Xbox Live Distribution Amendment to the Xbox Publisher Licensing Agreement, dated as of October 28, 2002, between Microsoft Licensing, Inc. and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.7 of Activision's Form S-3, Registration No. 333-101271, filed January 14, 2003).*

10.65	Amendment to the Xbox Publisher Licensing Agreement, dated as of March 1, 2005, between Microsoft Licensing, GP, and Activision Publishing, Inc. (incorporated by reference to Exhibit 10.47 of Activision's Form 10-K for the year ended March 31, 2005).*
10.66	Microsoft Corporation Xbox 360 Publisher License Agreement, dated as of October 25, 2005, between Microsoft Licensing, GP and Activision Publishing, Inc (incorporated by reference to Exhibit 10.4 of Activision's Form 10-Q for the quarter ended December 31, 2005).*
10.67	Xbox 360 Disc Program Addendum to the Xbox 360 Publisher License Agreement, dated as of December 15, 2005, between Microsoft Licensing, GP and Activision Publishing, Inc (incorporated by reference to Exhibit 10.5 of Activision's Form 10-Q for the quarter ended December 31, 2005).*
10.68	Amendment to the Xbox 360 Publisher Licensing Agreement (Platinum/Classic Hits Program), dated as of October 1, 2006, by and between Microsoft Licensing, GP and Activision, Inc.*
10.69	Xbox Live Server Platform Addendum to the Xbox 360 Publisher Licensing Agreement, dated as of February 6, 2007, by and between Microsoft Licensing, GP and Activision Publishing, Inc.
10.70	Chart of Compensation to Non-Employee Directors (incorporated by reference to Exhibit 10.6 of Activision's Form 10-Q for the quarter ended December 31, 2005).
14.1	Code of Ethics for Senior Executive and Senior Financial Officers (incorporated by reference to Exhibit 14.1 of Activision's Form 10-K for the year ended March 31, 2004).
21.1	Principal subsidiaries of Activision.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Robert A. Kotick pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Michael Griffith pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3	Certification of Thomas Tippl pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert A. Kotick pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2	Certification of Michael Griffith pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Thomas Tippl pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

*Portions omitted pursuant to a request for confidential treatment.

STOCK OPTION AGREEMENT

Stock Option # For Shares

Issued Pursuant to the
Amended and Restated 2003 Incentive Plan of
ACTIVISION, INC.

THIS STOCK OPTION AGREEMENT (THIS "AGREEMENT") CERTIFIES that on (the "Issuance Date") (the "Holder") was granted a non-qualified option (the "Option") to purchase at the option price of **$** per share, all or any part of fully paid and non-assessable shares ("Shares") of common stock, par value $.000001 per share, of ACTIVISION, INC., a Delaware corporation (the "Company"), upon and subject to the following terms and conditions:

1. *Terms of the Plan.* The Option is granted pursuant to, and is subject to the terms and conditions of, the Company's Amended and Restated 2003 Incentive Plan (the "Plan"), the terms, conditions and definitions of which are hereby incorporated herein as though set forth at length, and the receipt of a copy of which the Holder hereby acknowledges by his signature below. Capitalized terms used herein shall have the meanings set forth in the Plan, unless otherwise defined herein. The option granted hereby is not intended to be an "incentive stock option" as such term is defined in Section 422 of the Code.

2. *Expiration.* This Option shall expire on , unless extended or earlier terminated in accordance herewith.

3. *Exercise.* Except as otherwise permitted under the Plan, this Option may be exercised or surrendered during the Holder's lifetime only by the Holder or his/her guardian or legal representative. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN, THIS OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHERWISE THAN BY WILL OR BY THE LAWS OF DESCENT AND DISTRIBUTION.

4. This Option shall vest and be exercisable as follows:

Vesting Date	**Shares Vested at Vesting Date**	**Cumulative Shares Vested at Vesting Date**

This Option shall be exercised by the Holder (or by her executors, administrators, guardian or legal representative) as to all or part of the Shares, by the giving of written notice of exercise to the Company, specifying the number of Shares to be purchased, accompanied by payment of the full purchase price for the Shares being purchased. Full payment of such purchase price shall be made at the time of exercise and shall be made (i) in cash or by certified check or bank check or wire transfer of immediately available funds, (ii) with the consent of the Company, by tendering previously acquired Shares (valued at their then Fair Market Value (as defined in the Plan), as determined by the Company as

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of the date of tender) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company's earnings), or (iii) with the consent of the Company, a combination of (i) and (ii). Such notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Company may from time to time direct, and shall be in such form, containing such further provisions as the Company may from time to time prescribe. In no event may this Option be exercised for a fraction of a Share. The Company shall effect the transfer of Shares purchased pursuant to an Option as soon as practicable, and, within a reasonable time thereafter, such transfer shall be evidenced on the books of the Company. No person exercising this Option shall have any of the rights of a holder of Shares subject to this Option until certificates for such Shares shall have been issued following the exercise of such Option. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

5. *Termination of Service.* Upon termination of the Holder's service as a Director or other position with the Board of Directors for any reason (except death or disability which are described in paragraphs 6 and 7 below), the following terms shall apply to this Option:

(a) In the event of termination of the Holder's service as a Director or other position with the Board of Directors, this Option, whether or not vested, shall expire immediately and shall be deemed cancelled and no longer continue to vest or be exercisable as of the date of such termination. The term "Cause" shall be defined as the Holder's (i) willful, reckless or gross misconduct or fraud, (ii) gross negligent performance of job responsibilities, and (iii) conviction of or pleading no contest to a felony or crime involving dishonesty or moral turpitude;

(b) In the event of termination of the Holder's service as a Director or other position with the Board of Directors by the Company without Cause, this Option shall cease to vest immediately as of the date of such termination, the unvested portion of this Option shall be cancelled and only the vested portion of this Option shall continue to be exercisable until the earlier of (i) the end of the 30th day after the date of such termination of service, or (ii) the expiration of this Option pursuant to the terms set forth herein; and upon the expiration of such period, such portion of this Option then remaining unexercised shall be cancelled; and

(c) In the event of termination of the Holder's service as a Director or other position with the Board of Directors for any reason not otherwise described in paragraphs 5(a) and (b) (except for death or disability), this Option shall cease to vest immediately as of the date of such termination, the unvested portion of this Option shall be cancelled and only the vested portion of this Option shall continue to be exercisable until the earlier of (i) the end of the 30th day after the date of such termination of service, or (ii) the expiration of this Option pursuant to the terms set forth herein; and upon the expiration of such period, such portion of this Option then remaining unexercised shall be cancelled.

6. *Death.* In the event the Holder dies during his term as a Director or other position with the Board of Directors of the Company or any of its subsidiaries or affiliates, as the case may be, this Option, to the extent not previously expired or exercised, shall, to the extent exercisable on the date of death, be exercisable by the estate of the Holder or by any person who acquired this Option by bequest or inheritance, at any time within one year after the death of the Holder, *provided, however,* that if the term of such Option would expire by its terms within six months after the Optionee's death, the term of such Option shall be extended until six months after the Optionee's death.

7. *Disability.* In the event of the separation from service as a Director or other position with the Board of Directors of the Company of the Holder due to total disability, the Holder, or her guardian or

legal representative, shall have the unqualified right to exercise any portion of this Option which has not been previously exercised or expired and which the Holder was eligible to exercise as of the first date of total disability (as determined by the Company), at any time within one year after such termination or separation, *provided, however,* that if the term of such Option would expire by its terms within six months after such termination or separation, the term of such Option shall be extended until six months after such termination or separation. The term "total disability" shall, for purposes of this Share Option Agreement, be defined in the same manner as such term is defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

8. *Adjustments.* In the event that the Company shall determine that any dividend or other distribution (whether in the form of cash, shares of common stock of the Company, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of common stock of the Company or other securities, the issuance of warrants or other rights to purchase shares of common stock of the Company, or other securities, or other similar corporate transaction or event affects the Shares, such that an adjustment is determined by the Company to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available to the Holder, then the Company shall, in such manner as the Company may deem equitable, adjust any or all of (i) the number and type of shares of common stock of the Company subject to this Option, and (ii) the grant or exercise price with respect to this Option, or, if deemed appropriate, make provision for a cash payment to the Holder.

9. *Delivery of Share Certificates.* Within a reasonable time after the exercise of this Option, the Company shall cause to be delivered to the person entitled thereto a certificate for the Shares purchased pursuant to the exercise of this Option. If this Option shall have been exercised with respect to less than all of the Shares subject to this Option, the Company shall also cause to be delivered to the person entitled thereto a new Stock Option Agreement in replacement of this Stock Option Agreement if surrendered at the time of the exercise of this Option, indicating the number of Shares with respect to which this Option remains available for exercise, or the Company shall make a notation in its books and records to reflect the partial exercise of this Option.

10. *Withholding.* In the event that the Holder elects to exercise this Option or any part thereof, and if the Company or any subsidiary or affiliate of the Company shall be required to withhold any amounts by reasons of any federal, state or local tax laws, rules or regulations in respect of (a) the issuance of Shares to the Holder pursuant to this Option, or (b) the exercise or disposition (in whole or in part) of the Option, the Company or such subsidiary or affiliate shall be entitled to deduct and withhold such amounts from any payments to be made to the Holder. In any event, the Holder shall make available to the Company or such subsidiary or affiliate, promptly when requested by the Company or such subsidiary or affiliate, sufficient funds to meet the requirements of such withholding; and the Company or such subsidiary or affiliate shall be entitled to take and authorize such steps as it may deem advisable in order to have such funds available to the Company or such subsidiary or affiliate out of any funds or property due or to become due to the Holder.

11. *Reservation of Shares.* The Company hereby agrees that at all times there shall be reserved for issuance and/or delivery upon exercise of this Option such number of Shares as shall be required for issuance or delivery upon exercise hereof.

12. *Rights of Holder.* Nothing contained herein shall be construed to confer upon the Holder any right to continue service with the Company and/or any subsidiary or affiliate of the Company or derogate from any right of the Company and/or any subsidiary or affiliate of the Company to retire, request the resignation of, or discharge the Holder at any time, with or without cause. The Holder shall not, by virtue hereof, be entitled to any rights of a shareholder in the Company, either at law or in equity,

and the rights of the Holder are limited to those expressed herein and are not enforceable against the Company except to the extent set forth herein.

13. *Exclusion from Pension Computations.* By acceptance of the grant of this Option, the Holder hereby agrees that any income realized upon the receipt or exercise hereof, or upon the disposition of the Shares received upon its exercise, is special incentive compensations and, to the extent permissible under applicable law, shall not be taken into account as "wages", "salary" or "compensation" in determining the amount of any payment under any pension, retirement, incentive, profit sharing, bonus or deferred compensation plan of the Company or any of its subsidiaries or affiliates.

14. *Registration; Legend.* The Company may postpone the issuance and delivery of Shares upon any exercise of this Option until (a) the admission of such Shares to listing on any stock exchange or exchanges on which Shares of the Company of the same class are then listed and (b) the completion of such registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company shall determine to be necessary or advisable. The Holder shall make such representations and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company, in light of the then existence or non-existence with respect to such Shares of an effective Registration Statement under the Securities Act of 1933, as amended, to issue the Shares in compliance with the provisions of that or any comparable act.

The Company may cause the following or a similar legend to be set forth on each certificate representing Shares or any other security issued or issuable upon exercise of this Option unless counsel for the Company is of the opinion as to any such certificate that such legend is unnecessary:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, THE AVAILABILITY OF WHICH IS ESTABLISHED BY AN OPINION FROM COUNSEL TO THE COMPANY.

15. *Amendment.* The Company may, with the consent of the Holder, at any time or from time to time amend the terms and conditions of this Option, and may at any time or from time to time amend the terms of the Plan.

16. *Notices.* Any notice which either party hereto may be required or permitted to give to the other shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: General Counsel, or at such other address as the Company by notice to the Holder may designate in writing from time to time; and if to the Holder, at the address shown below her signature on this Stock Option Agreement, or at such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

17. *Interpretation.* A determination of the Committee as to any questions which may arise with respect to the interpretation of the provisions of this Option and of the Plan shall be final and binding. The Committee may authorize and establish such rules, regulations and revisions thereof as it may deem advisable.

[Remainder of page intentionally blank.]

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

ACTIVISION, INC.

By: _____
Name:
Title:

Date: _____

Attest: _____

ACCEPTED:

_____
Option Holder

_____
Address

_____
City State ZipCode

_____
Social Security Number

Exhibit 10.18

ACTIVISION, INC.

[2001/2002/AMENDED AND RESTATED 2003] INCENTIVE PLAN

NOTICE OF SHARE OPTION AWARD

You have been awarded an Option to purchase Shares of Common Stock of Activision, Inc. (the "Company"), as follows:

- Your name: **[**_____**]**
- Total number of Shares purchasable upon exercise of the Option awarded: **[**___**]**
- Exercise Price: US$ **[**_____**]** per Share
- Date of Grant: **[**_____**]**
- Expiration Date: **[**_____**]**
- Grant ID: **[**_____**]**
- Your Award of the Option is governed by the terms and conditions set forth in:
  - this Notice of Share Option Award;
  - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
  - the Company's **[2001/2002/Amended and Restated 2003]** Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- **[Your Award of Restricted Shares has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]**
- *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
First anniversary of Date of Grant	**[**_____**]**	**[**_____**]**
Second anniversary of Date of Grant	**[**_____**]**	**[**_____**]**
Third anniversary of Date of Grant	**[**_____**]**	**[**_____**]**
[Fourth anniversary of Date of Grant]	**[**_____**]**	**[**_____**]**
[Fifth anniversary of Date of Grant]	**[**_____**]**	**[**_____**]**

- The Option is **[not]** intended to be an "incentive stock option," as such term is defined in Section 422 of the Code. **[To the extent the Option does not qualify as an incentive stock option, the Option or the portion thereof which does not so qualify shall constitute a separate nonqualified stock option.]**
- ***To accept your Award of the Option, you must sign and return to the Company this Notice of Share Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Share Option Award to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Share Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

_____

[Name of Holder]

Date: _____

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE OPTION AWARD TERMS
(NON-OFFICER FORM)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Award" means the award described on the Grant Notice.

"Award Terms" means these Share Option Award Terms.

"Cause" (i) shall have the meaning given to such term in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (ii) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition of "cause," shall mean the Holder's (A) willful, reckless or gross misconduct or fraud, (B) grossly negligent performance of job responsibilities, (C) indictment on charges related to, conviction of, or pleading no contest to, a felony or crime involving dishonesty or moral turpitude, or (D) breach of any proprietary information, confidentiality, "work for hire," non-solicitation or similar agreement between the Holder and the Company or any of its subsidiaries or affiliates.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Disability" (A) shall have the meaning given to such term in, or otherwise be determined in accordance with, any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or (B) if the Holder is not party to any agreement or offer letter with the Company or any of its subsidiaries or affiliates or any such agreement or offer letter does not contain a definition "disability" or otherwise provide a method for determining whether the Holder is disabled, shall mean "permanent and total disability" as defined in section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

"Employment Violation" means any material breach by the Holder of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Exercise Price" means the exercise price set forth on the Grant Notice.

"Expiration Date" means the expiration date set forth on the Grant Notice.

"Grant Notice" means the Notice of Share Option Award to which these Award Terms are attached as Exhibit A.

"Holder" means the recipient of the Award named on the Grant Notice.

"Look-back Period" means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

"Option" means the option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

"Plan" means the Activision, Inc. **[2001/2002/Amended and Restated 2003]** Incentive Plan, as amended from time to time.

"Recapture Amount" means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Fair Market Value per share of Common Stock on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 10 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of

computation, minus the Exercise Price, times (B) the number of Shares as to which the Option was exercised and which were not sold.

"Shares" means the shares of Common Stock or other securities purchasable upon exercise of the Option.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Option shall vest, and thereupon become exercisable, in accordance with the "Schedule for Vesting" set forth on the Grant Notice.

(b) Exercisable Only by Holder; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder's lifetime only by the Holder. With the Committee's consent, all or part of the Option may be transferred in accordance with Section **[10.4/7.3]** of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator's website from time to time or (ii) with the Company's consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) in cash or by certified check or bank check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

(e) No Fractional Shares. In no event may the Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 11 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Option and the number of Shares that thereafter remain available for purchase upon exercise of the Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause prior to the vesting in full of the Option, as of the date of such termination of employment the Option shall (i) cease to vest, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Death or Disability. In the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, in each case prior to the vesting in full of the Option, the Option shall (i) cease to vest as of the date of the Holder's death or the first date of such Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or such first date of such Disability, as the case may be, be exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or such termination of employment, as the case may be, and (B) the Expiration Date or, if the Expiration Date is a date within six months after the date of the Holder's death or such termination of employment, the date that is six months after the Holder's death or such termination of employment, as the case may be (provided, however, that, if the Option is intended to qualify as an incentive stock option (as such term is defined in Section 422 of the Code), in no instance may the term of the Option exceed any maximum term established pursuant to the Plan with respect thereto), after which the Option shall no longer be exercisable and shall be cancelled.

(c) Other. Unless the Committee decides otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a) or 4(b) hereof

prior to the vesting in full of the Option, the Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Option, the issuance or transfer of any Shares upon exercise of the Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5 (a) by delivery to the Company of a certified check or bank check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Option such number of shares of Common Stock or other securities as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8 or 9 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting and agreeing to the Award, the Holder consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8 or 9 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section **[10.9/7.6]** of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Option may not be exercised, and the Option and Shares purchasable upon exercise of the Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the

registration, qualification or listing of, the Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Option or Shares, to issue or transfer the Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Employment Violation. The terms of this Section 5 shall apply to the Option if the Holder is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

11. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

12. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

13. No Rights as Stockholder. No holder of the Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

14. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

15. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

16. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

17. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

18. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between the Holder and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF SHARE OPTION AWARD
(NON-EMPLOYEE DIRECTOR FORM)

You have been awarded an Option to purchase Shares of Common Stock of Activision, Inc. (the "Company"), as follows:

- Your name: **[** _____ **]**
- Total number of Shares purchasable upon exercise of the Option awarded: **[** ___ **]**
- Exercise Price: US $ **[** _____ **]** per Share
- Date of Grant: **[** _____ **]**
- Expiration Date: **[** _____ **]**
- Grant ID: **[** _____ **]**
- Your Award of the Option is governed by the terms and conditions set forth in:
  - this Notice of Share Option Award;
  - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
  - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Option awarded to you will vest and become exercisable as follows provided you remain continuously serve as a member of the Board through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
First anniversary of Date of Grant	**[** _____ **]**	**[** _____ **]**
Second anniversary of Date of Grant	**[** _____ **]**	**[** _____ **]**
Third anniversary of Date of Grant	**[** _____ **]**	**[** _____ **]**

- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.

- ***To accept your Award of the Option, you must sign and return to the Company this Notice of Share Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Share Option Award to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Share Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

_____
[Name of Holder]

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE OPTION AWARD TERMS
(NON-EMPLOYEE DIRECTOR FORM)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Award" means the award described on the Grant Notice.

"Award Terms" means these Share Option Award Terms.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Disability" means "permanent and total disability" as defined in section 22(e)(3) of the Code, as interpreted by the Company (with such interpretation to be final, conclusive and binding for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Exercise Price" means the exercise price set forth on the Grant Notice.

"Expiration Date" means the expiration date set forth on the Grant Notice.

"Grant Notice" means the Notice of Share Option Award to which these Award Terms are attached as Exhibit A.

"Holder" means the recipient of the Award named on the Grant Notice.

"Option" means the option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

"Plan" means the Activision, Inc. Amended and Restated 2003 Incentive Plan, as amended from time to time.

"Shares" means the shares of Common Stock or other securities purchasable upon exercise of the Option.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Option shall vest, and thereupon become exercisable, in accordance with the "Schedule for Vesting" set forth on the Grant Notice.

(b) Exercisable Only by Holder; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder's lifetime only by the Holder. With the Committee's consent, all or part of the Option may be transferred in accordance with Section 7.3 of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator's website from time to time or (ii) with the Company's consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) in cash or by certified check or bank check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be

requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the

aggregate Exercise Price of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

(e) No Fractional Shares. In no event may the Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 10 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Option and the number of Shares that thereafter remain available for purchase upon exercise of the Option.

4. Termination of Service.

(a) Death or Disability. In the event that the Holder dies during his term as a member of the Board or the Holder ceases to serve as a member of the Board due to the Holder's Disability, in each case prior to the vesting in full of the Option, the Option shall (i) cease to vest as of the date of the Holder's death or the first date of such Disability (as determined by the Committee), as the case may be, and (ii) to the extent vested as of the date of the Holder's death or such first date of such Disability, as the case may be, be exercisable in accordance with these Award Terms until the earlier of (A) the first anniversary of the date of the Holder's death or such cessation of service, as the case may be, and (B) the Expiration Date or, if the Expiration Date is a date within six months after the date of the Holder's death or such cessation of service, the date that is six months after the Holder's death or such cessation of service, as the case may be, after which the Option shall no longer be exercisable and shall be cancelled.

(b) Other. Unless the Committee decides otherwise, in the event that the Holder's service as a member of the Board is terminated for any reason not addressed by Section 4(a) hereof prior to the vesting in full of the Option, the Option shall (i) cease to vest as of the date of such termination of service and (ii) to the extent vested as of the date of such termination of service, be exercisable in accordance with these Award Terms until the earlier of

(A) the 30th day after the date of such termination of service and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Option, the issuance or transfer of any Shares upon exercise of the Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5 (a) by delivery to the Company of a certified check or bank check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Option such number of shares of Common Stock or other securities as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8 or 9 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting and agreeing to the Award, the Holder consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8 or 9 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Option may not be exercised, and the Option and Shares purchasable upon exercise of the Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted

with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Option or Shares, to issue or transfer the Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale of the Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

11. No Right to Continued Service. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to continued service on the Board or derogate from any right of the Company's stockholders to remove the Holder from the Board at any time, with or without cause.

12. No Rights as Stockholder. No holder of the Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

13. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

14. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

15. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b)

hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

16. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown on the records of the Company or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

17. Conflict with Plan. In the event of any conflict between the terms of the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

Exhibit 10.20

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

You have been awarded Restricted Shares of Activision, Inc. (the "Company"), as follows:

- Your name: **[** _____ **]**
- Total number of Restricted Shares awarded: **[** _____ **]**
- Date of Grant: **[** _____ **]**
- Grant ID: **[** _____ **]**
- Your Award of Restricted Shares is governed by the terms and conditions set forth in:
  - this Notice of Restricted Share Award;
  - the Restricted Share Award Terms attached hereto as *Exhibit A* (the "Award Terms"); and
  - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- [Your Award of Restricted Shares has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]
- Certain terms of your Award:
  - *Schedule for Lapse of Restrictions*: Except as otherwise provided under the Award Terms, the Restrictions on the Restricted Shares awarded to you will lapse as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Lapse of Restrictions

Date on which Restrictions Lapse	No. of Restricted Shares as to which Restrictions Lapse
First anniversary of Date of Grant	**[** _____ **]**
Second anniversary of Date of Grant	**[** _____ **]**
Third anniversary of Date of Grant	**[** _____ **]**
[Fourth anniversary of Date of Grant]	[_____]
[Fifth anniversary of Date of Grant]	[_____]

- ***To accept your Award of Restricted Shares, you must sign and return to the Company this Notice of Restricted Share Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- If you wish to include the value of the Restricted Shares in your taxable income for the current calendar year, you must complete and sign the Section 83(b) Election Form attached hereto as Exhibit B and both (1) file a copy of it with the Internal Revenue Service Center at which you file your federal income tax return and (2) return a copy of it to the Company, in each case no later than the 30th day after the Date of Grant.
- ***Please return all items to be returned to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain (1) the enclosed duplicate copy of this Notice of Restricted Share Award for your records and (2) if applicable, two copies of your completed Section 83(b) Election Form, (a) one copy of which should be filed with the Internal Revenue Service Center at which you file your federal income tax return no later than 30th day after the Date of Grant as described above and (b) one copy of which should be submitted with your federal income tax return for the current calendar year.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

RESTRICTED SHARE AWARD TERMS
(NON-OFFICER FORM)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Additional Shares" means any additional shares of Common Stock or other securities issued in respect of Restricted Shares in connection with any adjustment pursuant to Section 10 hereof.

"Award" means the award described on the Grant Notice.

"Award Terms" means these Restricted Share Award Terms.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Employment Violation" means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Grantee" means the recipient of the Award named on the Grant Notice.

"Grant Notice" means the Notice of Restricted Share Award to which these Award Terms are attached as Exhibit A.

"Look-back Period" means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

"Plan" means the Activision, Inc. Amended and Restated 2003 Incentive Plan, as amended from time to time.

"Recapture Amount" means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all lapses of the Restrictions during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Fair Market Value per share of Common Stock on the date the Restrictions lapsed with respect to such Vested Shares, (2) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 13 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

"Restricted Book Entry" means a book entry on the Company's stock register maintained by its transfer agent and registrar, which book entry shall bear a notation regarding the Restrictions as set forth in Section 14(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 14(b) hereof.

"Restricted Shares" means shares of Common Stock or other securities subject to the Award (including any Additional Shares) as to which the Restrictions have not lapsed and which have not been forfeited to the Company in accordance with the Grant Notice and these Award Terms.

"Restrictions" means the restrictions set forth in Section 2 hereof.

"Section 83(b) Election" means an election under Section 83(b) of the Code, or any successor provision thereto, to include the value of the Restricted Shares in taxable income for the calendar year in which the Award is granted.

"Vested Shares" means shares of Common Stock or other securities subject to the Award (including any Additional Shares) as to which the Restrictions have lapsed in accordance with Section 3 or 4 hereof.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Restrictions. None of the shares of Common Stock or other securities subject to the Award (including any Additional Shares), or any right or privilege pertaining thereto, may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way not expressly permitted by these Award Terms, or subjected to execution, attachment or similar process, unless and until such restrictions thereon lapse pursuant to Section 3 or 4 hereof. Any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose of or encumber any such shares of Common Stock or other securities, or any right or privilege pertaining thereto, in any way not expressly permitted by these Award Terms before such restrictions thereon lapse pursuant to Section 3 or 4 hereof shall be null and void and of no force and effect.

3. Lapse of Restrictions. Except as otherwise set forth in these Award Terms, the Restrictions shall lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice.

4. Termination of Employment. Unless the Committee decides otherwise, in the event that Grantee's employment is terminated for any reason prior to the lapse of the Restrictions, as of the date of such termination of employment the Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

5. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the lapse of the Restrictions, from any Section 83(b) Election or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5 (a) by delivery to the Company of a certified check or bank check or wire transfer of immediately available funds; (b) with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Voting Rights. The holder of the Restricted Shares shall be entitled to the voting privileges associated therewith.

7. Dividends. Any cash dividends declared and paid on the Restricted Shares shall be paid to the holder thereof concurrently with the payment of such dividends to all other record holders of Common Stock.

8. Receipt and Delivery; Removal of Restrictions. Restricted Shares shall be evidenced by a Restricted Book Entry in the name of the holder of the Restricted Shares. Restricted Shares shall become Vested Shares at such time as the Restrictions thereon lapse in accordance with the Grant Notice and these Award Terms. As soon as practicable after the Restrictions on any Restricted Shares lapse, the Company shall cause the legend regarding the Restrictions set forth in Section 14(a) hereof to be removed from the resulting Vested Shares and cause the resulting Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend regarding securities law restrictions as set forth in Section 14(b) hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 10 or 11 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting and agreeing to the Award, Grantee consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 10 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

10. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in

the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code. Any Additional Shares issued in connection with an adjustment pursuant to this Section 10 shall be subject to the same Restrictions, and provisions with respect to the lapse thereof, as the Restricted Shares in respect of which such Additional Shares were issued.

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Shares or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Shares or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Shares or Vested Shares, to issue or transfer Restricted Shares or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Shares or Vested Shares or resale of Restricted Shares or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

12. Transferability. Notwithstanding the Restrictions, with the Committee's consent, Grantee may transfer Restricted Shares to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such Restricted Shares shall remain subject to the Restrictions in the hands of the transferee and that such transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer.

13. Employment Violation. The terms of this Section 13 shall apply to the Restricted Shares if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any Restricted Shares and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Shares and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

14. Legends.

(a) Restrictions. The Company shall cause any Restricted Book Entry evidencing the Restricted Shares to bear a notation substantially as follows:

> "THE SALE OR TRANSFER OF THE SHARES OF COMMON STOCK REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. AMENDED AND RESTATED 2003 INCENTIVE PLAN (THE "PLAN"), AND IN THE ASSOCIATED NOTICE OF RESTRICTED SHARE AWARD, INCLUDING THE RESTRICTED SHARE AWARD TERMS ATTACHED THERETO (THE "AWARD NOTICE"). A COPY OF THE PLAN AND AWARD NOTICE MAY BE OBTAINED FROM ACTIVISION, INC."

(b) Securities Laws. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any Restricted Book Entry evidencing Restricted Shares or any certificate evidencing Vested Shares to bear a notation or legend, as the case may be, substantially as follows:

> "THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 12 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

EXHIBIT B

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SECTION 83(b) ELECTION FORM

Election to Include Value of Restricted Property in Gross Income in Year of Transfer under Internal Revenue Code § 83(b)

The undersigned (the "Taxpayer") hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the property described below and supplies the following information in accordance with the applicable federal income tax regulations:

1. The name, address and taxpayer identification number of the Taxpayer are:

Name: **[**_____**]**
Address: _____

_____

Taxpayer I.D. Number: _____

2. Description of property with respect to which the election is being made:
[_____**]** shares of Common Stock, par value $0.000001 per share, of Activision, Inc., a Delaware corporation (the "Company").

3. Date of transfer; taxable year: The date on which property was transferred is **[**_____**]**. The taxable year to which this election relates is calendar year **[**_____**]**.

4. The nature of the restrictions to which the property is subject: The property is subject to transfer restrictions by virtue of an agreement between the Taxpayer and the Company, and the book entry on the Company's stock register evidencing the property bears a notation to that effect. Except as otherwise described below, the restrictions on the property will lapse as follows:

Schedule for Lapse of Restrictions

Date on which Restrictions Lapse	Number of Shares as to which Restrictions Lapse
First anniversary of Date of Grant	**[** **]**
Second anniversary of Date of Grant	**[** **]**
Third anniversary of Date of Grant	**[** **]**
[Fourth anniversary of Date of Grant]	**[** **]**
[Fifth anniversary of Date of Grant]	**[** **]**

Unless the Company decides otherwise, in the event that Taxpayer's employment is terminated for any reason, as of the date of such termination of employment the restrictions will

cease to lapse and all restricted property will immediately be forfeited to the Company without payment of consideration by the Company.

5. Fair market value: The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the property with respect to which this election is being made is **$[**_____**]** per share.

6. Amount paid for property: Taxpayer did not pay any cash amount for the property.

7. Furnishing statement to employer: A copy of this statement has been furnished to the Company.

Dated: _____

_____
Signature of Taxpayer

Instructions for Section 83(b) Election Form

1. The form must be filed with the Internal Revenue Service Center (or other IRS office) at which the Taxpayer files his or her federal income tax return and with the Company, in each case no later than the 30th day after the date of grant set forth on the Notice of Restricted Share Award to which this Section 83(b) Election Form is attached as Exhibit B.

2. In addition, the Taxpayer must submit one copy of the form with his or her federal income tax return for the year in which the date of grant occurred.

3. The Section 83(b) election, once made, is irrevocable, unless the Internal Revenue Service consents to the revocation.

4. The Taxpayer must *sign* the form.

Exhibit 10.21

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE UNIT AWARD

You have been awarded Restricted Share Units of Activision, Inc. (the "Company"), as follows:

- **Your name:** **[**_____**]**
- **Total number of Restricted Share Units awarded:** **[**_____**]**
- **Date of Grant:** **[**_____**]**
- **Grant ID:** **[**_____**]**
- Your Award of Restricted Share Units is governed by the terms and conditions set forth in:
  - this Notice of Restricted Share Unit Award;
  - the Restricted Share Unit Award Terms attached hereto as Exhibit A (the "Award Terms"); and
  - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- **[Your Award of Restricted Share Units has been made in connection with your employment agreement with the Company or one of its subsidiaries or affiliates as a material inducement to your entering into or renewing employment with such entity pursuant to such agreement, and is also governed by any applicable terms and conditions set forth in such agreement.]**
- Certain terms of your Award:

  Schedule for Vesting: Except as otherwise provided under the Award Terms, the Restricted Share Units awarded to you will vest as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Restricted Share Units Vesting at Vesting Date	Cumulative No. of Restricted Share Units Vested at Vesting Date
First anniversary of Date of Grant	**[**_____**]**	**[**_____**]**
Second anniversary of Date of Grant	**[**_____**]**	**[**_____**]**
Third anniversary of Date of Grant	**[**_____**]**	**[**_____**]**
[Fourth anniversary of Date of Grant]	**[**_____**]**	**[**_____**]**
[Fifth anniversary of Date of Grant]	**[**_____**]**	**[**_____**]**

- ***To accept your Award of Restricted Share Units, you must sign and return to the Company this Notice of Restricted Share Unit Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Restricted Share Unit Award to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Unit Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

_____
[Name of Grantee]

Date: _____

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

RESTRICTED SHARE UNIT AWARD TERMS
(NON-OFFICER FORM)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Award" means the award described on the Grant Notice.

"Award Terms" means these Restricted Share Unit Award Terms.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Employment Violation" means any material breach by Grantee of his or her employment agreement with the Company or one of its subsidiaries or affiliates for so long as the terms of such employment agreement shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Grantee" means the recipient of the Award named on the Grant Notice.

"Grant Notice" means the Notice of Restricted Share Unit Award to which these Award Terms are attached as Exhibit A.

"Look-back Period" means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

"Plan" means the Activision, Inc. Amended and Restated 2003 Incentive Plan, as amended from time to time.

"Recapture Amount" means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all vesting of Restricted Share Units during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Fair Market Value per share of Common Stock on the date such Vested Shares vested, (2) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 12 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

"Restricted Share Units" means units subject to the Award, which represent the conditional right to receive shares of Common Stock or other securities in accordance with the Grant Notice and these Award Terms, unless and until such units become vested or are forfeited to the Company in accordance with the Grant Notice and these Award Terms.

"Vested Shares" means shares of Common Stock or other securities to which the holder of Restricted Stock Units becomes entitled upon vesting thereof in accordance with Section 2 or 3 hereof.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Vesting. Except as otherwise set forth in these Award Terms, the Restricted Share Units shall vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice. Each Restricted Share Unit, upon vesting thereof, shall entitle the holder thereof to receive one share of Common Stock (subject to adjustment pursuant to Section 9 hereof).

3. Termination of Employment. Unless the Committee decides otherwise, in the event that Grantee's employment is terminated for any reason prior to the vesting of all Restricted Share Units, as of the date of such termination of employment all Restricted Share

Units shall cease to vest and shall immediately be forfeited to the Company without payment of consideration by the Company.

4. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the vesting of any Restricted Share Units, the issuance or transfer of any Vested Shares or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 4 by delivery to the Company of: (a) a certified check or bank check or wire transfer of immediately available funds; (b) through the delivery of irrevocable written instructions, in form acceptable to the Company, that the Company withhold Vested Shares otherwise then deliverable having a value equal to the aggregate amount of the Withholding Taxes (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 4 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 4 have been satisfied.

5. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon vesting of the Restricted Share Units such number of shares of Common Stock or other securities as shall be required for issuance or delivery upon vesting thereof.

6. Dividend Equivalents. In the event that any cash dividends are declared and paid on shares of Common Stock or other securities to which the holder of the Restricted Stock Units would be entitled upon vesting thereof, such holder shall be paid, on the payment date for such dividend, the amount that such holder would have received if the Restricted Stock Units had vested, and the shares of Common Stock or other securities to which such holder was thereupon entitled had been issued and outstanding and held of record by such holder, as of the record date for such dividend.

7. Receipt and Delivery. As soon as practicable (and, in any event, within 30 days) after any Restricted Stock Units vest, the Company shall (i) effect the issuance or transfer of the resulting Vested Shares, (ii) cause the issuance or transfer of such Vested Shares to be evidenced on the books and records of the Company, and (iii) cause such Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend as set forth in Section 13 hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto. Notwithstanding the foregoing, if the Committee determines in good faith that any such issuance, transfer or delivery of Vested Shares to Grantee or his estate or beneficiaries hereunder does not qualify for the "short-term deferral exception" or otherwise would constitute a "deferral of compensation" under Section 409A of the Code and Grantee is a "specified employee" (as defined in Section 409A of the Code), the Company shall cause the issuance, transfer or delivery of such Vested Shares to Grantee (or Grantee's estate or beneficiary) upon the earlier of (a) the date that

is six months after the date of Grantee's "separation from service" (as defined in Section 409A of the Code) with the Company or (b) Grantee's death.

8. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 9 or 10 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting and agreeing to the Award, Grantee consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 9 or 10 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

9. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

10. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Share Units or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of

any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Share Units or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Share Units or Vested Shares, to issue or transfer Restricted Share Units or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Share Units or Vested Shares or resale of Restricted Share Units or Vested Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

11. Transferability. Except as otherwise permitted under the Plan or this Section 11, the Restricted Share Units shall not be transferable by Grantee other than by will or the laws of descent and distribution. With the Committee's consent, Grantee may transfer Restricted Share Units to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer.

12. Employment Violation. The terms of this Section 13 shall apply to the Restricted Share Units if Grantee is or becomes subject to an employment agreement with the Company or any of its subsidiaries or affiliates. In the event of an Employment Violation, the Company shall have the right to require (i) the forfeiture by Grantee to the Company of any Restricted Share Units and (ii) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Share Units and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

13. Legends. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Vested Shares to bear a legend substantially as follows:

> "THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

14. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without cause.

15. No Rights as Stockholder. No holder of Restricted Share Units shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth in the Plan, the Grant Notice and these Award Terms.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 11 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown on any employment agreement or offer letter

between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, or such other address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of any employment agreement or offer letter between Grantee and the Company or any of its subsidiaries or affiliates in effect from time to time, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

Exhibit 10.36

March 30, 2007

Mr. Chuck Huebner
93 Nayatt Road
Barrington, RI 02806

Re: Your Employment Agreement with Activision, Inc.
dated May 10, 2005 (the "Employment Agreement")

Dear Chuck:

This letter confirms our agreement to amend the terms of the Employment Agreement in accordance with the provisions set forth below. Capitalized terms not defined in this letter shall have the meanings ascribed to them in the Employment Agreement.

The specific amendments to the Employment Agreement are as follows:

1. In fulfillment of all reimbursement, payment or other obligations of Activision pursuant to Paragraph 6(a) of the Employment Agreement, Activision agrees to pay you the net amount of $240,000, a sum that represents the mutually agreed upon projected relocation related expenses. Activision further agrees to pay on your behalf the sum of $97,962.07. This amount represents the estimated tax liability of the portions of the above referenced relocation costs that will potentially be considered taxable income and for which Activision has agreed to provide "gross-up" coverage. These amounts will be paid immediately upon your execution of this letter. Upon payment of such amounts, Activision shall have no further obligations pursuant to Paragraph 6(a) of the Employment Agreement.

Except as specifically set forth above, the Employment Agreement shall remain unmodified and in full force and effect.

If the foregoing accurately reflects your understanding of the provisions of your Employment Agreement that are being amended pursuant to this letter, please so indicate by signing in the space provided below.

Very truly yours,

George Rose
General Counsel

ACCEPTED AND AGREED TO:

/s/ CHUCK HUEBNER
Chuck Huebner

Exhibit 10.44

September 6, 2006

Brian Hodous
Address
Address

Dear Brian:

This letter is to confirm our mutual understanding with regard to Activision Inc.'s ("the Company") current plans and the compensation and benefits for your international assignment as a Chief Customer Officer in Stockley Park, UK.

Immigration

Your international assignment is subject to your obtaining the appropriate work/residency permits as well as your voluntary acknowledgment that your assignment, compensation and benefits have been explained to you.

Assignment start date

The anticipated effective date of this assignment is October 1, 2006, or upon receipt of the proper work/residency permits.

Duration of assignment

It is anticipated that this assignment will last for one (1) year, although business conditions and other factors may require that this period of time be reduced or extended. Should this assignment last longer than currently anticipated, any applicable differentials and/or allowances will be re-evaluated at the Company's discretion at that time.

Terms and conditions

During your international assignment, your employment will remain consistent with the Company's employment policies and practices, which may be revised from time to time at the Company's discretion.

ASSIGNMENT-RELATED BENEFITS

The following are the specific details relative to your international assignment, which have been determined by the Company:

Base salary

Your annualized base salary will be US$375,000.00 and will be delivered to you via home country payroll. Your next salary review will be October 1, 2007. Subsequent salary reviews will be conducted in accordance with the Company's home country guidelines.

Variable pay

You will have a bonus opportunity of 75%, based on Company targets and consistent the provisions of the Company's annual discretionary bonus plan as previously communicated to you.

Cost of living allowance (COLA)

You are eligible for a cost of living allowance. This amount is based on your family size with you on assignment, your annual base salary and on consideration of the goods and services cost differential between your home and host locations (United States vs. United Kingdom).

For the commencement of your assignment, the COLA will be US$47,739.00 on an annualized basis. This allowance will be re-evaluated twice per year and anytime throughout the year if the exchange rate fluctuates by at least 5% over a four consecutive week period. The Company will pay any income tax due on this payment.

Housing allowance

You will be provided with a housing allowance of up to £5,675.00 per month to include utilities. Such allowance will be based on your actual accommodation costs in the UK, and no cash will be paid to you should you secure less expensive accommodation. This allowance will apply from date you occupy permanent housing in the UK. The Company will pay any income tax due on this payment.

Home country housing deduction

This amount is still to be determined.

Utilities allowance

The Company will pay your utilities in the UK directly, including Council Tax and telephone. The Company will pay any income tax due on this benefit.

Mobility premium

You will receive a one-time mobility premium in the amount of US$15,000.00, and the Company will pay any applicable income tax on this payment. This allowance is intended as recognition of your relocation and enhanced value to Activision as an international assignee.

Household goods

The Company will pay for the removal of your personal effects from the US to the UK, up to a 40' container and a 1,000 lb. air shipment. Some items will be excluded from transportation (such as a wine collection or a boat), and this will be explained to you by the Company's selected vendor.

Household goods storage

You are entitled to storage of household items you do not take with you to the UK. Some items will be excluded from company-paid storage (such as a wine collection, a boat, items of unusual value, etc.), and this will be explained to you by the Company's selected vendor.

Vacation entitlement

During your assignment, you will be eligible for the host country vacation entitlement. You will take vacation based on the needs of the business and with customary management approval.

Public holidays

While on assignment, UK public holidays will replace those of the US. The current UK public holiday schedule includes 14 holidays per year.

Home leave

You and your spouse will each be entitled to one return flight home for each twelve months of your assignment, except in the year of repatriation. For the first twelve months of your assignment, you and your spouse will be allowed one trip home. Class of travel will be in line with the Company's travel policy.

Host country auto benefit

While on assignment you will be entitled to receive your choice of:

1. Car allowance of £540.00 monthly or
2. Company car lease with choice of company car, and reimbursement of fuel, maintenance and insurance costs up to a total monthly amount of £540.00.

If you are not currently eligible for a car allowance/company car in the US, you will contribute an automobile deduction to offset the cost of your UK transportation. The amount of the deduction will be based on the actual cost of your monthly car payments and insurance, and will be deducted via US payroll.

Health and welfare benefits

You will be maintained in the US health and benefit plans (e.g. medical, dental, vision, life, etc.), whenever possible. If this is not possible, you be eligible to participate in an equivalent UK benefit plan if offered. We will reimburse for a health club membership up to $4,000 USD.

Sick pay

You will continue to remain eligible for the Company's US sick time policy as currently in place.

Long term disability coverage

You will continue to remain eligible for the Company's US LTD plan coverage as currently in place pending insurance carrier approval.

401(k) plan

During this international assignment, provided you remain on US payroll, you may continue to participate in the Company's 401(k) plan including contributing on a pre-tax basis and receiving the corresponding Company match contributions per the plan document.

Social security

You will be able to continue to contribute to the US Social Security system (OASDI and Medicare), in line with the totalization agreement between the US and the UK.

Cultural training

You and your spouse will be provided with cultural awareness training for your assignment. The training will be arranged with the appropriate external organization selected by the Company.

Loss on sale of auto

The Company will reimburse you for the loss on sale of one auto for you and one for your spouse (if applicable). The reimbursement will be equal to the difference between the average wholesale value and the actual sales price of the vehicle(s), not to exceed the difference between the average retail and wholesale/trade-in value(s) of the automobile(s). Such reimbursement will be paid upon the submission of all appropriate documentation. The Company will pay any income tax due on this payment.

Destination services

The Company has engaged a destination services company to assist in your relocation. These services include but are not limited to community orientation, home search and assistance with securing drivers licenses.

Temporary accommodation in the U.K.

If necessary, you are entitled to forty-five (45) days in temporary housing upon relocation to the UK. The Company will pay for your accommodations up to a maximum of £7,271.00. Throughout the duration of your stay in temporary accommodation, the Company will cover the cost of reasonable meals and incidental expenses (up to a maximum of £182.00 per day total for you and your spouse). The Company will pay any income tax due on this payment.

Spousal assistance

Provided your spouse is gainfully employed at the commencement of your assignment, the Company will reimburse the cost of spousal assistance related to re-training, maintaining home country qualifications, continuing education credits, career consulting, etc. Such reimbursement will be made upon the submission of all receipts, up to a maximum of US$7,500.00 per annum. The Company will pay any income tax due on this payment.

Repatriation allowance

You will receive a one-time repatriation allowance equal to one half (1/2) month's new base salary, not to exceed US$7,500.00. This allowance is intended to cover incidental costs incurred as a result of your relocation not otherwise reimbursed by the Company. The Company will pay any income tax due on this payment.

Tax equalization

The Company's tax equalization policy will apply during your assignment. The policy essentially keeps you in the same tax position as if you had remained in the US. Hypothetical tax, which will be calculated in a manner similar to actual US Federal and California income tax, will be withheld from your monthly pay via US payroll.

You will pay hypothetical tax on compensation items that you would have received had you remained in the US. These items include, but are not limited to base salary, bonus, stock option income, etc.

The Company will pay the tax on all other items of compensation mentioned in this letter. The Company shall also be responsible for the UK income tax liability on all items of Company compensation.

Activision, Inc. will use the services of Deloitte to prepare your UK and applicable US income tax returns. The Company will pay the cost of this service.

The Company will also pay for the services of Deloitte to administer all aspects of your international assignment. Your primary Deloitte contact is Eva Blanc, who can be reached at 408-704-2587; eblanc@deloitte.com.

Please note, if you leave the Company on a voluntary basis and in breach of your Employment Agreement within one year of your relocation to the UK, you will be required to reimburse Activision, Inc. for 100% of all one-time relocation expenses incurred by the Company. Should you leave on a voluntary basis and in breach of your Employment Agreement within the second year of your relocation, you will be required to repay 50% of all relocation expenses incurred by the Company.

Activision, Inc. will pay the costs associated with your repatriation back to California, US (e.g. airfare, household goods, temporary living, etc.), provided you either remain employed by the Company or be involuntarily terminated by the Company at the time of the repatriation.

In order to acknowledge your voluntary acceptance of this assignment, please sign and date this document and return it to me. Changes to this letter, your employment status, and your international assignment are only effective if they are in writing and signed by me. I wish you the very best with your assignment in the UK.

Sincerely,

Sandy Digilio
Sr. Director, Global Compensation & Benefits

cc: Heather Rangel, Deloitte Tax LLP
Jeff Adams, Deloitte Tax LLP

Brian Hodous

Date

Exhibit 10.45

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF SHARE OPTION AWARD

You have been awarded an Option to purchase Shares of Common Stock of Activision, Inc. (the "Company"), as follows:

- Your name: **Brian Hodous**
- Total number of Shares purchasable upon exercise of the Option awarded: **240,000**
- Exercise Price: US **$15.85** per Share
- Date of Grant: **November 3, 2006**
- Expiration Date: **November 3, 2016**
- Grant ID: **03001800**
- Your Award of the Option is governed by the terms and conditions set forth in:
  - this Notice of Share Option Award;
  - the Share Option Award Terms attached hereto as Exhibit A (the "Award Terms"); and
  - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Share Option Award has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
  - *Schedule for Vesting*: Except as otherwise provided under the Award Terms, the Option awarded to you will vest and become exercisable as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Vesting

Date of Vesting	No. of Shares Vesting at Vesting Date	Cumulative No. of Shares Vested at Vesting Date
October 1, 2007	**80,000**	**80,000**
October 1, 2008	**80,000**	**160,000**
October 1, 2009	**80,000**	**240,000**

- The Option is not intended to be an "incentive stock option," as such term is defined in Section 422 of the Code.
- ***To accept your Award of the Option, you must sign and return to the Company this Notice of Share Option Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return the signed Notice of Share Option Award to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Share Option Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

_____
BRIAN HODOUS

Date: _____

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

SHARE OPTION AWARD TERMS
(OFFICER FORM)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Award" means the award described on the Grant Notice.

"Award Terms" means these Share Option Award Terms.

"Cause" shall have the meaning given to such term in the Employment Agreement.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Competitive Business" shall have the meaning set forth in the Employment Agreement.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Disability" shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

"Employment Agreement" means the employment agreement between the Holder and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

"**Employment Agreement Expiration Date"** shall have the meaning given to the term "Expiration Date" in the Employment Agreement.

"Employment Violation" means any material breach by the Holder of the Employment Agreement for so long as the terms thereof shall apply to the Holder (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Exercise Price" means the exercise price set forth on the Grant Notice.

"Expiration Date" means the expiration date set forth on the Grant Notice.

"Grant Notice" means the Notice of Share Option Award to which these Award Terms are attached as Exhibit A.

"Holder" means the recipient of the Award named on the Grant Notice.

"Look-back Period" means, with respect to any Employment Violation by the Holder, the period beginning on the date which is 12 months prior to the date of such Employment Violation by the Holder and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

"Option" means the option to purchase shares of Common Stock awarded to the Holder on the terms and conditions described in the Grant Notice and these Award Terms.

"Plan" means the Activision, Inc. Amended and Restated 2003 Incentive Plan, as amended from time to time.

"Recapture Amount" means, with respect to any Employment Violation by the Holder, the gross gain realized or unrealized by the Holder upon all exercises of the Option during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if the Holder has exercised any portion of the Option during such Look-back Period and sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the sales price per Share sold minus the Exercise Price times (B) the number of Shares as to which the Option was exercised and which were sold at such sales price; plus

(ii) if the Holder has exercised any portion of the Option during such Look-back Period and not sold any of the Shares acquired on exercise thereafter, an amount equal to the product of (A) the greatest of the following: (1) the Fair Market Value per share of Common Stock on the date of exercise, (2) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 10 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day

immediately preceding the date of computation, minus the Exercise Price, times (B) the number of Shares as to which the Option was exercised and which were not sold.

"Shares" means the shares of Common Stock or other securities purchasable upon exercise of the Option.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Expiration. Except as otherwise set forth in these Award Terms, the Option shall expire and no longer be exercisable on the Expiration Date.

3. Vesting and Exercise.

(a) Vesting Schedule. Except as otherwise set forth in these Award Terms, the Option shall vest, and thereupon become exercisable, in accordance with the "Schedule for Vesting" set forth on the Grant Notice.

(b) Exercisable Only by Holder; Transferability. Except as otherwise permitted under the Plan, the Option may be exercised during the Holder's lifetime only by the Holder. With the Committee's consent, all or part of the Option may be transferred in accordance with Section 7.3 of the Plan. EXCEPT AS OTHERWISE PERMITTED UNDER THE PLAN AND THESE AWARD TERMS, THE OPTION SHALL NOT BE TRANSFERABLE BY THE HOLDER OTHER THAN BY WILL OR THE LAWS OF DESCENT AND DISTRIBUTION.

(c) Procedure for Exercise. The Option may be exercised by the Holder as to all or any of the Shares as to which it has vested (i) by following the procedures for exercise established by the Equity Account Administrator and posted on the Equity Account Administrator's website from time to time or (ii) with the Company's consent, by giving the Company written notice of exercise, in such form as may be prescribed by the Company from time to time, specifying the number of Shares to be purchased.

(d) Payment of Exercise Price. To be valid, any exercise of the Option must be accompanied by full payment of the aggregate Exercise Price of the Shares being purchased. Such payment shall be made (i) in cash or by certified check or bank check or wire transfer of immediately available funds, (ii) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate Exercise Price of the Shares being purchased, or (iii) with the Company's consent, any combination of (i) or (ii) above.

(e) No Fractional Shares. In no event may the Option be exercised for a fraction of a Share.

(f) No Adjustment for Dividends or Other Rights. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date as of which the issuance or transfer of Shares to the person entitled thereto has been evidenced on the books and records of the Company pursuant to clause (ii) of Section 3(g) hereof following exercise of the Option.

(g) Issuance and Delivery of Shares. As soon as practicable (and, in any event, within 30 days) after the valid exercise of the Option, the Company shall (i) effect the issuance or transfer of the Shares purchased upon such exercise, (ii) cause the issuance or transfer of such Shares to be evidenced on the books and records of the Company, and (iii) cause such Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Shares are subject to a legend as set forth in Section 11 hereof, the Company shall instead cause a certificate evidencing such Shares and bearing such legend to be delivered to the person entitled thereto.

(h) Partial Exercise. If the Option shall have been exercised with respect to less than all of the Shares purchasable upon exercise of the Option, the Company shall make a notation in its books and records to reflect the partial exercise of the Option and the number of Shares that thereafter remain available for purchase upon exercise of the Option.

4. Termination of Employment.

(a) Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause prior to the vesting in full of the Option, as of the date of such termination of employment the Option shall (i) cease to vest, (ii) no longer be exercisable, whether or not vested, and (iii) be immediately cancelled.

(b) Without Cause. In the event that the Holder's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause prior to the vesting in full of the Option, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had continued thereafter until the Employment Agreement Expiration Date and (ii) to the extent vested on the Employment Expiration Date, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after the Employment Agreement Expiration Date and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(c) Death or Disability. In the event that the Holder dies while employed by the Company or any of its subsidiaries or affiliates or the Holder's employment with the Company or any of its subsidiaries or affiliates is terminated due to the Holder's Disability, in each case prior to the vesting in full of the Option, the Option shall (i) continue to vest in accordance with the "Schedule for Vesting" set forth on the Grant Notice as if the Holder's employment had

continued thereafter until the Employment Agreement Expiration Date (ii) to the extent vested on the Employment Agreement Expiration Date, be exercisable in accordance

with these Award Terms until the earlier of (A) the 30th day after the Employment Agreement Expiration Date and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

(d) Other. Unless the Committee decides otherwise, in the event that the Holder's employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof prior to the vesting in full of the Option, the Option shall (i) cease to vest as of the date of such termination of employment and (ii) to the extent vested as of the date of such termination of employment, be exercisable in accordance with these Award Terms until the earlier of (A) the 30th day after the date of such termination of employment and (B) the Expiration Date, after which the Option shall no longer be exercisable and shall be cancelled.

5. Tax Withholding. The Company shall have the right to require the Holder to satisfy any Withholding Taxes resulting from the exercise (in whole or in part) of the Option, the issuance or transfer of any Shares upon exercise of the Option or otherwise in connection with the Award at the time such Withholding Taxes become due. The Holder shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5 (a) by delivery to the Company of a certified check or bank check or wire transfer of immediately available funds; (b) if securities of the Company of the same class as the Shares are then traded or quoted on a national securities exchange, the Nasdaq Stock Market, Inc. or a national quotation system sponsored by the National Association of Securities Dealers, Inc. and with the Company's consent, through the delivery of irrevocable written instructions, in form acceptable to the Company, to the Equity Account Administrator (or, with the Company's consent, such other brokerage firm as may be requested by the person exercising the Option) to sell some or all of the Shares being purchased upon such exercise and to thereafter deliver promptly to the Company from the proceeds of such sale an amount in cash equal to the aggregate amount of such Withholding Taxes; or (c) with the Company's consent, by any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from the Holder's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Shares upon exercise of the Option unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Reservation of Shares. The Company shall at all times reserve for issuance or delivery upon exercise of the Option such number of shares of Common Stock or other securities as shall be required for issuance or delivery upon exercise thereof.

7. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 8 or 9 hereof, without the consent of the Holder, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole. Without intending to limit the generality or

effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting and agreeing to the Award, the Holder consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 8 or 9 hereof or (ii) does not materially and adversely affect the rights or obligations of the Holder in respect of the Award, taken as a whole.

8. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code.

9. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Option may not be exercised, and the Option and Shares purchasable upon exercise of the Option may not be purchased, sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the Shares are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, the Option or Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. The Holder shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to the Option or Shares, to issue or transfer the Option or Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or resale

of the Option or Shares under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

10. Employment Violation.

(a) In the event of an Employment Violation, the Company shall have the right to require (i) the termination and cancellation of the Option, whether vested or unvested, and (ii) payment by the Holder to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by the Holder to the Company of the Recapture Amount, the Holder, in his or her discretion, may tender to the Company the Shares acquired upon exercise of the Option during the Look-back Period with respect to such Employment Violation and the Holder shall not be entitled to receive any consideration from the Company in exchange therefor. Any such termination of the Option and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate the Holder's employment if not already terminated and to seek injunctive relief and additional monetary damages.

(b) Without limiting the generality of Section 10(a) hereof and Section 8.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Option would otherwise continue to vest or be exercisable following the termination of the Holder's employment, (i) if the Holder engages in a Competitive Business in breach of the Employment Agreement, as of the date on which such engagement commences this Option shall (x) cease to vest, (y) no longer be exercisable, whether or not vested, and (z) be immediately cancelled, and (ii) if the Holder otherwise becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, as of the date on which such employment or other engagement commences, this Option shall (I) cease to vest and (II) to the extent the vested, be exercisable in accordance with this Option Agreement until the earlier of (A) the 30th day thereafter and (B) the Expiration Date.

11. Legend. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any certificate evidencing Shares to bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

12. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon the Holder any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge the Holder at any time, with or without Cause.

13. No Rights as Stockholder. No holder of the Option shall, by virtue of the Grant Notice or these Award Terms, be entitled to any right of a stockholder of the Company, either at law or in equity, and the rights of any such holder are limited to those expressed, and are not enforceable against the Company except to the extent set forth, in the Plan, the Grant Notice and these Award Terms.

14. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

15. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

16. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Holder and, to the extent applicable, the Holder's permitted assigns under Section 3(b) hereof and the Holder's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

17. Notices. Any notice or other document which the Holder or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to the Holder may designate in writing from time to time; and (b) if to the Holder, at the address shown in the Employment Agreement or such other address as the Holder by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

18. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

You have been awarded Restricted Shares of Activision, Inc. (the "Company"), as follows:

- Your name: **Brian Hodous**
- Total number of Restricted Shares awarded: **21,000**
- Date of Grant: **November 3, 2006**
- Grant ID: **03001801**
- Your Award of Restricted Shares is governed by the terms and conditions set forth in:
  - this Notice of Restricted Share Award;
  - the Restricted Share Award Terms attached hereto as Exhibit A (the "Award Terms"); and
  - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Shares has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
  - *Schedule for Lapse of Restrictions*: Except as otherwise provided under the Award Terms, the Restrictions on the Restricted Shares awarded to you will lapse in full on the third anniversary of the Date of Grant, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date. Notwithstanding the foregoing, the Restrictions on the following number of the Restricted Shares awarded to you will lapse on a date established by the Committee upon its determination that the corresponding event has occurred (which will in no case be more than five business days after such determination), provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through such date:

Number of Restricted Shares as to which Restrictions Lapse	Event Causing Restrictions to Lapse
10,500	Achievement of performance objectives for the Company's **2008** fiscal year as established by the Committee on or prior to the 90th day of such fiscal year.
10,500	Achievement of performance objectives for the Company's **2009** fiscal year as established by the Committee on or prior to the 90th day of such fiscal year.

- ***To accept your Award of Restricted Shares, you must sign and return to the Company this Notice of Restricted Share Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return all items to be returned to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

BRIAN HODOUS

Date: _____

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

RESTRICTED SHARE AWARD TERMS
(OFFICER FORM — NEW HIRE/CONTRACT RENEWAL GRANT)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Additional Shares" means any additional shares of Common Stock or other securities issued in respect of Restricted Shares in connection with any adjustment pursuant to Section 10 hereof.

"Award" means the award described on the Grant Notice.

"Award Terms" means these Restricted Share Award Terms.

"Cause" shall have the meaning given to such term in the Employment Agreement.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Competitive Business" shall have the meaning set forth in the Employment Agreement.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Disability" shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

"Employment Agreement" means the employment agreement between Grantee and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

"Employment Violation" means any material breach by Grantee of the Employment Agreement for so long as the terms thereof shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Grantee" means the recipient of the Award named on the Grant Notice.

"Grant Notice" means the Notice of Restricted Share Award to which these Award Terms are attached as Exhibit A.

"Look-back Period" means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

"Plan" means the Activision, Inc. Amended and Restated 2003 Incentive Plan, as amended from time to time.

"Recapture Amount" means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all lapses of the Restrictions during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Fair Market Value per share of Common Stock on the date the Restrictions lapsed with respect to such Vested Shares, (2) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 13 hereof, or (3) the arithmetic

average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

"Restricted Book Entry" means a book entry on the Company's stock register maintained by its transfer agent and registrar, which book entry shall bear a notation regarding the Restrictions as set forth in Section 13(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 13(b) hereof.

"Restricted Shares" means shares of Common Stock or other securities subject to the Award (including any Additional Shares) as to which the Restrictions have not lapsed and which have not been forfeited to the Company in accordance with the Grant Notice and these Award Terms.

"Restrictions" means the restrictions set forth in Section 2 hereof.

"Vested Shares" means shares of Common Stock or other securities subject to the Award (including any Additional Shares) as to which the Restrictions have lapsed in accordance with Section 3 or 4 hereof.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Restrictions. None of the shares of Common Stock or other securities subject to the Award (including any Additional Shares), or any right or privilege pertaining thereto, may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way not expressly permitted by these Award Terms, or subjected to execution, attachment or similar process, unless and until such restrictions thereon lapse pursuant to Section 3 or 4 hereof. Any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose of or encumber any such shares of Common Stock or other securities, or any right or privilege pertaining thereto, in any way not expressly permitted by these Award Terms before such restrictions thereon lapse pursuant to Section 3 or 4 hereof shall be null and void and of no force and effect.

3. Lapse of Restrictions. Except as otherwise set forth in these Award Terms, the Restrictions shall lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice.

4. Termination of Employment.

(a) Cause. In the event that Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause prior to the lapse of the Restrictions, as of the date of such termination of employment the Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) Without Cause. In the event that Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause prior to the lapse of the Restrictions, the Restrictions on the Restricted Shares shall continue to lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice as if Grantee's employment had continued thereafter until the third anniversary of the Date of Grant.

(c) Death or Disability. In the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates or Grantee's employment with the Company or any of its subsidiaries or affiliates is terminated due to Grantee's Disability, in each case prior to the lapse of the Restrictions, the Restrictions on the Restricted Shares shall continue to lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice as if Grantee's employment had continued thereafter until the third anniversary of the Date of Grant.

(d) Other. Unless the Committee decides otherwise, in the event that Grantee's employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof prior to the lapse of the Restrictions, as of the date of such termination of employment the

Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

5. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the lapse of the Restrictions or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5 by delivery to the Company of: (a) cash, certified check or bank check or wire transfer of immediately available funds; (b) with the Company's consent, Vested Shares otherwise then deliverable (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Voting Rights. The holder of the Restricted Shares shall be entitled to the voting privileges associated therewith.

7. Dividends. Any cash dividends declared and paid on the Restricted Shares shall be paid to the holder thereof concurrently with the payment of such dividends to all other record holders of Common Stock.

8. Receipt and Delivery; Removal of Restrictions. Restricted Shares shall be evidenced by a Restricted Book Entry in the name of the holder of the Restricted Shares. Restricted Shares shall become Vested Shares at such time as the Restrictions thereon lapse in accordance with the Grant Notice and these Award Terms. As soon as practicable after the Restrictions on any Restricted Shares lapse, the Company shall cause the legend regarding the Restrictions set forth in Section 14(a) hereof to be removed from the resulting Vested Shares and cause the resulting Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person);

provided, however, that, in the event such Vested Shares are subject to a legend regarding securities law restrictions as set forth in Section 14(b) hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 10 or 11 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting

and agreeing to the Award, Grantee consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 10 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

10. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code. Any Additional Shares issued in connection with an adjustment pursuant to this Section 10 shall be subject to the same Restrictions, and provisions with respect to the lapse thereof, as the Restricted Shares in respect of which such Additional Shares were issued.

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Shares or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Shares or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Shares or Vested Shares, to issue or transfer Restricted Shares or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Shares or Vested Shares or resale of Restricted Shares or Vested Shares

under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

12. Limited Transferability. Notwithstanding the Restrictions or anything else to the contrary contained herein, with the Committee's consent, Grantee may transfer Restricted Shares to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such Restricted Shares shall remain subject to the Restrictions in the hands of the transferee and that such transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer.

13. Employment Violation.

(a) In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any Restricted Shares and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired by him or her during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Shares and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

(b) Without limiting the generality of Section 13(a) hereof and Section 8.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Restrictions would otherwise continue to lapse following the termination of Grantee's employment, if Grantee becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, whether or not in breach of the Employment Agreement, as of the date on which such engagement commences the Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

14. Legends.

(a) Restrictions. The Company shall cause any Restricted Book Entry evidencing the Restricted Shares to bear a notation substantially as follows:

"THE SALE OR TRANSFER OF THE SHARES OF COMMON STOCK REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. AMENDED AND

RESTATED 2003 INCENTIVE PLAN (THE "PLAN"), AND IN THE ASSOCIATED NOTICE OF RESTRICTED SHARE AWARD, INCLUDING THE RESTRICTED SHARE AWARD TERMS ATTACHED THERETO (THE "AWARD NOTICE"). A COPY OF THE PLAN AND AWARD NOTICE MAY BE OBTAINED FROM ACTIVISION, INC."

(b) Securities Laws. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any Restricted Book Entry evidencing Restricted Shares or any certificate evidencing Vested Shares to bear a notation or legend, as the case may be, substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without Cause.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 12 hereof and Grantee's estate and beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which either Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in the Employment Agreement or such other

address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

NOTICE OF RESTRICTED SHARE AWARD

You have been awarded Restricted Shares of Activision, Inc. (the "Company"), as follows:

- Your name: **Brian Hodous**
- Total number of Restricted Shares awarded: **25,000**
- Date of Grant: **November 3, 2006**
- Grant ID: **03001802**
- Your Award of Restricted Shares is governed by the terms and conditions set forth in:
  - this Notice of Restricted Share Award;
  - the Restricted Share Award Terms attached hereto as Exhibit A (the "Award Terms"); and
  - the Company's Amended and Restated 2003 Incentive Plan, the receipt of a copy of which you hereby acknowledge.
- Your Award of Restricted Shares has been made in accordance with your Employment Agreement as a material inducement to your entering into or renewing employment with the Company or one of its subsidiaries or affiliates pursuant to such Employment Agreement, and is also governed by any applicable terms and conditions set forth in such Employment Agreement.
- Certain terms of your Award:
- *Schedule for Lapse of Restrictions*: Except as otherwise provided under the Award Terms, the Restrictions on the Restricted Shares awarded to you will lapse as follows, provided you remain continuously employed by the Company or one of its subsidiaries or affiliates through each such date:

Schedule for Lapse of Restrictions

Date on which Restrictions Lapse	No. of Restricted Shares as to which Restrictions Lapse
First anniversary of Date of Grant	**12,500**
Second anniversary of Date of Grant	**12,500**

- ***To accept your Award of Restricted Shares, you must sign and return to the Company this Notice of Restricted Share Award, which bears an original signature on behalf of the Company. You are urged to do so promptly.***
- ***Please return all items to be returned to the Company at:***

Activision, Inc.
3100 Ocean Park Boulevard
Santa Monica, CA 90405
Attn: Stock Plan Administration

You should retain the enclosed duplicate copy of this Notice of Restricted Share Award for your records.

Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Award Terms.

ACTIVISION, INC.

By: _____
Title: _____
Date: _____

ACCEPTED AND AGREED:

_____
BRIAN HODOUS

Date: _____

EXHIBIT A

ACTIVISION, INC.

AMENDED AND RESTATED 2003 INCENTIVE PLAN

RESTRICTED SHARE AWARD TERMS
(OFFICER FORM — NEW HIRE/CONTRACT RENEWAL GRANT)

1. Definitions.

(a) For purposes of these Award Terms, the following terms shall have the meanings set forth below:

"Additional Shares" means any additional shares of Common Stock or other securities issued in respect of Restricted Shares in connection with any adjustment pursuant to Section 10 hereof.

"Award" means the award described on the Grant Notice.

"Award Terms" means these Restricted Share Award Terms.

"Cause" shall have the meaning given to such term in the Employment Agreement.

"Common Stock" means the Company's common stock, $0.000001 par value per share.

"Company" means Activision, Inc. and any successor thereto.

"Company-Sponsored Equity Account" means an account that is created with the Equity Account Administrator in connection with the administration of the Company's equity plans and programs, including the Plan.

"Competitive Business" shall have the meaning set forth in the Employment Agreement.

"Date of Grant" means the date of grant of the Award set forth on the Grant Notice.

"Disability" shall have the meaning set forth in, or otherwise be determined in accordance with, the Employment Agreement.

"Employment Agreement" means the employment agreement between Grantee and the Company or one of its subsidiaries or affiliates, as in effect from time to time.

"Employment Violation" means any material breach by Grantee of the Employment Agreement for so long as the terms thereof shall apply to Grantee (with any breach of the post-termination obligations contained therein deemed to be material for purposes of these Award Terms).

"Equity Account Administrator" means the brokerage firm utilized by the Company from time to time to create and administer accounts for participants in the Company's equity plans and programs, including the Plan.

"Grantee" means the recipient of the Award named on the Grant Notice.

"Grant Notice" means the Notice of Restricted Share Award to which these Award Terms are attached as Exhibit A.

"Look-back Period" means, with respect to any Employment Violation by Grantee, the period beginning on the date which is 12 months prior to the date of such Employment Violation by Grantee and ending on the date of computation of the Recapture Amount with respect to such Employment Violation.

"Plan" means the Activision, Inc. Amended and Restated 2003 Incentive Plan, as amended from time to time.

"Recapture Amount" means, with respect to any Employment Violation by Grantee, the gross gain realized or unrealized by Grantee upon all lapses of the Restrictions during the Look-back Period with respect to such Employment Violation, which gain shall be calculated as the sum of:

(i) if Grantee has received any Vested Shares during such Look-back Period and sold such Vested Shares, an amount equal to the product of (A) the sales price per Vested Share times (B) the number of such Vested Shares sold at such sales price; plus

(ii) if Grantee has received any Vested Shares during such Look-back Period and not sold such Vested Shares, an amount equal to the product of (A) the greatest of the following: (1) the Fair Market Value per share of Common Stock on the date the Restrictions lapsed with respect to such Vested Shares, (2) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of the Company's written notice of its exercise of its rights under Section 13 hereof, or (3) the arithmetic average of the per share closing sales prices of Common Stock as reported on NASDAQ for the 30 trading day period ending on the trading day immediately preceding the date of computation, times (B) the number of such Vested Shares which were not sold.

"Restricted Book Entry" means a book entry on the Company's stock register maintained by its transfer agent and registrar, which book entry shall bear a notation regarding the Restrictions as set forth in Section 13(a) hereof and, if appropriate, a notation regarding securities law restrictions as set forth in Section 13(b) hereof.

"Restricted Shares" means shares of Common Stock or other securities subject to the Award (including any Additional Shares) as to which the Restrictions have not lapsed and which have not been forfeited to the Company in accordance with the Grant Notice and these Award Terms.

"Restrictions" means the restrictions set forth in Section 2 hereof.

"Vested Shares" means shares of Common Stock or other securities subject to the Award (including any Additional Shares) as to which the Restrictions have lapsed in accordance with Section 3 or 4 hereof.

"Withholding Taxes" means any taxes, including, but not limited to, social security and Medicare taxes and federal, state and local income taxes, required to be withheld under any applicable law.

(b) Any capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the Plan.

2. Restrictions. None of the shares of Common Stock or other securities subject to the Award (including any Additional Shares), or any right or privilege pertaining thereto, may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way not expressly permitted by these Award Terms, or subjected to execution, attachment or similar process, unless and until such restrictions thereon lapse pursuant to Section 3 or 4 hereof. Any attempt to sell, assign, transfer, pledge, hypothecate or otherwise dispose of or encumber any such shares of Common Stock or other securities, or any right or privilege pertaining thereto, in any way not expressly permitted by these Award Terms before such restrictions thereon lapse pursuant to Section 3 or 4 hereof shall be null and void and of no force and effect.

3. Lapse of Restrictions. Except as otherwise set forth in these Award Terms, the Restrictions shall lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice.

4. Termination of Employment.

(a) Cause. In the event that Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates for Cause prior to the lapse of the Restrictions, as of the date of such termination of employment the Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

(b) Without Cause. In the event that Grantee's employment is terminated by the Company or any of its subsidiaries or affiliates without Cause prior to the lapse of the Restrictions, the Restrictions on the Restricted Shares shall continue to lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice as if Grantee's employment had continued thereafter until the second anniversary of the Date of Grant.

(c) Death or Disability. In the event that Grantee dies while employed by the Company or any of its subsidiaries or affiliates or Grantee's employment with the Company or any of its subsidiaries or affiliates is terminated due to Grantee's Disability, in each case prior to the lapse of the Restrictions, the Restrictions on the Restricted Shares shall continue to lapse in accordance with the "Schedule for Lapse of Restrictions" set forth on the Grant Notice as if Grantee's employment had continued thereafter until the second anniversary of the Date of Grant.

(d) Other. Unless the Committee decides otherwise, in the event that Grantee's employment is terminated for any reason not addressed by Section 4(a), 4(b) or 4(c) hereof prior to the lapse of the Restrictions, as of the date of such termination of employment the

Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

5. Tax Withholding. The Company shall have the right to require Grantee to satisfy any Withholding Taxes resulting from the lapse of the Restrictions or otherwise in connection with the Award at the time such Withholding Taxes become due. Grantee shall be entitled to satisfy any Withholding Taxes contemplated by this Section 5 by delivery to the Company of: (a) cash, certified check or bank check or wire transfer of immediately available funds; (b) with the Company's consent, Vested Shares otherwise then deliverable (valued in the same manner used in computing the amount of such Withholding Taxes); or (c) with the Company's consent, any combination of (a) and (b) above. Notwithstanding anything to the contrary contained herein, (i) the Company or any of its subsidiaries or affiliates shall have the right to withhold from Grantee's compensation any Withholding Taxes contemplated by this Section 5 and (ii) the Company shall have no obligation to deliver any Vested Shares unless and until all Withholding Taxes contemplated by this Section 5 have been satisfied.

6. Voting Rights. The holder of the Restricted Shares shall be entitled to the voting privileges associated therewith.

7. Dividends. Any cash dividends declared and paid on the Restricted Shares shall be paid to the holder thereof concurrently with the payment of such dividends to all other record holders of Common Stock.

8. Receipt and Delivery; Removal of Restrictions. Restricted Shares shall be evidenced by a Restricted Book Entry in the name of the holder of the Restricted Shares. Restricted Shares shall become Vested Shares at such time as the Restrictions thereon lapse in accordance with the Grant Notice and these Award Terms. As soon as practicable after the Restrictions on any Restricted Shares lapse, the Company shall cause the legend regarding the Restrictions set forth in Section 14(a) hereof to be removed from the resulting Vested Shares and cause the resulting Vested Shares to be delivered to a Company-Sponsored Equity Account in the name of the person entitled to such Vested Shares (or, with the Company's consent, such other brokerage account as may be requested by such person); provided, however, that, in the event such Vested Shares are subject to a legend regarding securities law restrictions as set forth in Section 14(b) hereof, the Company shall instead cause a certificate evidencing such Vested Shares and bearing such legend to be delivered to the person entitled thereto.

9. Committee Discretion. Except as may otherwise be provided in the Plan, the Committee shall have sole discretion to (a) interpret any provision of the Plan, the Grant Notice and these Award Terms, (b) make any determinations necessary or advisable for the administration of the Plan and the Award, and (c) waive any conditions or rights of the Company under the Award, the Grant Notice or these Award Terms, or amend, alter, accelerate, suspend, discontinue or terminate the Award, the Grant Notice or these Award Terms; provided, however, that, except as provided in Section 10 or 11 hereof, without the consent of Grantee, no such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms may materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole. Without intending to limit the generality or effect of the foregoing, any decision or determination to be made by the Committee pursuant to these Award Terms, including whether to grant or withhold any consent, shall be made by the Committee in its sole and absolute discretion, subject only to the terms of the Plan. By accepting

and agreeing to the Award, Grantee consents to any such amendment, alteration, suspension, discontinuation or termination of the Award, the Grant Notice or these Award Terms that (i) is effected in accordance with Section 10 or 11 hereof or (ii) does not materially and adversely affect the rights or obligations of Grantee in respect of the Award, taken as a whole.

10. Adjustments. Notwithstanding anything to the contrary contained herein, to prevent the dilution or enlargement of benefits or potential benefits intended to be made available under the Plan, in the event of any corporate transaction or event such as a stock dividend, extraordinary dividend or other similar distribution (whether in the form of cash, shares of Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of shares of Common Stock or other securities, the issuance of warrants or other rights to purchase shares of Common Stock or other securities, or other similar corporate transaction or event affecting shares of Common Stock, then the Award shall be adjusted in accordance with Section 7.6 of the Plan. In addition, the Committee is authorized to make such adjustments as it deems appropriate in the terms and conditions of, and the criteria included in, the Award in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any of its subsidiaries or affiliates or the financial statements of the Company or any of its subsidiaries or affiliates, or in response to changes in applicable laws, regulations or accounting principles. It is intended that the Award will not be subject to any adverse consequences under Section 409A of the Code; however, the Committee is authorized to make such adjustments as it deems appropriate to the terms and conditions of the Award in order to prevent the Award from becoming subject to any adverse consequences under Section 409A of the Code. Any Additional Shares issued in connection with an adjustment pursuant to this Section 10 shall be subject to the same Restrictions, and provisions with respect to the lapse thereof, as the Restricted Shares in respect of which such Additional Shares were issued.

11. Registration and Listing. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to issue or transfer any Restricted Shares or Vested Shares, and no Restricted Share Units or Vested Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of or encumbered in any way, unless such transaction is in compliance with (a) the Securities Act of 1933, as amended, or any comparable federal securities law, and all applicable state securities laws, (b) the requirements of any securities exchange, securities association, market system or quotation system on which securities of the Company of the same class as the securities subject to the Award are then traded or quoted, (c) any restrictions on transfer imposed by the Company's certificate of incorporation or bylaws, and (d) any policy or procedure the Company has adopted with respect to the trading of its securities, in each case as in effect on the date of the intended transaction. The Company is under no obligation to register, qualify or list, or maintain the registration, qualification or listing of, Restricted Shares or Vested Shares with the SEC, any state securities commission or any securities exchange, securities association, market system or quotation system to effect such compliance. Grantee shall make such representations and furnish such information as may be appropriate to permit the Company, in light of the then existence or non-existence of an effective registration statement under the Securities Act of 1933, as amended, relating to Restricted Shares or Vested Shares, to issue or transfer Restricted Shares or Vested Shares in compliance with the provisions of that or any comparable federal securities law and all applicable state securities laws. The Company shall have the right, but not the obligation, to register the issuance or transfer of Restricted Shares or Vested Shares or resale of Restricted Shares or Vested Shares

under the Securities Act of 1933, as amended, or any comparable federal securities law or applicable state securities law.

12. Limited Transferability. Notwithstanding the Restrictions or anything else to the contrary contained herein, with the Committee's consent, Grantee may transfer Restricted Shares to any one or more of the following persons: (a) the spouse, parent, issue, spouse of issue, or issue of spouse (with "issue" including all descendants, whether natural or adopted) of Grantee; (b) a trust for the benefit of one or more persons described in clause (a) above or for the benefit of Grantee; or (c) an entity in which Grantee or one or more of the persons described in clause (a) or (b) above is a beneficial owner; provided, however, that such Restricted Shares shall remain subject to the Restrictions in the hands of the transferee and that such transferee shall be bound by all of the terms and conditions of the Plan, the Grant Notice and these Award Terms and shall execute an agreement in form and substance satisfactory to the Company in connection with such transfer.

13. Employment Violation.

(a) In the event of an Employment Violation, the Company shall have the right to require (a) the forfeiture by Grantee to the Company of any Restricted Shares and (b) payment by Grantee to the Company of the Recapture Amount with respect to such Employment Violation; provided, however, that, in lieu of payment by Grantee to the Company of the Recapture Amount, Grantee, in his or her discretion, may tender to the Company the Vested Shares acquired by him or her during the Look-back Period with respect to such Employment Violation and Grantee shall not be entitled to receive any consideration from the Company in exchange therefor. Any such forfeiture of Restricted Shares and payment of the Recapture Amount, as the case may be, shall be in addition to, and not in lieu of, any other right or remedy available to the Company arising out of or in connection with such Employment Violation, including, without limitation, the right to terminate Grantee's employment if not already terminated and to seek injunctive relief and additional monetary damages.

(b) Without limiting the generality of Section 13(a) hereof and Section 8.8 of the Plan and notwithstanding anything to contrary contained herein, to the extent the Restrictions would otherwise continue to lapse following the termination of Grantee's employment, if Grantee becomes employed by a corporation or other entity engaged in a Competitive Business or otherwise engages directly or indirectly in a Competitive Business, whether or not in breach of the Employment Agreement, as of the date on which such engagement commences the Restrictions shall cease to lapse and all Restricted Shares shall immediately be forfeited to the Company without payment of consideration by the Company.

14. Legends.

(a) Restrictions. The Company shall cause any Restricted Book Entry evidencing the Restricted Shares to bear a notation substantially as follows:

"THE SALE OR TRANSFER OF THE SHARES OF COMMON STOCK REPRESENTED HEREBY, WHETHER VOLUNTARY, INVOLUNTARY OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE ACTIVISION, INC. AMENDED AND

RESTATED 2003 INCENTIVE PLAN (THE "PLAN"), AND IN THE ASSOCIATED NOTICE OF RESTRICTED SHARE AWARD, INCLUDING THE RESTRICTED SHARE AWARD TERMS ATTACHED THERETO (THE "AWARD NOTICE"). A COPY OF THE PLAN AND AWARD NOTICE MAY BE OBTAINED FROM ACTIVISION, INC."

(b) Securities Laws. The Company may, if determined by it based on the advice of counsel to be appropriate, cause any Restricted Book Entry evidencing Restricted Shares or any certificate evidencing Vested Shares to bear a notation or legend, as the case may be, substantially as follows:

"THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED FOR SALE, SOLD OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT."

15. No Right to Continued Employment. Nothing contained in the Grant Notice or these Award Terms shall be construed to confer upon Grantee any right to be continued in the employ of the Company or any of its subsidiaries or affiliates or derogate from any right of the Company or any of its subsidiaries or affiliates to retire, request the resignation of, or discharge Grantee at any time, with or without Cause.

16. Severability. In the event that one or more of the provisions of these Award Terms shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.

17. Governing Law. To the extent that federal law does not otherwise control, the validity, interpretation, performance and enforcement of the Grant Notice and these Award Terms shall be governed by the laws of the State of California, without giving effect to principles of conflicts of laws thereof.

18. Successors and Assigns. The provisions of the Grant Notice and these Award Terms shall be binding upon and inure to the benefit of the Company, its successors and assigns, and Grantee and, to the extent applicable, Grantee's permitted assigns under Section 12 hereof and Grantee's estate or beneficiary(ies) as determined by will or the laws of descent and distribution.

19. Notices. Any notice or other document which either Grantee or the Company may be required or permitted to deliver to the other pursuant to or in connection with the Grant Notice or these Award Terms shall be in writing, and may be delivered personally or by mail, postage prepaid, or overnight courier, addressed as follows: (a) if to the Company, at its office at 3100 Ocean Park Boulevard, Santa Monica, California 90405, Attn: Stock Plan Administration, or such other address as the Company by notice to Grantee may designate in writing from time to time; and (b) if to Grantee, at the address shown in the Employment Agreement or such other

address as Grantee by notice to the Company may designate in writing from time to time. Notices shall be effective upon receipt.

20. Conflict with Employment Agreement or Plan. In the event of any conflict between the terms of the Employment Agreement and the terms of the Grant Notice or these Award Terms, the terms of the Grant Notice or these Award Terms, as the case may be, shall control. In the event of any conflict between the terms of the Employment Agreement, the Grant Notice or these Award Terms and the terms of the Plan, the terms of the Plan shall control.

Exhibit 10.50

June 11, 2004

Activision, Inc.
Michael Hand
3100 Ocean Park Blvd.
Santa Monica, CA 90405

Re: Modification of Territory for PlayStation® 2 CD-ROM/DVD-ROM Licensed Publisher Agreement

Dear Mr. Hand:

Section 4.4 of your PlayStation® 2 CD-ROM/DVD-ROM Licensed Publisher Agreement ("PS2 LPA") provides, in pertinent part, that SCEA may modify your territory through written notification to you. SCEA is pleased to advise you that, effective immediately, your Licensed Territory in section 1.18 of the PS2 LPA shall be expanded to include Mexico, provided that, in accordance with Section 4.4 of the PS2 LPA, SCEA reserves the right upon further written notice to require publisher to withdraw from a particular country if necessary for protection of SCEA's intellectual property. Please keep in mind that all Licensed Products – whether sold in the U.S., Canada or, now Mexico – must comply with all applicable laws and regulations (**see**, PS2 LPA, section 9.2 (x)).

SCEA will review and approve all printed materials for Mexico pursuant to our normal procedures, however the Licensed Publisher is responsible for the accuracy of any text translation. In the event that SCEA makes any changes to our standard packaging guidelines to reflect local language issues, it will be communicated through an amendment to the Source Book in due course.

Please contact your designated Account Manager if you have any questions regarding this issue.

Very best regards,

/s/ Andrew House
Andrew House
Executive Vice-President

cc: Account Manager
Mary Tierney
Karen Borowick

[***] DENOTES CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

GLOBAL PLAYSTATION®3 FORMAT

LICENSED PUBLISHER AGREEMENT

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GLOBAL PLAYSTATION®3 FORMAT
LICENSED PUBLISHER AGREEMENT

This **Global PlayStation®3 Format Licensed Publisher Agreement** (the "Agreement") is entered into on March 5, 2007 by and between SONY COMPUTER ENTERTAINMENT AMERICA INC., with offices at 919 East Hillsdale Boulevard, Foster City, California ("the SCE Company") and Activision Inc., with offices at 3100 Ocean Park Blvd., Santa Monica, CA 90405 ("Publisher").

The SCE Company's parent company, Sony Computer Entertainment Inc. ("SCEI"), has designed and developed certain core technology of or concerning the System.

The SCE Company has the right to grant non-exclusive licenses to qualified entities regarding certain intellectual property rights with respect to the System.

Publisher desires to be granted a non-exclusive license to publish, develop, have manufactured, market, advertise, distribute and sell Licensed Products in accordance with the provisions of this Agreement and the provisions of the Regional Rider that is attached hereto and incorporated herein by reference, and the SCE Company is willing, in accordance with the terms and subject to the conditions of this Agreement and the Regional Rider, to grant Publisher such a license.

In consideration of the representations, warranties and covenants contained herein and in the Regional Rider, and other good and valuable consideration, Publisher and the SCE Company hereby agree as follows:

1. Definition of Terms.

1.1 "Advertising Materials" means any advertising, marketing, merchandising, promotional, contest-related, public relations (including press releases), display, point of sale or website materials regarding or relating to the Licensed Products or depicting any of the Licensed Trademarks. Advertising Materials include any advertisements in which the System is displayed, referred to, or used, including giving away any unit(s) of the System as prizes in contests or sweepstakes and the public display of the System in product placement opportunities.

1.2 "Affiliate" means, as applicable, either Sony Computer Entertainment America Inc. ("SCEA"), Sony Computer Entertainment Inc. ("SCEI"), Sony Computer Entertainment Europe Ltd. ("SCEE"), Sony Computer Entertainment Korea ("SCEK"), any subsidiary of the foregoing, or any other entity as may be established from time to time and becomes a part of the Sony Computer Entertainment Group.

1.3 "Attribution Line" means the legal attribution line used on Advertising Materials, which shall be substantially similar to the following: "Product copyright and trademarks are the property of the respective publisher or its licensors."

1.4 "Designated Manufacturing Facility" means a manufacturing facility that is designated by the SCE Company, in its sole discretion, to manufacture Disc Products or any of their component parts.

1.5 "Development System Agreement" means an agreement entered into between the SCE Company and a licensed Publisher or other licensee regarding the sale, lease, loan or license of Development Tools.

1.6 "Development Tools" means the PlayStation 3 development tools sold, leased, loaned or licensed solely for use in the development of Executable Software.

1.7 "Disc Products" means the Executable Software on PS3 Format Discs, Advertising Materials, Packaging, Printed Materials and Product Information relating to any individual title which shall consist of one application software product per Unit. Disc Products may, but need not, be designed to allow Online Gameplay.

1.8 "Effective Date" is the date specified in the preamble of this Agreement.

1.9 "Executable Software" means software in final object code form that is designed for use and operation exclusively on the System which consists of Publisher Software and any SCE Materials and constitutes a complete, standalone videogame.

1.10 "Guidelines" means any guidelines or specifications of the SCE Company with respect to the development, manufacture and publishing of Licensed Products, including any requirements regarding the development of Executable Software, the display of the Licensed Trademarks in any Licensed Products and related Advertising Materials, or the protection of any of the SCE Intellectual Property Rights, which may be set forth in the Technical Requirements Checklist, Corporate Identity Guidelines or in any other documentation provided to Publisher by the SCE Company. Guidelines shall be comparable to the guidelines and specifications applied by the SCE Company to its own software products for the System. All Guidelines may be modified, supplemented or amended by any Affiliate from time to time upon reasonable notice to Publisher. Guidelines are incorporated into and form a part of this Agreement.

1.11 "Licensed Developer" means an entity that has signed a Licensed Developer Agreement with any Affiliate.

1.12 "Licensed Developer Agreement" or "LDA" means a valid and current license agreement authorizing the development of software for the System, fully executed between a Licensed Developer and an Affiliate.

1.13 "Licensed Products" means Disc Products and Online Products, including any Publisher demonstration discs.

1.14 "Licensed Publisher" means an entity that has signed a Licensed Publisher Agreement with an Affiliate.

1.15 "Licensed Publisher Agreement" or "LPA" means a valid and current license agreement for the publishing, development, manufacture, marketing, advertising, distribution and sale of Licensed Products, fully executed between a Licensed Publisher and an Affiliate.

1.16 "Licensed Trademarks" means the trademarks, service marks, trade dress, logos, icons and other indicia designated in the Guidelines or otherwise for use on, in or otherwise in connection with Licensed Products. The Licensed Trademarks (or any part thereof) are subject to change during the term of this Agreement and may be modified, supplemented or amended by any Affiliate (as applicable) from time to time upon reasonable notice to Publisher.

1.17 "Master Disc" means a recordable Blu-Ray disc in the form requested by the SCE Company containing final pre-production Executable Software.

1.18 "Online Gameplay" means the capability to operate and interact with the Executable Software associated with a Licensed Product used on a System that is connected to the Internet or any other network and which may allow an end user to participate in a game or gameplay with another end user (or other end users) across the Internet or any other network.

1.19 "Online Products" means (i) enhancements, improvements, additions, patches, and updates, including characters, artifacts, scripts, levels, modifications, player statistics and gameplay data, used in conjunction with a related Disc

Product and distributed electronically to any end users after sale or distribution of a Unit of the related Disc Product; and (ii) Executable Software distributed electronically to end-users. Online Products may, but need not, be designed to allow Online Gameplay.

1.20 "Packaging" means, with respect to each Disc Product, the carton, containers, cases, edge labels, wrapping materials, security seals and other proprietary labels and trade dress elements and wrapping materials of or concerning the Disc Products (and all parts of any of the foregoing) but specifically excluding Printed Materials and PlayStation 3 Format Discs.

1.21 "PlayStation 3 Format Disc" means the disc media formatted for use with the System.

1.22 "Printed Materials" means all artwork and mechanicals for the disc label for each PlayStation 3 Format Disc and for the Packaging relating to any of the Disc Products, and all instructional manuals, liners, inserts, and any other materials and user information within or attached to the Packaging and distributed as part of the Disc Products.

1.23 "Product Information" means any information owned or licensed by Publisher relating to any of the Licensed Products, including demos, videos, hints and tips, artwork, depictions of Disc Product cover art and videotaped interviews.

1.24 "Product Proposal" means a written proposal prepared by a Licensed Publisher and submitted to the SCE Company under the Guidelines regarding the concept and design for a Licensed Product.

1.25 "Publisher Software" means any software including incorporated audio and visual material developed by Publisher under this Agreement or an LDA, and does not include any SCE Materials.

1.26 "Publisher Intellectual Property Rights" means those worldwide intellectual property rights, current or future, that are owned and controlled by Publisher, including rights in or related to patents, inventions, designs, copyrights, databases, trademarks, service marks, trade names, trade dress, mask work rights, utility model rights, trade secret rights, technical information, know-how, and the equivalents of the foregoing under the laws of any jurisdiction and any other intellectual property rights recognized in the Territory (including all registrations, applications to register and rights to apply for registration of same), that relate to the Publisher Software, Packaging, Product Information, Printed Materials, Advertising Materials or other materials.

1.27 "Purchase Order" means a written purchase order issued by Publisher pursuant to Section 7.8.1, regarding the purchase of Disc Products that conform to the Guidelines and other terms and conditions imposed by the SCE Company or any Designated Manufacturing Facility.

1.28 "Regional Rider" means the additional set of binding terms and which are appended to and form part of this Agreement, and which are applicable to the Territory.

1.29 "SCE Confidential Information" means the term as defined in Section 13.1.1.

1.30 "SCE Intellectual Property Rights" means those worldwide intellectual property rights, current or future, including rights in or related to patents, inventions, designs, copyrights, databases, trademarks (including the Licensed Trademarks), service marks, trade names, trade dress, mask work rights, utility model rights, trade secret rights, technical information, know-how, and the equivalents of the foregoing under the laws of any jurisdiction, and any other intellectual property rights recognized in the Territory (including all registrations, applications to register and rights to apply for registration of the same), for their full term including all renewals and extensions, that relate to the SCE Materials, the System, the design and development of Licensed Products compatible with the System, and any SCE Confidential Information.

1.31 "SCE Materials" means any data, object code, source code, firmware, documentation (or any part(s) of any of the foregoing) or information relating to the System or the development of interactive entertainment products compatible with the System, selected in the sole judgment of the SCE Company, which are directly or indirectly provided or supplied by any Affiliate to Publisher. SCE Materials shall not include any hardware portions of the Development Tools, but shall include firmware in such hardware.

1.32 "System" means the PLAYSTATION®3 computer entertainment system.

1.33 "Term" means the period from the Effective Date until March 31, 2012.

1.34 "Territory" means the term as defined in the Regional Rider.

1.35 "Unit" means an individual copy of a specific Disc Product regardless of the number of PlayStation 3 Format Discs that are contained within and are part of such Disc Product.

2. License.

2.1 **License Grant**. The SCE Company grants to Publisher, for the Term and throughout the Territory, and in accordance with the other terms, limitations and conditions referenced herein, a non-exclusive, non-transferable license under the SCE Intellectual Property Rights, without the right to sublicense (except as specifically provided herein), to use SCE Materials as follows: (i) to develop and publish Licensed Products and to enter into agreements with Licensed Developers and other approved third parties, where the SCE Company requires such approval, subject to Section 3.2, to develop Licensed Products; (ii) to have Disc Products manufactured by Designated Manufacturing Facilities; (iii) to market, advertise, promote, sell and distribute Disc Products directly to end users or to third parties for distribution to end users; (iv) to market, advertise and promote, and, pursuant to a separate online distribution agreement(s) with the SCE Company or any Affiliate, to distribute Online Products to end users over the PlayStation®Network; (v) to use the Licensed Trademarks only in connection with the manufacturing, marketing, packaging, advertising, promotion, sale and distribution of the Licensed Products; and (vi) to sublicense end-user customers the right to use the Licensed Products for personal, noncommercial purposes in conjunction with the System only, and not with other devices or for public performance.

2.2 **Separate PlayStation Agreements**. Unless specifically set forth in this Agreement, all terms used herein are specific to the System and the attendant SCE Company licensing program. Licenses relating to the original PlayStation, PS One, PlayStation 2 or PlayStation Portable game consoles are subject to separate agreements with the SCE Company (or any Affiliate, as applicable), and any license of rights to Publisher under such separate agreements shall not confer on Publisher any rights with respect to the System and vice versa.

3. Development and Distribution of Licensed Products.

3.1 **Right to Develop**. The SCE Company grants Publisher the right to purchase, lease or borrow, as applicable, certain hardware devices and license certain software tools and utilities that comprise the Development Tools, as is appropriate, from the SCE Company or its designee, pursuant to a separate Development System Agreement with the SCE Company or a separate rider to this Agreement, which hardware and software components may be used by Publisher only in connection with the development of Licensed Products pursuant to Section 2.1. In developing Executable Software (or portions thereof), Publisher and any third-party Licensed Developers with whom Publisher contracts shall fully comply in all respects with all Guidelines, including technical specifications. In the event that Publisher uses any third-party tools to develop Executable Software or any portion thereof, Publisher shall be responsible at Publisher's sole risk and expense for ensuring that it has obtained all necessary licenses for any such use.

3.2 **Subcontractors**. Publisher may retain subcontractors who provide services which do not require access to SCE Materials or SCE Confidential Information without prior approval. Otherwise, Publisher may retain subcontractor(s) to assist with the development, publication and marketing of Licensed Products (or portions thereof) which have signed (i) an LPA or LDA with the SCE Company (the "PlayStation 3 Agreement") in full force and effect throughout the term of such development, publishing and marketing services or (ii) if required by the SCE Company, an SCE Company-approved subcontractor agreement ("Subcontractor Agreement"), and the SCE Company has approved such subcontractor in writing (which approval shall be in the SCE Company's sole discretion). Publisher shall not disclose to any subcontractor any of the SCE Confidential Information, including any SCE Materials, unless and until either a PlayStation 3 Agreement or any required Subcontractor Agreement has been executed and approved by the SCE Company. Publisher shall be solely responsible for verifying that all third parties that

contribute to the development of any Licensed Product, or component thereof, satisfy the requirements of clause (i) or (ii) of this Section 3.2. Notwithstanding any consent which may be granted by the SCE Company for Publisher to employ any such permitted subcontractor(s), or any such separate agreement(s) that may be entered into by Publisher with any such permitted subcontractor, Publisher shall remain fully liable for its compliance with all of the provisions of this Agreement and for the compliance of any and all permitted subcontractors with the provisions of any agreements entered into by such subcontractors in accordance with this Section. Publisher shall use best efforts to cause all subcontractors that it retains in furtherance of this Agreement to comply in all respects with the terms and conditions of this Agreement, and hereby unconditionally guarantees all obligations of its subcontractors. The SCE Company may subcontract any of its rights or obligations hereunder.

3.3 **Form of Distribution**. Executable Software distributed physically to end users and demonstration discs shall be in the form of PlayStation 3 Format Discs only. Publisher shall not, directly or indirectly, incorporate more than one Disc Product in a single Unit, or package or bundle Units of any Disc Product with any other goods or services, without the SCE Company's prior written consent. Online Products, Online Gameplay and any services associated with Online Gameplay, including subscriptions, shall be distributed or made available electronically, including by wireless distribution, to end users over the PlayStation®Network only, unless the SCE Company gives express written consent to another manner of distribution on SCE Company standard terms or otherwise as agreed. Notwithstanding this limitation, Publisher may electronically transmit Executable Software from site to site, or from machine to machine over a computer network, for the sole purposes of facilitating development and for testing to be carried out under Section 6; provided that no right of retransmission shall attach to any such transmission, and provided further that Publisher shall use reasonable security measures customary within the high technology industry to reduce the risk of unauthorized interception or retransmission of such transmissions.

3.4 **Distribution Channels for Disc Products**. Publisher may use such distribution channels to distribute Disc Products as Publisher deems appropriate, including the use of third-party distributors, resellers, dealers and sales representatives. In the event that the SCE Company permits Publisher to have any of its Disc Products published by another Licensed Publisher, Publisher must, in addition to complying with Section 3.2, provide the SCE Company with advance written notice of such arrangement, including the name of the Licensed Publisher and any additional information requested by the SCE Company regarding the nature of the distribution services that would be provided by such third-party Licensed Publisher prior to manufacture of the Disc Product,

4. Online Gameplay.

4.1 **Access to and Maintenance of Online Gameplay**. Publisher shall maintain servers hosting Online Gameplay for the periods specified in the Guidelines, Publisher, or, at SCEE's option, SCEE or its Affiliate shall provide notice to consumers in a clear and conspicuous manner via one of the methods listed in Section 4.3 any permanent shutdown to a server hosting or supporting Online Gameplay no later than three (3) months prior to any shutdown.

4.2 **Publisher Online Designee**. Publisher shall appoint a dedicated contact person for its Licensed Products designed to allow Online Gameplay, who shall act as a liaison between the SCE Company and Publisher for all online matters relating to Licensed Products designed to allow Online Gameplay. Publisher's designee shall also be responsible for ensuring that all terms and conditions relating to the online elements of the Licensed Products are complied with. Publisher shall give the SCE Company ten (10) days' written notice prior to any change in designee.

4.3 **Online Legal Compliance**. Licensed Products designed for Online Gameplay must include a legal disclosure enumerating end user, privacy and moderation policies and age rating (collectively, "Online Terms") prior to allowing any end users to engage in Online Gameplay for the first time for a particular user or as otherwise required by law. The SCE Company reserves the right to review Publisher's Online Terms, but shall have no liability for content of Publisher's Online Terms. Online Terms shall either be coded into the applicable Licensed Product or available on the server hosting Online Gameplay in such a way that an end user must agree to it prior to accessing and engaging in Online Gameplay. Online Terms must comply with the Guidelines. Publisher must inform all end users engaging in or accessing Online Gameplay if any personally identifying information will be collected, how it will be collected, and how it will be used.

4.4 **Publisher Liability for Online Gameplay**. Publisher shall bear exclusively all responsibility and liability for any features or capability of Licensed Products related to Online Gameplay, including Online Gameplay between territories using different television standards, whether PAL, NTSC or otherwise.

5. Limitations on Licenses; Reservation of Rights.

5.1 **Application of Council Directive 91/250/EEC**. If Publisher has executed the Regional Rider in a Territory governed by Council Directive 91/250/EEC, the limitations set forth in Section 5 shall be subject to Council Directive 91/250/EEC.

5.2 **Reverse Engineering Prohibited**. Publisher shall not directly or indirectly disassemble, decrypt, electronically scan, peel semiconductor components, decompile, or otherwise reverse engineer in any manner or attempt to reverse engineer or otherwise derive any source code from, all or any portion of the SCE Materials, or permit, assist or encourage any third party to do so.

5.3 **Limitation on Creation of Derivative Works**. Publisher shall not use, modify, reproduce, sublicense, distribute, create derivative works from, or otherwise provide to third parties, the SCE Materials, in whole or in part, other than as expressly set forth herein without the SCE Company's prior written consent.

5.4 **Limitation on Examination and Study of Tools**. Publisher may study the performance, design and operation of the Development Tools solely for the limited purposes of developing and testing Publisher Software, or to develop tools to assist Publisher with the development and testing of Publisher Software. Any tools developed or derived by Publisher as a result of studying the performance, design or operation of the Development Tools shall be considered derivative works of the SCE Materials and shall be owned by the SCE Company, but may be treated as trade secrets of Publisher. This section shall govern any conflict with a similar provision in any separate agreement.

5.5 **Limitations Regarding Content of Licensed Products**. No rights are granted under this Agreement with respect to non-game products or products which contain significant elements of, or are a hybrid with, audio or video profile products. No rights are granted under this Agreement with respect to serving or providing in-game dynamic advertisements. Licensed Products may contain in-game static advertisements, subject to the Guidelines.

5.6 **Reservation of SCE Company's Rights**.

5.6.1 **Limitations on Use of SCE Materials and SCE Intellectual Property Rights**. This Agreement does not grant any right or license under, and Publisher shall not use, any SCE Confidential Information, the SCE Materials, or any of the SCE Intellectual Property Rights except as expressly authorized hereunder and in strict compliance with the terms and conditions of this Agreement. No other right or license is to be implied by or inferred from any provision of this Agreement or the conduct of the parties. In particular, Publisher shall not use the Executable Software, SCE Materials or SCE Confidential Information (or any portion of any of the foregoing) in connection with the development of any software for any emulator or other computer hardware or software system. In no event shall Publisher patent any tools, methods, or applications, created, developed or derived from SCE Materials. Publisher shall not make available to any third party any tools developed or derived from the study of the Development Tools without the SCE Company's express written permission. Use of such tools shall be strictly limited to the creation or testing of Licensed Products and any other use, direct or indirect, of such tools is strictly prohibited. Moreover, Publisher shall bear all risks arising from incompatibility of its Licensed Product and the System resulting from use of Publisher created tools. The burden of proof under this Section shall be on Publisher, and the SCE Company reserves the right to require Publisher to furnish evidence satisfactory to the SCE Company that Publisher has complied with this Section.

5.6.2 **Ownership and Protection of SCE Materials and SCE Intellectual Property Rights**. All rights with respect to the SCE Materials and the System, including all of the SCE Intellectual Property Rights, are the exclusive property of the SCE Company or its Affiliates. Publisher shall not do or cause to be done any act or thing in any way impairing or tending to impair any of the SCE Company's rights, title or interests in or to the SCE Materials or the SCE Intellectual Property Rights. Publisher shall take all steps as the SCE Company may reasonably require for the protection and maintenance of the SCE Intellectual Property Rights, including executing licenses or obtaining registrations. Publisher shall not register any trademark in its own name or in any other person's name, or use, or obtain rights to use Internet domain names or addresses, which are identical or similar to, or are likely to be confused with any of the Licensed Trademarks or any other trademarks of the SCE Company. All goodwill associated with the Licensed Trademarks, including any goodwill generated or arising by or through Publisher's or its sub-licensees' activities under this Agreement, accrues to the benefit of and belongs exclusively to the SCE Company. Nothing contained in this Agreement shall be deemed to grant Publisher the right to use the trademark "SONY" in any manner or for any purpose.

5.6.3 **Authentication**. The SCE Company reserves the right to require Publisher to utilize an authentication or authorization system to be provided, licensed or designated by the SCE Company to authenticate and verify all Licensed Products and units of the System. The SCE Company reserves the right to insert serial numbers on all PlayStation 3 Format Discs for security or authentication purposes.

5.7 **Acknowledgment of Publisher's Ownership Rights**. Separate and apart from the SCE Materials and other rights licensed to Publisher by the SCE Company hereunder, as between Publisher and the SCE Company, Publisher retains all rights, title and interest in and to the Publisher Software, the Product Proposals, and related Product Information, including Publisher Intellectual Property Rights therein, as well as Publisher's rights in any source code and other underlying material such as artwork and music (but specifically excluding the SCE Materials and any software provided directly or indirectly by the SCE Company) and any names used as titles for Licensed Products and other trademarks used by Publisher. Nothing in this Agreement shall restrict the right of Publisher to develop, distribute or transmit products incorporating the Publisher Software and underlying material, which do not contain or were not developed through use of the SCE Materials or the SCE Intellectual Property Rights, for any hardware platform or service other than the System, or to use Printed Materials or Advertising Materials approved by the SCE Company (excepting Printed Materials or Advertising Materials that contain any Licensed Trademarks) as Publisher determines for such other platforms.

5.8 **Guidelines Requirement**. The licenses granted to Publisher are expressly conditioned on Publisher's compliance with all provisions of the SCE Company's Guidelines, as and when published or within a commercially reasonable time following its receipt of a publication expressly referencing such provisions, and any and all such provisions are incorporated herein by this reference. To the extent that the Guidelines change with respect to any Licensed Product materials that Publisher submits to the SCE Company under Section 6.1, Publisher shall only be required to implement any such revised Guidelines in subsequent orders of corresponding Disc Product or subsequent publications of corresponding Online Product. Publisher shall not be required to recall or destroy previously manufactured Disc Products, unless such Disc Products do not comply with the original standards, requirements and conditions set forth in the Guidelines or unless explicitly required to do so in writing by the SCE Company.

6. Quality Standards for Licensed Products.

6.1 **Product Assessment, Format Quality Assurance and Printed and Advertising Materials**. Publisher shall comply with the process and requirements for assessment and format quality assurance of Licensed Products and Advertising Materials, on a product-by product basis as specified in the Guidelines. The SCE Company will not approve Licensed Products that are outside the PlayStation®3 format specifications in the Guidelines.

6.2 **Rating Requirements**. No Licensed Product may be published, sold, distributed, marketed, advertised or promoted unless each Licensed Product bears a consumer advisory age rating, consisting of a rating code and product descriptors, either as required by local law or as issued by, and following the rating display requirements of, a consumer advisory ratings system designated by the SCE Company. Any and all costs and expenses incurred in connection with obtaining such rating shall be borne solely by Publisher. No Licensed Product, Printed Materials or Advertising Materials may bear more than one consumer advisory rating code. Any Online Product that can be used with a Disc Product must bear a rating that is the same as or lower than the rating issued to the Disc Product, unless the SCE Company gives express written consent.

6.3 **Compatibility of Licensed Products with Peripherals**. Publisher shall 'be solely responsible for functionality and operational compatibility of its Licensed Products with any third-party peripherals (e.g., controllers, memory storage devices, etc). The SCE Company shall have no responsibility to test or otherwise evaluate the compatibility of

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Publisher's Licensed Products with any third-party peripherals. The SCE Company shall not be held responsible for any actual, incidental or consequential damages that may result from any use or inability to use any third-party peripherals with any Licensed Products or the System. If the SCE Company elects, at its sole discretion, to test or otherwise evaluate the compatibility of Publisher's Licensed Products with any third-party peripheral device then, (i) any such testing or evaluation shall not obligate the SCE Company to test or evaluate any other third-party peripherals; (ii) any such testing or evaluation shall not shift to the SCE Company any responsibility to ensure or assess the functionality or compatibility of any third-party peripheral or require the SCE Company to report any third-party peripheral incompatibilities; and (iii) Publisher shall provide the SCE Company, upon request and at no additional cost or expense to the SCE Company, with a reasonable number of samples of any such third-party peripheral products for testing and review in a timely manner. In the event that any Licensed Product fails to

perform to the SCE Company's satisfaction with any third-party peripheral that it is intended to support, the SCE Company shall have the right to require that Publisher modify or remove such portions of the Executable Software as are intended to support the affected third-party peripheral.

6.4 **Publisher's Additional Quality Assurance Obligations**. If at any time or times subsequent to the approval of any part of a Licensed Product, the SEC Company identifies any material defects (such materiality to be determined by the SCE Company in its sole discretion) with respect to the Licensed Product, or in the event that the SCE Company identifies any improper use of its Licensed Trademarks or the SCE Materials, or any material defects or improper use are brought to the attention of the SCE Company, Publisher shall, at no cost to the SCE Company, promptly correct any such material defects, or improper use, to the SEC Company's commercially reasonable satisfaction, which may include, in the SEC Company's judgment, the recall and re-release of Units of the affected Disc Product or publication of an update, upgrade or technical fix to an Online Product. In the event any Licensed Products create any risk of loss or damage to any property or injury to any person, Publisher shall immediately take effective steps, at Publisher's sole liability and expense, to recall and remove such Licensed Products from any affected channels of distribution; provided, however, that if Publisher is not acting as the distributor or seller for the Licensed Products, its obligation shall be to use its best efforts to arrange removal of all affected Licensed Products from the relevant distribution channels. Publisher shall provide all end-user support for Licensed Products. Publisher and the SCE Group Company may enter into a separate agreement to have Publisher provide all end-user support for Online Gameplay of Publisher's Licensed Products that is provided through the PlayStation®Network. The SCE Company expressly disclaims any obligations or liability to provide end-user support with respect to Licensed Products.

7. Manufacture of Disc Products.

7.1 **Manufacture of Units**. Upon approval of Executable Software and associated Printed Materials pursuant to Section 6, and subject to Sections 7.4 – 7.7, the Designated Manufacturing Facility will, in accordance with the terms and conditions set forth in this Section 7, and at Publisher's request and sole expense (a) manufacture PlayStation 3 Format Discs for Publisher; (b) manufacture Publisher's Packaging and Printed Materials; and (c) assemble the PlayStation 3 Format Discs with the related Printed Materials and Packaging. Publisher shall comply with all Guidelines relating to the production of Units of Disc Products. The SCE Company reserves the right to insert or require Publisher to make arrangements for the insertion of certain Printed Materials relating to the System into each Unit.

7.2 **Designated Manufacturing Facilities**. To insure compatibility of PlayStation 3 Format Discs with the System, consistent quality of the Disc Products and incorporation of anti-piracy security measures, the SCE Company shall designate and license a Designated Manufacturing Facility or Facilities to reproduce PlayStation 3 Format Discs. Publisher shall purchase [***] of its requirements for PlayStation 3 Format Discs, including demonstration discs, from such Designated Manufacturing Facility. Any Designated Manufacturing Facility shall be entitled to enforce the terms of this Agreement.

7.3 **Creation of Master PlayStation 3 Format Disc**. Using one of the fully approved Master Discs provided by Publisher under the Guidelines, the SCE Company or the Designated Manufacturing Facility shall create an encrypted, reproducible master of the Executable Software (formatted as a PlayStation 3 Format Disc) from which all other copies of the Executable Software for the corresponding Disc Product are to be replicated. Publisher shall be responsible for the costs, as determined by the SCE Company or the Designated Manufacturing Facility, of producing the reproducible masters of any and all Executable Software.

7.4 **Manufacture of Printed Materials by Designated Manufacturing Facility**. If Publisher elects to order Printed Materials from a Designated Manufacturing Facility, Publisher shall deliver all SCE Company-approved Printed Materials to that Designated Manufacturing Facility, at Publisher's sole risk and expense, and the Designated Manufacturing Facility will manufacture such Printed Materials in accordance with this Section 7. In order to insure against loss or damage to the copies of the Printed Materials furnished to the SCE Company, Publisher shall return duplicates of all Printed Materials, and neither the SCE Company nor any Designated Manufacturing Facility shall be liable for any loss of or damage to any Printed Materials.

7.5 **Manufacture of Printed Materials by Alternate Source**. Subject to the Guidelines, Publisher may elect to be responsible for manufacturing its own Printed Materials (other than artwork which is to be reproduced or otherwise displayed on any PlayStation 3 Format Discs, which Publisher will supply to the Designated Manufacturing Facility for incorporation within the Disc Products), at Publisher's sole risk and expense. The SCE Company shall have the right to disapprove any Printed Materials that do not comply with the applicable Guidelines. If Publisher elects to supply its own Printed Materials, neither the SCE Company nor any Designated Manufacturing facility shall be responsible for any delays arising from use of Publisher's own Printed Materials.

7.6 **Manufacture of Packaging by Designated Manufacturing Facility**. To ensure consistent quality of the Disc Products, the SCE Company may designate and license a Designated Manufacturing Facility to reproduce [***] of the proprietary Packaging for the Disc Products. If so, then Publisher shall purchase [***] of its requirements for such Packaging from a Designated Manufacturing Facility during the Term.

7.7 **Assembly Services**. Publisher may either procure assembly services from a Designated Manufacturing Facility or, with the SCE Company's prior written consent, from an alternate source. If Publisher elects to be responsible for assembling the Disc Products, then the Designated Manufacturing Facility shall ship the component parts of the Disc Product to a destination designated by Publisher, at Publisher's sole risk and expense. The SCE Company shall have the right to inspect any assembly facilities that Publisher proposes to use in order to determine if the component parts of the Disc Products are being assembled in accordance with the SCE Company's quality standards. The SCE Company may require Publisher to recall any Units of any Disc Products that fail to comply with the Guidelines. If Publisher elects to use alternate assembly facilities, neither the SCE Company nor any Designated Manufacturing Facility shall be responsible for any delays or other production issues, including missing component parts, arising from use of alternate assembly facilities. Publisher shall comply with all applicable labor laws and, in accordance with the provisions of Section 16.8, shall not employ child labor, slave labor or forced labor in connection with the assembly of the Licensed Products.

7.8 **Orders and Delivery**.

7.8.1 **Orders**. Publisher shall issue Purchase Order(s) to a Designated Manufacturing Facility in the form set forth and containing the information required in the Guidelines, with a copy to the SCE Company.

No Purchase Orders will be processed for any Disc Product unless that Disc Product is fully compliant with the Guidelines. All Purchase Orders shall be subject to approval by the SCE Company not to be unreasonably withheld and to acceptance by the Designated Manufacturing Facility pursuant to the Guidelines. Purchase Orders issued by Publisher to a Designated Manufacturing Facility for each Licensed Product approved by the SCE Company shall be non-cancelable and are subject to the order requirements of the Designated Manufacturing Facility.

7.8.2 **General Terms**. Neither the SCE Company nor any Designated Manufacturing Facility shall be responsible for shortage or breakage with respect to any order if component parts or assembly services are obtained from alternate sources.

7.9 **Delivery of Disc Products**. The Designated Manufacturing Facility will deliver Disc Products to Publisher at Publisher's sole expense, except where otherwise provided under this Agreement. Publisher shall have no right to have completed Units of Disc Products stored after manufacture.

7.10 **Ownership of Original Master Discs**. Due to the proprietary and confidential nature of the mastering and encryption process, neither the SCE Company nor any Designated Manufacturing Facility shall under any circumstances release any original Master Discs, reproducible masters created under section 7.3 or other in-process materials to Publisher. All such materials shall be and remain the sole property of the SCE Company or the Designated Manufacturing Facility (as applicable). Notwithstanding the foregoing, the Publisher Intellectual Property Rights contained in the Publisher Software that is contained in any such in-process materials is, as between the SCE Company and Publisher, the sole and exclusive property of Publisher or its licensors.

8. Marketing of Licensed Products.

8.1 **Marketing Generally**. At no expense to the SCE Company, Publisher shall, and shall direct its distributors to, diligently market, sell and distribute the Licensed Products, and shall use commercially reasonable efforts to stimulate demand for such Licensed Products throughout the Territory and to supply any resulting demand. Publisher shall use reasonable efforts to protect the Licensed Products from and against illegal reproduction or copying by end users or by any other persons.

8.2 **Samples**. Publisher shall provide sample Units of each Disc Product to the SCE Company in the quantities and per the terms specified in the Guidelines. In the event that Publisher assembles any Disc Product using an alternate source, Publisher shall be responsible for shipping such sample Units to the SCE Company, at Publisher's cost and expense, promptly following the commercial release of such Disc Product. Units shall not be shipped to the SCE Company prior to the commercial release of such Disc Product. The SCE Company assumes no liability for release of samples prior to commercial release. The SCE Company shall not directly or indirectly resell any such sample Units of the Disc Products without Publisher's prior written consent. The SCE Company may distribute sample Units to its employees, provided that it uses its reasonable efforts to ensure that such Units are not sold into the retail market. In addition, subject to availability, Publisher shall sell to the SCE Company additional Units at cost.

8.3 **Marketing Programs**. From time to time the SCE Company may invite Publisher to participate in promotional or advertising opportunities that may feature one or more Licensed Products from one or more Licensed Publishers. Participation shall be voluntary and subject to terms to be determined at the time of the opportunity. In the event Publisher elects to participate, all materials submitted by Publisher to the SCE Company shall be submitted subject to the Guidelines and delivery of such materials to the SCE Company shall constitute acceptance by Publisher of the terms of the offer. Each Affiliate shall be entitled to display and otherwise use the Attribution Line on its multi-product marketing materials, unless otherwise agreed in writing.

8.4 **PlayStation Website**. Publisher shall provide the SCE Company with Product Information for a web page for each of its Licensed Products for display on the PlayStation promotional website, or other website(s) operated by the SCE Company from time to time in connection with the promotion of the PlayStation brand. Specifications for Product Information for such web pages shall be as provided in the Guidelines. Publisher shall provide the SCE Company with such Product Information for each Licensed Product upon submission of Printed Materials to the SCE Company for approval pursuant to the Guidelines. Publisher shall also provide updates for any such web page in a timely manner as may be required in the Guidelines.

8.5 **Demonstration Disc Programs**. The SCE Company may, from time to time, provide opportunities for Publisher to contribute Licensed Product content for distribution as part of a demonstration disc published by any Affiliate, or permit Publisher to publish its own demonstration disc pursuant to a third party demonstration disc program. The specifications with respect to the approval, creation, manufacture, marketing, distribution and sale of any such demo disc programs shall be set forth in the Guidelines. The SCE Company reserves the right to choose from products submitted from other Licensed Publishers and first party products to determine the specific products that will be included in any SCE Company demonstration discs, and Publisher's Licensed Products will not be guaranteed prominence or preferential treatment on any SCE demonstration disc. The SCE Company has no obligation to publish, advertise or promote any demonstration disc.

8.6 **Contests and Sweepstakes of Publisher**. Publisher may conduct contests, sweepstakes, competitions and promotions, as permitted by law collectively, "Contest" or "Contests", to promote Licensed Products. The SCE Company shall permit Publisher to include Contest materials in Printed Materials and Advertising Materials, subject to compliance with the provisions of Sections 10.2 and 11.2, and subject to the Guidelines.

9. Payments.

9.1 **Payments for Licensed Products**. Publisher shall pay the SCE Company either directly or through its designee, for Licensed Products, including Licensed Products in any "Greatest Hits," "Platinum" or any other program, and demonstration discs, at the rates and in the manner specified in the Regional Riders and the terms of this Section 9. Publisher shall be required in all cases to make payments to the SCE Company, in accordance with this Section 9 and the Regional Rider, with respect to any and all of Publisher's products that are developed utilizing any SCE Materials or SCE Intellectual Property Rights or any derivative works based on or otherwise derived from the same. The burden of proof under this Section shall be on Publisher. The SCE Company reserves the right to require Publisher to furnish evidence satisfactory to the SCE Company that Publisher has complied with any or all of its obligations pursuant to this Section. Payment terms are subject to change in the SCE Company's discretion upon reasonable notice to Publisher.

9.2 **Payment for Units of Disc Products**. Payments shall be made to the SCE Company through its Designated Manufacturing Facility concurrent with the placement of any Purchase Order for Units of any Disc Product in accordance with the terms and conditions set forth in this Agreement unless otherwise agreed in writing with the SCE Company. Payment shall be made prior to manufacture unless the SCE Company has agreed in writing to extend credit terms to Publisher under Section 9.3.

9.3 **Credit Terms**. The SCE Company is not required to extend any credit terms to Publisher, but may do so in the SCE Company's sole discretion. Credit terms and limits shall be subject to revocation or extension at the SCE Company's sole discretion. If credit terms are extended to Publisher, Purchase Orders will be invoiced upon shipment of Disc Products and each invoice will be payable within 30 days of

the date of the invoice. Publisher shall be additionally liable for all costs and expenses of collection, including without limitation, reasonable fees for lawyers and court costs.

9.4 **Charges and Deductions**. The amounts that Publisher must pay under this Agreement are exclusive of all taxes, duties, charges or assessments which the SCE Company or the Designated Manufacturing Facility may have to collect or pay and for which Publisher is solely responsible. No costs incurred in the development, manufacture, marketing, sale or distribution of any Licensed Products shall be deducted from any amounts payable under this Agreement. Similarly, there shall be no deduction from any amounts owed hereunder as a result of any uncollectible accounts owed to Publisher, or for any credits, discounts, allowances or returns which Publisher may credit or otherwise grant to any third-party customer of any Licensed Products, or for any taxes, fees, assessments or expenses of any kind which may be incurred by Publisher in connection with its sale or distribution of any Licensed Products or arising with respect to the payment of royalties. Publisher may not assert any credit, set-off or counterclaim to justify withholding payment under this Agreement. Publisher shall be solely responsible for and bear any costs relating to any withholding taxes or other such assessments which may be imposed by any governmental authority with respect to the payments to the SCE Company. Publisher shall provide the SCE Company with official tax receipts or other such documentary evidence issued by the applicable tax authorities sufficient to substantiate that any such taxes or assessments have in fact been timely paid. Deductions may only be made after issuance of an approved credit memo from the SCE Company or a Designated Manufacturing Facility.

9.5 **General Terms**. Each shipment to Publisher shall constitute a separate sale, whether said shipment constitutes the whole or partial fulfillment of any Purchase Order. Title to Units shall pass to Publisher only upon payment in full of the amounts due under this Agreement for those Units. The receipt and deposit by the SCE Company of any moneys payable under this Agreement shall be without prejudice to any rights or remedies the SCE Company has and shall not restrict or prevent the SCE Company from challenging the basis for calculation or payment accuracy. Nothing in this Agreement shall excuse or be construed as a waiver of Publisher's obligation to timely provide any and all payments owed to the SCE Company or any Designated Manufacturing Facility.

10. Representations and Warranties.

10.1 **Representations and Warranties of SCE Company**. The SCE Company represents and warrants solely for the benefit of Publisher that the SCE Company has the right, power and authority to enter into this Agreement and to fully perform its obligations hereunder.

10.2 **Representations and Warranties of Publisher**. Publisher represents and warrants that:

(i) There is no threatened or pending action, suit, claim or proceeding alleging that the use or possession by Publisher or its affiliates of all or any part of the Publisher Software, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any of the Licensed Products, infringes or otherwise violates an intellectual property right or other right or interest of any kind whatsoever anywhere in the world of any third party, or otherwise contesting any right, title or interest of Publisher in or to the Publisher Software, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any of the Licensed Products;

(ii) The Publisher Software, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, and their contemplated disclosure or use under this Agreement do not and shall not infringe any person's rights including patents, copyrights (including rights in a joint work), trademarks, trade dress, trade secret, rights of publicity, privacy, performance, moral rights, literary rights or any other right or interest anywhere in the world of any third party. Publisher has obtained the consent of all holders of intellectual property rights necessary for the SCE Company's or its Affiliates' use of any Publisher Software, Product Proposals, Product Information, Printed Materials, Advertising Materials and Packaging not provided by the Designated Manufacturing Facility provided by Publisher, which may be reproduced, published, publicly displayed, publicly performed, marketed, sold and otherwise distributed by the SCE Company and any Affiliates in accordance with this Agreement, Publisher has made all payments required to any person having any legal rights arising from such disclosure or use so that the SCE Company will not incur any obligation to pay any royalty, residual, union, guild or other fees or expenses;

(iii) Publisher has the right, power and authority to enter into this Agreement, to grant the SCE Company the rights granted hereunder and to fully perform its obligations hereunder;

(iv) The making of this Agreement by Publisher does not violate any separate agreement, rights or obligations existing between Publisher and any other person, and, throughout the Term, Publisher shall not make any separate agreement with any third party that is inconsistent with any of the provisions of this Agreement;

(v) Publisher has not previously taken any action that could be interpreted as having sold, assigned, leased, licensed or in any other way disposed of or encumbered any of the rights granted to Publisher hereunder. Publisher will not sell, assign, lease, license or in any other way dispose of or encumber any of such rights except as expressly consented to by the SCE Company in writing;

(vii) Neither Publisher nor its affiliates shall make any representation or give any warranty to any person or entity expressly or on the SCE Company's behalf, or to the effect that the Licensed Products are connected in any way with the SCE Company other than that the Executable Software and Licensed Products have been developed, marketed, sold and distributed under license from the SCE Company;

(viii) In the event that any Executable Software is delivered by Publisher to any other Licensed Publishers or Licensed Developers in source code form, Publisher will take all precautions consistent with the protection of valuable trade secrets by companies in high technology industries to ensure that such third parties protect and maintain the confidentiality of such source code;

(ix) The Executable Software, excepting any SCE Materials, and any Product Information shall be in a commercially acceptable form, free of significant bugs, defects, time bombs or viruses or unauthorized content that is inconsistent with the age rating applicable to the corresponding Licensed Product, which could disrupt, delay, or destroy the Executable Software or System, or render any of such items less than fully useful, or that could cause the SCE Company to suffer public disrepute, contempt, scandal or ridicule, or which insults or offends the community or any substantial organized group thereof or which could tend to adversely affect the SCE Company's name, reputation or goodwill associated with the System, and shall be fully compatible with the System and all peripherals listed on the Printed Materials as compatible with the Licensed Product;

(x) Each of the Licensed Products shall be developed, marketed, sold and distributed by or at the direction of Publisher in an ethical manner and in a responsible manner with respect to the protection of children in the online environment, and in full compliance with all applicable laws,

including federal, state, provincial, local and foreign laws, and any rules, regulations and standards promulgated thereunder, including lottery laws and labor laws, and will not contain content that violates applicable laws, including those relating to privacy or any obscene or defamatory matter;

(xi) Publisher's policies and practices with respect to the development, marketing, sale, and distribution of the Licensed Products shall in no manner reflect adversely upon the name, reputation or goodwill of the SCE Company or any Affiliate;

(xii) To the extent Publisher wishes to utilize a Licensed Developer to assist in development of Licensed Products, Publisher has contracted, or will contract, with a Licensed Developer for the technical expertise and resources necessary to fulfill its obligations under this Agreement; and

(xiii) Publisher shall make no false, misleading or inconsistent representations or claims with respect to the System, any Licensed Products, or the SCE Company or any Affiliate.

11. Indemnities; Limited Liability.

11.1 Indemnification by SCE Company. The SCE Company shall indemnify and hold Publisher harmless from and against any and all third-party claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, in connection with or which result from a breach of any of the SCE Company's representations or warranties set forth in Section 10.1 (collectively, "SCE-Indemnified Claim(s)"); provided that: (i) Publisher shall give prompt written notice to the SCE Company of the assertion of any SCE Indemnified Claim; (ii) the SCE Company shall have the right to select counsel and control the defense and settlement of any SCE-Indemnified Claim and Publisher shall not agree to the settlement of any SCE-Indemnified Claim without the SCE Company's prior written consent, and (iii) Publisher shall provide the SCE Company reasonable assistance and cooperation concerning any SCE Indemnified Claim, except that Publisher need not incur an out-of-pocket costs in rendering such assistance and cooperation. The SCE Company shall have the exclusive right, at its discretion, to commence and prosecute at its own expense any lawsuit or to take such other action with respect to SCE-Indemnified Claims as shall be deemed appropriate by the SCE Company.

11.2 Indemnification By Publisher. Publisher shall indemnify and hold the SCE Company harmless from and against any and all claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, in connection with or which result from (i) a breach of any of the provisions of this Agreement; (ii) any claim of infringement of a third party's intellectual property rights or any consumer claim, with respect to Publisher's Licensed Products, including claims related to Publisher's support of unauthorized or unlicensed peripherals or software that are not part of the PlayStation 3 format specifications as set forth in the Guidelines; (iii) any claim related to any Licensed Product features or capability related to cross-regional Online Gameplay; (iv) any claims of or in connection with any personal or bodily injury (including death or disability) or property damage arising out of, in whole or in part, the development, marketing, advertising, sale, distribution or use of any of the Licensed Products (or portions thereof) unless due directly and solely to the breach of the SCE Company in performing any of the specific duties or providing any of the specific services required of it hereunder; or (v) any federal, state or foreign civil or criminal investigations or actions relating to the development, marketing, advertising, sale or distribution of Licensed Products (all subsections collectively, "Publisher-Indemnified Claim(s)"), provided that (a) the SCE Company shall give prompt written notice to Publisher of the assertion of any Publisher-Indemnified Claim; (b) Publisher shall have the right to select counsel and control the defense and settlement of any

Publisher-Indemnified Claim, except that with respect to any Publisher-Indemnified Claims made by a third party against the SCE Company, the SCE Company shall have the right to select counsel for the SCE Company and reasonably control the defense and settlement of the Publisher-Indemnified Claim against the SCE Company; and (c) the SCE Company shall provide Publisher with reasonable assistance and cooperation concerning any Publisher-Indemnified Claim, except that the SCE Company need not incur any out-of-pocket costs in rendering such assistance and cooperation. Subject to the foregoing, Publisher shall have the exclusive right, at its discretion, to commence and prosecute at its own expense any lawsuit or to take such other action with respect to Publisher-Indemnified Claims as shall be deemed appropriate by Publisher.

11.3 LIMITATIONS OF LIABILITY.

11.3.1 SCE Limitation of Liability for Financial Losses. In no event shall the SCE Company or any Affiliates, or the officers, directors, employees, agents, licensors or suppliers of any of such entities, be liable for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation or goodwill or loss of, damage to or corruption of data (whether such loss or damages are direct, indirect, special, incidental or consequential) arising out of relating to, or in connection with this Agreement or any collateral contract (including the breach of this Agreement by the SCE Group Company), whether known, foreseen or foreseeable and whether in contract, tort (including negligence), product liability, under indemnity, or otherwise.

11.3.2 SCE Limitation of Liability for Other Consequential Losses. In no event shall the SCE Company, its Affiliates or the officers, directors, employees, agents, licensors or suppliers of any of such entities, be liable for any indirect, special, incidental or consequential loss or damage of any kind arising out of or in connection with this Agreement or any collateral contract (including the breach of this Agreement by the SCE Group Company), whether known, foreseen or foreseeable and whether in contract, tort (including negligence), product liability, under an indemnity or otherwise.

11.3.3 SCE Limitation of Liability for Representations. Publisher shall have no remedy with respect to any representation made to it upon which it relied in entering into this Agreement and the SCE Company and its Affiliates and the officers, directors, employees, agents, licensors or suppliers of any of such entities shall have no liability to Publisher other than under the express terms of this Agreement. In this Section 11.3.3, "representation" means any undertaking, promise, assurance, statement, representation, warranty or understanding, whether in writing or otherwise, of any person (whether a party to this Agreement or not), relating to the subject matter of this Agreement.

11.3.4 SCE Limitation of Liability for SCE Materials and Publisher's Materials. Except as expressly set forth herein, neither the SCE Company, nor its Affiliates, nor the officers, directors, employees, agents, licensors or suppliers of any of such entities, shall bear any risk, or have any responsibility or liability of any kind to Publisher or to any third parties with respect to the quality, functionality, operation or performance of, or the use or inability to use, all or any part of the SCE Materials, the System, the Licensed Products or Units of Disc Products, or for any software errors or "bugs" in Product Information included on SCE Company demonstration discs.

11.3.5 **SCE Limitation of Financial Liability**. In no event shall the SCE Company's liability arising under, relating to, or in connection with this Agreement, or any collateral contract, exceed the total amount paid by Publisher under Section 9 within the 48 month period immediately prior to the date of the first occurrence of the event or circumstances giving rise to the claimed liability.

11.3.6 **Publisher Limitation of Liability**. In no event shall Publisher, its officers, directors, employees, agents, licensors or

suppliers be liable to the SCE Company for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation or goodwill or loss of, damage to or corruption of data (whether such loss or damage is direct, indirect, special, incidental or consequential), arising out of or in connection with this Agreement or any collateral contract (including the breach of this Agreement by Publisher) provided that such limitations shall not apply to damages resulting from Publisher's breach of Sections 2, 3, 5, 11.2, or 13 of this Agreement, or to any amounts which Publisher may be required to pay pursuant to Sections 11.2 or 16.10.

11.3.7 [***]

11.3.8 **Law Applicable to Liabilities**. Nothing in this Agreement shall exclude or limit any liability of either party which may not be excluded or limited under applicable law.

12. Infringement of SCE Intellectual Property Rights By Third Parties.

In the event that Publisher discovers or otherwise becomes as are that any of the SCE Intellectual Property Rights have been or are being infringed by any third party. Publisher shall promptly notify the SCE Company. The SCE Company shall have the sole right, in its discretion, to institute and prosecute lawsuits against third parties regarding infringement of SCE Intellectual Property Rights. Any lawsuit shall be prosecuted solely at the cost and expense of the SCE Company and all sums recovered in any such lawsuits, whether by judgment, settlement or otherwise, shall belong solely to the SCE Company. Upon the SCE Company's request, Publisher shall execute all papers, testify on all matters and otherwise cooperate in every way necessary or desirable for the prosecution of any such lawsuit. The SCE Company shall reimburse Publisher for the reasonable expenses incurred as a result of such cooperation, but unless authorized by other provisions of this Agreement, not Costs and expenses attributable to any crossclaim, counterclaim or third party action.

13. Confidentiality.

13.1 **SCE Confidential Information**.

13.1.1 **Definition of SCE Confidential Information**. "SCE Confidential Information" shall mean:

(i) the SCE Materials, the Development Tools, the Guidelines, the Regional Riders and this Agreement, including all exhibits and schedules attached to any of the foregoing and all information related to these items;

(ii) other information, documents and materials developed, owned, licensed or under the control of the SCE Company or any Affiliate, including all processes, data, hardware, software, inventions, trade secrets, ideas, creations, improvements, designs, discoveries, developments, research and know how, including SCE Intellectual Property Rights relating to the SCE Materials and the Development Tools; and

(iii) information, documents and other materials regarding the SCE Company's or any Affiliate's finances, business and business methods, marketing and technical plans, and development and production plans; and

(iv) third-party information and documents licensed to or under the control of the SCE Company or any Affiliate.

The SCE Confidential Information consists of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to Publisher before or during the Term, including information subsequently reduced to tangible or written form. In addition, the existence of a relationship between Publisher and the SCE Company shall be deemed to be the SCE Confidential Information unless otherwise agreed to in writing by the parties or until publicly announced by the SCE Company or any Affiliate.

13.1.2 **Term of Protection of the SCE Confidential Information**. The term for the protection of the SCE Confidential Information shall commence on the Effective Date and shall continue in full force and effect for as long as any of the SCE Confidential Information continues to be maintained as confidential and proprietary by the SCE Company or any Affiliate.

13.1.3 **Preservation of SCE Confidential Information**. Publisher shall, with respect to the SCE Confidential Information:

(i) not disclose SCE Confidential Information to any person, other than those employees, directors or officers of the Publisher or subcontractors expressly approved under Section 3.2, whose duties justify a "need-to-know" and who have executed a confidentiality agreement in which such employees, directors, officers or subcontractors have agreed not to disclose and to protect and maintain the confidentiality of all confidential information and materials inclusive of those of third parties which may be disclosed to them or to which they may have access during the course of their duties. At the SCE Company's request, Publisher shall provide the SCE Company with a copy of such confidentiality agreement between Publisher and its employees, directors, officers, or subcontractors and shall also provide the SCE Company with a list of employee, director, officer, and subcontractor signatories. Publisher shall not disclose any of the SCE Confidential Information to third parties, other than expressly approved subcontractors under section 3.2, including to consultants or agents without the SCE Company's prior written consent. Any employees, directors, officers, subcontractors, authorized consultants and agents who obtain access to or copies of the SCE Confidential Information shall be advised by Publisher of the confidential or proprietary nature of the SCE Confidential Information, and Publisher shall be responsible for any breach of this Agreement by all such persons.

(ii) hold all of the SCE Confidential Information in confidence and take all measures necessary to preserve the confidentiality of the SCE Confidential Information in order to avoid disclosure, publication, or dissemination, using as high a degree of care and scrutiny, but at least reasonable care, as is consistent with

the protection of valuable trade secrets by companies in high technology industries.

(iii) ensure that all written materials relating to or containing the SCE Confidential Information be maintained in a restricted access area and plainly marked to indicate the proprietary and confidential nature thereof.

(iv) at the SCE Company's request, return promptly to the SCE Company any and all portions of the SCE Confidential Information, together with all copies thereof.

(v) not use, copy, reproduce, modify, create derivative works from, sublicense, distribute, or otherwise disseminate the SCE Confidential Information, or any portion thereof, except as expressly authorized, nor shall Publisher remove any proprietary legend set forth on or contained within any of the SCE Confidential Information.

13.1.4 **Exceptions**. The foregoing restrictions shall not apply to any portion of the SCE Confidential Information which:

(i) was previously known by Publisher without restriction on disclosure or use, as proven by written documentation of Publisher;

(ii) is or legitimately becomes part of the public domain through no fault of Publisher or any of its employees, directors, officers, consultants or agents;

(iii) is independently developed by Publisher's employees or consultants who have not had access to or otherwise used the SCE Confidential Information (or any portion thereof), as proven by written documentation of Publisher;

(iv) is required to be disclosed by court, administrative or governmental order; provided that Publisher must use all reasonable efforts prior to issuance of any such order to maintain the confidentiality of the SCE Confidential Information, including asserting in any action or investigation the restrictions set forth in this Agreement, and, immediately after receiving notice of any such action, investigation, or threatened action or investigation, Publisher must notify the SCE Company of such action, investigation, or threatened action or investigation, unless Publisher is ordered by a court not to so notify; or

(v) is approved for release by written authorization of the SCE Company.

13.1.5 **No Obligation to License**. Disclosure of the SCE Confidential Information to Publisher shall not (i) constitute any option, grant or license from the SCE Company to Publisher under any SCE Intellectual Property Rights now or after owned or controlled by the SCE Company; (ii) result in any obligation on the part of the SCE Company to approve any materials of Publisher; (iii) give Publisher any right to, directly or indirectly, develop, manufacture, sell or otherwise distribute any product derived from or which uses or was developed with the use of the SCE Confidential Information (or any portion thereof), other than as expressly set forth in this Agreement.

13.1.6 **Publisher's Obligations Upon Unauthorized Disclosure**. If at any time Publisher becomes aware of any unauthorized duplication, access, use, possession or knowledge of any of the SCE Confidential Information, it shall notify the SCE Company as soon as reasonably practicable, and shall promptly act to recover any such information and prevent further breach of the confidentiality obligations herein. Publisher shall provide any and all reasonable assistance to the SCE Company to protect the SCE Company's proprietary rights in any of the SCE Confidential Information that Publisher or its employees, directors, officers, or permitted subcontractors, consultants, or agents may have directly or indirectly disclosed or made available, and that may be duplicated, accessed, used, possessed or known in any manner or for any purpose not expressly authorized by this Agreement, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with the SCE Company) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by the SCE Company to protect the SCE Company's proprietary rights in the SCE Confidential Information. Publisher shall take all steps requested by the SCE Company to prevent the recurrence of any unauthorized duplication, access, use, possession or knowledge of the SCE Confidential Information.

13.2 **Publisher's Confidential Information**.

13.2.1 **Definition of Publisher's Confidential Information**. "Publisher's Confidential Information" shall mean:

(i) any Publisher Software provided to the SCE Company pursuant to this Agreement and all documentation and information relating thereto, including Product Proposals, Printed Materials and Advertising Materials (other than documentation and information intended for release to and use by end users, the general public or the trade);

(ii) other documents and materials developed, owned, licensed or under the control of Publisher, including all processes, data, hardware, software, inventions, trade secrets, ideas, creations, improvements, designs, discoveries, developments, research and know-how; and

(iii) information and documents regarding Publisher's finances, business, marketing and technical plans, business methods and production plans.

Publisher's Confidential Information may consist of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to the SCE Company before or during the Term, including information subsequently reduced to tangible or written form.

13.2.2 **Term of Protection of Publisher's Confidential Information**. The term for the protection of Publisher's Confidential Information shall commence on the Effective Date and shall continue in full force and effect for as long as any of Publisher's Confidential Information continues to be maintained as confidential and proprietary by Publisher.

13.2.3 **Preservation of Confidential Information of Publisher**. The SCE Company shall, with respect to Publisher's Confidential Information:

(i) hold all Publisher's Confidential Information in confidence and take all reasonable steps to preserve the confidentiality of Publisher's Confidential Information, and to prevent it from falling into the public domain or into the possession of persons other than those persons to whom disclosure is authorized hereunder.

(ii) not disclose Publisher's Confidential Information to any person other than the SCE Company's or a Designated Manufacturing Facility's employees, directors, agents, consultants and subcontractors who need to know or have access to Publisher's Confidential Information for the purposes of this Agreement, and only to the extent necessary for such purposes.

(iii) ensure that all written materials relating to or containing Publisher's Confidential Information be maintained in a secure area and plainly marked to indicate the proprietary and confidential nature thereof.

(iv) at Publisher's request, return promptly to Publisher any and all portions of Publisher's Confidential Information, together with all copies thereof.

(v) not use Publisher's Confidential Information, or any portion thereof, except as provided herein, nor shall the SCE Company remove any proprietary legend set forth on or contained within any of Publisher's Confidential Information.

13.2.4 **Exceptions**. The foregoing restrictions shall not apply to any portion of Publisher's Confidential Information which:

(i) was previously known by the SCE Company without restriction on disclosure or use, as proven by written documentation of the SCE Company;

(ii) comes into the possession of the SCE Company from a third party which is not under any obligation to maintain the confidentiality of such information;

(iii) is or legitimately becomes part of information in the public domain through no fault of the SCE Company, or any of its employees, directors, agents, consultant or subcontractors;

(iv) is independently developed by the SCE Company's employees, consultants or subcontractors who have not had access to or otherwise used Publisher's Confidential Information (or any portion thereof), as proven by written documentation of the SCE Company;

(v) is required to be disclosed by court, administrative, or governmental order; provided that the SCE Company attempts, prior to the issuance of any such order, to maintain the confidentiality of Publisher's Confidential Information, including asserting in any action or investigation the restrictions set forth in this Agreement, and immediately after receiving notice of any such action, investigation, or threatened action or investigation, notifies Publisher of such action, investigation, or threatened action or investigation, unless the SCE Company is ordered by a court not to so notify; or

(vi) is approved for release by written authorization of Publisher.

13.2.5 **SCE Company's Obligations Upon Unauthorized Disclosure**. If at any time the SCE Company becomes aware of any unauthorized duplication, access, use, possession or knowledge of Publisher's Confidential Information, it shall notify Publisher as soon as is reasonably practicable. The SCE Company shall provide any and all reasonable assistance to Publisher to protect Publisher's proprietary rights in any of Publisher's Confidential Information that it or its employees or permitted subcontractors may have directly or indirectly disclosed or made available and that may be duplicated, accessed, used, possessed or known in a manner or for a purpose not expressly authorized by this Agreement, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with Publisher) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by Publisher to protect Publisher's proprietary rights in Publisher's Confidential Information. The SCE Company shall take all reasonable steps requested by Publisher to prevent the recurrence of any unauthorized duplication, access, use, possession or knowledge of Publisher's Confidential Information.

13.3 **Confidentiality of Agreement**. While the terms of this Agreement and the Regional Rider shall be treated as SCE Confidential Information, Publisher may disclose their terms and conditions:

(i) to legal counsel;

(ii) in confidence, to accountants, banks and financing sources and their advisors;

(iii) in confidence, in connection with the enforcement of this Agreement or rights arising under or relating to this Agreement; and

(iv) if required, in the opinion of its counsel, to file publicly or otherwise disclose the terms of this Agreement under applicable securities or other laws, Publisher shall promptly notify the SCE Company of such obligation so that the SCE Company has a reasonable opportunity to contest or limit the scope of such required disclosure, and Publisher shall request, and shall use best efforts to obtain, confidential treatment for such sections of this Agreement as the SCE Company may designate.

14. Term Renewal and Termination.

14.1 **Term Renewal**. The Term shall be automatically extended for additional one-year terms, unless either party provides the other with written notice of its election not to extend on or before January 31 of the year in which the Term would renew. Notwithstanding the foregoing, the term for the protection of SCE Confidential Information and Publisher's Confidential Information shall be as set forth in Sections 13.1 2 and 13.2.2 respectively.

14.2 **Termination by SCE Company**. The SCE Company shall have the right to terminate the Agreement immediately, on written notice to Publisher, upon the occurrence of any of the following:

(i) If Publisher is in material breach of any of its obligations under the Agreement or under any other agreement entered into between the SCE Company or any Affiliate, on the one hand, and Publisher on the other hand;

(ii) A statement of intent by Publisher to no longer exercise any of the rights granted by the

SCE Company to Publisher hereunder or Publisher failing to submit materials under section 6.1 or failing to issue any Purchase Orders during any period of twelve consecutive calendar months;

(iii) If Publisher (a) is unable to pay its debts when due; (b) makes an assignment for the benefit of any of its creditors; (c) flies or has filed against it a petition, or an order of bankruptcy or insolvency is made, under the bankruptcy or insolvency laws of any jurisdiction (and such petition is not discharged within 60 days) or becomes or is adjudicated bankrupt or insolvent; (d) is the subject of an order for, or applies for or notices its intent to apply for, the appointment of an administrator, receiver, administrative receiver, manager, liquidator, trustee or similar officer to be appointed over any of its business or property; (e) ceases to do business or enters into liquidation; or (f) takes or suffers any similar or analogous action in any jurisdiction as a consequence of debt;

(iv) If a controlling interest in Publisher or in an entity which directly or indirectly has a controlling interest in Publisher is transferred to a party that (a) is in breach of any agreement with the SCE Company or any Affiliate; (b) directly or indirectly holds or acquires a controlling interest in a third party which designs, develops any of the core components for an interactive device or product which is directly or indirectly competitive with the System, or itself develops any product that is directly or indirectly competitive with the System; or (e) is in litigation or in an adversarial administrative proceeding with the SCE Company or any Affiliate concerning the SCE Confidential Information or any SCE Intellectual Property Rights, including challenging validity of any SCE Intellectual Property Rights;

(v) If Publisher or any entity that directly or indirectly has a controlling interest in Publisher (a) enters into a business relationship with a third party related to the design or development or any core components for an interactive device or product which is directly or indirectly competitive with the System; or (b) acquires an interest in or otherwise forms a strategic business relationship with any third party which has developed or owns or acquires intellectual property rights in any such device or product;

(vi) If Publisher or any of its affiliates initiates any legal or administrative action against the SCE Company or any Affiliate or challenges the validity of any SCE Intellectual Property Rights;

(vii) If Publisher fails to pay any sums owed to the SCE Company on the date due and such default is not fully corrected or cured within ten (10) business days of the date on which such payment was originally due; or

(viii) If Publisher or any of its officers or employees engage in “hacking” of any software for any PlayStation format or in activities which facilitate the same by any third party.

As used hereinabove, “controlling interest” means, with respect to any form of entity, sufficient power to control the decisions of such entity. Publisher shall immediately notify the SCE Company in writing in the event that any of the events or circumstances specified in this Section 14.2 occur. In the event of termination under 14.2(viii), the SCE Company shall have the right to terminate any other agreements entered into between the SCE Company and Publisher.

14.3 **Product-by-Product Termination**. In addition to the events of termination described in Section 14.2, the SCE Company, at its option, shall be entitled to terminate, with respect to a particular Licensed Product, the licenses and related rights herein granted to Publisher immediately on written notice to Publisher, in the event that (a) Publisher fails to notify the SCE Company promptly in writing of any material change to any materials previously approved by the SCE Company in accordance with Sections 6 and the relevant Guidelines, and such breach is not corrected or cured within 30 days after receipt of written notice of such breach; (b) Publisher uses a third party that fails

to comply with the requirements of Section 3.2 in connection with the development of any Licensed Product; (c) any third party with whom Publisher has contracted for the development of Licensed Products breaches any of its material obligations to the SCE Company pursuant to such third party’s agreement with the SCE Company with respect to any such Licensed Product; (d) Publisher cancels a Licensed Product or fails to provide the SCE Company, in accordance with the provisions of Section 6 and the relevant Guidelines, with the final version of the Executable Software for any Licensed Product within three months of the scheduled release date (as referenced in the Product Proposal or as otherwise mutually agreed by the parties in writing), fails to provide work in progress to the SCE Company in strict compliance with the review process set forth in the Guidelines, fails to provide fully tested final Executable Software in strict conformance with the Guidelines; or (e) Publisher otherwise fails materially to conform to the Guidelines with respect to any particular Licensed Product.

14.4 **Options in Lieu of Termination**. As alternatives to terminating the Agreement or all licensed rights with respect to a particular Licensed Product as set forth in Sections 14.2 and 14.3, the SCE Company may, at its option and upon written notice to Publisher, suspend this Agreement, entirely or with respect to a particular Licensed Product or program, for a set period of time which shall be specified in writing to Publisher upon the occurrence of any breach of this Agreement. Election of suspension shall not constitute a waiver of or compromise with respect to any of the SCE Company’s rights under this Agreement and the SCE Company may elect to terminate this Agreement with respect to any breach.

14.5 **No Refunds**. In the event that this Agreement expires or is terminated under any of Sections 14.2 through 14.4, no portion of any payments of any kind whatsoever previously provided hereunder shall be owed or be repayable or refunded to Publisher.

15. Effect of Expiration or Termination.

15.1 **Inventory Statement**. Within 30 days of the date of expiration or the effective date of termination with respect to any or all Licensed Products or this Agreement, Publisher shall provide the SCE Company with an itemized statement, certified to be accurate by an officer of Publisher, specifying the number of unsold Units of the Licensed Products as to which such termination applies, on a title-by title basis, which remain in its inventory or under its control at the time of expiration or the effective date of termination. The SCE Company shall be entitled to conduct at its expense a physical inspection of Publisher’s inventory and work in process upon reasonable written notice during normal business hours in order to ascertain or verify such inventory and inventory statement.

15.2 **Reversion of Rights**. Upon expiration or termination and subject to Section 15.3, the licenses and related rights herein granted to Publisher shall immediately revert to the SCE Company, and Publisher shall cease from any further use of the SCE Confidential Information, Licensed Trademarks and the SCE Materials and any SCE Intellectual Property Rights therein, and, subject to the provisions of Section 15.3, Publisher shall have no further right to continue the development, publication, manufacture, marketing, advertising, sale or other distribution of any Licensed Products, or to continue to use any Licensed Trademarks; provided, however, that for a period of one year after the effective date of termination, and subject to all the terms of Section 13, and provided this Agreement is not terminated due to any breach or default by Publisher, Publisher may retain such portions of the SCE Materials and the SCE Confidential Information as the SCE Company in its sole discretion agrees are required to support end users who possess Licensed Products but must return all these materials at the end of such one year period. Upon expiration or termination, the licenses and related rights herein granted to the SCE Company by Publisher shall immediately revert to Publisher, and the SCE Company shall cease from any further use of Product Information and any Publisher Intellectual Property Rights

therein; provided that the SCE Company may continue the manufacture, marketing, advertising, sale and other such distribution of any SCE Company demonstration discs containing Publisher's Product Information which Publisher had previously approved.

15.3 **Disposal of Unsold Units Upon Termination**. In the event of termination of this Agreement under sections 14.2(ii), (iv), or (v), Publisher may sell off existing inventories of Units of the Disc Products, on a non-exclusive basis, and strictly in accordance with this Agreement, for a period of [***] from the date of expiration or effective date of termination of this Agreement, and provided such inventories have not been manufactured solely or principally for sale during such period. Subsequent to the expiration of such [***], or in the event this Agreement is terminated under Sections 14.2(i), (iii), (vi), (vii). or (viii), any and all Units of the Disc Products remaining in Publisher's inventory or otherwise under its control shall be destroyed by Publisher within [***] of such expiration or termination date. Within [***] after such destruction, Publisher shall provide the SCE Company with an itemized statement, certified to be accurate by an officer of Publisher, indicating the number of Units of the Licensed Products which have been destroyed (on a title-by-title basis), the location and date of such destruction, and the disposition of the remains of such destroyed materials.

15.4 **Disposal of Unsold Units Upon Non- Renewal**. In the event that the Term expires and this Agreement is not renewed, Publisher may continue to publish those Licensed Products containing Executable Software whose development was completed before or during the Term, and to use the Licensed Trademarks strictly, only and directly in connection with such publication, until the Term expires or, if later, until the second anniversary of the 31 January next following such completion. Upon expiration of the Term or, the extended period for publishing Licensed Products, Publisher may sell off existing inventories of such Licensed Products on a non-exclusive basis for a period of [***] from the applicable expiration date; provided that such inventory is not manufactured solely or principally for sale within such sell-off period.

15.5 **Return of the SCE Materials and the SCE Confidential Information**. Upon the expiration or earlier termination of this Agreement or following either the [***] referenced in Sections 15.4 and 15.3 and subject to Section 15.2, Publisher shall immediately deliver to the SCE Company, or if and to the extent requested by the SCE Company, destroy, all SCE Materials and any and all copies thereof, and Publisher and the SCE Company shall, upon the request of the other party, immediately deliver to the other party, or to the extent requested by such party destroy, all Confidential Information of the other party, including any and all copies thereof, which the other party previously furnished to it in furtherance of this Agreement. Within five (5) working days after any such destruction, Publisher or the SCE Company, as appropriate, shall provide the other party with a certificate of destruction and an itemized statement, each certified to be accurate by an officer of Publisher, indicating the number of copies or units of the SCE Materials or SCE Confidential Information which have been destroyed, the location and date of such destruction and the disposition of the remains of such destroyed materials. In the event that Publisher fails to return or certify the destruction of the SCE Materials or SCE Confidential Information and the SCE Company must resort to legal means (including any use of lawyers) to recover the SCE Materials or SCE Confidential Information or the value thereof, all costs, including the SCE Company's reasonable lawyers' fees, shall be borne by Publisher, and the SCE Company, may, in addition to the SCE Company's other remedies, withhold such amounts from any payment otherwise due from the SCE Company to Publisher under any agreement between the SCE Company and Publisher.

15.6 **Extension of this Agreement; Termination Without Prejudice**. The SCE Company shall be under no obligation to extend this Agreement notwithstanding any actions taken by either of the parties prior to the expiration of this Agreement. Upon the expiration of this Agreement, neither party shall be liable to the other for any damages (whether direct, indirect, consequential or incidental, and including any expenditures, loss of profits or prospective profits) sustained or arising out of or alleged to have been sustained or to have arisen out of such expiration. The expiration or termination of this Agreement shall be without prejudice to any rights or remedies which one party may otherwise have against the other party, and shall not excuse either party from liability with respect to any events occurring prior to expiration or the effective date of termination.

16. Miscellaneous Provisions.

16.1 **Notices**. All notices or other communications required or desired to be sent to either of the parties shall be in writing and shall be sent by registered or certified mail, postage prepaid, or sent by recognized international courier service, or facsimile, with charges prepaid. The address for all notices or other communications required to be sent to the SCE Company or Publisher, respectively, shall be the mailing address stated in the preamble hereof, or such other address as may be provided by written notice from one party to the other on at least ten (10) days' prior written notice. Any such notice shall be effective upon the date of actual receipt, as confirmed by the receiving party.

16.2 **Audit Provisions**. Publisher shall keep full, complete, and accurate books of accounts and records covering all transactions relating to this Agreement. Publisher shall preserve such books of accounts, records, documents, and materials for a period of [***] after the expiration or earlier termination of this Agreement. Acceptance by the SCE Company of any accounting statement, purchase order, or payment hereunder will not preclude the SCE Company from challenging or questioning the accuracy thereof at a later time. In the event that the SCE Company reasonably believes that the pricing information provided by Publisher with respect to any Licensed Product is not accurate, the SCE Company shall be entitled to request additional documentation from Publisher to support the pricing information provided for such Licensed Product. In addition, during the Term and for a period of [***] thereafter and upon the giving of reasonable prior written notice to Publisher, at the SCE Company's expense, representatives of the SCE Company shall be given access to, and the right to inspect, audit, and make copies and summaries of and take extracts from, such portions of all books and records of Publisher, and Publisher's affiliates and branch offices, as pertain to the Licensed Products and any payments due or credits received hereunder. Any such audit shall take place during normal business hours and shall, at the SCE Company's sole election, be conducted either by an independent certified accountant or by an appropriately professionally qualified SCE Company employee. In the event that such inspection reveals any under-reporting of any payment due to the SCE Company, Publisher shall immediately pay the SCE Company such amount. In the event that any audit conducted by the SCE Company reveals that Publisher has under-reported any payment due to the SCE Company hereunder by [***] or more for the relevant audit period, then in addition to the payment of the appropriate amount due to the SCE Company, Publisher shall reimburse the SCE Company for all reasonable audit costs for that audit and any and all collection costs to recover any unpaid amounts.

16.3 **Force Majeure**. Neither the SCE Company nor Publisher shall be liable for any loss or damage or be deemed to be in breach of this Agreement if its failure to perform or failure to cure any of its obligations under this Agreement results from any event or circumstance beyond its reasonable control, including any natural disaster, fire, flood, earthquake or other Act of God; shortage of equipment, materials, supplies or transportation facilities; strike or other industrial dispute; war or rebellion; shutdown or delay in power, telephone or other essential service due to the

failure of computer or communications equipment or otherwise; provided, however, that the party interfered with gives the other party written notice thereof promptly, and, in any event, within fifteen (15) business days of discovery of any such Force Majeure condition. If notice of the existence of any Force Majeure condition is provided within such period, the time for performance or cure shall be extended for a period equal to the duration of the Force Majeure event or circumstance described in such notice, except that any such cause shall not excuse the payment of any sums owed to the SCE Company prior to, during or after the occurrence of any such Force Majeure condition. In the event that the Force Majeure condition continues for more than 60 days, the SCE Company may terminate this Agreement for cause by providing written notice to Publisher to such effect.

16.4 **No Agency, Partnership or Joint Venture**. The relationship between the SCE Company and Publisher, respectively, is that of licensor and licensee. Both parties are independent contractors and neither party is the legal representative, agent, joint venturer, partner or employee of the other party for any purpose whatsoever. Neither party has any right or authority to assume or create any obligations of any kind or to make any representation or warranty on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

16.5 **Assignment**. The SCE Company has entered into this Agreement based upon the particular reputation, capabilities and experience of Publisher and its officers, directors and employees. Except as provided in this Agreement, Publisher may not assign, sublicense, subcontract, encumber or otherwise transfer this Agreement or any of its rights hereunder, nor delegate or otherwise transfer any of its obligations hereunder, to any third party unless the prior written consent of the SCE Company shall first be obtained. Any attempted or purported assignment, delegation or other such transfer, directly or indirectly, without the required consent of the SCE Company shall be void and a material breach of this Agreement.

Subject to the foregoing, this Agreement shall inure to the benefit of the parties and their respective successors and permitted assigns (other than in connection with any of the events referenced in Section 14.2(iv).) The SCE Company shall have the right to assign any and all of its rights and obligations hereunder to any Affiliate(s) or to any company in the Sony family group of companies.

16.6 **Non-solicitation**. Neither Publisher nor any of its affiliates, by itself, its officers, employees or agents, or indirectly, shall during the Term, induce or seek to induce, on an individually targeted basis, the employment or the engagement of the services of, any employee of the SCE Company or any of its Affiliates, whose services are (a) specifically engaged in product development or directly related functions or (b) otherwise reasonably deemed by his or her employer to be of material importance to the protection of its legitimate business interests, and (c) with whom Publisher or any of its affiliates shall have had contact or dealings during the Term. The foregoing provisions shall continue to apply for a period of 12 months after this Agreement expires or is terminated.

16.7 **Compliance with Applicable Laws**. The parties shall at all times comply with all applicable laws and regulations and all conventions and treaties to which their countries are a party or relating to or in any way affecting this Agreement and the performance by the parties of this Agreement, including the US Children's Online Privacy Protection Act and all other laws and regulations relating to the gathering, handling and dissemination of all data from or concerning end users of Online Products. Each party, at its own expense, shall negotiate and obtain any approval, license or permit required in the performance of its obligations, and shall declare, record or take such steps to render this Agreement binding, including the recording of this Agreement with any appropriate governmental authorities (if required).

16.8 **Legal Costs and Expenses**. In the event it is necessary for either party to retain the services of a lawyer to enforce the provisions of

this Agreement or to file or defend any action arising out of this Agreement, then the prevailing party in any such action shall be entitled, in addition to any other rights and remedies available to it at law or in equity, to recover from the other party its reasonable fees for lawyers and expert witnesses, plus such court costs and expenses as may be fixed by any court of competent jurisdiction. The term "prevailing party" for the purposes of this Section shall include a defendant who has by motion, judgment, verdict or dismissal by the court, successfully defended against any claim that has been asserted against it.

16.9 **Remedies**. Unless expressly set forth to the contrary, either party's election of any remedies provided for in this Agreement shall not be exclusive of any other remedies at law or equity, and all such remedies shall be deemed to be cumulative. Any breach of Sections 2, 3, 5, 6, 7.1 - 7.7, 13 or 15 of this Agreement would cause significant and irreparable harm to the SCE Company, the extent of which would be difficult to ascertain and for which damages might not be an adequate remedy. Accordingly, in addition to any other remedies, including damages to which the SCE Company may be entitled, in the event of a breach or threatened breach by Publisher, or any of its directors, officers, employees, agents or permitted consultants or subcontractors, of any such Section or Sections of this Agreement, the SCE Company shall be entitled to the immediate issuance without bond or other security, of ex parte equitable relief, including injunctive relief, or, if a bond is required under applicable law, on the posting of a bond in an amount not to exceed USD [***], enjoining any breach or threatened breach of any or all of such provisions. In addition, if Publisher fails to comply with any of its obligations as set forth herein, the SCE Company shall be entitled to an accounting and repayment of all forms of compensation, commissions, remuneration or benefits which Publisher directly or indirectly realizes as a result of or arising in connection with any such failure to comply. Such remedy shall be in addition to and not in limitation of any injunctive relief or other remedies to which the SCE Company may be entitled under this Agreement or otherwise at law or in equity.

16.10 **Severability**. In the event that any provision of this Agreement or portion thereof is determined by a court of competent jurisdiction to be invalid or otherwise unenforceable, such provision or portion shall be enforced to the extent possible consistent with the stated intention of the parties, or, if incapable of such enforcement, shall be deemed to be deleted from this Agreement, while the remainder of this Agreement shall continue in full force and remain in effect according to its stated terms and conditions.

16.11 **Sections Surviving Expiration or Termination**. The following Sections shall survive the expiration or earlier termination of this Agreement for any reason: 5, 6.2, 6.3, 6.4, 7.10, 9, 10, 11, 13, 14.5, 15 and 16 and any terms in any Regional Rider that are expressly designated as surviving termination.

16.12 **Waiver**. No failure or delay by either party in exercising any right, power or remedy under this Agreement shall operate as a waiver of any such right, power or remedy. No waiver of any provision of this Agreement shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. Any waiver by either party of any provision of this Agreement shall not he construed as a waiver of any other provision of this Agreement, nor shall such waiver operate or be construed as a waiver of such provision respecting any future event or circumstance.

16.13 **Modification and Amendment**. The SCE Company reserves the right, at any time upon reasonable notice to Publisher, to amend the relevant provisions of this Agreement or the Guidelines, to take account of or in response to any decision, order, or objection of any court or governmental or other competition authority of competent jurisdiction, or any statutory or similar measures that give effect to any such decision (from which this Agreement and the Guidelines are not exempt) or to reflect any undertaking by the SCE Company to any such authority. Any such amendment shall be of

prospective application only and shall not be applied to any Licensed Products submitted to the SCE Company pursuant to Section 6 prior to the date of the SCE Company's notice of amendment. In the event that Publisher is unwilling to accept any such amendment, then Publisher shall have the right to terminate this Agreement by providing written notice to the SCE Company no more than 90 days following the date of the SCE Company's notice of amendment. The provisions of Section 15.3 shall come into effect upon any such termination by Publisher. Subject to the remainder of this Section 16.14 and except as otherwise provided in this Agreement, no modification or amendment of any provision of this Agreement shall be effective unless in writing and signed by both of the parties.

16.14 **Interpretation**. The section headings used in this Agreement are intended primarily for reference and shall not by themselves determine the construction or interpretation of this Agreement or any portion hereof. Any reference to section numbers are to the sections of this Agreement. Any reference to persons includes natural persons as well as organizations, including firms, partnerships, companies and corporations. Any phrase introduced by the terms "including," "include," "in particular," or any similar expression shall be construed as illustrative and shall not limit the category preceding those terms.

16.15 **Integration**. This Agreement, together with the Guidelines, constitutes the entire agreement between the SCE Company and Publisher and supersedes all prior or contemporaneous agreements, proposals, representations, understandings and communications between the SCE Company and Publisher, whether oral or written, with respect to the subject matter hereof, including any PlayStation 3 Confidentiality and Nondisclosure Agreement between the SCE Company and Publisher. Publisher is not relying upon any statement, representation, warranty or understanding, whether negligently or innocently made, of any person other than as expressly set out in this Agreement.

16.16 **Counterpart**. This Agreement may be executed in counterparts, each of which shall be deemed an original, and together shall constitute one and the same instrument.

16.17 **Construction**. This Agreement shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against either of the parties.

THIS AGREEMENT HAS BEEN ENTERED INTO ON THE DATE STATED AT THE BEGINNING OF IT.

SONY COMPUTER ENTERTAINMENT AMERICA INC.	**ACTIVISION INC.**
By: /s/ Riley R. Russell	By: /s/ Michael Griffith
Print Name: Riley R. Russell	Print Name: Michael Griffith
Title: SVP - SCEA	Title: Pres & CEO Activision Publishing
Date: 3/13/07	Date: 3/7/07

NOT AN AGREEMENT UNTIL EXECUTED BY BOTH PARTIES

SONY COMPUTER ENTERTAINMENT AMERICA INC.
NORTH AMERICAN TERRITORY RIDER TO THE
GLOBAL PLAYSTATION3 FORMAT LICENSED PUBLISHER AGREEMENT

This **North American Territory Rider to the Global PlayStation®3 Format Licensed Publisher Agreement** (the "Rider or "North American Rider") is entered into and rendered effective as of this 5th day of March, 2007 (the "Effective Date").

1. Incorporation

This Rider's terms and conditions are incorporated into and read in conjunction with the terms and conditions of the Global PlayStation 3 Format Licensed Publisher's Agreement signed by Publisher ("PS3 LPA").

2. Definitions

All capitalized words and phrases referenced in this Rider that are not expressly defined herein shall have the meanings set forth in the Definitions section of the PS3 LPA.

2.1 "PSN Services" means any function, feature, capability, utility or service provided by SCEA or its Affiliates via the PlayStation Network, including, but not limited to, user identification names, associated user lists and functions to maintain or control such lists, communication utilities such as chat and messaging and commerce-related services.

2.2 "Wholesale Price" or "WSP" means the initial wholesale price Publisher offers to retailers of Disc Products as evidenced by sell sheets or other trade materials. No deduction for volume discounts, cooperative marketing, merchandising incentives, or other sales or marketing programs shall be taken to determine the initial wholesale price for the purpose of calculating royalties.

3. Territory

A. The Territory pursuant to this Rider and the PS3 LPA is expressly limited to the following countries and territories:

(1) The United States of America and its territories and possessions; and

(2) Canada.

B. SCEA shall be entitled to modify and amend the Territory from time to time during the Term by providing written notice of any such changes to Publisher. In the event a country is deleted from the Territory, SCEA shall deliver to Publisher a written notice stating the number of days within which Publisher must cease distributing Licensed Products and must retrieve any Development Tools located, in any deleted country.

C. Publisher shall not, directly or indirectly, solicit orders for or sell any Units of Disc Products in any situation where Publisher knows or reasonably should know that any of such Disc Products may be exported to or resold outside of the Territory.

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4. Royalties Applicable to Licensed Products

A. Disc Products.

(i) **Initial Orders**. In accordance with Section 9 of the PS3 LPA, Publisher shall pay SCEA, either directly or through its designee, a royalty in United States dollars for each Unit of the Disc Products manufactured, as follows:

For product distributed on a 25GB BD: [***]

For product distributed on a 50GB BD: [***]

To insure quality, royalty payments include manufacturing of the BluRay disc and Packaging, excluding Printed Materials and inserts. In the future and at its sole discretion, SCEA may allow Publisher to use alternative packaging facilities provided that Publisher can prove that it can meet all of SCEA's quality assurance criteria set forth in the Guidelines. At that time, SCEA may restructure royalties to account for costs related to Packaging.

In the absence of satisfactory evidence to support the WSP, the royalty rate that shall apply will be [***] for a BluRay 25 disc and [***] for a BluRay 50 disc, per Unit. Upon receipt of any notice of change in royalties under Section 9.1 of the PS3 LPA, Publisher shall have the option to terminate this Agreement upon written notice to SCEA and discontinue all production, publishing, marketing, advertising, sale, distribution and other exploitation of Licensed Products, rather than having such revised royalty structure go into effect.

(ii) **Reorders and Other Programs**. Royalties on additional orders for Disc Products shall be the royalty determined by the initial Wholesale Price as originally reported by Publisher for that Disc Product, regardless of the wholesale price of the Disc Product at the time of reorder, except: (a) in the event that the Wholesale Price increases for such Disc Product, in which case the royalty shall be adjusted upwards to reflect the higher Wholesale Price; or (b) the product qualifies for an alternative royalty program offered by SCEA. Disc Products qualifying for SCEA's "Greatest Hits" programs or other SCEA alternative royalty programs shall be subject to the royalty rates applicable for such programs. As of the Effective Date, SCEA has not established a "Greatest Hits" or alternative royalty program for the PlayStation 3 computer entertainment system.

(iii) **Third Party Publisher Demo Disc Program Royalties**. Publisher shall be able to produce demonstration discs on such terms and conditions that shall be established by SCEA and published in the PlayStation 3 Source Book. The quantity of Units ordered shall comply with the terms of such SCEA Established Third Party Demo Disc Program.

B. Online Products.

On a site that allows end-users access to Online Gameplay, for revenue, income, or other monetary value ("Consumer Value") that is earned, recognized, or otherwise derived by Publisher without cost to consumers, including revenue recognized through distribution of Licensed Products or services provided free of charge to end-users, the following fees apply:

For sites that use any PSN services: [***]

For sites that do not use any PSN services: [***]

Prior to distributing a Licensed Product to consumers without cost or other consideration, Publisher shall confer with SCEA to determine the deemed Consumer Value of a Licensed Product.

C. Advertising. Content or services that are supported by advertising shall be subject to a separate agreement and to SCEA's advertising policies and procedures. No advertisements shall be placed in Online Products nor shall advertisements be placed or served dynamically in Licensed Products without a separate express license from SCEA. SCEA reserves the right to charge an additional or different royalty for third-party advertising in-game, whether dynamic or static.

5. Accounting.

Publisher shall provide SCEA with monthly reports of the gross Consumer Value revenues actually received by Publisher (or otherwise credited to its benefit). Such monthly reports shall be delivered on a per title basis to SCEA no later than thirty (30) days after the end of each month, beginning with the month in which Publisher launches a title-specific site that allows end-users access to Online Gameplay of that title. SCEA shall have the right to adopt and implement online royalty accounting verification mechanisms at its sole discretion.

6. Additional Regional Terms.

6.1 [***]

6.2 Subpublishing Prohibited. Publisher's license to publish Licensed Products in the Territory under the PS3 LPA does not extend to Licensed Products previously published for the PlayStation 3 computer entertainment system by another Licensed Publisher.

6.3 Liquidated Damages. As an additional option in lieu of termination under Section 14.4 of the PS3 LPA, SCEA may require Publisher to pay liquidated damages of [***] for certain breaches of the Agreement, including violations of SCEA's trademark rights under Section 6.8.2 of the PS3 LPA. Liquidated damages may be invoiced separately or on Publisher's next invoice for Disc Products. Election of liquidated damages shall not constitute a waiver of or compromise with respect to any of SCEA's rights under this Rider or the PS3 LPA and SCEA may elect to terminate the PS3 LPA with respect to any breach.

6.4 Additional Ground for Termination. If Publisher fails to pay any sums owed to SCEA (including liquidated damages pursuant to Section 6.3 of this Rider) on the date due and such default is not fully corrected or cured within [***] of the date on which such payment was originally due, SCEA shall be entitled to terminate under Section 14.2 of the PS3 LPA.

6.5 Subcontractors. SCEA requires that Publisher enter into a Subcontractor Agreement for use of subcontractors under Sections 2.1(i), 3.2 and 16.7(ii) of the PS3 LPA. Each Subcontractor Agreement shall provide that SCEA has the full right to bring any actions against the signing subcontractor, to require the subcontractor to comply with all the terms and conditions of the PS3 LPA or the Subcontractor Agreement. Publisher shall provide a copy of any proposed Subcontractor Agreement to SCEA prior to, and a fully-executed copy promptly following, execution of the Subcontractor Agreement. Publisher shall give SCEA written notice of the identity of any prospective subcontractor no less than ten (10) business days prior to entering into an agreement or other arrangement with the prospective subcontractor.

7. Notices.

Any notices required under this Rider or the PS3 LPA shall be delivered addressed to the following persons:

For Publisher: Michael Griffith
Activision Inc.
3100 Ocean Park Blvd.
Santa Monica, CA 90405

For SCEA: ATTN: General Counsel
Sony Computer Entertainment America Inc.
919 East Hillsdale Boulevard
Foster City, CA 94404

8. Governing Law

This Agreement and the Terms and Conditions shall be governed by and interpreted in accordance with the laws of the State of California, excluding that body of law related to choice of laws, and of the United States of America. Any action or proceeding brought to enforce the terms of this Agreement or the Terms and Conditions or to adjudicate any dispute arising hereunder shall be brought in the Superior Court of the County of San Mateo, State of California or the United States District Court for the Northern District of California. Each of the parties hereby submits itself to the exclusive jurisdiction and venue of such courts for purposes of any such action and agrees that any service of process may be effected by delivery of the summons in the manner provided in the delivery of notices set forth in Section 15.1 of the Terms and Conditions. Notwithstanding the foregoing, SCEA may apply to any court of competent jurisdiction within the Licensed Territory seeking a temporary restraining order, preliminary injunction, or other interim or conservatory relief, with respect to the protection of any intellectual property rights or Confidential Information of or concerning the SCE Group Companies or the System, including, without limitation, the SCE Materials and Licensed Trademarks.

9. Dispute Resolution

The Parties shall attempt in good faith to resolve through informal discussions or negotiations any dispute, controversy or claim of any kind or nature arising under or in connection with this Agreement, including breach, termination or validity thereof (a "Dispute"). Any Dispute that the Parties are unable to resolve through informal discussions or negotiations after 30 days will be submitted to binding arbitration conducted in accordance with and subject to the Commercial Arbitration Rules of the American Arbitration Association ("AAA") except to the extent otherwise required under this dispute resolution clause. One arbitrator will be selected by the Parties' mutual agreement or, failing that, by the AAA. The arbitrator must have substantial experience in disputes involving technology licensing agreements. The arbitrator will allow such discovery as is appropriate, and impose such restrictions as are appropriate, consistent with the purposes of arbitration in accomplishing fair, speedy and cost-effective resolution of disputes, except that (i) no requests for admissions will be permitted; (ii) interrogatories will be limited to (a) identifying persons with knowledge of relevant facts and b) identifying expert witnesses and obtaining their opinions and the bases therefor; and (iii) each party will be limited to five (5) depositions. Judgment upon the award rendered in any such arbitration may be entered in any court having jurisdiction thereof. Any arbitration conducted pursuant to this section will take place in San Francisco, California. Each Party will bear its own costs. The Parties will share equally in paying the expenses and fees of the arbitrator. The arbitrator may not alter the foregoing allocation of the parties' costs, nor of the arbitrator's fees and expenses. Other than those matters involving injunctive relief or any action necessary to enforce the award of the arbitrator, the Parties agree that the provisions of this section are a complete defense to any suit, action or other proceeding instituted in any court or before any administrative tribunal with respect to any Dispute.

Exhibit 10.56

CONFIDENTIAL

FIRST ADDENDUM TO FIRST RENEWAL LICENSE AGREEMENT FOR THE GAME BOY ADVANCE VIDEO GAME SYSTEM (EEA, AUSTRALIA AND NEW ZEALAND)

THIS First Addendum Agreement is entered into by and between Nintendo Co., Ltd. (hereinafter "NCL"), and Activision, Inc. and its subsidiaries (hereinafter collectively referred to as "Licensee").

1.0 Recitals

1.1 The Game Boy Advance Renewal License Agreement for the EEA, Australia and New Zealand between NCL and Licensee was executed by the parties ("First Renewal Agreement") on April 28, 2005.

1.2 Licensee desires to make the following changes to the First Renewal Agreement:

(a) the Licensee name "Activision, Inc., a corporation of California" shall be changed to "Activision, Inc., a corporation of Delaware" in the Introductory paragraph;

(b) the subsidiary name "ATVI France, S.A.R.L." shall be changed to "ATVI France, S.A.S." in the Introductory paragraph and in the signature block;

(c) "Activision Publishing, Inc., a corporation of Delaware," shall be added as a Party; and

(d) the contact person "Michael Hand" shall be changed to "George Rose" in the Introductory paragraph; and

(e) the signatory for ATVI France, S.A.S. shall be changed from "Patrick Chachaut" to "George Rose."

1.3 NCL is agreeable to these changes.

NOW, THEREFORE, in consideration of the rights and covenants contained herein and in the aforementioned First Renewal Agreement, the parties agree as follows:

2.0 The Introductory paragraph and Signature blocks shall be changed as described in Clause 1.2 above.

3.0 All other provisions of the First Renewal Agreement shall remain in full force and effect, and the First Renewal Agreement shall be interpreted in a manner consistent with this addendum agreement.

IN FURTHER WITNESS WHEREOF, NCL and Licensee have caused these presents to be signed by the respective corporate officers hereunto duly authorized:

NCL:
Nintendo Co., Ltd.

By: /s/ Satoru Iwata

President

Date: June 20, 2006

LICENSEE:
Activision, Inc.

By: /s/ George Rose
George Rose
General Counsel

Date: April 1, 2006

LICENSEE:
Activision Publishing, Inc.

By: /s/ George Rose
George Rose
Title:

Date: April 1, 2006

LICENSEE:
Activision UK, Ltd.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

LICENSEE:
ATVI France, S.A.S.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

LICENSEE:
Activision GmbH

By: /s/ George Rose
George Rose
Managing Director

Date: April 1, 2006

LICENSEE:
Activision

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

[***] DENOTES CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

September 12, 2005 **CONFIDENTIAL**

FIRST RENEWAL LICENSE AGREEMENT FOR THE NINTENDO GAMECUBE SYSTEM (EEA)

THIS LICENSE AGREEMENT ("Agreement") is entered into between NINTENDO CO., LTD. ("NCL") at 11-1 Kamitoba Hokotate-cho, Minami-ku, Kyoto, Japan 601-8501 (Fax: 81.75.662.9619), Attn: General Manager, International Business Administrative Department; and ACTIVISION, INC., a corporation of Delaware, and its subsidiaries (Activision Publishing, Inc., a corporation of Delaware, Activision UK, Ltd., a limited company of the United Kingdom; ATVI France, S.A.S., a corporation of France; Activision GmbH, a corporation of Germany, and Activision Pty., Ltd., a limited company of Australia) (jointly and severally "LICENSEE") at 3100 Ocean Park Blvd., Santa Monica, CA 90405, Attn: Mr. George Rose (Fax: 310.255.2152). NCL and LICENSEE agree as follows:

1. RECITALS

1.1 NCL designs, develops, manufactures, markets and sells advanced design, high-quality video game systems, including the "NINTENDO GAMECUBE™" system.

1.2 LICENSEE desires use of the highly proprietary programming specifications, unique and valuable security technology, trademarks, copyrights and other valuable intellectual property rights of NCL, which rights are only available for use under the terms of a license agreement, to develop, have manufactured, advertise, market and sell video game software for play on the NINTENDO GAMECUBE system.

1.3 NCL is willing to grant a license to LICENSEE on the terms and conditions set forth in this Agreement.

1.4 By a prior agreement between the parties effective June 5, 2002 (hereinafter the "Initial Agreement"), NCL granted to LICENSEE the right to develop video game software compatible with the NINTENDO GAMECUBE System, embodying and using the Licensed Intellectual Properties. Although the Initial Agreement has expired, the parties have continued to operate thereunder. The parties desire to enter into a renewal agreement (hereinafter the "Agreement") effective as of the expiration date of the Initial Agreement, to continue the relationship between the parties without interruption, with the Agreement consisting of the terms and conditions set forth herein.

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2. DEFINITIONS

2.1 "Artwork" means the text and design specifications for the Game Disc label and the Printed Materials in the format specified by NCL in the Guidelines.

2.2 "Bulk Goods" means Game Discs that have been printed with the Game Disc label Artwork for delivery to LICENSEE without Printed Materials or other packaging.

2.3 "Check Disc(s)" means the pre-production Game Discs to be produced by NCL.

2.4 "Confidential Information" means the information described in Section 8.1.

2.5 "Development Tools" means the development kits, programming tools, emulators and other materials that may be used in the development of Games under this Agreement.

2.6 "Effective Date" means the last date on which all parties shall have signed this Agreement.

2.7 "Finished Goods" means Game Discs that have been fully assembled with the Printed Materials, protective wrapped and boxed for delivery to LICENSEE by NCL. The Finished Goods may also include the Optional Printed Materials.

2.8 "Game Disc(s)" means custom optical discs for play on the NINTENDO GAMECIJBE system on which a Game has been stored.

2.9 "Game(s)" means interactive video game programs (including source and object/binary code) developed for play on the NINTENDO GAMECUBE system.

2.10 "Guidelines" means the then-current version of the "NINTENDO GAMECUBE Development Manual," "NINTENDO GAMECUBE Packaging Guidelines" pertaining to the layout, trademark usage and the requirements of the Game Disc label, instruction manual and Game Disc packaging, Marketing Materials "Nintendo Trademark Guidelines," "NINTENDO GAMECUBE Software Submission Requirements," and "Guidelines on Ethical Content," together with related guidelines that may be provided by NCL to LICENSEE from time to time. The Guidelines on Ethical Content are attached as Annex A, and the remainder of the Guidelines have been, or may be, provided to LICENSEE independent of this Agreement. The Guidelines may be changed or updated by Nintendo from time to time without notice.

2.11 "Independent Function/Use" means a derivative work that has one or more functions/uses that are independent of and separate from the applicable Intellectual Property Right.

2.12 "Independent Contractor" means any individual or entity that is not an employee of LICENSEE, including any independent programmer, consultant, contractor, board member or advisor.

2.13 “Intellectual Property Rights” means individually, collectively or in any combination, Proprietary Rights owned, licensed or otherwise held by Nintendo that are associated with the development, manufacturing, advertising, marketing or sale of the Licensed Products, including, without limitation, (a) registered and unregistered trademarks and trademark applications used in connection with the NINTENDO GAMECUBE system including “Nintendo™”, “NINTENDO GAMECUBE™,” “GCN”, “NGC” and “Official Nintendo Seal of Quality™”, (b) select trade dress associated with the NINTENDO GAMECUBE system and licensed video games for play thereon, (c) Proprietary Rights in the Security Technology employed in the Games or Game Discs by NCL, (d) rights in the Development Tools for use in developing the Games, excluding, however, rights to use, incorporate or duplicate select libraries, protocols and/or sound or graphic files associated with the Development Tools which belong to any third party, without obtaining any necessary licenses or consents, (e) patents, patent applications, design registrations, utility models, or copyrights which may be associated with the Game Discs or Printed Materials, (f) copyrights in the Guidelines, and (g) other Proprietary Rights of NCL in the Confidential Information.

2.14 “Licensed Products” means (a) Finished Goods when fully assembled, or (b) Bulk Goods after being assembled with the Printed Materials in accordance with the Guidelines by LICENSEE.

2.15 “Marketing Materials” means marketing, advertising or promotional materials developed by or for LICENSEE (or subject to LICENSEE’s approval) that promote the sale of the Licensed Products, including but not limited to, television, radio and on-line advertising, point-of-sale materials (e.g., posters, counter-cards), package advertising, print media and all audio or video media other than the Game that is to be included on the Game Disc.

2.16 “NDA” means the non-disclosure agreement related to the NINTENDO GAMECUBE system previously entered into between NCL and LICENSEE or between one of NCL’s subsidiaries and LICENSEE.

2.17 “Nintendo” means NCL individually or collectively with its subsidiary.

2.18 “NOA” means NCL’s subsidiary, Nintendo of America Inc. of Redmond, Washington, USA.

2.19 “Notice” means any notice permitted or required under this Agreement. All Notices shall be sufficiently given when (a) personally served or delivered, or (b) transmitted by facsimile, with an original sent concurrently by registered air mail, or (c) deposited, carriage prepaid, with a guaranteed air courier service, in each case addressed as stated herein, or addressed to such other person or address either party may designate in a Notice, or (d) transmitted by e-mail with an express written acknowledgement of receipt sent personally by or on behalf of the recipient (which shall include any automated reply). Notice shall be deemed effective upon the earlier of actual receipt or three (3) business days after transmittal by facsimile (with an original sent concurrently by registered air mail) or deposit with a guaranteed air courier service.

2.20 “Optional Printed Materials” means other optional printed materials such as a warranty card and poster incorporating the Artwork.

2.21 “Price Schedules” mean the then current version(s) of Nintendo’s schedules of purchase prices and minimum order quantities for the Licensed Products, the Printed Materials and the Optional Printed Materials. The Price Schedules have been, or will be, provided to LICENSEE independent of this Agreement and may be changed or updated by Nintendo from time to time without notice.

2.22 “Printed Materials” means a plastic disc storage case, title page, and instruction booklet, together with a precautions booklet in the form specified by NCL.

2.23 “Promotional Disc(s)” means custom optical discs compatible with the NINTENDO GAMECUBE system that incorporate select game promotional or supplemental materials, as may be specified or permitted in the Guidelines.

2.24 “Proprietary Rights” means any rights or applications for rights to the extent recognized in the Territory relating or applicable to the NINTENDO GAMECUBE system and owned, licensed or otherwise held in patents, trademarks, service marks, copyrights, semiconductor chip layout or masks, trade secrets, trade dress, moral rights and publicity rights, together with all inventions, discoveries, ideas, know-how, data, information, processes, methods, procedures, formulas, drawings and designs, computer programs, software source code and object code, and all amendments, modifications, and improvements thereto for which such patent, trademark, service mark, copyright, semiconductor chip layout or masks, trade secrets, trade dress, moral rights or publicity rights may exist or may be sought and obtained in the future.

2.25 “Rebate Program” means any then current version of NCL’s optional rebate program, establishing select terms for price rebates under this Agreement.

2.26 “Reverse Engineer(ing)” means any technique designed to extract source code or facilitate the duplication of a program or product including, without limitation, (a) the x-ray, electronic scanning or physical or chemical stripping of semiconductor components, or (b) the disassembly, decompilation, decryption or simulation of object code or executable code.

2.27 “Security Technology” means the highly proprietary security features incorporated by NCL into the Licensed Products to minimize the risk of unlawful copying and other unauthorized or unsafe usage, including, without limitation, any security signature, bios, data scrambling, password, hardware security apparatus, watermark, hologram, copyright management information system, proprietary manufacturing process, encryption, Digital Rights management status, or any feature that obstructs piracy, limits unlawful, unsafe or unauthorized use or facilitates or limits compatibility with other hardware, software, or accessories or other peripherals outside of the Territory or on a different video game system.

2.28 “Term” means three (3) years from the Effective Date.

2.29 “Territory” means any and all countries within the European Economic Areas; namely Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. The Territory also includes Australia, New Zealand, Switzerland, and Turkey. NCL may add additional countries to the Territory upon written notice to LICENSEE.

2.30 "™" means trademark of NCL, whether registered or not.

3. GRANT OF LICENSE; LICENSEE RESTRICTIONS

3.1 Limited License Grant. For the Term and for the Territory, NCL grants to LICENSEE a nonexclusive, nontransferable, limited license to use the Intellectual Property Rights for the purpose of and to the extent necessary to develop (or have developed on its behalf) Games for manufacture, advertising, marketing and sale as Licensed Products, subject to the terms and conditions of this Agreement. This license is royalty free.

3.2 LICENSEE Acknowledgment. LICENSEE's use of the Intellectual Property Rights shall not create any right, title or interest of LICENSEE therein. In the event that LICENSEE challenges NCL's ownership or the validity of the Intellectual Property Rights, NCL may terminate this Agreement without any notice or procedure.

3.3 Restrictions on License Grant. NCL does not guarantee that the hardware for the NINTENDO GAMECUBE System is distributed throughout the Territory. Moreover, present limited license to LICENSEE does not extend to the use of the Intellectual Property Rights for the following purposes:

(a) granting access to, distributing, transmitting or broadcasting a Game by electronic means or by any other means known or hereafter devised, including, without limitation, by wireless, cable, fiber optic, telephone lines, microwave, radiowave, computer or other device network; provided, however, that limited transmissions may be made for the sole purpose of facilitating development under the terms of this Agreement, but no right of retransmission shall attach to any such authorized transmission and reasonable security measures, customary within the high technology industry, shall be utilized to reduce the risk of unauthorized interception or retransmission of any such authorized transmission,

(b) authorizing or permitting any online activities involving a Game, including, without limitation, multiplayer, peer-to-peer or online play,

(c) modifying, installing or operating a Game on any server or computing device for the purpose of or resulting in the rental, lease, loan or other grant of remote access to the Game,

(d) emulating, interoperating, interfacing or linking a Game for operation or use with any hardware platform, software program, accessory, computer language, computer environment, chip instruction set, consumer electronics device, telephone, cell phone, PDA, or other device for purposes of data interchange, password usage or interactive video game play, other than the NINTENDO GAMECUBE system, an application approved by Nintendo or the Development Tools,

(e) emulate any past, current, or future NCL brand video game system or any portion thereof in software or hardware or any combination thereof,

(f) embedding, incorporating, or storing a Game in any media or format except the optical disc format utilized by the NINTENDO GAMECUBE system, except as may be necessary as a part of the Game development process under this Agreement,

(g) designing, implementing or undertaking any process, procedure, program or act designed to disable, obstruct, circumvent or otherwise diminish the effectiveness or operation of the Security Technology,

(h) utilizing the Intellectual Property Rights to design or develop any interactive video or computer game program, except as authorized under this Agreement,

(i) manufacturing or reproducing a Game developed under this Agreement, except through Nintendo, or

(j) Reverse Engineering or assisting in Reverse Engineering all or any part of the NINTENDO GAMECUBE system, including the hardware, software (embedded or not) or the Security Technology, except as specifically permitted under the laws and regulations applicable in the Territory.

3.4 NCL Development Tools. NCL may lease, loan or sell Development Tools to LICENSEE to assist in the development of Games under this Agreement. LICENSEE acknowledges the exclusive interest of NCL in and to the Proprietary Rights associated with the Development Tools. LICENSEE's use of the Development Tools shall not create any right, title or interest of LICENSEE therein. Any license to LICENSEE to use the Development Tools does not extend to: (a) use of the Development Tools for any purpose except the design and development of Games under this Agreement, (b) reproduction or creation of derivatives of the Development Tools, except in association with the development of Games under this Agreement, (c) Reverse Engineering of the Development Tools, except as specifically permitted by the laws and regulations applicable in the Territory, or (d) selling, leasing, assigning, lending, licensing, encumbering or otherwise transferring the Development Tools. Any tools developed or derived by LICENSEE as a result of a study of the performance, design or operation of the Development Tools shall be considered a derivative work of the Intellectual Property Rights, but may be retained and utilized by LICENSEE in connection with this Agreement. Unless LICENSEE can demonstrate that such derivative work has Independent Functions/Uses, it shall be deemed to have granted NCL an indefinite, worldwide, royalty-free, transferable and exclusive license (including the right to sub-license) to such derivative work. To the extent that LICENSEE can demonstrate one or more Independent Functions/Uses, LICENSEE shall be deemed to have granted to NCL a royalty-free and transferable non-exclusive license (including the right to sub-license) in relation to such Independent Functions/Uses for the Term and an indefinite, worldwide, royalty-free, transferable and exclusive license (including the right to sub-license) in relation to all other functions/uses.

3.5 Third Party Development Tools. NCL may authorize third parties to develop and market Development Tools to authorized developers of Games. Notwithstanding any referral or information provided or posted regarding such Development Tools, NCL makes no representations or warranties with regard to any such third party Development Tools. LICENSEE acquires and utilizes such Development Tools at its own risk. LICENSEE shall not, directly or indirectly, use such Development Tools for any purpose except the design and development of Games under this Agreement. All of NCL's Proprietary Rights contained in or derived from such Development Tools shall remain owned by NCL.

3.6 Games Developed for Linked Play on Two Systems. In the event the Guidelines permit LICENSEE to develop a Game for simultaneous or linked play on the NINTENDO GAMECUBE system and on another NCL video game system, LICENSEE shall be required to acquire and maintain with NCL such additional licenses as are necessary for the use of the Proprietary Rights associated with such other NCL video game system.

4. SUBMISSION AND APPROVAL OF GAME AND ARTWORK

4.1 Development and Sale of the Games. LICENSEE may develop Games and have manufactured, advertise, market and sell Licensed Products for play on the NINTENDO GAMECUBE system only in accordance with this Agreement.

4.2 Submission of a Completed Game to NCL. Upon completion of a Game, LICENSEE shall deliver a prototype of the Game to NCL in a format specified in the Guidelines. Delivery shall be made in accordance with the methods approved in the Guidelines. Each submission shall include such other information or documentation deemed necessary by NCL, including, without limitation, a complete set of written user instructions, a complete description of any security holes, backdoors, time bombs, cheats, safe files, "Easter eggs" or other hidden features or characters in the Game [***]. LICENSEE must establish that the Game and any other content included on the Game Cartridge complies with the guidelines of the Pan European Game Information System (PEGI), the Unterhaltungssoftware Selbstkontrolle (USK), the Office of Film and Literature Classification (OFLC), or any other national or regional game rating system that NCL may accept, as applicable. LICENSEE shall be responsible for the submission of the Game to the appropriate national or regional game rating organization and shall provide NCL with a statement or certificate in writing from the relevant organization, confirming the rating

for the Game. Where any such game has been rated as being suitable only for players aged 18 and over (or an equivalent rating), LICENSEE must submit a certificate in writing that confirms the game is rated as no higher than "M" (mature) by the Entertainment Software Rating Board (ESRB) of the U.S. In addition, NCL reserves the right to require LICENSEE to provide NCL with such additional written indemnification for damages, claims, loss, liability, fine or penalty resulting from the marketing, distribution or sale of a Game with such an age rating, as NCL, in its sole discretion, may request. If any such age rating is subsequently changed by the relevant organization, LICENSEE shall inform NCL forthwith in writing of that fact and LICENSEE shall then comply with the above provisions in relation to such new age rating.

4.3 Testing of a Completed Game. Upon submission of a completed Game, NCL shall promptly test the Game with regard to its technical compatibility with and error-free operation on the NINTENDO GAMECUBE system utilizing the lot check process. Within a reasonable period of time after receipt, NCL shall approve or disapprove such Game. If a Game is disapproved, NCL shall specify in writing the reasons for such disapproval and state what corrections are necessary. After making the necessary corrections, LICENSEE shall submit a revised Game to NCL for testing. NCL shall not unreasonably withhold or delay its approval of any Game. Neither the testing nor approval of a Game by NCL shall relieve LICENSEE of its sole responsibility for the development, quality and operation of the Game or in any way create any warranty for the Licensed Product by NCL.

4.4 Production of Check Discs. By submission of a completed Game to NCL in accordance with Section 4.1, LICENSEE authorizes NCL to proceed with production of Check Discs for such Game. If NCL approves a Game, it shall promptly, and without further notification to or instruction from LICENSEE, submit such Game for the production of Check Discs. Unless otherwise advised by LICENSEE, following production of the Check Discs, NCL shall deliver to LICENSEE approximately ten (10) Check Discs for content verification, testing and final approval by LICENSEE.

4.5 Approval or Disapproval of Check Discs by LICENSEE. If, after review and testing, LICENSEE approves the Check Discs, it shall promptly transmit to NCL a signed authorization for production in the form specified in the Guidelines. If LICENSEE does not approve the sample Check Discs for any reason, LICENSEE shall advise NCL in writing and may, after undertaking any necessary changes or corrections, resubmit the Game to NCL for approval in accordance with the procedures set forth in this Section 4. The absence of a signed authorization form from LICENSEE within five (5) days after delivery of the Check Discs to LICENSEE shall be deemed disapproval of such Check Discs. Production of any order for Licensed Product shall not proceed without LICENSEE's signed authorization.

4.6 Cost of Check Disc Production. [***] The payment will be due upon the earlier of (a) the subsequent submission by LICENSEE of a revised version of the Game to NCL, or (b) six (6) months after the date the Game was first approved by NCL.

4.7 Submission and Approval of Artwork. Prior to submitting a completed Game to NCL under Section 4.1, LICENSEE shall submit to NCL all Artwork for the proposed Licensed Product. Within ten (10) business days of receipt, NCL shall approve or disapprove the Artwork. If any Artwork is disapproved, NCL shall specify in writing the reasons for such disapproval and state what corrections or improvements are necessary. After making the necessary corrections or improvements, LICENSEE shall submit revised Artwork to NCL for approval. NCL shall not unreasonably withhold or delay its approval of any Artwork. The approval of the Artwork by NCL shall not relieve LICENSEE of its sole responsibility for the development and quality of the Artwork or in any way create any warranty for the Artwork or the Licensed Product by NCL. All Artwork must be approved prior to submitting an order for the Licensed Product.

4.8 Artwork for Bulk Goods. If LICENSEE intends to submit an order for Bulk Goods, all Artwork and other materials to be included with the Licensed Product shall be submitted to NCL in accordance with Section 4.7 herein. No Printed Materials shall be produced by LICENSEE until such Artwork has been approved by NCL.

4.9 Promotional Discs. In the event NCL issues Guidelines in the future that permit LICENSEE to develop and distribute Promotional Discs, either separately or as a part of the Licensed Product, the content and specifications of such Promotional Disc shall be subject to all of the terms and conditions of this Agreement, including, without limitation, the Guidelines, the Price Schedule and the submission and approval procedures provided for in this Section 4.

5. ORDER PROCESS, PURCHASE PRICE, PAYMENT AND DELIVERY

5.1 Submission of Orders by LICENSEE. After receipt of NCL's approval for a Game and Artwork, LICENSEE may at any time submit a written purchase order to NCL for such Game. The purchase order shall specify whether the order is for Finished Goods or Bulk Goods, and for Finished Goods the purchase order may also specify any Optional Printed Materials. The terms and conditions of this Agreement shall control over any contrary terms of such purchase order or any other written documentation or verbal instruction from LICENSEE. All orders shall be subject to acceptance by NCL or its designee.

5.2 Purchase Price and Minimum Order Quantities. The purchase price and minimum initial order and re-order quantities for the Licensed Products (both Finished Goods and Bulk Goods) and Printed Materials and Optional Printed Materials shall be as set forth in Nintendo's then current Price Schedules. Unless otherwise specifically provided for, the purchase price includes the cost of manufacturing the Game Disc(s). Current Price Schedules have been, or will be, provided to LICENSEE independent of this Agreement. No taxes, duties, import fees or other tariffs related to the development, manufacture, import, marketing or sale of the Licensed Products (except for taxes imposed on NCL's income) are included in the Purchase Price and all such impositions are the responsibility of LICENSEE. The Price Schedules are subject to change by Nintendo at any time without Notice. However, any price increase shall be applicable only to purchase orders submitted, paid for, and accepted by NCL after the effective date of the price increase.

5.3 Payment. Upon placement of an order with NCL, LICENSEE shall pay the full purchase price either (a) by tender of an irrevocable letter of credit in favor of NCL (or its designee) and payable at sight, issued by a bank acceptable to NCL and confirmed, if requested by NCL, at LICENSEE's expense, or (b) in cash, by wire transfer to an account designated by NCL. All letters of credit shall comply with NCL's written instructions and all associated banking charges shall be for LICENSEE's account.

5.4 Shipment and Delivery. NCL shall deliver the Finished Goods or Bulk Goods ordered by LICENSEE to LICENSEE, CIP LICENSEE's delivery location for destinations in Europe and F.O.B. Grossostheim, Germany, with shipment at LICENSEE's direction and expense, or such other delivery point as may be specified by Nintendo. Upon mutual consent of NCL and LICENSEE, orders may be delivered in partial shipments [***]. Such orders shall be delivered only to countries within the Territory.

5.5 Rebate Program. NCL, at its sole option, may elect to offer LICENSEE a Rebate Program. The terms and conditions of any Rebate Program shall be subject to NCL's sole discretion. LICENSEE shall not be entitled to offset any claimed rebate amount against other amounts owing NCL. No interest shall be payable by NCL to LICENSEE on any claimed rebate. The Rebate Program is subject to change or cancellation by NCL at any time without Notice.

6. MANUFACTURE OF THE LICENSED PRODUCT

6.1 Manufacturing. NCL (including through its subcontractors and licensees) shall be the exclusive source for the manufacture the Game Discs, Check Discs and Promotional Discs, and shall control all aspects of the manufacturing process, including the selection of the locations and specifications for any manufacturing facilities, determination of materials and processes, appointment of suppliers and subcontractors, and management of all work-in-progress. Upon acceptance by NCL of a purchase order from LICENSEE and receipt of payment as provided for at Section 5.3 herein, NCL shall (through its suppliers and subcontractors) arrange for the manufacture of the Licensed Product. In this regard, LICENSEE shall submit to NCL certain technical information as set forth in a questionnaire entitled "Software Submission Requirements" which has been provided to LICENSEE by NCL.

6.2 Security Features. The final release version of the Game, the Game Disc and the Printed Materials shall include such Security Technology as NCL, in its sole discretion, deems necessary or appropriate to (a) reduce the risk of unlawful copying or other unlawful, unsafe or unauthorized uses, (b) protect the Proprietary Rights of NCL and of the LICENSEE, (c) promote consumer confidence, and (d) increase the quality, reliability or operation of the NINTENDO GAMECUBE system.

6.3 Bulk Goods Orders. LICENSEE may elect to order Bulk Goods under the terms of this Agreement, in which event LICENSEE shall arrange and pay for the production of the Printed Materials and the final assembly of the Licensed Product in accordance with the Guidelines.

6.4 Printed Materials for Bulk Goods. Upon delivery to LICENSEE of Bulk Goods, LICENSEE shall assemble the Printed Materials and Game Discs into the Licensed Products in accordance with the Guidelines. Bulk Goods may be sold or distributed by LICENSEE only when fully assembled in accordance with the Guidelines. NCL may establish quality standards with regard to some or all of the Printed Materials and may identify to LICENSEE certain named suppliers within the Territory who NCL believes can meet such quality standards. LICENSEE may choose its own suppliers of such Printed Materials but shall comply with all such quality standards as may be notified to LICENSEE by NCL from time to time.

6.5 Sample Printed Materials for Bulk Goods. Within a reasonable period of time after LICENSEE's assembly of an initial order for a Bulk Goods title, LICENSEE shall provide NCL with (a) two (2) samples of the fully assembled Licensed Product, and (b) [***] samples of the LICENSEE-produced Printed Materials (excluding the plastic disc storage case, warranty card, poster and precautions booklet) for such Bulk Goods.

6.6 Retention of Sample Licensed Products by NCL. NCL may, at its own expense, manufacture reasonable quantities of the Game Discs, the Printed Materials or the Licensed Products not to exceed fifty (50) copies, to be used for archival purposes, legal proceedings against infringers of the Intellectual Property Rights and for other lawful purposes, not to include sales of the copies.

7. MARKETING AND ADVERTISING

7.1 Approval of Marketing Materials. LICENSEE represents and warrants that the Printed Materials and the Marketing Materials shall be of high quality and comply with the Guidelines, as well as the guidelines of the PEGI, and shall comply with all applicable laws, regulations, orders, and official codes of practice in those jurisdictions in the Territory where they will be used or distributed. All LICENSEE-controlled web sites featuring the Games shall adopt a privacy

policy that complies [***]. Prior to actual use or distribution, LICENSEE shall submit to NCL for review samples of all proposed Marketing Materials. NCL shall, within ten (10) business days of receipt, approve or disapprove of the quality of such samples. If any of the samples are disapproved, NCL shall specify the reasons for such disapproval and state what corrections and/or improvements are necessary. After making the necessary corrections and/or improvements, LICENSEE shall submit revised samples for approval by NCL. No Marketing Materials shall be used or distributed by LICENSEE without NCL's prior written approval. NCL shall not unreasonably withhold or delay its approval of any proposed Marketing Materials.

7.2 Bundling. In order to avoid use of the licensed Intellectual Property Rights giving rise to any implication of NCL's sponsorship, association, approval or endorsement where this is not the case, LICENSEE shall not, without NCL's prior written approval, market or distribute any Finished Goods or Bulk Goods that have been bundled with (a) any peripheral designed for use with the NINTENDO GAMECUBE system that has not been licensed or approved in writing by NCL, or (b) any other product or service where NCL's association or endorsement might be suggested by bundling the material, item, products or services.

7.3 Warranty and Repair. LICENSEE shall provide the original consumer with a minimum one hundred eighty (180) day (or such longer minimum period as may be required by applicable law) limited warranty on all Licensed Products. LICENSEE shall also provide reasonable product service, including out-of-warranty service, for all Licensed Products. LICENSEE shall make such warranty and repair information available to consumers as required by applicable law.

7.4 Business Facilities. LICENSEE agrees to develop and maintain sufficient customer service, either directly or through a third party, to adequately support the Licensed Products.

7.5 No Sales Outside the Territory. LICENSEE represents and warrants that it shall not market, sell, offer to sell, import or distribute the Licensed Products outside the Territory, or within the Territory when LICENSEE has actual or constructive knowledge that a subsequent destination of the Licensed Product is outside the Territory.

7.6 Defects and Recall. In the event of a material programming defect in a Licensed Product that would, in NCL's reasonable judgment, significantly impair the ability of a consumer to play the Game, NCL may, after consultation with LICENSEE, require LICENSEE, at LICENSEE's expense, to recall the Licensed Products and undertake suitable repairs or replacements.

7.7 NCL Promotional Materials, Publications and Events. With a view to improving the competitiveness of the video game products consisting of NCL video game systems and services and compatible software published by LICENSEE, at its option, NCL may: (a) insert in the Printed Materials for the Licensed Products promotional materials concerning, publications about, and promotions for such video game products; (b) utilize screen shots, Artwork and information regarding the Licensed Products in NCL published magazines or other publications, or in other advertising, promotional or marketing media which promotes such video game products; and (c) exercise public performance rights in the Games and use related trademarks and Artwork in connection with NCL sponsored contests, tours, conventions, trade shows, press briefings and similar events which promote such video game products. NCL shall submit to LICENSEE for review printed materials and related art for the Game that NCL intends to use in publications or media or marketing programs.

7.8 Nintendo Gateway System. To promote and increase demand for games on NCL Video game systems, NCL licenses select games in various non-coin activated commercial settings such as commercial airlines, cruise ships, rail systems and hotels, where customers play games on specially adapted NCL video game hardware referred to as the "Nintendo Gateway System." If NCL identifies a Game for possible license on the Nintendo Gateway System, the parties agree to conduct good faith negotiations to determine commercially reasonable terms for such participation.

8. CONFIDENTIAL INFORMATION

8.1 Definition. Confidential Information means information provided to LICENSEE by NCL or any third party working with NCL relating to the hardware and software for the NINTENDO GAMECUBE system or the Development Tools, including, but not limited to, (a) all current or future information, know-how, techniques, methods, information, tools, emulator hardware or software, software development specifications, proprietary manufacturing processes and/or trade secrets, (b) any information on any inventions, patents or patent applications, (c) any business, legal, marketing or sales data or information, and (d) any other information or data relating to development, design, operation, manufacturing, marketing or sales. Confidential Information shall include all confidential information disclosed, whether in writing, orally, visually, or in the form of drawings, technical specifications, software, samples, pictures, models, recordings, or other tangible items that contain or manifest, in any form, the above listed information. Confidential Information shall not include (i) data and information that was in the public domain prior to LICENSEE's receipt of the same hereunder, or that subsequently becomes part of the public domain by publication or otherwise, except by LICENSEE's wrongful act or omission, (ii) data and information that LICENSEE can demonstrate, through written records kept in the ordinary course of business, was in its possession without restriction on use or disclosure prior to its receipt of the same hereunder and was not acquired directly or indirectly from NCL under an obligation of confidentiality which is still in force, and (iii) data and information that LICENSEE can show was received by it from a third party who did not acquire the same directly or indirectly from NCL and to whom LICENSEE has no obligation of confidentiality.

8.2 Disclosures Required by Law. LICENSEE shall be permitted to disclose Confidential Information if such disclosure is required by an authorized governmental or judicial entity, provided that LICENSEE shall notify NCL at least thirty (30) days prior to such disclosure. LICENSEE shall use its best efforts to limit the disclosure to the greatest extent possible consistent with LICENSEE's legal obligations and, if required by NCL, shall cooperate in the preparation and entry of appropriate court orders limiting the persons to whom Confidential Information may be disclosed and the extent of disclosure of such Confidential Information.

8.3 Disclosure and Use. Nintendo may provide LICENSEE with highly confidential development information, Guidelines, Development Tools, systems, specifications and related resources and information constituting and incorporating the Confidential Information to assist LICENSEE in the development of Games. LICENSEE agrees to maintain all Confidential Information as strictly confidential and to use such

Confidential Information only in accordance with this Agreement. LICENSEE shall limit access to the Confidential Information to LICENSEE's employees having a strict need to know and shall advise such employees of their obligation of confidentiality as provided herein. LICENSEE shall require each such employee to retain in confidence the Confidential Information pursuant to a written non-disclosure agreement between LICENSEE and such employee. LICENSEE shall use its best efforts to ensure that its employees working with or otherwise having access to Confidential Information shall not disclose or make any unauthorized use of the Confidential Information.

8.4 Independent Contractor Use. LICENSEE shall not disclose the Confidential Information, the Guidelines or the Intellectual Property Rights to any Independent Contractor, nor permit any Independent Contractor to perform or assist in development work for a Game, nor utilize any Development Tools without NCL's prior written consent. Each approved Independent Contractor shall be required to enter into a written non-disclosure agreement with NCL prior to receiving any access to or disclosure of such materials from either LICENSEE or Nintendo.

At LICENSEE's option, the written non-disclosure agreement may be with LICENSEE rather than with NCL, in which case the form and substance of the non-disclosure agreement must be acceptable to NCL. Also, in such case LICENSEE shall provide to NCL on a continuing basis a listing of all Independent Contractors who have received or been granted access to Confidential Information along with copies of the applicable written non-disclosure agreements. In addition, LICENSEE shall take all reasonable measures to ensure that its Independent Contractors fulfill the requirements of the applicable written non-disclosure agreements.

LICENSEE shall use its best efforts to ensure that its employees and Independent Contractors working with or otherwise having access to Confidential Information shall not disclose or make unauthorized use of the Confidential Information. LICENSEE agrees to indemnify NCL against all loss or damage, including consequential economic loss, for breach of these obligations by the LICENSEE, its employees and Independent Contractors.

8.5 Agreement Confidentiality. LICENSEE agrees that the terms, conditions and contents of this Agreement shall be treated as Confidential Information. Any public announcement or press release regarding this Agreement or the release dates for Games developed by LICENSEE under this Agreement shall be subject to NCL's prior written approval. The parties may disclose this Agreement (a) to accountants, banks, financing sources, lawyers, parent companies and related parties under substantially equivalent confidentiality obligations, (b) in connection with any formal legal proceeding for the

enforcement of this Agreement, (c) as required by the regulations of the government agency in the Territory that regulates publicly funded securities, provided that all Confidential Information regarding NCL shall be omitted from such disclosures to the maximum extent allowed by such government agency, (d) in response to lawful process, subject to a court order limiting the persons to whom Confidential Information may be disclosed and the extent of disclosure of such Confidential Information, approved in advance by NCL, and (e) to a third party proposing to enter into a business transaction with LICENSEE or with NCL, but only to the extent reasonably necessary for carrying out the proposed transaction and only under terms of mutual confidentiality.

8.6 Notification Obligations. LICENSEE shall promptly notify NCL of the unauthorized use or disclosure of any Confidential Information and shall promptly act to recover any such information and prevent further breach of the obligations herein. The obligations of LICENSEE set forth herein are in addition to and not in lieu of any other legal remedy that may be available to NCL under this Agreement or applicable law.

8.7 Continuing Effect of the NDA. The terms of this Section 8 supplement the terms of the NDA, which shall remain in effect. In the event of a conflict between the terms of the NDA and this Agreement, the provisions of this Agreement shall control.

9. REPRESENTATIONS AND WARRANTIES

9.1 LICENSEE's Representations and Warranties. LICENSEE represents and warrants that:

(a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof,

(b) the execution, delivery and performance of this Agreement by LICENSEE does not conflict with any agreement or understanding to which LICENSEE may be bound, and

(c) excluding the Intellectual Property Rights, LICENSEE is either (i) the sole owner of all right, title and interest in and to the trademarks, copyrights and all other Proprietary Rights incorporated into the Game or the Artwork or used in the development, advertising, marketing and sale of the Licensed Products or the Marketing Materials, or (ii) the holder of such rights, including trademarks, copyrights and all other Proprietary Rights which belong to any third party but have been licensed from such third party by LICENSEE, as are necessary for incorporation into the Game or the Artwork or as are used in the development, advertising, marketing and sale of the Licensed Products or the Marketing Materials under this Agreement.

9.2 NCL's Representations and Warranties. NCL represents and warrants that:

(a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof, and

(b) the execution, delivery and performance of this Agreement by NCL does not conflict with any agreement or understanding to which NCL may be bound.

9.3 [***]

9.4 [***]

9.5 LIMITATION OF LIABILITY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, NEITHER NCL NOR ITS AFFILIATES, LICENSORS, SUPPLIERS OR SUB-CONTRACTORS SHALL BE LIABLE FOR LOSS OF PROFITS, OR FOR ANY SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF LICENSEE OR ITS CUSTOMERS ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE BREACH OF THIS AGREEMENT BY NCL, THE MANUFACTURE OF THE LICENSED PRODUCTS OR THE USE OF THE LICENSED PRODUCTS ON ANY NCL VIDEO GAME SYSTEM BY LICENSEE OR BY ANY END USER.

10. INDEMNIFICATION

10.1 LICENSEE's Indemnification. LICENSEE shall indemnify and hold harmless NCL (and any of its respective affiliates, subsidiaries, licensors, suppliers, officers, directors, employees or agents) from any claims, losses, liabilities, damages, expenses and costs, including, without limitation, reasonable attorneys' fees and costs and any expenses incurred in the settlement or avoidance of any such claim, which result from or are in connection with:

(a) a breach of any of the provisions, representations or warranties undertaken by LICENSEE in this Agreement,

(b) any infringement of a third party's Proprietary Rights as a result of the design, development, advertising, marketing, sale or use of any aspect of the Licensed Products, Promotional Materials or the Marketing Materials,

(c) any claims alleging a defect, failure to warn, bodily injury (including death) or other personal or property damage arising out of, or in connection with, the design, development, advertising, marketing, sale or use of any of any aspect of the Licensed Products, and

(d) any applicable civil or criminal actions relating to the design, development, advertising, marketing, sale or use of any aspect of the Licensed Products, Marketing Materials or any other promotional materials.

NCL and LICENSEE shall give prompt Notice to the other of any claim which is or which may be subject to indemnification under this Section 10.1. With respect to any such third party claim, LICENSEE, as indemnitor, shall have the right to select counsel and to control the defense and/or settlement thereof. NCL may, at its own expense, participate in such action or proceeding with counsel of its own choice. LICENSEE shall not enter into any settlement of any matter in which (i) NCL has been named as a party, or (ii) claims relating to the Intellectual Property Rights have been asserted, without NCL's prior written consent. NCL shall provide reasonable assistance to LICENSEE in its defense of any such claim.

10.2 LICENSEE's Insurance. LICENSEE shall, at its own expense, obtain a comprehensive policy of general liability insurance (including coverage for advertising injury and product liability claims) from a recognized insurance company. Such policy of insurance shall be in an amount of not less than the equivalent of [***] and shall provide for adequate protection against any suits, claims, loss or damage by the Licensed Products. Such policy shall name NCL as an additional insured and shall specify it may not be canceled without thirty (30) days' prior written Notice to NCL. If LICENSEE fails to maintain such insurance at any time during the Term and for a period of two (2) years thereafter, NCL may secure such insurance at LICENSEE's expense.

10.3 Suspension of Production. In the event NCL deems itself at risk with respect to any claim, action or proceeding under this Section 10, NCL may, at its sole option, suspend production, delivery or order acceptance for any Licensed Products, in whole or in part, pending resolution of such claim, action or proceeding.

11. PROTECTION OF PROPRIETARY RIGHTS

11.1 Joint Actions against Infringers. LICENSEE and NCL may agree to jointly pursue cases of infringement involving the Licensed Products, as such Licensed Products will contain Proprietary Rights owned by each of them. Unless the parties otherwise agree, or unless the recovery is expressly allocated between them by the court, in the event of such an action, any recovery shall be used first to reimburse LICENSEE and NCL for their respective reasonable attorneys' fees and costs, pro rata, and any remaining recovery shall be distributed to LICENSEE and NCL, pro rata, based upon the fees and costs incurred in bringing such action.

11.2 Actions by LICENSEE. LICENSEE, without the consent of NCL, may bring any action or proceeding relating to an infringement or potential infringement of LICENSEE's Proprietary Rights in the Licensed Products. LICENSEE shall make reasonable good faith efforts to inform NCL of such actions in a timely manner. LICENSEE will have the right to retain all proceeds it may derive from an recovery in connection with such actions.

11.3 Actions by NCL. NCL, without the consent of LICENSEE, may bring any action or proceeding relating to an infringement or potential infringement of NCL's Intellectual Property Rights in the Licensed Products. NCL shall make reasonable, good faith efforts to inform LICENSEE of such actions likely to affect LICENSEE's rights in a timely manner. NCL will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

12. ASSIGNMENT

12.1 No Assignment by LICENSEE. This Agreement is personal to LICENSEE and may not be sold, assigned, delegated, sublicensed or otherwise transferred or encumbered, in whole or in part, without NCL's prior written consent, [***]. In the event of an assignment or other transfer in violation of this Agreement, NCL shall have the unqualified right to immediately terminate this Agreement without further obligation to LICENSEE.

12.2 Assignment by Operation of Law. In the event of an assignment by operation of law which purports to affect this Agreement, LICENSEE shall, not later than thirty (30) days thereafter, give Notice and seek consent thereto from NCL. Such Notice shall disclose the name of the assignee, the effective date and the nature and extent of the assignment. An assignment by operation of law includes, but is not limited to (a) a merger of LICENSEE into another business entity or a merger of another business entity into LICENSEE, (b) the sale, assignment or transfer of all or substantially all of the assets of LICENSEE to a third party, (c) the

sale, assignment or transfer to a third party of any of the LICENSEE's proprietary rights that are used in the development of or are otherwise incorporated into any Licensed Products, or (d) the sale, assignment or transfer of any of LICENSEE's stock resulting in the acquirer having management power over or voting control of LICENSEE. Following the later of (i) an assignment by operation of law, or (ii) receipt of Notice of an assignment by operation of law, NCL shall have the unqualified right for a period of ninety (90) days to immediately terminate this Agreement without further obligation to LICENSEE.

12.3 Non-Disclosure Obligation. In no event shall LICENSEE disclose or allow access to NCL's Confidential Information prior to or upon the occurrence of an assignment, whether by operation of law or otherwise, unless and until NCL gives its written consent to such disclosure.

13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence on the Effective Date and continue for the Term, unless earlier terminated as provided for herein.

13.2 Default or Breach. In the event that either party is in default or commits a material breach of this Agreement, which is not cured within thirty (30) days after Notice thereof, then this Agreement shall automatically terminate on the date specified in such Notice.

13.3 Bankruptcy. At NCL's option, this Agreement may be terminated immediately and without Notice in the event that LICENSEE (a) makes an assignment for the benefit of creditors, (b) becomes insolvent, (c) files a voluntary petition for bankruptcy, (d) acquiesces to any involuntary bankruptcy petition, (e) is adjudicated as a bankrupt, or (f) ceases to do business.

13.4 Termination Other Than by Breach. Upon (a) the expiration of this Agreement, (b) its termination other than by LICENSEE's breach, or (c) termination of this Agreement by NCL after one hundred twenty (120) days, notice to LICENSEE in the event NCL reasonably believes that LICENSEE has developed, marketed, or sold a product that infringes any intellectual property right of NCL or NOA anywhere in the world (provided that if the parties are able to resolve such alleged infringement within such 120-day period, such termination shall not take effect), LICENSEE shall have a period of [***] to sell any unsold Licensed Products. All Licensed Products in LICENSEE's control following the expiration of such sell-off period shall be destroyed by LICENSEE within ten (10) days and Notice of such destruction (with proof certified by an officer of LICENSEE) shall be delivered to NCL.

13.5 Termination by LICENSEE's Breach. If this Agreement is terminated by NCL as a result of a material breach of its terms and conditions by LICENSEE, LICENSEE shall immediately cease all distribution, advertising, marketing or sale of any Licensed Products. All Licensed Products in LICENSEE's control as of the date of such termination shall be destroyed by LICENSEE within ten (10) days and Notice of such destruction (with proof certified by an officer of LICENSEE) shall be delivered to NCL.

13.6 Breach of NDA or other NCL License Agreements. At NCL's option, any breach by LICENSEE of (a) the NDA, or (b) any other license agreement between NCL and LICENSEE relating to the development of games for any NCL video game system, which breach is not cured within the time period for cure allowed under the applicable agreement, shall be considered a material breach of this Agreement entitling NCL to terminate this Agreement in accordance with Section 13.5 herein.

13.7 No Further Use of the Intellectual Property Rights. Upon expiration and/or termination of this Agreement, LICENSEE shall cease all use of the Intellectual Property Rights for any purpose, except as may be required in connection with the sale of the Licensed Products authorized under Section 13.4 herein. LICENSEE shall, within thirty (30) days

thereafter, (a) return to NCL all Development Tools, and (b) return to NCL or destroy all Guidelines, writings, drawings, models, data, tools and other materials and things in LICENSEE's possession or in the possession of any past or present employee, agent or contractor receiving the information through LICENSEE, which constitute or relate to or disclose any Confidential Information, without making copies or otherwise retaining any such information. Proof of such return or destruction shall be certified by an officer of LICENSEE and promptly provided to NCL.

13.8 Termination by NCL's Breach. If this Agreement is terminated by LICENSEE as a result of a material breach of its terms or conditions by NCL, LICENSEE may continue to sell the Licensed Products in the Territory until the expiration of the Term, at which time the provisions of Section 13.4 shall apply.

14. GENERAL PROVISIONS

14.1 Compliance with Applicable Laws and Regulations. LICENSEE shall at all times comply with applicable laws, regulations, orders, and official codes of practice in the countries of the Territory relating to or in any way affecting this Agreement and LICENSEE's performance under this Agreement, including, without limitation, the export laws and regulations of any country with jurisdiction over the Licensed Products and/or either party. LICENSEE shall not market, distribute, or sell the Game(s) and/or Game Disc(s) in any country in the Territory in which such marketing, distribution or sale would violate any applicable laws, regulations, orders, or official codes of practice of such country. NCL may from time to time give notice to LICENSEE of laws, regulations, orders, and official codes of practice whether existing, new or revised, applicable to this Agreement.

14.2 Force Majeure. Neither party shall be liable for any breach of this Agreement occasioned by any cause beyond the reasonable control of such party, including governmental action, war, riot or civil commotion, fire, natural disaster, labor disputes, restraints affecting shipping or credit, delay of carriers, inadequate supply of suitable materials, or any other cause which could not with reasonable diligence be controlled or prevented by the parties. In the event of material shortages, including shortages of materials or production facilities necessary for production of the Licensed Products, NCL reserves the right to allocate such resources among itself and its licensees.

14.3 Records and Audit. During the Term and for a period of [***] thereafter, LICENSEE agrees to keep accurate, complete and detailed records relating to the use of the Confidential Information, the Development Tools and the Intellectual Property Rights. Upon [***] Notice to LICENSEE, NCL may, at its expense, arrange for a third

party audit of LICENSEE's records, reports and other information related to LICENSEE's compliance with this Agreement; provided, however, that NCL shall not, during the course of the audit, access LICENSEE's source code, development plans, marketing plans, internal business plans or other items deemed confidential by LICENSEE, except to the extent such materials incorporate, disclose or reference NCL's Confidential Information or Intellectual Property Rights.

14.4 Waiver, Severability, Integration, and Amendment. The failure of a party to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or of the right of such party to thereafter enforce such provision. In the event that any term, clause or provision of this Agreement shall be construed to be or adjudged invalid, void or unenforceable, such term, clause or provision shall be construed as severed from this Agreement, and the remaining terms, clauses and provisions shall remain in effect. Together with the NDA, this Agreement constitutes the entire agreement between the parties relating to the subject matter hereof. All prior negotiations, representations, agreements and understandings are merged into, extinguished by and completely expressed by this Agreement and the NDA. Any amendment to this Agreement shall be in writing, signed by both parties.

14.5 Survival. In addition to those rights specified elsewhere in this Agreement that may be reasonably interpreted or construed as surviving, the rights and obligations set forth in Sections 3, 8, 9, 10, 11, 12, 13, and 14 shall survive any expiration or termination of this Agreement to the degree necessary to permit their complete fulfillment or discharge.

14.6 Governing Law and Venue. This Agreement shall be governed by the laws of Japan. Any legal actions (including judicial and administrative proceedings) with respect to any matter arising under or growing out of this Agreement, shall be brought only in Kyoto District Court, Kyoto, Japan. Each party hereby consents to the jurisdiction and venue of such courts for such purposes.

14.7 Injunctive Relief. LICENSEE acknowledges that in the event of its breach of this Agreement, NCL shall be entitled to seek injunctive or other similar relief in addition to any additional relief that may be available.

14.8 Attorneys' Fees. In the event it is necessary for either party to this Agreement to undertake legal action to enforce or defend any action arising out of or relating to this Agreement, the prevailing party in such action shall be entitled to recover from the other party all reasonable attorneys' fees, costs and expenses relating to such legal action or any appeal therefrom.

14.9 Expansion of Rights. NCL may expand the rights granted to LICENSEE under this Agreement by providing written notice of such expansion of rights to LICENSEE and without having to enter into a written addendum to the present Agreement with LICENSEE.

14.10 Delegation of Duties. NCL, at its option. may delegate its duties under the present Agreement to a wholly owned subsidiary. To the extent necessary for the parties to carry out their duties under this Agreement, NCL shall provide notice to LICENSEE of any such delegation, including to whom at NCL's wholly owned subsidiary communications from LICENSEE under this Agreement may be directed. Also in the event of a delegation by NCL, the provisions of this Agreement shall continue to govern the relationship between NCL and LICENSEE and shall govern the relationship between NCL's subsidiary and LICENSEE, subject to any amendments or modifications to this Agreement which such subsidiary and LICENSEE may agree to in their relationship. NCL shall remain obligated under the present Agreement for the performance of NCL's duties by NCL's subsidiary.

14.11 Counterparts and Signature by Facsimile. This Agreement may be signed in counterparts, which shall together constitute a complete Agreement. A signature transmitted by facsimile shall be considered an original for purposes of this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the dates set forth below.

NCL:
Nintendo Co., Ltd.

By: /s/ Satoru Iwata

President

Date: June 20, 2006

LICENSEE:
Activision, Inc.

By: /s/ George Rose
George Rose
General Counsel

Date: April 1, 2006

LICENSEE:
Activision Publishing, Inc.

By: /s/ George Rose
George Rose
Title: SVP and GC

Date: April 1, 2006

LICENSEE:
Activision UK, Ltd.

By: /s/ George Rose
George Rose

Director

Date: April 1, 2006

LICENSEE:
ATVI France, S.A.S.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

LICENSEE:
Activision GmbH

By: /s/ George Rose
George Rose
Managing Director

Date: April 1, 2006

LICENSEE:
Activision Pty, Ltd.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

Attachment:
Annex A – Guidelines on Ethical Content

ANNEX A

Guidelines on Ethical Content

The following Guidelines on Ethical Content are presented for assistance in the development of Games by defining the types of the theme inconsistent with NCL's corporate philosophy. Exceptions may be made when necessary to maintain the integrity of the Game or the Game's theme. Games shall not:

(a) contain sexually explicit content including but not limited to nudity, rape, sexual intercourse and sexual touching; for instance, NCL does not allow bare-breasted women in Games, however, mild displays of affection such as kissing or hugging are acceptable;

(b) contain language or depictions which specifically denigrate members of any race, gender, ethnicity, religion or political group;

(c) depict gratuitous or excessive blood or violence. NCL does not permit depictions of animal cruelty or torture;

(d) depict verbal or physical spousal or child abuse;

(e) permit racial, gender, ethnic, religious or political stereotypes; for example, religious symbols such as crosses will be acceptable when fitting into the theme of the Game and not promoting a specific religious denomination;

(f) use profanity, obscenity or incorporate language or gestures that are offensive by prevailing public standards and tastes; and

(g) promote the use of illegal drugs, smoking materials, tobacco and/or alcohol; for example NCL does not allow an unnecessary beer or cigarette advertisement anywhere in a Game; however, Sherlock Holmes smoking a pipe would be acceptable as it fits the theme of the Game.

[***] DENOTES CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

April 4, 2005 **CONFIDENTIAL**

LICENSE AGREEMENT FOR THE NINTENDO DS SYSTEM
(EEA, AUSTRALIA AND NEW ZEALAND)

THIS LICENSE AGREEMENT ("Agreement") is entered into between NINTENDO CO., LTD. ("NINTENDO") at 11-1 Kamitoba Hokotate-cho, Minami-ku, Kyoto, Japan 601-8501, Attn: General Manager, International Business Administration Department (Fax: 81.75.662.9619), and ACTIVISION, INC., a corporation of Delaware, and its subsidiaries (and Activision Publishing, Inc., a corporation of Delaware, Activision UK, Ltd., a limited company of the United Kingdom; ATVI France, S.A.S., a corporation of France; Activision GmbH, a corporation of Germany, and Activision Pty., Ltd., a limited company of Australia) (jointly and severally "LICENSEE") at 3100 Ocean Park Blvd., Santa Monica, CA 90405, Attn: Mr. George Rose (Fax: 310.255.2152). NINTENDO and LICENSEE agree as follows:

1. RECITALS

1.1 NINTENDO designs, develops, manufactures, markets and sells advanced design, high-quality video game systems, including the Nintendo DS system.

1.2 LICENSEE desires a license to use highly proprietary programming specifications, development tools, trademarks and other valuable intellectual property rights of NINTENDO to develop, have manufactured, advertise, market and sell video game software for play on the Nintendo DS system.

1.3 NINTENDO is willing to grant a license to LICENSEE on the terms and conditions set forth in this Agreement.

2. DEFINITIONS

2.1 "Artwork" means the design specifications for the Game Card label and Printed Materials in the format specified by NINTENDO in the Guidelines.

2.2 "Bulk Goods" means the Game Cards with Game Card labels affixed.

2.3 "Development Tools" means the development kits, programming tools, emulators and other materials that may be used in the development of Games under this Agreement.

2.4 "Effective Date" means the last date on which all parties shall have signed this Agreement.

2.5 "Finished Product(s)" means the fully assembled Game Card with a Game Card label and packaged in a plastic case or other form of protective packaging, together with Printed Materials.

2.6 "Game Card(s)" means custom card media specifically manufactured under the terms of this Agreement for play on the Nintendo DS system, incorporating semiconductor components in which a Game has been stored.

2.7 "Game(s)" means the Nintendo DS version of an interactive video game program, or other applications approved by NINTENDO (including source and object/binary code) developed for the Nintendo DS system.

2.8 "Guidelines" means the current version or any future revision of the "Nintendo DS Guidelines", pertaining to layout, trademark usage and other requirements for the Game Card label, instruction manual and Game Card packaging; "Marketing Materials"; "Nintendo DS Development Manual"; "Guidelines on Ethical Content"; "Nintendo DS Software Submission Requirements" together with related guidelines that NINTENDO may provide to LICENSEE from time to time. The Guidelines on Ethical Content are attached as Annex A, and the remainder of the Guidelines have been provided

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to LICENSEE independent of this Agreement. The Guidelines may be changed or updated from time to time without notice, and the versions current from time to time will be available on request from NINTENDO.

2.9 "Independent Contractor" means any individual or entity that is not an employee of LICENSEE, including any independent programmer, consultant, contractor, board member or advisor.

2.10 "Intellectual Property Rights" means individually, collectively or in any combination, Proprietary Rights owned, licensed or otherwise held by NINTENDO that are associated with the development, manufacturing, advertising, marketing or sale of the Licensed Products, including, without limitation, (a) registered and unregistered trademarks and trademark applications used in connection with Games for the Nintendo DS system including "Nintendo™", "Nintendo DS™", and the "Official Nintendo Seal of Quality™", (b) select trade dress associated with the Nintendo DS system and licensed Games for play thereon, (c) Proprietary Rights in the Security Technology incorporated into the Game Cards, (d) rights in the Development Tools for use in developing the Games, (e) patents, patent applications, utility models or design registrations associated with the Game Cards, (f) copyrights in the Guidelines, and (g) other Proprietary Rights of NINTENDO in the Confidential Information.

2.11 "Licensed Products" means (a) Finished Products, or (b) Bulk Goods when fully assembled and packaged in a plastic case or other form of protective packaging with the Printed Materials.

2.12 "Marketing Materials" means marketing, advertising or promotional materials developed by or for LICENSEE (or subject to LICENSEE's approval) to promote the sale of the Licensed Products, including, but not limited to, television, radio and on-line advertising, point-of-sale materials (e.g. posters, counter-cards), package advertising, print media or materials and all audio or video media other than the Game that is to be included on the Game Card.

2.13 “NDA” means the non-disclosure agreement providing for the protection of Confidential Information related to the Nintendo DS system previously entered into between NINTENDO and/or Nintendo of America Inc., NINTENDO’s subsidiary of Redmond, Washington, USA (“NOA”) and LICENSEE.

2.14 “Notice” means any notice permitted or required under this Agreement. All Notices shall be sufficiently given when (a) personally served or delivered, (b) transmitted by facsimile, with an original sent concurrently by mail, or (c) deposited, postage prepaid, with a guaranteed air courier service, in each case addressed as stated herein, or addressed to such other person or address either party may designate in a Notice. Notice shall be deemed effective upon the earlier of actual receipt or two (2) business days after transmittal.

2.15 “Price Schedule” means the current version or any future revision of NINTENDO’s schedule of purchase prices and minimum order quantities for Finished Products and Bulk Goods. The Price Schedule has been provided to LICENSEE independent of this Agreement and may be changed or updated from time to time without notice, and the version current from time to time will be available on request from NINTENDO.

2.16 “Printed Materials” means the Game Card label and title sheet, user instruction booklet, poster, warranty card and LICENSEE inserts incorporating the Artwork, together with a Health and Safety Precautions Booklet as specified by NINTENDO.

2.17 “Proprietary Rights” means any rights or applications for rights to the extent recognized anywhere in the Territory relating to the Nintendo DS System, and owned, licensed or otherwise held in patents, trademarks, service marks, copyrights and neighboring rights, semiconductor chip layouts or masks, trade secrets, utility models, registered design rights, unregistered design rights, database rights, get up, trade dress, moral rights and publicity rights, together with all inventions, discoveries, ideas, know-how, data, information processes, methods, procedures, formulas, drawings and designs, computer programs, software source code and object code, and all amendments, modifications, and improvements thereto for which such patent, trademark,

service mark, copyright and neighboring rights, semiconductor chip layouts or mask, trade secrets, utility models, registered design rights, unregistered design rights, database rights, get up, trade dress, moral rights or publicity rights may exist or may be sought and obtained in the future.

2.18 “Reverse Engineer(ing)” means, without limitation, [***] or (c) any other technique designed to extract source code or facilitate the duplication of a program or product.

2.19 “Security Technology” means, without limitation, any security signature, bios, data scrambling, password, hardware security apparatus, watermark, hologram, encryption, Digital Rights management system, copyright management information system or any feature that facilitates or limits compatibility with other hardware, software, or accessories or other peripherals outside of the Territory or on a different video game system.

2.20 “Sole License” shall mean a license under which only the licensor and a single licensee can utilize the subject matter of the license.

2.21 “Term” means three years from the Effective Date.

2.22 ‘Territory” means any and all countries within the European Economic Area; namely Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. The Territory shall also include Australia, New Zealand, Switzerland and Turkey. NINTENDO may add additional countries to the Territory upon written notice to LICENSEE.

2.23 “TM” means trade mark of NINTENDO, whether registered or not.

3. GRANT OF LICENSE; LICENSEE RESTRICTIONS

3.1 Limited License Grant. For the Term and for the Territory, NINTENDO grants to LICENSEE a nonexclusive, nontransferable, limited license to use the Intellectual Property Rights for the purpose of and to the extent necessary, to develop Games for manufacture, advertising, marketing and sale as Licensed Products, subject to the terms and conditions of this Agreement. [***]

3.2 LICENSEE Acknowledgement. LICENSEE’s use of the Intellectual Property Rights shall not create any right, title or interest of LICENSEE therein. In the event that LICENSEE challenges NINTENDO’s ownership or the validity of the Intellectual Property Rights, NINTENDO may terminate this Agreement without any notice or procedure.

3.3 Restrictions on License Grant. NINTENDO does not guarantee that the hardware for the Nintendo DS system is distributed throughout the Territory. Moreover, the present limited license to LICENSEE does not extend to the use of the Intellectual Property Rights for the following purposes:

(a) grant access to, distribute, transmit or broadcast a Game by electronic means or by any other means known or hereafter devised, including, without limitation, by wireless, cable, fiber optic, telephone lines, microwave, radiowave, computer or other device network, except (a) as a part of wireless game play on and among Nintendo DS systems, (b) for the purpose of facilitating game development under the terms of this Agreement, or (c) as otherwise approved in writing by NINTENDO. LICENSEE shall use reasonable security measures, customary within the high technology industry, to reduce the risk of unauthorized interception or retransmission of any Game transmission. No right of retransmission shall attach to any authorized transmission of a Game,

(b) modify, install or operate a Game on any server or other device for the purpose of or resulting in the rental, lease, loan or sale of rights of access to the Game,

(c) emulate, interoperate, interface or link a Game for operation or use with any hardware platform, software program, accessory, computer language, computer environment, chip instruction set, consumer electronics device, telephone, cellphone, PDA, or other device, including for purposes of data interchange, password usage or interactive video game play, other than a Nintendo DS system, an application approved by NINTENDO, or the Development Tools,

(d) emulate any past, current or future NINTENDO brand video game system, or any portion thereof, in software or hardware or any combination thereof,

(e) embed, incorporate, or store a Game in any media or format except the Game Card format utilized by the Nintendo DS system, except as may be necessary as a part of the Game development process under this Agreement,

(f) design, implement or undertake any process, procedure, program or act designed to circumvent the Security Technology,

(g) utilize the Intellectual Property Rights to design or develop any interactive video game program, except as authorized under this Agreement,

(h) manufacture or reproduce a Game developed under this Agreement, except through NINTENDO, or

(i) Reverse Engineer or assist in the Reverse Engineering of all or any part of the Nintendo DS system, including the hardware or software (whether embedded or otherwise), the Development Tools or the Security Technology, except as specifically permitted under the laws and regulations applicable in the Territory.

3.4 Development Tools. NINTENDO may lease, loan or sell Development Tools, including any improvements made by NINTENDO or NOA from time to time, to LICENSEE to assist in the development of Games under this Agreement on such terms as may be agreed between the parties. Ownership and use of any Development Tools, whether provided by NINTENDO or NOA, prior to or during the Term hereof, shall be subject to the terms of this Agreement and any separate license or purchase agreement required by NINTENDO. LICENSEE acknowledges the exclusive interest of NINTENDO in and to the Proprietary Rights associated with the Development Tools. LICENSEE's use of the Development Tools shall not create any right, title or interest of LICENSEE therein. Any license to LICENSEE to use the Development Tools does not extend to: (a) use of the Development Tools for any purpose except the design and development of Games under this Agreement, (b) reproduction or creation of derivatives of the Development Tools, except in association with the development of Games under this Agreement, (c) Reverse Engineering of the Development Tools (except as specifically permitted under the laws and/or regulations applicable in the Territory), or (d) selling, leasing, assigning, lending, licensing, encumbering or otherwise transferring the Development Tools. Any tools developed or derived by LICENSEE as a result of a study of the performance, design or operation of the Development Tools shall be considered derivative works of the Intellectual Property Rights, but may be retained and utilized by LICENSEE in connection with this Agreement. Unless LICENSEE can demonstrate that such derivative work has one or more applications that are independent of and separate from the Intellectual Property Rights ("Independent Applications"), it shall be deemed to have granted NOA and NINTENDO an indefinite, worldwide, royalty-free, transferable and Sole License (including the right to sub-license) to such derivative work. To the extent that LICENSEE can demonstrate one or more Independent Applications, LICENSEE shall be deemed to have granted to NOA and NINTENDO a royalty-free and transferable non-exclusive License (including the right to sub-license) in relation to such Independent Applications for the Term.

4. SUBMISSION OF GAME AND ARTWORK FOR APPROVAL

4.1 Development and Sale of the Games. LICENSEE may develop Games and have manufactured, advertise, market and sell Licensed Products for play on the Nintendo DS system only in accordance with this Agreement.

4.2 Delivery of Completed Game. Upon completion of a Game, LICENSEE shall deliver a prototype of the Game to NINTENDO in a format specified in the Guidelines, together with written user instructions, a complete description of any security holes, backdoors, time bombs, cheats, "Easter eggs" or other hidden features or characters in the Game and a complete screen text script. NINTENDO shall promptly evaluate the Game with regard to its technical compatibility with and error-free operation on the Nintendo DS system. LICENSEE must establish that the Game and any other content included on the Game Card complies with the guidelines of the Pan European Game Information System (PEGI), the Unterhaltungssoftware Selbstkontrolle (USK), the Office of Film and Literature Classification (OFLC), or any other national or regional game rating system that NINTENDO may accept, as applicable. LICENSEE shall be responsible for the submission of the Game to the appropriate national or regional game rating organization and shall provide NINTENDO with a statement or certificate in writing from the relevant organization, confirming the rating for the Game. Where any such game has been rated as being suitable only for players aged 18 and over (or an equivalent rating), LICENSEE must submit a certificate in writing that confirms the game is rated as no higher than "M" (mature) by the Entertainment Software Rating Board (ESRB) of the U.S. In addition, NINTENDO reserves the right to require LICENSEE to provide NINTENDO with such additional written indemnification for damages, claims, loss, liability, fine or penalty resulting from the marketing, distribution or sale of a Game with such an age rating, as NINTENDO, in its sole discretion, may request. If any such age rating is subsequently changed by the relevant organization, LICENSEE shall inform NINTENDO forthwith in writing of that fact and LICENSEE shall then comply with the above provisions in relation to such new age rating.

4.3 Approval of Completed Game. NINTENDO shall, within a reasonable period of time after receipt, approve or disapprove each submitted Game. If a Game is disapproved, NINTENDO shall specify in writing the reasons for such disapproval and state what corrections or improvements are necessary. After making the necessary corrections or improvements, LICENSEE shall submit a revised Game to NINTENDO for approval. NINTENDO shall not unreasonably withhold or delay its approval of any Game. The approval of a Game by NINTENDO shall not relieve LICENSEE of its sole responsibility for the development, quality and operation of the Game or in any way create any warranty for a Game or a Licensed Product by NINTENDO.

4.4 Submission of Artwork. Upon submission of a completed Game to NINTENDO, LICENSEE shall prepare and submit to NINTENDO the Artwork for the proposed Licensed Product. Within ten (10) business days of receipt, NINTENDO shall approve or disapprove the Artwork. If any Artwork is disapproved, NINTENDO shall specify in writing the reasons for such disapproval and state what corrections or improvements are necessary. After making the necessary corrections or improvements, LICENSEE shall submit revised Artwork to NINTENDO for approval. NINTENDO shall not unreasonably withhold or delay its approval of any Artwork. The approval of the Artwork by NINTENDO shall not relieve LICENSEE of its sole responsibility for the development and quality of the Artwork or in any way create any warranty for the Artwork or any Licensed Product by NINTENDO.

4.5 Artwork for Bulk Goods. If LICENSEE submits an order for Bulk Goods, all Artwork shall be submitted to NINTENDO in advance of NINTENDO's acceptance of the order and no production of Printed Materials shall occur until such Artwork has been approved by NINTENDO under Section 4.4 herein.

5. ORDER PROCESS, PURCHASE PRICE, PAYMENT AND DELIVERY

5.1 Submission of Orders by LICENSEE. LICENSEE may at any time submit written purchase orders to NINTENDO for any approved Licensed Product title. The purchase order shall specify whether it is for Finished Products or Bulk Goods. The terms and conditions of this Agreement shall take precedence

over any contrary terms of such purchase order or any other written documents submitted by LICENSEE. All orders are subject to acceptance by NINTENDO or its designee.

5.2 Purchase Price and Minimum Order Quantities. The purchase price and minimum order quantities for Finished Products and Bulk Goods shall be set forth in NINTENDO's then current Price Schedule. The purchase price includes the cost of manufacturing the Licensed Products. No taxes, duties, import fees or other tariffs related to the development, manufacture, import, marketing or sale of the Licensed Products are included in the purchase price and all such taxes are the

responsibility of LICENSEE (except for taxes imposed on NINTENDO's income). The Price Schedule is subject to change by NINTENDO at any time, provided, however, that any price increase shall be applicable only to purchase orders submitted, paid for, and accepted by NINTENDO after the effective date of the price increase.

5.3 Payment. Upon placement of an order with NINTENDO, LICENSEE shall pay the full purchase price to NINTENDO either (a) by placement of an irrevocable letter of credit in favor of NINTENDO and payable at sight, issued by a bank acceptable to NINTENDO and confirmed, if requested by NINTENDO, at LICENSEE's expense, or (b) in cash, by wire transfer to NINTENDO's designated account. All associated banking charges are the responsibility of the LICENSEE.

5.4 Shipment and Delivery. NINTENDO shall deliver the Finished Products and Bulk Goods ordered by LICENSEE to LICENSEE FOB Japan, CIP European Destination or ex-warehouse Grossostheim, as per the terms in the Price Schedule. Also per the Price Schedule, the minimum shipping quantity is [***] for Finished Products and [***] for Bulk Goods. Upon mutual consent of NINTENDO and LICENSEE, orders may be delivered in partial shipments with a minimum shipment quantity as specified in the Price Schedule. Such orders shall be delivered only to countries within the Territory. Title to the Licensed Products shall vest in accordance with the terms of the applicable letter of credit or, in the absence thereof, per incoterms 2000.

6. MANUFACTURE OF THE LICENSED PRODUCT

6.1 Manufacturing. Given NINTENDO's ownership of the valuable Intellectual Property Rights, NINTENDO shall be the exclusive source for the manufacture of the Game Cards, and shall control all aspects of the manufacturing process, including the selection of the locations and specifications for any manufacturing facilities, determination of materials and processes, appointment of suppliers and subcontractors, and management of all work-in-progress.

6.2 Manufacture of the Licensed Products. Upon acceptance by NINTENDO of a purchase order for an approved Licensed Product title and payment as provided for under Section 5.3 herein, NINTENDO will arrange for the manufacture of Finished Product or Bulk Goods, as specified in LICENSEE's purchase order. In this regard, LICENSEE shall submit to NINTENDO certain technical information as set forth in a questionnaire entitled "Software Submission Requirements" which has been provided to LICENSEE by NINTENDO.

6.3 Security Features. The final release version of the Game, Game Cards and Printed Materials shall include such Security Technology as NINTENDO, in its sole discretion and at its sole expense, may deem necessary or appropriate.

6.4 Production of Bulk Goods Printed Materials. For Bulk Goods, LICENSEE shall arrange and pay for the production of the Printed Materials using the Artwork. Upon receipt of an order of Bulk Goods, LICENSEE shall assemble the Game Cards and Printed Materials into the Licensed Products. Licensed Products may be sold or otherwise distributed by LICENSEE only in fully assembled condition and placed in a plastic case or other protective packaging.

6.5 Sample Printed Materials and Bulk Goods. Within a reasonable period of time after LICENSEE's assembly of the initial order for a Bulk Goods title, LICENSEE shall provide NINTENDO with (a) one (1) sample of the fully assembled, Licensed Product, and (b) five (5) samples of LICENSEE produced Printed Materials for such Licensed Product.

6.6 Retention of Sample Licensed Products by NINTENDO. NINTENDO may, at its own expense. manufacture reasonable quantities of the Game Cards or the Licensed Products, not to exceed fifty (50) units, to be used for archival purposes, legal proceedings against infringers of the Intellectual Property Rights or for other lawful purposes (but not for resale).

7. MARKETING AND ADVERTISING

7.1 Approval of Marketing Materials. LICENSEE represents and warrants that the Marketing Materials shall (a) be of high quality and comply with the Guidelines as well as the

guidelines of the PEGI, and (b) comply with all applicable laws, regulations and official codes of practice in those jurisdictions in the Territory where they will be used or distributed. All LICENSEE controlled websites featuring the Games shall adopt a privacy policy that complies with all applicable local laws, regulations and official guidelines. To protect NINTENDO's valuable Intellectual Property Rights, to prevent the dilution of NINTENDO's trade marks, and to avoid use of the licensed Intellectual Property Rights giving rise to any implication of NINTENDO's sponsorship, association, approval or endorsement where this is not the case, prior to actual use or distribution, LICENSEE shall submit to NINTENDO for review samples of all proposed Marketing Materials. NINTENDO shall, within ten (10) business days of receipt, approve or disapprove the quality of such samples. If any of the samples are disapproved, NINTENDO shall specify the reasons for such disapproval and state what corrections and/or improvements are necessary. After making the necessary corrections and/or improvements, LICENSEE shall submit revised samples for approval by NINTENDO. No Marketing Materials shall be used or distributed by LICENSEE without NINTENDO's prior written approval. NINTENDO shall not unreasonably withhold or delay its approval of any proposed Marketing Materials.

7.2 No Bundling. To protect NINTENDO's valuable Intellectual Property Rights, to prevent the dilution of NINTENDO's trademarks, and to avoid use of the licensed Intellectual Property Rights giving rise to any implication of NINTENDO's sponsorship, association, approval or endorsement where this is not the case, LICENSEE shall not, without NINTENDO's prior written approval, market or distribute any Licensed Products that are bundled with (a) any peripheral designed for use with the Nintendo DS system that has not been licensed or approved in writing by NINTENDO, or (b) any other product or service where NINTENDO's sponsorship, association, approval or endorsement might be suggested by the bundling of the products or services.

7.3 Warranty and Repair. LICENSEE shall provide the original consumer with a minimum one hundred eighty (180) day (or such longer minimum period as may be required by applicable law) limited warranty on all Licensed Products. LICENSEE shall also provide reasonable product service, including out-of-warranty service, for all Licensed Products.

7.4 Business Facilities. LICENSEE agrees to develop and maintain sufficient customer service, either directly or through a third party, to adequately support the Licensed Products."

7.5 No Sales Outside the Territory. LICENSEE represents and warrants that it shall not market, sell, offer to sell, import or distribute the Licensed Products outside the Territory, or within the Territory when LICENSEE has actual or constructive knowledge that a subsequent destination of the Licensed Product is outside the Territory.

7.6 Defects and Recall. In the event of a material programming defect in a Licensed Product that would, in NINTENDO's reasonable judgment, significantly impair the ability of a consumer to play the Game, NINTENDO may, after consultation with LICENSEE, require the LICENSEE to recall the Licensed Product and undertake suitable repairs or replacements.

7.7 Nintendo Promotional Materials, Publications and Events. With a view to improving the competitiveness of the video game products consisting of Nintendo video game systems and services and compatible software published by LICENSEE and others, at its option, NINTENDO may (a) insert in the Printed Materials for the Licensed Products promotional materials concerning publications and promotions for such video game products, (b) utilize screen shots, Artwork and information regarding the Licensed Products in all NINTENDO published or officially licensed magazines, official NINTENDO-sponsored web sites, or other advertising, promotional or marketing media that promotes such video game products, services or programs, and (c) exercise public performance rights in the Games and use related trademarks and Artwork in connection with NINTENDO sponsored contests, tours, conventions, trade shows, press briefings and similar events that promote such video game products.

7.8 Nintendo Gateway System. To promote and increase demand for games on Nintendo video game systems, NINTENDO licenses a system (the "Nintendo Gateway System") in various non-coin activated commercial settings such as commercial airlines, cruise ships, rail systems and hotels, where customers play games on specially adapted Nintendo video game systems. If NINTENDO identifies a Game for possible license on the Nintendo Gateway System, the parties agree to conduct good faith negotiations toward including the Game in the Nintendo Gateway System.

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8. CONFIDENTIAL INFORMATION

8.1 Definition. "Confidential Information" means information provided to LICENSEE by NINTENDO or any third party working with NINTENDO or NOA relating to the hardware and software for the Nintendo DS system or the Development Tools, including, but not limited to, (a) all current or future information, know-how, techniques, methods, information, tools, emulator hardware or software, software development specifications and/or trade secrets, (b) any inventions, patents or patent applications, (c) any business, marketing or sales data or information, and (d) any other information or data relating to development, design, operation, manufacturing, marketing or sales. Confidential Information shall include all confidential information disclosed, whether in writing, orally, visually, or in the form of drawings, technical specifications, software, samples, pictures, models, recordings, or other tangible items which contain or manifest, in any form, the above listed information. Confidential Information shall not include (i) data and information that were in the public domain prior to LICENSEE's receipt of the same hereunder, or that subsequently becomes part of the public domain by publication or otherwise, except by the wrongful act or omission of LICENSEE or any third party, (ii) data and information that LICENSEE can demonstrate, through written records kept in the ordinary course of business, were in its possession without restriction on use or disclosure, prior to its receipt of the same hereunder and were not acquired directly or indirectly from NINTENDO or NOA under an obligation of confidentiality that is still in force, and (iii) data and information that LICENSEE can show were received by it from a third party who did not acquire the same directly or indirectly from NINTENDO or NOA and to whom LICENSEE has no obligation of confidentiality.

8.2 Disclosures Required by Law. LICENSEE shall be permitted to disclose Confidential Information if such disclosure is required by an authorized governmental or judicial entity, provided that NINTENDO is given Notice thereof at least thirty (30) days prior to such disclosure, or such lesser period as may be needed to comply with such requirement. LICENSEE shall use its best efforts to limit the disclosure to the greatest extent possible, consistent with LICENSEE's legal obligations, and if required by NINTENDO, shall cooperate in the preparation and entry of appropriate court orders limiting the persons to whom Confidential Information may be disclosed and the extent of disclosure of such Confidential Information.

8.3 Disclosure and Use. NINTENDO may provide LICENSEE with highly confidential development information, Guidelines, Development Tools, systems, specifications and related resources and information constituting and incorporating the Confidential Information to assist LICENSEE in the development of Games. LICENSEE agrees to maintain all Confidential Information as strictly confidential and to use such Confidential Information only in accordance with this Agreement. LICENSEE shall limit access to the Confidential information to LICENSEE's employees having a strict need to know and shall advise such employees of their obligation of confidentiality as provided herein. LICENSEE shall require each such employee to retain in confidence the Confidential Information pursuant to a written non-disclosure agreement between LICENSEE and such employee. LICENSEE shall use its best efforts to ensure that its employees working with or otherwise having access to Confidential Information shall not disclose or make any unauthorized use of the Confidential Information.

8.4 No Disclosure to Independent Contractors. LICENSEE shall not disclose the Confidential Information, including without limitation the Guidelines and Intellectual Property Rights, to any Independent Contractor, nor permit any Independent Contractor to perform or assist in development work for a Game, without the prior written consent of NINTENDO. Any Independent Contractor seeking access to Confidential Information shall be required to enter into a written non-disclosure agreement with NINTENDO or NOA prior to receiving any access to or disclosure of the Confidential Information from either LICENSEE or NINTENDO.

At LICENSEE's option, the written non-disclosure agreement may be with LICENSEE rather than NINTENDO or NOA, in which case the form and substance of the non-disclosure agreement must be acceptable to NINTENDO. Also, in such case LICENSEE shall provide to NINTENDO on a continuing basis a listing of all Independent Contractors who have received or been granted access to Confidential Information along with copies of the applicable written non-disclosure agreements. In addition, LICENSEE shall take all reasonable measures to ensure that its Independent Contractors fulfill the requirements of the applicable written non-disclosure agreements.

LICENSEE shall use its best efforts to ensure that its employees and Independent Contractors working with or otherwise having access to Confidential Information shall not disclose or

make unauthorised use of the Confidential Information. LICENSEE agrees to indemnify NINTENDO against all loss or damage, including consequential economic loss, for breach of these obligations by the LICENSEE, its employees and Independent Contractors.

8.5 Agreement Confidentiality. LICENSEE agrees that the terms, conditions and contents of this Agreement shall be treated as Confidential Information. Any public announcement or press release regarding this Agreement or the release dates for Games developed by LICENSEE under this Agreement shall be subject to NINTENDO's prior written approval. The parties may disclose this Agreement (a) to accountants, banks, financing sources, lawyers, parent companies and related parties under substantially equivalent confidentiality obligations, (b) in connection with any formal legal proceeding for the enforcement of this Agreement, (c) as required by the regulations of the government agencies in the Territory that regulate publicly-traded securities, provided that all Confidential Information regarding NINTENDO shall be edited from such disclosures to the maximum extent allowed by such government agencies, (d) in response to lawful process, subject to court order limiting the persons to whom Confidential Information may be disclosed and the extent of disclosure of such Confidential Information, approved in advance by NINTENDO, and (e) to a third party proposing to enter into a business transaction with LICENSEE or with NINTENDO, but only to the extent reasonably necessary for carrying out the proposed transaction and only under terms of mutual confidentiality.

8.6 Notification Obligations. LICENSEE shall promptly notify NINTENDO of the unauthorized use or disclosure of any Confidential Information by LICENSEE or any of its employees, or any Independent Contractor or its employees, and shall promptly act to recover any such information and prevent further breach of the obligations herein. The obligations of LICENSEE set forth herein are in addition to and not in lieu of any other legal remedy that may be available to NINTENDO under this Agreement or applicable law.

8.7 Continuing Effect of the NDA. The terms of this Section 8 supplement the terms of the NDA, which shall remain in effect. In the event of a conflict between the terms of the NDA and this Agreement, the terms of this Agreement shall control.

9. REPRESENTATIONS AND WARRANTIES

9.1 LICENSEE's Representations and Warranties. LICENSEE represents and warrants that:

(a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof,

(b) the execution, delivery and performance of this Agreement by LICENSEE does not conflict with any agreement or understanding to which LICENSEE may be bound, and

(c) excluding the Intellectual Property Rights, LICENSEE is either (i) the sole owner of all right, title and interest in and to the trademarks, copyrights and other intellectual property rights used on or in association with the development, advertising, marketing and sale of the Licensed Products and the Marketing Materials, or (ii) the holder of such rights to the trademarks, copyrights and other intellectual property rights that have been licensed from a third party as are necessary for the development, advertising, marketing and sale of the Licensed Products and the Marketing Materials under this Agreement.

9.2 NINTENDO's Representations and Warranties. NINTENDO represents and warrants that:

(a) it is a duly organized and validly existing corporation and has full authority to enter into this Agreement and to carry out the provisions hereof, and

(b) the execution, delivery and performance of this Agreement by NINTENDO does not conflict with any agreement or understanding to which NINTENDO may be bound.

9.3 INTELLECTUAL PROPERTY RIGHTS DISCLAIMER BY NINTENDO. NINTENDO MAKES NO REPRESENTATION OR WARRANTY CONCERNING THE SCOPE OR VALIDITY OF THE INTELLECTUAL PROPERTY RIGHTS. NINTENDO DOES NOT WARRANT THAT THE DESIGN, DEVELOPMENT, ADVERTISING, MARKETING OR SALE OF THE LICENSED PRODUCTS OR THE USE OF THE INTELLECTUAL PROPERTY RIGHTS BY LICENSEE WILL NOT INFRINGE UPON PATENT, COPYRIGHT, TRADEMARK OR OTHER PROPRIETARY RIGHTS OF A THIRD PARTY. TO THE MAXIMUM EXTENT LEGALLY PERMISSIBLE, ANY WARRANTY, CONDITION OR TERM THAT MAY BE PROVIDED IN ANY APPLICABLE PROVISION OF ANY LAW OR REGULATION IN THE TERRITORY GOVERNING COMMERCIAL ACTIVITY, OR ANY OTHER COMPARABLE LAW OR STATUTE IS EXPRESSLY DISCLAIMED. LICENSEE HEREBY ASSUMES THE RISK OF INFRINGEMENT.

9.4 GENERAL DISCLAIMER BY NINTENDO. NINTENDO DISCLAIMS ANY AND ALL WARRANTIES WITH RESPECT TO THE LICENSED PRODUCTS, INCLUDING, WITHOUT LIMITATION, THE SECURITY TECHNOLOGY. LICENSEE PURCHASES AND ACCEPTS ALL LICENSED PRODUCTS ON AN "AS IS" AND "WHERE IS" BASIS. NINTENDO DISCLAIMS ALL WARRANTIES UNDER THE APPLICABLE LAWS OF ANY COUNTRY, EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES CONDITIONS OR OTHER TERMS OF ANY KIND OF MERCHANTABILITY OR FITNESS FOR A GENERAL OR PARTICULAR PURPOSE.

9.5 LIMITATION OF LIABILITY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, NEITHER NINTENDO NOR ITS SUBSIDIARIES, AFFILIATES, LICENSORS OR SUPPLIERS SHALL BE LIABLE FOR LOSS OF PROFITS, OR FOR ANY SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF LICENSEE OR ITS CUSTOMERS ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THE BREACH OF THIS AGREEMENT BY NINTENDO, THE MANUFACTURE OF THE LICENSED PRODUCTS OR THE USE OF THE LICENSED PRODUCTS ON ANY NINTENDO VIDEO GAME SYSTEM BY LICENSEE OR ANY END USER.

10. INDEMNIFICATION

10.1 LICENSEE's Indemnification. LICENSEE shall indemnify and hold harmless NINTENDO (and any of its affiliates, subsidiaries, licensors, suppliers, officers, directors, employees or agents) from any claims, losses, liabilities, damages, expenses and costs, including, without limitation, reasonable attorneys' fees and costs and any expenses incurred in the settlement or avoidance of any such claim, that result from or are in connection with:

(a) a breach of any of the provisions, representations or warranties undertaken by LICENSEE in this Agreement,

(b) any infringement of a third party's Proprietary Rights as a result of the design, development advertising, marketing, sale or use of the Licensed Products or the Marketing Materials,

(c) any claims alleging a defect, failure to warn, bodily injury (including death) or other personal or property damage arising out of, or in connection with the design, development, advertising, marketing, sale or use of any of the Licensed Products, and

(d) any applicable civil or criminal actions relating to the design. development, advertising, marketing, sale or use of the Licensed Products or the Marketing Materials.

NINTENDO and LICENSEE shall give prompt Notice to the other of any indemnified claim under this Section 10.1. With respect to any third party claim subject to this indemnity clause, LICENSEE, as indemnifying party, shall have the right to select counsel and to control the defense and/or settlement thereof. NINTENDO may, at its own expense, participate in such action or proceeding with counsel of its own choice. LICENSEE shall not enter into any settlement of any such claim in which (i) NINTENDO has been named as a party, or (ii) claims relating to the Intellectual

Property Rights have been asserted, without NINTENDO's prior written consent. NINTENDO shall provide reasonable assistance to LICENSEE in its defense of any such claim.

10.2 LICENSEE's Insurance. LICENSEE shall, at its own expense, obtain a commercial general liability insurance policy (including coverage for advertising injury and product liability claims) from an insurance company. Such policy of insurance shall be in an amount of not less than the equivalent of [***] on a per occurrence basis (not claims made) and shall provide for adequate protection against any suits, claims, loss or damage arising out of or relating to the Licensed Products. Such policy shall name NINTENDO as an additional insured and shall specify that it may not be canceled without thirty (30) days prior written Notice to NINTENDO. A Certificate of Insurance shall be provided to NINTENDO not later than the date of the initial order of Licensed Products under this Agreement or within 60 days of the Effective Date of this Agreement, whatever date occurs later. If LICENSEE fails to provide NINTENDO with such Certificate of Insurance or fails to maintain such insurance at any time during the Term and for a period of two (2) years thereafter, NINTENDO, in its sole discretion may: (a) terminate this Agreement in accordance with Section 13.2 herein; or (b) secure comparable insurance for the benefit of NINTENDO only, and not for LICENSEE, at LICENSEE's expense.

10.3 Suspension of Production. In the event NINTENDO deems itself at risk with respect to any claim, action or proceeding under this Section 10, NINTENDO may, at its sole option, suspend production, delivery or order acceptance for any Licensed Products, in whole or in part, pending resolution of such claim, action or proceeding.

11. PROTECTION OF PROPRIETARY RIGHTS

11.1 Joint Actions Against Infringers. LICENSEE and NINTENDO may agree to jointly pursue cases of infringement involving the Licensed Products, as such Licensed Products will contain Proprietary Rights owned by each of them. Unless the parties otherwise agree, or unless the recovery is expressly allocated between them by the court, in the event of such an action, any recovery shall be used first to reimburse LICENSEE and NINTENDO for their respective reasonable attorneys' fees and costs incurred in bringing such action, pro rata, and any remaining recovery shall be distributed to LICENSEE and NINTENDO, pro rata, based upon the fees and costs incurred in bringing such action.

11.2 Actions by LICENSEE. LICENSEE, without the consent of NINTENDO, may bring any action or proceeding relating to an infringement or potential infringement of LICENSEE's Proprietary Rights in the Licensed Products. LICENSEE shall make reasonable efforts to inform NINTENDO of such actions in a timely manner. LICENSEE will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

11.3 Actions by NINTENDO. NINTENDO, without the consent of LICENSEE, may bring any action or proceeding relating to an infringement or potential infringement of the Intellectual Property Rights. NINTENDO shall make reasonable efforts to inform LICENSEE of such actions in a timely manner. NINTENDO will have the right to retain all proceeds it may derive from any recovery in connection with such actions.

12. ASSIGNMENT

12.1 Definition. "Assignment" means every type and form of assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation of LICENSEE's rights or obligations under this Agreement, including, but not limited to, (a) a voluntary assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation by LICENSEE of all or any portion of its rights or obligations under this Agreement, (b) the assignment, transfer, sale, sublicense, delegation, encumbrance, pledge and/or hypothecation of all or any portion of LICENSEE's rights or obligations under this Agreement to or by LICENSEE's trustee in bankruptcy receiver or other individual or entity appointed to control or direct the business and affairs of LICENSEE, (c) an involuntary assignment, transfer, sale, sublicense, delegation, encumbrance, pledge or hypothecation of all or a portion of LICENSEE's rights or obligations under this Agreement, including but not limited to a foreclosure by a third party upon assets of LICENSEE, (d) the merger or consolidation of

LICENSEE if LICENSEE is a corporation, and (a) any other means or method whereby rights or obligations of LICENSEE under this Agreement are sold, assigned or transferred to another individual or entity for any reason. Assignment also includes the sale, assignment, transfer or other event affecting a change in the controlling interest of LICENSEE, whether by sale, transfer or assignment of shares in LICENSEE, or by sale, transfer or assignment of partnership interests in LICENSEE, or otherwise.

12.2 No Assignment by LICENSEE. This Agreement and the subject matter hereof are personal to LICENSEE. No Assignment of LICENSEE's rights or obligations hereunder shall be valid or effective without NINTENDO's prior written consent, which consent may be withheld by NINTENDO for any reason whatsoever in its sole discretion. In the event of an attempted Assignment in violation of this provision, NINTENDO shall have the right at any time, at its sole option, to immediately terminate this Agreement. Upon such termination, NINTENDO shall have no further obligation under this Agreement to LICENSEE or to LICENSEE's intended or purported assignee.

12.3 Proposed Assignment. Prior to any proposed Assignment of this Agreement, LICENSEE shall give NINTENDO not less than thirty (30) days prior written Notice thereof, which Notice shall disclose the name of the proposed assignee, the proposed effective date of the Assignment and the nature and extent of the rights and obligations that LICENSEE proposes to assign. NINTENDO may, in its sole discretion, approve or disapprove such proposed Assignment. Unless written consent is given by NINTENDO to a proposed Assignment, any attempted or purported Assignment shall be deemed disapproved and NINTENDO shall have the unqualified right, in its sole discretion, to terminate this Agreement at any time. Upon termination, NINTENDO shall have no further obligation under this Agreement to LICENSEE or to LICENSEE's intended or purported assignee.

12.4 LICENSEE's Obligation of Non-Disclosure. LICENSEE shall not (a) disclose NINTENDO's Confidential Information to any proposed assignee of LICENSEE, or (b) permit access to NINTENDO's Confidential Information by any proposed assignee or other third party, without the prior written consent of NINTENDO to such disclosure.

13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence on the Effective Date and shall continue for the Term, unless earlier terminated as provided herein, or extended by a written amendment to this Agreement.

13.2 Default or Breach. In the event that either party is in default or commits a breach of this Agreement that is not cured within thirty (30) days after Notice thereof, then this Agreement shall, except as otherwise provided, automatically terminate on the date specified in such Notice.

13.3 Bankruptcy. At NINTENDO's option, this Agreement may be terminated immediately and without Notice in the event that LICENSEE (a) makes an assignment for the benefit of creditors, (b) becomes insolvent, (c) files a voluntary petition for bankruptcy, (d) acquiesces to any involuntary bankruptcy petition, (e) is adjudicated as a bankrupt, or (f) ceases to do business.

13.4 Termination Other Than by Breach. Upon (a) the expiration of this Agreement, (b) its termination other than by LICENSEE's breach, or (c) termination of this Agreement by NINTENDO after one hundred twenty days (120) Notice to LICENSEE in the event NINTENDO reasonably believes that LICENSEE has developed, marketed, or sold a product that infringes any intellectual property rights of NINTENDO anywhere in the world (provided that if the parties are able to resolve such alleged infringement within such 120 day period, such termination shall not take effect), LICENSEE shall have a period of [***] to sell any unsold Licensed Products. All Licensed Products in LICENSEE'S control following the expiration of such sell-off period shall be destroyed by LICENSEE within ten (10) days and proof of such destruction (certified by an officer of LICENSEE) shall be provided to NINTENDO.

13.5 Termination by LICENSEE's Breach. If this Agreement is terminated by NINTENDO as a result of a breach of its terms and conditions by LICENSEE, LICENSEE shall immediately cease

all distribution, advertising, marketing or sale of any Licensed Products. All Licensed Products in LICENSEES control as of the date of such termination shall be destroyed by LICENSEE within ten (10) days and proof of such destruction (certified by an officer of LICENSEE) shall be provided to NINTENDO.

13.6 Breach of NDA or Other NINTENDO License Agreements. At NINTENDO's option, any breach by LICENSEE of (a) the NDA, or (b) any other license agreement between NINTENDO and LICENSEE relating to the development of games for any Nintendo video game system that is not cured within the time period for cure allowed under the applicable agreement, shall be considered a material breach of this Agreement (and which shall give NINTENDO reasonable cause to believe that it needs to terminate this Agreement so as to protect its legitimate business interests) entitling NINTENDO to terminate this Agreement in accordance with Section 13.5 herein.

13.7 No Further Use of the Intellectual Property Rights. Upon expiration and/or termination of this Agreement, LICENSEE shall cease all use of the Intellectual Property Rights for any purpose, except as may be required in connection with the sale of Licensed Products authorized under Section 13.4 herein. LICENSEE shall, within thirty (30) days thereafter, return or destroy all Guidelines, writings, drawings, models, data, tools and other materials and things in LICENSEE's possession or in the possession of any past or present employee, agent or contractor receiving the information through LICENSEE, that constitute or relate to or disclose any Confidential Information, without making copies or otherwise retaining any such information. Proof of any destruction shall be certified by an officer of LICENSEE and promptly provided to NINTENDO.

13.8 Termination by NINTENDO's Breach. If this Agreement is terminated by LICENSEE as a result of a breach of its terms or conditions by NINTENDO, LICENSEE may continue to sell the Licensed Products in the Territory until the expiration of the Term, at which time the provisions of Section 13.4 shall apply.

14. GENERAL PROVISIONS

14.1 Compliance with Applicable Laws and Regulations. LICENSEE shall at all times comply with applicable laws, regulations and orders in the countries of the Territory relating to or in any way affecting this Agreement and LICENSEE's performance under this Agreement, including, without limitation, the export laws and regulations of any country with jurisdiction over the Licensed Products and/or either party. LICENSEE shall not market, distribute, or sell the Game and/or Game Cards in any country in the Territory in which such marketing, distribution or sale would violate any applicable laws, regulations or orders of such country.

14.2 Force Majeure. Neither party shall be liable for any breach of this Agreement occasioned by any cause beyond the reasonable control of such party, including governmental action, war, terrorism, riot or civil commotion, fire, natural disaster, labor disputes, restraints affecting shipping or credit, delay of carriers, inadequate supply of suitable materials or any other cause that could not with reasonable diligence be controlled or prevented by the parties. In the event of material shortages, including shortages of materials or production facilities necessary for production of the Licensed Products, NINTENDO reserves the right to allocate such resources among itself and its licensees.

14.3 Records and Audit. During the Term and for a period of two (2) years thereafter, LICENSEE agrees to keep accurate, complete and detailed records related to the development and sale of the Licensed Products and the Marketing Materials. Upon reasonable Notice to LICENSEE, NINTENDO may, at its expense, arrange for a third party audit of LICENSEE's records, reports and other information related to LICENSEE's compliance with this Agreement.

14.4 Waiver, Severability, Integration, and Amendment. The failure of a party to enforce any provision of this Agreement shall not be construed to be a waiver of such provision or of the right of such party to thereafter enforce such provision. In the event that any term, clause or provision of this Agreement shall be

construed to be or adjudged invalid, void or unenforceable, such term, clause or provision shall be construed as severed from this Agreement, and the remaining terms, clauses and provisions shall remain in effect. Together with the NDA, this Agreement constitutes the entire

agreement between the parties relating to the subject matter hereof. All prior negotiations, representations, agreements and understandings are merged into, extinguished by and completely expressed by this Agreement and the NDA. Any amendment to this Agreement shall be in writing, signed by both parties.

14.5 Survival. In addition to those rights specified elsewhere in this Agreement that may reasonably be interpreted or construed as surviving, the rights and obligations set forth in Sections 3, 8, 9, 10, 13 and 14 shall survive any expiration or termination of this Agreement to the degree necessary to permit their complete fulfillment or discharge.

14.6 Governing Law and Venue. This Agreement shall be governed by the laws of Japan, without regard to its conflict of laws principles. Any legal action (including judicial and administrative proceedings) with respect to any matter arising under or growing out of this Agreement, shall be brought only in the Kyoto District Court. Each party hereby consents to the jurisdiction and venue of such courts for such purposes.

14.7 Injunctive Relief. LICENSEE acknowledges that in the event of its breach of this Agreement, NINTENDO shall be entitled to seek injunctive or other similar available relief in addition to any additional relief available to NINTENDO.

14.8 Attorneys' Fees. In the event it is necessary for either party to this Agreement to undertake legal action to enforce or defend any action arising out of or relating to this Agreement, the prevailing party in such action shall be entitled to recover from the other party all reasonable attorneys' fees, costs and expenses relating to such legal action or any appeal therefrom.

14.9 Expansion of Rights. NINTENDO may expand the rights granted to LICENSEE under this Agreement by providing written notice of such expansion of rights to LICENSEE and without having to enter into a written addendum to the present Agreement with LICENSEE.

14.10 Delegation of Duties. NINTENDO, at its option, may delegate its duties under the present Agreement to a wholly owned subsidiary. To the extent necessary for the parties to carry out their duties under this Agreement, NINTENDO shall provide notice to LICENSEE of any such delegation, including to whom at NINTENDO's wholly owned subsidiary communications from LICENSEE under this Agreement may be directed. Also in the event of a delegation by NINTENDO, the provisions of this Agreement shall continue to govern the relationship between NINTENDO and LICENSEE and shall govern the relationship between NINTENDO's subsidiary and LICENSEE, subject to any amendments or modifications to this Agreement which such subsidiary and LICENSEE may agree to in their relationship. NINTENDO shall remain obligated under the present Agreement for the performance of NINTENDO's duties by NINTENDO's subsidiary.

14.11 Counterparts and Signature by Facsimile. This Agreement may be signed in counterparts, that shall together constitute a complete Agreement. A signature transmitted by facsimile shall be considered an original for purposes of this Agreement.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the dates set forth below.

NCL:

Nintendo Co., Ltd.

By: /s/ Satoru Iwata

President

Date: June 20, 2006

LICENSEE:

Activision, Inc.

By: /s/ George Rose
George Rose
General Counsel

Date: April 1, 2006

LICENSEE:

Activision Publishing, Inc.

By: /s/ George Rose
George Rose
Title:

Date: April 1, 2006

LICENSEE:

Activision UK, Ltd.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

LICENSEE:

ACTVI France, S.A.S.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

LICENSEE:

Activision GmbH

By: /s/ George Rose
George Rose
Managing Director

Date: April 1, 2006

LICENSEE:

Activision Pty, Ltd.

By: /s/ George Rose
George Rose
Director

Date: April 1, 2006

Enclosure:
Annex A - Guidelines on Ethical Content

Annex A

Guidelines on Ethical Content

The following Guidelines on Ethical Content are presented for assistance in the development of Games by defining the types of the theme inconsistent with NINTENDO's corporate philosophy. Exceptions may be made when necessary to maintain the integrity of the Game or the Game's theme. Games shall not:

(a) contain sexually explicit content including but not limited to nudity, rape, sexual intercourse and sexual touching; for instance, NINTENDO does not allow bare-breasted women in Games, however, mild displays of affection such as kissing or hugging are acceptable;

(b) contain language or depictions which specifically denigrate members of any race, gender, ethnicity, religion or political group;

(c) depict gratuitous or excessive blood or violence. NINTENDO does not permit depictions of animal cruelty or torture;

(d) depict verbal or physical spousal or child abuse;

(e) permit racial, gender, ethnic, religious or political stereotypes; for example. religious symbols such as crosses will be acceptable when fitting into the theme of the Game and not promoting a specific religious denomination;

(f) use profanity, obscenity or incorporate language or gestures that are offensive by prevailing public standards and tastes; and

(g) promote the use of illegal drugs, smoking materials, tobacco and/or alcohol; for example, NINTENDO does not allow gratuitous beer or cigarette advertisement anywhere in a Game; however, Sherlock Holmes smoking a pipe would be acceptable as it fits the theme of the Game.

JEN hjd

[***] DENOTES CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT

DP#349485

AMENDMENT TO THE
XBOX 360 PUBLISHER LICENSING AGREEMENT
(Platinum/Classic Hits Program)

This Amendment to the Xbox 360 Publisher License Agreement (this "Amendment") is entered into and effective as of October 1, 2006 (the "Amendment Effective Date") by and between Microsoft Licensing, GP, a Nevada general partnership ("Microsoft"), and **ACTIVISION INC.** ("Publisher"), and supplements that certain Xbox 360 Publisher License Agreement between the parties dated as of December 1, 2006, as amended (the "Xbox 360 PLA").

RECITALS

A. Microsoft and Publisher entered into the Xbox 360 PLA to establish the terms under which Publisher may publish video games for Microsoft's Xbox 360 video game system.

B. The parties now wish to amend certain terms of the Xbox 360 PLA for Publisher's continued manufacture and distribution of video games for the Xbox 360.

Accordingly, for and in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, receipt of which each party hereby acknowledges, Microsoft and Publisher agree as follows:

1. Definitions; Interpretation

1.1 "Standard FPU" means an FPU of a Software Title which is not a Hits FPU (defined below in Section 2.1).

1.2 Except as expressly provided otherwise in this Amendment, capitalized terms shall have the same meanings ascribed to them in the Xbox 360 PLA or its amendments.

1.3 The terms of the Xbox 360 PLA are incorporated by reference, and except and to the extent expressly modified by this Amendment or any previous amendments, the Xbox 360 PLA shall remain in full force and effect and is hereby ratified and confirmed. In the event of any conflict between this Amendment and the Xbox 360 PLA or any prior amendments thereto, the terms of this Amendment shall control. In the event of any conflict between this Amendment and the Xbox 360 Publisher Guide, the terms of this Amendment shall control.

2. Hits Programs

2.1 Publisher may elect to participate in certain Xbox 360 Platinum or Classic Hits or Platinum or Classic Family Hits programs (collectively referred to herein as "Hits Programs") for qualified Software Titles (each unit of such Software Title qualified and participating in a Hits Program is referred to herein as a "Hit FPU"). If Publisher elects to participate in a Hits Program, Publisher must provide Microsoft a) at least [***] days notice of its intent to have a certain Software Title participate in the Hits Program; and b) a completed and signed Hits Programs Election Form in the form attached hereto as Exhibit 1 no later than [***] business days days prior to the targeted Commercial Release of the Hit FPU. If a Software Title meets the applicable participation criteria in a particular Sales Territory at the time of the targeted Commercial Release date of the Hit FPU and Microsoft receives the Hits Programs Election Form on time, Publisher is authorized to manufacture and distribute Hit FPUs in such Sales Territory and at the royalty rate in Table 2 of Section 3 of this Amendment applicable to "Hit FPUs." In order for a Software Title to qualify as a Hits FPU in a Sales Territory, the following conditions, as applicable per Hits Program, must be satisfied:

2.1.1 For all Hits Programs, the Software Title must have been commercially available as a Standard FPU in the applicable Sales Territory for at least [***] continuous months but not more than [***] months. Notwithstanding the foregoing, a Software Title intended to qualify as Hit FPU in the Japan or Asian Sales Territories during the period starting on the Amendment Effective Date until June 30, 2007 may qualify after [***] months.

2.1.2 To qualify as a Platinum or Classic Family Hit, the Software Title must (i) have received an "E," or, in the event such rating is officially adopted by the ESRB, an "E10" rating from the ESRB; a "PEGI 3+" or "PEGI 7+" rating in Europe, an "A: All Ages" rating from CERO in Japan and/or an equivalent rating in the applicable Sales Territory (to the extent Software Titles are rated by regulatory boards within the applicable Sales Territory); and (ii) be character based and/or appeal, as determined by Microsoft in its sole good faith discretion, to children 12 years of age and younger. Notwithstanding the foregoing, annual sports titles will not qualify for the Platinum Family Hits program.

2.1.3 In any calendar year in a Sales Territory, Publisher may not publish more than [***] Software Titles as part of the Platinum or Classic Hits Family Program.

2.1.4 As of the date Publisher wishes to Commercially Release the Software Title as a Hits FPU, Publisher must have manufactured the following minimum quantities of Standard FPUs of the Software Title for the applicable time period, Sales Territory and Hits Program.

Table 1: Manufacturing Requirements
From the Amendment Effective Date to March 31, 2008

	NA	EU	Japan	Asia
Platinum or Classic Hits	[***]	[***]	[***]	[***]
Platinum or Classic Family Hits	[***]	[***]	[***]	[***]

From April 1, 2008 to the end of the term of the Xbox 360 PLA

Platinum or Classic Hits	[***]	[***]	[***]	[***]

Platinum or Classic Family Hits	[***]	[***]	[***]	[***]

2.1.5 Software Titles in the European Sales Region that had an original Commercial Release date on Xbox 360 before December 31, 2005 may qualify to join the launch of the Classics Program in Europe if they manufactured in excess of [***] units as opposed to the [***] listed above. This is a one time only choice and the Publisher must confirm its intent to participate by submitting an Exhibit 1 form no later than September 15, 2006.

2.2 All Marketing Materials for a Hit FPU must comply with all Microsoft branding requirements as may be required in each Sales Territory and Publisher shall submit all such Marketing Materials to Microsoft for its approval in accordance with the Xbox 360 PLA. Notwithstanding the foregoing, all Hit FPUs must comply with the basic branding and other requirements for Marketing Materials set forth in the Xbox 360 Publisher Guide.

2.3 The Hit FPU version must be the same or substantially equivalent to the Standard FPU version of the Software Title. Publisher may modify or add additional content or features to the Hit FPU version of the Software Title (e.g., demos or game play changes) subject to Microsoft's review and approval, which approval shall not be unreasonably withheld, and Publisher acknowledges that any such modifications or additions may require the Software Title to be re-Certified at Publisher's expense.

2.4 Publisher acknowledges that Microsoft may change any of the qualifications for participation in a Hit Program upon forty-five (45) days advanced written notice to Publisher.

3. New Royalty Tables

3.1 The royalty rate tables in Section 1 of Exhibit A of the Xbox PLA are hereby replaced by the following:

Table 1: Threshold Price per Sales Territory

	North America WSP	Europe WSP	Japan SRP	Asia WSP (US$)*
Tier A	[***]	[***]	[***]	[***]
Tier B	[***]	[***]	[***]	[***]
Hits FPU	[***]	[***]	[***]	[***]

*This is the U.S. dollar equivalent of local currency in the Asian Sales Territory.

Table 2: Royalty Rate per Manufacturing Region

	North America	Europe	Asia
Tier A	[***]	[***]	[***]
Tier B	[***]	[***]	[***]
Hits FPU	[***]	[***]	[***]

For purposes of clarification, none of the other royalty provisions of the Xbox 360 PLA are changed by this Amendment. The addition of the "Hits FPU" row in Table 1 above establishes the allowed Wholesale Price for each Sales Territory (except Japan, which has a Suggested Retail Price) at which the Publisher may sell a Hit FPU. If Publisher desires to sell a Hit FPU for a higher Wholesale or Suggested Retail Price, then that Software Title will not qualify as a Hit FPU and the Publisher must choose Tier A or Tier B royalty rate. The addition of the "Hits FPU" row in Table 2 above establishes the royalty rate for hit FPUs manufactured in the three Manufacturing Regions.

4. Asia Simship Program

Section 4 of Exhibit 1 to the Xbox 360 PLA is hereby deleted in its entirety and replaced by the following:

The purpose of this program is to encourage Publisher to release Japanese, North American or European FPUs, that have been multi-region signed to run on NTSC-J boxes (hereinafter collectively referred to as "Simship Titles"), in Hong Kong, Singapore and Taiwan (referred to as "Simship Territory") at the same time as Publisher releases the Software Title in the Japan, European and/or North American Sales Territories. In order for a Software Title to qualify as a Simship Title, Publisher must release the Software Title in the Simship Territory on the same date as the Commercial Release date of such Software Title in the Japan, European and/or North American Sales Territories, wherever the Software Title was first Commercially Released (referred to as "Original Territory"). To the extent that a Software Title qualifies as a Simship Title, the applicable royalty tier (under Section 1.b of this Exhibit 1 above) and Unit Discount (under Section 1.d of this Exhibit 1 above) is determined as if all FPUs of such Software Title manufactured for distribution in both the Original Territory and the Simship Territory were manufactured for distribution in the Original Territory. For example, if a Publisher initially manufactures [***] FPUs of a Software Title for the Japan Sales Territory and simships [***] of those units to the Simship Territory, the royalty fee for all of the FPUs is determined by the applicable tier based on the Suggested Retail Price set forth in the Japan Sales Territory. In this example, Publisher would also receive a [***] Discount on [***] units for having exceed the Unit Discount level specified in Section 1. d of this Exhibit 1 above applicable to the Japan Sales Territory. Publisher must provide Microsoft with written notice of its intention to participate in the Asian Simship Program with respect to a particular Software Title at least ten (10) days prior to manufacturing any FPUs it intends to qualify for the program. In its notice, Publisher shall provide all relevant information, including total number of FPUs to be manufactured, number of FPUs to be simshipped into the Simship Territory, date of simship, etc. Publisher remains responsible for complying with all relevant import, distribution and packaging requirements as well as any other applicable requirements set forth in the Xbox 360 Publisher Guide.

5. North American Sales Territory

Chile is hereby added to the definition of the North American Sales Territory.

6. Selling FPUs Across Sales Territories

For the purpose of clarification, Publisher may not sell FPUs in a certain Sales Territory that were manufactured and paid for at a different royalty tier than the royalty tier selected for that Sales Territory. For example, if Publisher were to manufacture FPUs for sale in the Asian Sales Territory, where it has selected and paid Tier B royalties, Publisher could not sell those FPUs in the European Sales Territory where it had selected a Tier A royalty rate. In other words, a Publisher may only sell FPUs in a Sales Territory for which it paid the royalty rate that was selected for that Sales Territory.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the Amendment Effective Date.

MICROSOFT LICENSING, GP	**ACTIVISION**
/s/ Roxanne V. Spring	/s/ Greg Deutsch
By (sign)	By (sign)
Roxanne V. Spring	Greg Deutsch
Name (print)	Name (print)
Sr. Xbox Manager	Vice President, Business and Legal Affairs
Title	Title
12-8-06	12-1-06
Date (print mm/dd/yy)	Date (print mm/dd/yy)

DP#349485

EXHIBIT 1

XBOX 360 HITS PROGRAMS ELECTION FORM

PLEASE COMPLETE THE BELOW INFORMATION, SIGN THE FORM, AND FAX IT TO MICROSOFT AT +1 (425) 708-2300 TO THE ATTENTION OF MICROSOFT LICENSING, GP (MSLI) AND YOUR ACCOUNT MANAGER.

NOTES:

- **THIS FORM MUST BE SUBMITTED BY A PUBLISHER AT LEAST TEN (10) BUSINESS DAYS PRIOR TO THE TARGET COMMERCIAL RELEASE DATE FOR A SOFTWARE TITLE IN A HITS PROGRAM IN ANY SALES TERRITORY.**
- **A SEPARATE FORM MUST BE SUBMITTED FOR EACH SALES TERRITORY IN WHICH THE PUBLISHER WISHES TO PUBLISH A SOFTWARE TITLE AS PART OF A HITS PROGRAM AND FOR EACH HITS PROGRAM.**

1) Publisher Name: _____

2) Xbox 360 Software Title Name: _____

3) XMID Number: _____

4) Hits Program (circle one)

Platinum Hits — Platinum Family Hits
Classic Hits — Classic Family Hits

5) Sales Territory for which Publisher wants to publish the Software Title as a Hit FPU (check one):

_____ North American Sales Territory — _____ Japan Sales Territory
_____ European Sales Territory — _____ Asian Sales Territory

6) Date of Commercial Release of Software Title in applicable Sales Territory_____

7) Number of Standard FPUs manufactured to date for the Software Title in the applicable Sales Territory: _____

8) Projected Commercial Release date of Software Title in the applicable Sales Territory as part of Hits Program: _____.

9) Manufacturing Region for Hit FPUs (circle one): North American European Asian

The undersigned represents that he/she has authority to submit this form on behalf of the above publisher, and that the information contained herein is true and accurate.

_____
By (sign)

_____
Name, Title (Print)

E-Mail Address (for confirmation of receipt)

Date (Print mm/dd/yy)

XBOX LIVE SERVER PLATFORM ADDENDUM
TO THE XBOX 360 PUBLISHER LICENSING AGREEMENT

This Xbox Live Server Platform Addendum to the Xbox 360 Publisher Licensing Agreement (this "XLSP Addendum") is entered into and effective as of the later of the two signature dates below (the "Effective Date") by and between Microsoft Licensing, GP, a Nevada general partnership ("Microsoft"), and Activision Publishing, Inc. ("Publisher"), and supplements the Xbox 360 Publisher License Agreement between the parties dated as of 10/25/05 (the "Xbox 360 PLA"). Except as expressly provided otherwise in this XLSP Addendum, capitalized terms have the same meanings ascribed to them in the Xbox 360 PLA. The terms of the Xbox 360 PLA are incorporated by reference, and except to the extent expressly modified by this XLSP Addendum, the Xbox 360 PLA remains in full force and effect and is hereby ratified and confirmed.

RECITALS

A. Under the Xbox 360 PLA**,** Publisher may may include in its Xbox 360 Software Titles certain Online Features accessible via Xbox Live. Generally, Xbox Live is a closed online network accessible only by servers owned and operated by Microsoft.

B. Publisher wishes to host on Publisher's servers some or all of the Online Content for its Xbox 360 Software Titles in accordance with the terms and conditions set forth herein.

Accordingly, for and in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, receipt of which each party hereby acknowledges, Microsoft and Publisher agree as follows:

1 Definitions

1.1 **"Publisher Hosted Online Content"** any content, including without limitation any Online Content that is hosted and served through the Publisher Hosting Services under the terms of this XLSP Addendum.

1.2 **"Publisher Hosting Services"** means Publisher's hosting of Publisher's hosting of Publisher Hosted Online Content pursuant to the terms and conditions of this XLSP Addendum, whether performed by Publisher or a Third Party Host, including operating, maintaining and controlling the servers necessary for the provision of Publisher Hosted Online Content.

1.3 **"Third Party Host"** means a third party providing Publisher Hosting Services on behalf of Publisher.

1.4 **"Xbox Life Server Platform"** or **"XLSP"** means Microsoft's platform and/or server architecture which enables the Publisher Hosting Services to function as an expansion to the features available from the Xbox Live service.

1.5 **Xbox Live User Content"** means any content that originates from Xbox Live Users in any format and that is published through or as part of any Publisher Hosted Online Content, but excluding Xbox Live User Communications.

1.6 **"Xbox Live User Communications"** means transient voice and text communications sent from an Xbox Live User to one or more Xbox Live Users (e.g., voice chat).

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2 Approval and Certification

All proposed Publisher Hosting Services and Publisher Hosted Online Content must go through the same approval process as set forth in the Xbox 360 PLA (i.e, the stages for Concept approval, pre-Certification, Certification and Marketing Materials approvals that apply to all aspects of the Software Title). All Publisher Hosting Services and Publisher Hosted Online Content is subject to the same terms to which any Software Title and/or Online Content is subject per the Xbox 360 PLA. In order to pass a Software Title using XLSP through Certification, Publisher may be required to submit additional information about its server architecture and access to its server environment sufficient to enable Microsoft to conduct resting of the Publisher Hosting Services. In addition to the requirements under this XLSP Addendum, Publisher acknowledges and agrees that it will be bound by all XLSP policies set forth in the Xbox 360 Publisher Guide.

3 Privacy

As a condition for Certification, Microsoft may require Publisher to have a separate terms of use or privacy policy under Publisher's name and implemented in a manner that is acceptable to Microsoft. Microsoft must expressly consent to any collection of Xbox Live User personally identifiable information and in such event, Publisher may collect only what user data that is legitimately necessary for the intended purpose and may not use any such user data relating to the Xbox 360 and the Xbox Live service in any manner outside of the Publisher Hosting Services. In the event Microsoft requires that Publisher use a separate terms of use or privacy policy for the Publisher Hosting Services, then such policies will clearly state that (i) that the Xbox Live User's personal information will be shared with Microsoft, and (ii) that the Xbox Live User will be subject to the terms and conditions of the Microsoft Privacy Statement and the Xbox Terms of Use. Such notice must contain hyperlinks to the Xbox Live terms of use, privacy statement, and code of conduct currently located at http://www.xbox.com/en-US/xboxlive. Publisher agrees that any separate terms of use or privacy policy will be in addition to and not conflicting with the Xbox Live terms of use, privacy statement and code of conduct.

4 Beta Trials

At any time prior to Certification of the Software Title, Microsoft may require that internal or public beta testing be conducted by or on behalf of Microsoft (the "Beta Trials"). Microsoft's prior written approval, which may be withheld in Microsoft's sole discretion, is required for any Beta Trials. All feedback provided by Microsoft to Publisher as a result of the Beta Trials is advisory in nature, and satisfactory feedback from the Beta Trials is not an indication that the Publisher Hosted Online Content will be approved following the Certification submission. Likewise, Beta Trial feedback may include information regarding violations of technical Certification requirements that could, if not addressed by Publisher, result in Certification failure.

5 Publisher Hosting Services

5.1 **Publisher Responsibility.** Publisher is responsible for hosting the Publisher Hosted Online Content and providing the Publisher Hosting Services. Publisher shall operate the Publisher Hosting Services in a manner that meets or exceeds standards of quality, performance, stability, and security generally accepted in the industry, and those specific requirements set forth below in this section and in the Xbox 360 Publisher Guide.

5.2 **Third Party Host.** If Publisher is using a Third Party Host to provide the Publisher Hosting Services, Publisher may provide to the Third Party Host access to only those portions of the XDK that are necessary for the Third Party Host to perform Publisher's Hosting Services. Prior to using the services of any Third Party Host, the Third Party Host and Publisher must sign a Third Party Hosting Agreement substantially and materially in the form set forth in Exhibit A, and Microsoft must accept and approve such agreement in writing. Publisher hereby unconditionally and irrevocably guarantees the Third Party Host's performance of the applicable obligations and restrictions imposed by this XLSP Addendum and the Third Party Hosting Agreement.

5.3 **Publisher Hosting Service Requirements.** Publisher shall adhere to the following requirements and upon request from Microsoft, Publisher shall provide Microsoft with sufficient information to verify compliance with these requirements:

5.3.1 **Operation**. Publisher shall monitor the operation and performance of the Publisher Hosting Services, respond to technical and Xbox Live User inquiries, and have rules, policies, and procedures for the Publisher Hosting Services that are consistent with the standards defined below or as otherwise provided by Microsoft from time to time in the event Microsoft reasonably determines that the standards need to be updated in light of industry standards.

5.3.2 **Reporting and Technical Policies**. The parties shall follow the communication processes for sharing and updating each other's technical teams set forth in the Xbox 360 Publisher Guide. In addition, Publisher shall follow the technical processes, policies, rules, and detailed procedures for notification, escalation and reporting of scheduled and unscheduled maintenance and problems that might occur with the Publisher Hosting Services as set forth in the Xbox 360 Publisher Guide. Each party is responsible for notifying the other in the event that it discovers a technical problem with the service of the other party. Publisher shall provide Microsoft five (5) business days advanced written notice of Publisher's scheduled downtimes, and Publisher shall use commercially reasonable efforts to schedule maintenance downtimes for the Publisher Hosting Services at the same time as Microsoft's scheduled downtimes for Xbox Live. Upon notification of a scheduled downtime for the Publisher Hosting Services, Microsoft may at its option request an alternate time for such scheduled maintenance and Publisher shall use commercially reasonable efforts to accommodate Microsoft's request.

5.3.3 **Server Capacity and Load**. Publisher shall use commercially reasonable efforts to support all users of its Publisher Hosting Services, including operating sufficient computing resources for user traffic, and shall immediately inform Microsoft of the failure of relevant Publisher Hosting Services. Publisher shall ensure that load on the Publisher Hosting Services system does not exceed 75% of the measured capacity of the system, where "capacity" is defined as the maximum load which can be sustained by the system. Publisher must describe in writing the tools and techniques to be used in measuring system capacity and load, which tools and techniques must be recognizable as industry standard practices and which must be agreed to in advance by Microsoft. Publisher shall measure the load on the Publisher Hosting Services at intervals of no more than five (5) minutes. Publisher shall retain records of load measurements for no less than one week, and shall make such records accessible to Microsoft upon request. Should changes to the system occur which necessitate changes in the tools and techniques used to measure capacity and load, or should the capacity of the system materially increase or decrease, Publisher shall inform Microsoft within five (5)business days.

5.3.4 **Uptime**. The Publisher Hosting Services shall have uptime of 99.5% per month, where uptime is defined as the portion of time when the system is accessible and available to Xbox Live Users. Uptime will be calculated on a monthly basis assuming conformance with the industry standard of monitoring uptime every five (5) minutes. Publisher will report the uptime statistics to Microsoft upon request. Scheduled maintenance done pursuant to Section 5.3.2 above may be deducted when calculating uptime.

5.3.5 **Service Location.** Publisher must locate all servers used to operate the Publisher Hosting Services in approved territories as provided for in the Xbox Publisher Guide.

5.3.6 **Troubleshooting; Notice to Users.** If the Publisher Hosting Services are unable to establish a connection to Xbox Live, then Publisher will work with Microsoft to troubleshoot the

cause of the problem and diligently work to fix any such problem. During any time in which a Software Title or any Publisher Hosted Online Content using the Publisher Hosting Services are unable to establish a connection to the Publisher Hosting Services, then Publisher will display the appropriate message to the Xbox Live User in accordance with the Xbox 360 Publisher Guide.

5.4 **Customer Support.** As set forth in the Xbox 360 PLA, as between Microsoft and Publisher, Publisher is solely responsible for providing customer support to Xbox Live Users for Publisher Hosted Online Content and Publisher Hosting Services. Except as expressly set forth herein, Publisher acknowledges and agrees that Microsoft has no support responsibilities whatsoever to Xbox Live Users for the Publisher Hosted Online Content and Publisher Hosting Services.

5.5 **Xbox Live Family Settings Features.** Publisher Hosting Services and Publisher Hosted Online Content shall at all times comply with the requirements of the Xbox 360 Publisher Guide and the technical Certification requirements related to the family settings features of the Xbox 360 and Xbox Live..

5.6 **Law Enforcement and Regulatory Requirements.** Publisher is responsible for ensuring that the Publisher Hosting Services and Publisher Hosted Online Content comply with all legal and regulatory requirements that apply in the jurisdictions in which such services or content are made available. Publisher may be required to provide Microsoft with information including legal opinions to verify that the Publisher Hosting Services and Publisher Hosted Online Content comply with applicable laws. In addition, Publisher agrees that it will promptly reply to and comply with any requests by any law enforcement officials regarding the Publisher Hosting Services or Publisher Hosted Online Content.

5.7 **Publisher Contact.** As provided in the Xbox 360 Publisher Guide, Publisher shall designate at least one full-time employee as a product or program manager to the services contemplated under this XLSP Addendum, responsible for serving as Microsoft's liaison, performing Publisher's obligations under this Agreement, and serving as primary contact to Microsoft.

6 Xbox Live User Content

6.1 **Microsoft Approval.** Publisher may not allow Xbox Live Users to create, share or otherwise provide Xbox Live User Content in connection with a Software Title without Microsoft's express approval. If Publisher wants to make Xbox Live User Content available as part of Publisher Hosted Online Content, Publisher will provide to Microsoft a detailed description of the process and procedures Publisher will have in place regarding such Xbox Live User Content.

6.2 **Claim of Infringement.** If Microsoft has approved Publisher allowing Xbox Live User Content, Publisher shall maintain a procedure for removing Xbox Live User Content in the event of a claim of infringement, which procedure shall comply with all applicable laws and regulations. Microsoft may notify Publisher of any complaints Microsoft receives related to Xbox Live User Content. Publisher shall remove allegedly infringing Xbox Live User Content upon receipt of a third party claim or notice from Microsoft, but in any event no later than forty-eight (48) hours after receipt of such claim. Publisher agrees to notify Microsoft as soon as commercially reasonable (and in any event no later than forty-eight (48) hours after receipt) of any such claims of infringement and to update Microsoft as to steps taken in response thereto. In order to mitigate escalation of any such claims, Microsoft may in its good faith discretion take control over any such claim and be the sole source of communications to the claimant.

6.3 **Additional Circumstances for Removal of Xbox Live User Content.** Microsoft may in its discretion request that Xbox Live User Content be removed by Publisher pursuant to the procedures described above for Xbox Live User violations of the Xbox Terms of Use and/or Code of Conduct.

7 Action by Microsoft

In the event Publisher fails to perform any of its obligations under this XLSP Addendum, including failure to conform to the approved Concept for the Software Title and/or Publisher Hosting Services, Microsoft has the right, without limiting any of its other rights and remedies under the Agreement, to restrict access to the Publisher Hosted Online Content and disconnect Publisher Hosting Services from Xbox Live. Microsoft, in its discretion, may restrict the uploading of Xbox Live User Content to, or require Publisher to remove Xbox Live User Content from, Xbox Live in accordance with the Xbox Live Terms of Use, the Xbox Live Privacy Policy and the Xbox Live Code of Conduct.

8 Term and Termination

8.1 **Term.** The Term of this XLSP Addendum is the same as set forth in the Xbox 360 PLA.

8.2 **Effect of Termination.** Upon termination or expiration of the Xbox 360 PLA and/or this XLSP Addendum, Publisher shall continue to support existing Publisher Hosted Online Content until the earlier of (1) the end of the Finished Product Unit sell-off period as set forth in the Xbox 360 PLA, or (2) the end of the Minimum Commitment term for Online Content (as defined in the Xbox 360 PLA). Additionally, Publisher shall continue to support any event-based Publisher Hosted Online Content that started before termination or expiration. To the extent Publisher has support obligations pursuant to this Section 8.2 following termination or expiration, all of Publisher's obligations under this XLSP Addendum will continue to apply. If this XLSP Addendum is terminated due to Publisher's breach, then Microsoft has the right to immediately terminate the availability of the Publisher Hosted Online Content and require that the operation of Publisher Hosting Services immediately cease, and all Microsoft software or materials be immediately returned to Microsoft.

8.3 **Survival.** The following Sections of this XLSP Addendum shall survive expiration or termination of this XLSP Addendum: 9 and 10. Other sections shall survive in accordance with their terms.

9 Warranties

In addition to the warranties set forth in the Xbox 360 PLA, Publisher additionally warrants and represents that:

9.1 Any and all information, data, logos, software or other materials provided to Microsoft and/or made available to Xbox Live Users via Publisher Hosted Online Content or the Publisher Hosting Services complies with all laws and regulations and does not and will not infringe upon or misappropriate any third party trade secrets, copyrights, trademarks, patents, publicity, privacy or other proprietary rights.

9.2 The Publisher Hosted Online Content and the Publisher Hosting Services do not and will not contain any messages, data, images or programs which are, by law, defamatory, obscene or pornographic, or in any way violate any applicable laws (including without limitation laws of privacy) of the territory where the Publisher Hosted Online Content is distributed or hosted.

9.3 The Publisher Hosted Online Content and the Publisher Hosting Services do not harvest or otherwise collect information about Xbox Live Users, including e-mail addresses, and the Publisher Hosted Online Content and the Publisher Hosting Services do not link to any unsolicited communication sent to any third party.

9.4 Publisher will not serve any Publisher Hosted Online Content that is not approved in the Software Title's Concept.

9.5 Publisher has obtained all necessary rights and permissions for its and Microsoft's use of the Xbox Live User Content and the Xbox Live User Content does not infringe the intellectual property rights of any third party.

10 Indemnification

The indemnification obligations of the parties under the Xbox 360 PLA extends to any breach by either party of its warranties, representations or covenants set forth in this XLSP Addendum. With regard to the Publisher Hosting Services, Publisher's warranties, representation, covenants and indemnification obligations apply regardless of whether or not Publisher has engaged a Third Party Host to perform all or any of the Publisher Hosting Services. Publisher's indemnity obligation applies to any third party claims arising out of Microsoft's use of the Xbox Live User Content.

11 Sub-Publishing

Publisher may enter into sub-publishing arrangements as provided for in the Xbox 360 PLA with respect to Software Titles subject to this XLSP Addendum, provided that Publisher remains in control of and responsible for the operations of all Publisher Hosted Online Content and Publisher Online Services. If Publisher desires to transfer the ownership and operation of Publisher Online Services to its sub-publishing partner, then the sub-publisher must be treated as a Third Party Host hereunder or Publisher must get confirmation in writing that the sub-publisher has its own XLSP Addendum in place with Microsoft.

12 Written Amendment and Approvals

Approvals under this XLSP Addendum that are required to be in writing require the exchange of written signatures by authorized individuals of each party. Email or oral approvals will not be valid. This XLSP Addendum may not be modified except by written agreement dated after the date of this XLSP Addendum and signed by Publisher and Microsoft.

IN WITNESS WHEREOF, the parties hereto have caused this XLSP Addendum to be executed as of the Effective Date on the dates indicated below.

"Microsoft" **MICROSOFT LICENSING, GP**	**"Publisher"** **ACTIVISION PUBLISHING, INC.**
/s/ Brian Russell By (sign)	/s/ Greg Deutsch By (sign)
Brian Russell Name (Print)	Greg Deutsch Name (Print)
Group Program Manager Title	Vice President, Business and Legal Affairs Title
2-6-07 Date	January 29, 2007 Date

EXHIBIT A

THIRD PARTY HOST AGREEMENT

For good and valuable consideration, _____, a corporation of _____ ("Third Party Host") hereby covenants and agrees with Microsoft Licensing, GP ("Microsoft"), a Nevada General Partnership, and _____ ("Publisher"), a _____ that Third Party Host shall comply with all obligations and terms and conditions of Publisher related to the XDK License and the Publisher Hosting Services as defined in and pursuant to the Xbox 360 Publisher License Agreement between Microsoft and Publisher dated _____ and the Xbox Live Server Platform Addendum to the Xbox 360 Publisher Licensing Agreement between Microsoft and Publisher dated _____ (collectively the "Agreement").

It is a condition precedent to the effectiveness of this Third Party Host Agreement that the Third Party Host execute and return to Microsoft a signed XDK License, including Nondisclosure Agreement.

Except as provided below, this Third Party Host Agreement commences on the Effective Date set forth above and continues until the earlier of termination or expiration of the Agreement.

Nothing contained herein limits Publisher's ability to exercise any rights and/or to assert any claims and/or liabilities against Third Party Host under any separate agreement between Publisher and Third Party Host.

IN WITNESS WHEREOF, the undersigned parties have executed this agreement as of the date set forth below. All signed copies of this Third Party Host Agreement are to be deemed originals.

"THIRD PARTY HOST"	**"PUBLISHER"**
_____	_____
By: _____	By: _____
_____ Name (please print)	_____ Name (please print)
_____ Title	_____ Title
_____ Date	_____ Date

"Microsoft"
MICROSOFT LICENSING, GP

By: _____

_____
Name (please print)

_____
Title

_____
Date

EXHIBIT 21.1

PRINCIPAL SUBSIDIARIES OF THE REGISTRANT

The following is a listing of the principal subsidiaries of the registrant as of May 31, 2007.

Name of Subsidiary	State or Other Jurisdiction of Incorporation or Organization
Activision Asia Pacific Holding Pte. Ltd.	Singapore
Activision Beteiligungs GmbH	Germany
Activision Canada, Inc.	Canada
Activision Deutschland GmbH	Germany
Activision Europe, Limited	United Kingdom
Activision GmbH	Germany
Activision International B.V.	The Netherlands
Activision International Europe, LLC	California
Activision Italia, S.r.l	Italy
Activision Japan	Japan
Activision Korea, Ltd.	South Korea
Activision, Ltd.	Japan
Activision Luxembourg S.a.r.l.	Luxembourg
Activision Luxembourg S.a.r.l.	Nevada
Activision Nordic	Nordic
Activision Productions, Inc.	Delaware
Activision Pty Ltd.	Australia
Activision Publishing Europe, LLP	United Kingdom
Activision Publishing, Inc.	Delaware
Activision Publishing International, Inc.	California
Activision Publishing Ireland Ltd.	Ireland
Activision Singapore Pte, Ltd.	Singapore
Activision Spain, S.A.U.	Spain
Activision Testing & Verification Inc.	California
Activision Texas, Inc.	Texas
Activision U.K. Ltd.	United Kingdom
Activision Value Publishing, Inc.	Minnesota
Activision Vermogensverwaltungs GmbH	Germany
Advantage Entertainment Distribution Limited	United Kingdom
ATVI France SAS	France
Beenox Inc.	Canada
CD Contact Data BV	The Netherlands
CD Contact Data GmbH	Germany

Centresoft Ltd.	United Kingdom
Combined Distribution Holdings Ltd.	United Kingdom
Contact Data Belgium N.V.	Belgium
Demonware, Inc.	Delaware
Demonware Ltd.	Ireland
Demonware Canada	Canada
Expert Software, Inc.	Delaware
Igloo Distribution Limited	United Kingdom
Infinity Ward, Inc.	Delaware
Kaboom.com, Inc.	Delaware
Luxoflux, Inc.	Delaware
NBG EDV Handels-und Verlags GmbH & Co. KG	Germany
Neversoft Entertainment, Inc.	California
PDQ Distribution Ltd.	United Kingdom
RedOctane, Inc.	California
RedOctane Limited	UK
RedOctane Technologies Pvt. Ltd.	India
Shaba Games, Inc.	Delaware
Target Software Vertriebs GmbH	Germany
Treyarch Corporation	Delaware
Toys For Bob, Inc.	California
Vicarious Visions, Inc.	New York
Z-Axis, Ltd.	Nevada

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-06130, 333-12621, 333-06054, 333-40727, 333-61573, 333-81239, 033-48411, 033-63638, 033-91074, 333-85383, 333-36272, 333-58922, 333-72014, 333-87810, 333-100097, 333-100114, 333-100115, 333-103320, 333-103323, 333-106487, 333-111131, 333-129437, and 333-129438) of Activision, Inc. of our report dated June 14, 2007 relating to the consolidated financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Los Angeles, California
June 14, 2007

Exhibit 31.1

CERTIFICATION

I, Robert A. Kotick, Chief Executive Officer of Activision, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Activision, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 14, 2007

/s/ Robert A. Kotick

Robert A. Kotick
Chief Executive Officer of Activision, Inc.

Exhibit 31.2

CERTIFICATION

I, Michael Griffith, President and Chief Executive Officer of Activision Publishing, Inc. and Principal Executive Officer of Activision, Inc. certify that:

1. I have reviewed this annual report on Form 10-K of Activision, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 14, 2007

/s/ Michael Griffith

Michael Griffith
President and Chief Executive Officer of Activision Publishing, Inc. and
Principal Executive Officer of Activision, Inc.

Exhibit 31.3

CERTIFICATION

I, Thomas Tippl, Chief Financial Officer of Activision Publishing, Inc., and Principal Financial and Accounting Officer of Activision, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Activision, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: June 14, 2007

/s/ Thomas Tippl

Thomas Tippl
Chief Financial Officer of Activision Publishing, Inc. and
Principal Financial and Accounting Officer of Activision, Inc.

Exhibit 32.1

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

In connection with the annual report of Activision, Inc. (the "Company") on Form 10-K for the period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert A. Kotick, Chief Executive Officer of the Company, certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Robert A. Kotick
Robert A. Kotick
Chief Executive Officer of Activision, Inc.

June 14, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the annual report of Activision, Inc. (the "Company") on Form 10-K for the period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Griffith, President and Chief Executive Officer of Activision Publishing, Inc., and Principal Executive Officer of Activision, Inc. certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Michael Griffith
Michael Griffith
President and Chief Executive Officer of Activision Publishing, Inc. and Principal Executive Officer of Activision, Inc.

June 14, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.3

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

In connection with the annual report of Activision, Inc. (the "Company") on Form 10-K for the period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Tippl, Chief Financial Officer of Activision Publishing, Inc., and Principal Financial and Accounting Officer of Activision, Inc., certify, to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Thomas Tippl
Thomas Tippl
Chief Financial Officer of Activision Publishing, Inc. and
Principal Financial and Accounting Officer of Activision, Inc.

June 14, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.