

Management's Discussion and Analysis of Financial Condition and Results of Operations

Investment Income, Net

<i>(In thousands)</i> March 31, 2003	% of Consolidated Net Revenue	March 31, 2002	% of Consolidated Net Revenue	Increase/ (Decrease)	Percent Change
\$8,560	1%	\$2,546	1%	\$6,014	236%

Investment income, net for the year ended March 31, 2003 was \$8.6 million as compared to \$2.5 million for the year ended March 31, 2002. The increase is primarily due to higher average cash and short-term investment balances during fiscal 2003, partially offset by lower market rates.

Provision for Income Taxes

<i>(In thousands)</i> March 31, 2003	% of Pre-Tax Income	March 31, 2002	% of Pre-Tax Income	Increase/ (Decrease)	Percent Change
\$37,227	36%	\$30,882	37%	\$6,345	21%

The income tax provision of \$37.2 million for the year ended March 31, 2003 reflects our effective income tax rate of 36%. The significant items that generated the variance between our effective rate and our statutory rate of 35% were state taxes and an increase in our deferred tax asset valuation allowance, partially offset by research and development tax credits and the impact of foreign tax rate differentials. 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.

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. For a detailed description of these factors see our Form 10-K filed with the Securities and Exchange Commission. 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 quarterly results for the immediately preceding eight quarters (amounts in thousands, except per share data):

Quarter ended	Restated ⁽¹⁾							
	March 31, 2004	Dec. 31, 2003 ⁽²⁾	Sept. 30, 2003	June 30, 2003	March 31, 2003 ⁽²⁾	Dec. 31, 2002	Sept. 30, 2002	June 30, 2002
Net revenues	\$162,897	\$508,511	\$117,523	\$158,725	\$125,001	\$378,685	\$169,172	\$191,258
Operating income (loss)	4,643	116,961	(16,933)	5,146	(14,444)	66,761	11,334	31,196
Net income (loss)	6,664	76,981	(10,093)	4,163	(7,957)	44,347	9,086	20,704
Basic earnings (loss) per share	0.05	0.58	(0.08)	0.03	(0.06)	0.30	0.06	0.15
Diluted earnings (loss) per share	0.04	0.53	(0.08)	0.03	(0.06)	0.28	0.06	0.14

(1) Consolidated financial information has been restated for the effect of our three-for-two stock split effected in the form of a 50% stock dividend to shareholders of record as of February 23, 2004, paid March 15, 2004.

(2) See Note 5, "Software Development Costs and Intellectual Property Licenses" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.