

GameStop Corp.
Form 10-K
March 30, 2010

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

**þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended January 30, 2010
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 No. 1-32637

GameStop Corp.

(Exact name of registrant as specified in its Charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

20-2733559

*(I.R.S. Employer
Identification No.)*

625 Westport Parkway

Grapevine, Texas

(Address of principal executive offices)

76051

(Zip Code)

Registrant's telephone number, including area code:

(817) 424-2000

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

(Title of Class)

(Name of Exchange on Which Registered)

Class A Common Stock, \$.001 par value per share
Rights to Purchase Series A Junior Participating Preferred
Stock, \$.001 par value per share

New York Stock Exchange
New York Stock Exchange

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 ☐ No ☐

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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. ☐

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

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately \$3,604,000,000, based upon the closing market price of \$21.89 per share of Class A Common Stock on the New York Stock Exchange as of July 31, 2009.

Number of shares of \$.001 par value Class A Common Stock outstanding as of March 25, 2010: 152,824,100

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the registrant to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, for the 2010 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

Item 1. Business

General

GameStop Corp. (together with its predecessor companies, GameStop, we, us, our, or the Company) is the world's largest retailer of video game products and PC entertainment software. We sell new and used video game hardware, video game software and accessories, as well as PC entertainment software, and related accessories and other merchandise. As of January 30, 2010, we operated 6,450 stores in the United States, Australia, Canada and Europe, primarily under the names GameStop and EB Games. We also operate electronic commerce Web sites, including www.gamestop.com, and publish *Game Informer*, the industry's largest multi-platform video game magazine in the United States based on circulation, with approximately 4.0 million subscribers.

In the fiscal year ended January 30, 2010, we operated our business in the following segments: United States, Canada, Australia and Europe. Of our 6,450 stores, 4,429 stores are included in the United States segment and 337, 388 and 1,296 stores are included in the Canadian, Australian and European segments, respectively. Each of the segments consists primarily of retail operations, with all stores engaged in the sale of new and used video game systems, software and accessories, which we refer to as video game products, and PC entertainment software and related accessories. Our used video game products provide a unique value proposition to our customers, and our purchasing of used video game products provides our customers with an opportunity to trade in their used video game products for store credits and apply those credits towards other merchandise, which in turn, increases sales. Our products are substantially the same regardless of geographic location, with the primary differences in merchandise carried being the timing of release of new products in the various segments and language translations. Stores in all segments are similar in size at an average of approximately 1,400 square feet. Our corporate office and one of our distribution facilities are housed in a 510,000 square foot facility in Grapevine, Texas.

The Company began operations in November 1996. In October 1999, the Company was acquired by, and became a wholly-owned subsidiary of, Barnes & Noble, Inc. (Barnes & Noble). In February 2002, GameStop completed an initial public offering of its Class A common stock and was a majority-owned subsidiary of Barnes & Noble until November 2004, when Barnes & Noble distributed its holdings of our common stock to its stockholders. In October 2005, GameStop acquired the operations of Electronics Boutique Holdings Corp. (EB), a 2,300-store video game retailer in the U.S. and 12 other countries, by merging its existing operations with EB under GameStop Corp. (the EB merger).

On March 16, 2007, the Company completed a two-for-one stock split of its Class A common stock (the Stock Split). As of January 30, 2010, our Class A common stock traded on the New York Stock Exchange (NYSE) under the symbol GME.

On November 17, 2008, GameStop France SAS, a wholly-owned subsidiary of the Company, completed the acquisition of substantially all of the outstanding capital stock of SFMI Micromania SAS (Micromania) for \$580.4 million, net of cash acquired (the Micromania acquisition). Micromania is a leading retailer of video and computer games in France with 368 locations, 328 of which were operating at the date of acquisition. The Company's operating results for the 52 weeks ended January 30, 2010 (fiscal 2009) include Micromania's results; whereas, the Company's operating results for the 52 weeks ended January 31, 2009 (fiscal 2008) include only 11 weeks of Micromania's results.

Disclosure Regarding Forward-looking Statements

This report on Form 10-K and other oral and written statements made by the Company to the public contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The forward-looking statements involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results,

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performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- our reliance on suppliers and vendors for sufficient quantities of their products and for new product releases;
- general economic conditions internationally and in the U.S., and specifically, economic conditions affecting the electronic game industry, the retail industry and the banking and financial services market;
- alternate sources of distribution of video game software;
- the competitive environment in the electronic game industry;
- our ability to open and operate new stores;
- our ability to attract and retain qualified personnel;
- the impact and costs of litigation and regulatory compliance;
- unanticipated litigation results;
- the risks involved with our international operations; and
- other factors described in this Form 10-K, including those set forth under the caption, Item 1A. Risk Factors.

In some cases, forward-looking statements can be identified by the use of terms such as anticipates, believes, continues, could, estimates, expects, intends, may, plans, potential, predicts, will, should, see expressions. These statements are only predictions based on current expectations and assumptions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. You should not place undue reliance on these forward-looking statements.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-K. In light of these risks and uncertainties, the forward-looking events and circumstances contained in this Form 10-K may not occur, causing actual results to differ materially from those anticipated or implied by our forward-looking statements.

Industry Background

Based upon estimates compiled by various market research firms, management estimates that the combined market for video game products and PC entertainment software exceeded \$41 billion in 2009 in the parts of the world in which we operate. According to NPD Group, Inc., a market research firm (the "NPD Group"), the electronic game industry was an approximately \$20 billion market in the United States in 2009, the majority of which was attributable to video game products, excluding sales of used video game products. International Development Group, a market research firm ("IDG"), estimates that retail sales of video game hardware and software and PC entertainment software totaled approximately \$17.5 billion in Europe in 2009. The NPD Group has reported that video game retail sales in Canada were approximately \$1.8 billion in 2009. According to the independent market research firm GfK Group, the

Australian market for video game products was approximately \$2.0 billion in 2009.

New Video Game Products. The Entertainment Software Association (ESA) estimates that 65% of all American households play video or computer games. We expect the following trends to result in increased sales of video game products:

Hardware Platform Technology Evolution. Video game hardware has evolved significantly from the early products launched in the 1980s. The processing speed of video game hardware has increased with each generation of hardware to high speed processors in today s gaming systems, such as the Sony PlayStation 3,

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the Nintendo Wii and Microsoft Xbox 360, which all launched between 2005 and 2007. In addition, portable handheld video game devices have evolved from the 8-bit Nintendo Game Boy to the 128-bit Nintendo DSi, which was introduced in 2009 and the Sony PlayStation Portable (the PSP), which was introduced in 2005. Technological developments in both chip processing speed and data storage have provided significant improvements in advanced graphics and audio quality, which allow software developers to create more advanced games, encourage existing players to upgrade their hardware platforms and attract new video game players to purchase an initial system. As general computer technology advances, we expect video game technology to make similar advances.

Today's Gaming Systems Provide Multiple Capabilities Beyond Gaming. Most current hardware platforms, including the Sony PlayStation 2 and 3 and Microsoft Xbox and Xbox 360, utilize a DVD software format and have the potential to serve as multi-purpose entertainment centers by doubling as a player for DVD movies and compact discs. In addition, the Sony PlayStation 3 and PSP, the Nintendo DSi and Wii and Microsoft Xbox 360 all provide internet connectivity and the Sony PlayStation 3 plays Blu-ray discs.

Backward Compatibility. The Sony PlayStation 3, the Nintendo DS and Wii and Microsoft Xbox 360 are, to some extent, backward compatible, meaning that titles produced for the earlier version of the hardware platform may be used on the new hardware platform. We believe that during the initial launch phase of next-generation platforms, backward compatibility results in more stable industry growth because the decrease in consumer demand for products associated with existing hardware platforms that typically precedes the release of next-generation hardware platforms is diminished.

Introduction of Next-Generation Hardware Platforms Drives Software Demand. Sales of video game software generally increase as next-generation platforms mature and gain wider acceptance. Historically, when a new platform is released, a limited number of compatible game titles are immediately available, but the selection grows rapidly as manufacturers and third-party publishers develop and release game titles for that new platform.

Broadening Demographic Appeal. While the typical electronic game enthusiast is male between the ages of 14 and 49, the electronic game industry is broadening its appeal. More females are playing electronic video games, in part due to the development of video game products that appeal to them. According to ESA, approximately 40% of all electronic game players are female. ESA also states the average game player is 35 years old and the average age of the most frequent game purchaser is 39; however, the video game market also includes approximately 25% of Americans over the age of 50. In addition, the availability of used video game products for sale has enabled a lower-economic demographic, that may not have been able to afford the considerably more expensive new video game products, to participate in the video game industry.

Used Video Game Products. As the installed base of video game hardware platforms has increased and new hardware platforms are introduced, a considerable market for used video game hardware and software has developed. Based on reports published by NPD Group, we believe that, as of December 2009, the installed base of video game hardware systems in the United States, based on original sales, totaled over 220 million units of handheld and console video game systems. Of the total installed base, 112 million was comprised of the current generation of video game platforms as follows: 11.1 million Sony PlayStation 3 units, 27.1 million Nintendo Wii units, 18.6 million Microsoft Xbox 360 units, 16.8 million Sony PSP units and 38.6 million Nintendo DS units. The remainder of the installed base consists of legacy video game platforms, including Sony PlayStation 2, Microsoft Xbox, Nintendo's GameCube and Game Boy Advance. According to IDG, the installed base of hardware systems as of December 2009 in Europe is approximately 133 million units. The Interactive Entertainment Association of Australia reported as of the end of 2009, the installed base on the current video game platforms stood at 1.7 million Nintendo Wii units, 850,000 Microsoft Xbox 360 units, and 700,000 Sony PlayStation 3 units. Hardware manufacturers and third-party software

publishers have produced a wide variety of software titles for each of these hardware platforms. Based on internal Company estimates, we believe that the installed base of video game software units in the United States currently exceeds 1.75 billion units. As the substantial installed base of video game hardware and software continues to expand, there is a growing demand for used video game products.

PC Entertainment Software. PC entertainment software is generally played on multimedia PCs featuring fast processors, expanded memories, and enhanced graphics and audio capabilities.

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Business and Growth Strategy

Our goal is to continue to be the world's largest retailer of new and used video game products and PC entertainment software and strengthen that position by executing the following strategies:

Continuing to Execute our Proven Growth Strategies. We intend to continue to execute our proven growth strategies, including:

Open New Stores. Because of the continued success of our new store performance over the past three years, we intend to continue opening new stores in our targeted markets. We opened 388 new stores in fiscal 2009. We opened 674 new stores in fiscal 2008 and acquired 328 stores in France, a new market for us. On average, our new stores opened in the past three years have had a cash payback of less than two years. We plan to open approximately 400 new stores in the 52 weeks ending January 29, 2011 (fiscal 2010). Our primary growth vehicles will be the expansion of our strip center store base in the United States and the expansion of our international store base. Our strategy within the U.S. is to open strip center stores in targeted major metropolitan markets and in regional shopping centers in other markets. Our international strategy is to continue our expansion in Europe and the opening of new stores in advantageous markets and locations in Canada and Australia. We analyze each market relative to target population and other demographic indices, real estate availability, competitive factors and past operating history, if available. In some cases, these new stores may adversely impact sales at existing stores, but our goal is to minimize the impact.

Increase Comparable Store Sales. We plan to increase our comparable store sales by capitalizing on the growth in demand, expanding our sales of used video game products, increasing market share and awareness of the GameStop brand.

Increase Sales of Used Video Game Products. We believe we are the largest retailer of used video game products in the world and carry the broadest selection of used video game products for both current and previous generation platforms, giving us a unique advantage in the video game retail industry. The opportunity to trade in and purchase used video game products offers our customers a unique value proposition generally unavailable at most mass merchants, toy stores and consumer electronics retailers. We obtain most of our used video game products from trade-ins made in our stores by our customers. We will continue to expand the selection and availability of used video game products in our stores. Used video game products generate significantly higher gross margins than new video game products. Our strategy consists of increasing consumer awareness of the benefits of trading in and buying used video game products at our stores through increased marketing activities. We expect the continued growth of new platform technology to drive trade-ins of previous generation products, as well as trade-ins of next generation platform products, thereby expanding the supply of used video game products.

Increase GameStop Brand Awareness. Substantially all of GameStop's U.S. and European stores are operated under the GameStop name, with the exception of the Micromania stores acquired in France. In 2007, GameStop introduced its new brand tagline "Power to the Players" and launched a television, radio and newspaper advertising campaign to increase awareness of the GameStop brand. Building the GameStop brand has enabled us to leverage brand awareness and to capture advertising and marketing efficiencies. Our branding strategy is further supported by the GameStop Edge loyalty card and our Web site. The Edge card, which is obtained as a bonus with a paid subscription to our *Game Informer Magazine*, offers customers discounts on selected merchandise in our stores. Our Web sites allow our customers to buy games online and to learn about the latest video game products and PC entertainment software and their availability in our stores. We intend to increase customer awareness of the GameStop brand. In connection with our brand-building efforts, in each of the last three fiscal years, we increased the amount of media advertising in

targeted markets. In fiscal 2010, we plan to continue to increase media advertising to increase brand awareness over a broader demographic area, to expand our GameStop loyalty card program, to aggressively promote trade-ins of used video game products in our stores and to leverage our Web sites at www.gamestop.com, www.ebgames.com.au, www.gamestop.ca, www.gamestop.it, and www.micromania.fr.

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Capitalize on Growth in Demand. While sales of new video game hardware decreased from fiscal 2008 to fiscal 2009, the customer base related to the new hardware platforms has expanded. Our sales of new video game software and used video game products grew by approximately 1% and 18%, respectively, in fiscal 2009 primarily due to new store growth, the acquisition of Micromania and the acceptance of used video game products internationally. Our sales of used video game products and new video game software grew by approximately 28% and 32%, respectively, in fiscal 2008 primarily due to new and acquired store growth.

Targeting a Broad Audience of Game Players. We have created a store environment targeting a broad audience, including the electronic game enthusiast, the casual gamer and the seasonal gift giver. Our stores focus on the electronic game enthusiast who demands the latest merchandise featuring the hottest technology immediately on the day of release and the value-oriented customer who wants a wide selection of value-priced used video game products. Our stores offer the opportunity to trade in used video game products in exchange for store credits applicable to future purchases, which, in turn, drives more sales.

Enhancing our Image as a Destination Location. Our stores serve as destination locations for game players and gift givers due to our broad selection of products, knowledgeable sales associates, game-oriented environment and unique pricing proposition. We offer all major video game platforms, provide a broad assortment of video game products and offer a larger and more current selection of merchandise than other retailers. We provide a high level of customer service by hiring game enthusiasts and providing them with ongoing sales training, as well as training in the latest technical and functional elements of our products and services, making them the most knowledgeable associates in the video game retail market. Our stores are equipped with several video game sampling areas, which provide our customers with the opportunity to play games before purchase, as well as equipment to play video game clips.

Providing a First-to-Market Distribution Network. We employ a variety of rapid-response distribution methods in our efforts to be the first-to-market for new video game products and PC entertainment software. This highly efficient distribution network is essential, as a significant portion of a new title's sales will be generated in the first few days and weeks following its release. As the world's largest retailer of video game products and PC entertainment software with a proven capability to distribute new releases to our customers quickly, we believe that we regularly receive a large allocation of popular new video game products and PC entertainment software. On a daily basis, we actively monitor sales trends, customer reservations and store manager feedback to ensure a high in-stock position for each store. To assist our customers in obtaining immediate access to new releases, we offer our customers the opportunity to pre-order products in our stores or through our Web sites prior to their release.

Investing in our Information Systems and Distribution Capabilities. We employ sophisticated and fully-integrated inventory management, store-level point of sale and financial systems and state-of-the-art distribution facilities. These systems enable us to maximize the efficiency of the flow of over 4,500 SKUs, improve store efficiency, optimize store in-stock positions and carry a broad selection of inventory. Our proprietary inventory management systems enable us to maximize sales of new release titles and avoid markdowns as titles mature and utilize electronic point-of-sale equipment that provides corporate and regional headquarters with daily information regarding store-level sales and available inventory levels to automatically generate replenishment shipments to each store at least twice a week. In addition, our highly-customized inventory management systems allow us to actively manage the pricing and product availability of our used video game products across our store base and to reallocate our inventory as necessary. Our systems enable each store to carry a merchandise assortment uniquely tailored to its own sales mix and customer needs. Our ability to react quickly to consumer purchasing trends has resulted in a target mix of inventory, reduced shipping and handling costs for overstocks and reduced our need to discount products.

Expand our Digital Growth Strategy to Protect and Expand our Market Leadership Position. We currently sell various types of products that relate to the digital category, including Xbox live, Playstation and Nintendo network

point cards, as well as prepaid digital and online timecards and digitally downloaded software. We continue to make significant investments in e-commerce, online game development, digital kiosks and in-store and Web site functionality to enable our customers to access digital content and eliminate friction in the digital sales and delivery process. We plan to continue to invest in these types of processes and channels to grow our digital sales base and

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enhance our market leadership position in the video game industry and in the digital aggregation and distribution category.

Operating Segments

We identified our four operating segments based on a combination of geographic areas, the methods with which we analyze performance and how we divide management responsibility. Segment results for the United States include retail operations in the 50 states, the District of Columbia, Guam and Puerto Rico, the electronic commerce Web site www.gamestop.com and *Game Informer Magazine*. Segment results for Canada include retail and e-commerce operations in stores throughout Canada and segment results for Australia include retail and e-commerce operations in Australia and New Zealand. Segment results for Europe include retail and e-commerce operations in 13 European countries.

Our U.S. segment is supported by distribution centers in Texas and Kentucky, and further supported by the use of third-party distribution centers for new release titles. We distribute merchandise to our Canadian segment from distribution centers in Ontario. We have a distribution center near Brisbane, Australia which supports our Australian operations and a small distribution facility in New Zealand which supports the stores in New Zealand. European segment operations are supported by six regionally-located distribution centers.

All of our segments purchase products from many of the same vendors, including Sony Corporation (Sony) and Electronic Arts. Products from certain other vendors such as Microsoft and Nintendo are obtained either directly from the manufacturer or publisher or through distributors depending upon the particular market in which we operate.

Additional information, including financial information, regarding our operating segments can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this Annual Report on Form 10-K and in Note 17 of Notes to Consolidated Financial Statements.

Merchandise

Substantially all of our revenues are derived from the sale of tangible products. Our product offerings consist of new and used video game products, PC entertainment software, and related products, such as trading cards and strategy guides. Our in-store inventory generally consists of a constantly changing selection of over 4,500 SKUs. We have buying groups in each of our segments that negotiate terms, discounts and cooperative advertising allowances for the stores in their respective geographic areas. We use customer requests and feedback, advance orders, industry magazines and product reviews to determine which new releases are expected to be hits. Advance orders are tracked at individual stores to distribute titles and capture demand effectively. This merchandise management is essential because a significant portion of a game's sales are usually generated in the first days and weeks following its release.

Video Game Hardware. We offer the video game platforms of all major manufacturers, including the Sony PlayStation 2 and 3 and PSP, Microsoft Xbox 360, the Nintendo Wii and DSi. We also offer extended service agreements on video game hardware and software. In support of our strategy to be the destination location for electronic game players, we aggressively promote the sale of video game platforms. Video game hardware sales are generally driven by the introduction of new platform technology and the reduction in price points as platforms mature. Due to our strong relationships with the manufacturers of these platforms, we often receive disproportionately large allocations of new release hardware products, which is an important component of our strategy to be the destination of choice for electronic game players. We believe that selling video game hardware increases store traffic and promotes customer loyalty, leading to increased sales of video game software and accessories, which have higher gross margins than video game hardware.

Video Game Software. We purchase new video game software from the leading manufacturers, including Sony, Nintendo and Microsoft, as well as over 40 third-party game publishers, such as Electronic Arts and Activision. We are one of the largest customers of video game titles sold by these publishers. We generally carry over 1,000 SKUs of new video game software at any given time across a variety of genres, including Sports, Action, Strategy, Adventure/Role Playing and Simulation.

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Used Video Game Products. We believe we are the largest retailer of used video games in the world. We provide our customers with an opportunity to trade in their used video game products in our stores in exchange for store credits which can be applied towards the purchase of other products, primarily new merchandise. We have the largest selection (approximately 3,000 SKUs) of used video game titles which have an average price of \$18 as compared to an average price of \$43 for new video game titles and which generate significantly higher gross margins than new video game products. Our trade-in program provides our customers with a unique value proposition which is generally unavailable at mass merchants, toy stores and consumer electronics retailers. This program provides us with an inventory of used video game products which we resell to our more value-oriented customers. In addition, our highly-customized inventory management system allows us to actively manage the pricing and product availability of our used video game products across our store base and to reallocate our inventory as necessary. Our trade-in program also allows us to be one of the only suppliers of previous generation platforms and related video games. We also operate refurbishment centers in the U.S., Canada, Australia and Europe where defective video game products can be tested, repaired, relabeled, repackaged and redistributed back to our stores.

PC Entertainment and Other Software. We purchase PC entertainment software from over 25 publishers, including Electronic Arts, Microsoft and Vivendi Universal. We offer PC entertainment software across a variety of genres, including Sports, Action, Strategy, Adventure/Role Playing and Simulation.

Accessories and Other Products. Video game accessories consist primarily of controllers, memory cards and other add-ons. We also carry strategy guides, magazines and trading cards. We carry over 300 SKUs of accessories and other products. In general, this category has higher margins than new video game and PC entertainment products.

Store Operations

As of January 30, 2010, we operated 6,450 stores, primarily under the GameStop name. We design our stores to provide an electronic gaming atmosphere with an engaging and visually captivating layout. Our stores are typically equipped with several video game sampling areas, which provide our customers the opportunity to play games before purchase, as well as equipment to play video game clips. We use store configuration, in-store signage and product demonstrations to produce marketing opportunities both for our vendors and for us.

Our stores average approximately 1,400 square feet and carry a balanced mix of new and used video game products and PC entertainment software. Our stores are generally located in high-traffic power strip centers, local neighborhood strip centers, high-traffic shopping malls and pedestrian areas, primarily in major metropolitan areas. These locations provide easy access and high frequency of visits and, in the case of strip centers and high-traffic pedestrian stores, high visibility. We target strip centers that are conveniently located, have a mass merchant or supermarket anchor tenant and have a high volume of customers.

Site Selection and Locations

Site Selection. Site selections for new stores are made after an extensive review of demographic data and other information relating to market potential, competitor access and visibility, compatible nearby tenants, accessible parking, location visibility, lease terms and the location of our other stores. Most of our stores are located in highly visible locations within malls and strip centers. In each of our geographic segments, we have a dedicated staff of real estate personnel experienced in selecting store locations.

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Locations. The table below sets forth the number of our stores located in the U.S., Canada, Europe and Australia as of January 30, 2010:

| United States | Number of Stores |
|----------------------|-----------------------------|
| Alabama | 75 |
| Alaska | 7 |
| Arizona | 87 |
| Arkansas | 27 |
| California | 478 |
| Colorado | 62 |
| Connecticut | 64 |
| Delaware | 18 |
| District of Columbia | 3 |
| Florida | 313 |
| Georgia | 141 |
| Guam | 3 |
| Hawaii | 24 |
| Idaho | 12 |
| Illinois | 196 |
| Indiana | 83 |
| Iowa | 32 |
| Kansas | 37 |
| Kentucky | 64 |
| Louisiana | 68 |
| Maine | 13 |
| Maryland | 102 |
| Massachusetts | 100 |
| Michigan | 124 |
| Minnesota | 54 |
| Mississippi | 41 |
| Missouri | 73 |
| Montana | 9 |
| Nebraska | 22 |
| Nevada | 42 |
| New Hampshire | 27 |
| New Jersey | 166 |
| New Mexico | 25 |
| New York | 253 |
| North Carolina | 142 |
| North Dakota | 8 |
| Ohio | 191 |
| Oklahoma | 47 |
| Oregon | 32 |
| Pennsylvania | 212 |
| Puerto Rico | 46 |
| Rhode Island | 14 |

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| | Number of Stores |
|-----------------------------|-----------------------------|
| United States | |
| South Carolina | 68 |
| South Dakota | 4 |
| Tennessee | 91 |
| Texas | 374 |
| Utah | 29 |
| Vermont | 6 |
| Virginia | 150 |
| Washington | 78 |
| West Virginia | 31 |
| Wisconsin | 53 |
| Wyoming | 8 |
| Sub-total for United States | 4,429 |
| International | Number of Stores |
| Canada | 337 |
| Australia | 350 |
| New Zealand | 38 |
| Sub-total for Australia | 388 |
| Austria | 22 |
| Denmark | 42 |
| Finland | 14 |
| France | 368 |
| Germany | 195 |
| Ireland | 50 |
| Italy | 328 |
| Norway | 56 |
| Portugal | 14 |
| Spain | 124 |
| Sweden | 58 |
| Switzerland | 18 |
| United Kingdom | 7 |
| Sub-total for Europe | 1,296 |
| Sub-total for International | 2,021 |

Total stores

6,450

Game Informer

We publish *Game Informer Magazine*, a monthly video game magazine featuring reviews of new title releases, tips and secrets about existing games and news regarding current developments in the electronic game industry. Versions of the magazine are sold through subscription and through displays in our stores throughout most of the world. *Game Informer* is the twelfth largest consumer publication in the U.S. and for its January 2010 issue, the magazine had approximately 4.0 million paid subscriptions. *Game Informer* revenues are also generated through the sale of advertising space. In addition, we offer the GameStop loyalty card as a bonus with each paid subscription,

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providing our subscribers with a discount on selected merchandise. We also operate the Web site www.gameinformer.com, which is the premier destination for moment-by-moment news, features and reviews related to video gaming. English version results from *Game Informer* operations are included in the United States segment where the majority of subscriptions and sales are generated. Other international version results from *Game Informer* operations are included in the segment in which the sales are generated.

E-Commerce

We operate several electronic commerce Web sites in various countries, including www.gamestop.com, www.ebgames.com.au, www.gamestop.ca, www.gamestop.it, and www.micromania.fr, that allow our customers to buy video game products and other merchandise online. The sites also offer customers information and content about available games, release dates for upcoming games, and access to store information, such as location and product availability. In 2005, we entered into an arrangement with Barnes & Noble under which www.gamestop.com became the exclusive specialty video game retailer listed on www.bn.com, Barnes & Noble's e-commerce site. E-commerce results are included in the geographic segment where the sales originate.

Advertising

Our stores are primarily located in high traffic, high visibility areas of regional shopping malls, strip centers and pedestrian shopping areas. Given the high foot traffic drawn past the stores themselves, we use in-store marketing efforts such as window displays and "coming soon" signs to attract customers, as well as to promote used video game products. Inside the stores, we feature selected products through the use of vendor displays, "coming soon" or preview videos, signs, catalogs, point-of-purchase materials and end-cap displays. These advertising efforts are designed to increase the initial sales of new titles upon their release.

On a global basis, we receive cooperative advertising and market development funds from manufacturers, distributors, software publishers and accessory suppliers to promote their respective products. Generally, vendors agree to purchase advertising space in one of our advertising vehicles. Once we run the advertising, the vendor pays to us an agreed amount.

In the last several years, as part of our brand-building efforts and targeted growth strategies, we expanded our advertising and promotional activities in certain targeted markets at certain key times of the year. In addition, we expanded our use of television and radio advertising in certain markets to promote brand awareness and store openings.

Information Management

Our operating strategy involves providing a broad merchandise selection to our customers as quickly and as cost-effectively as possible. We use our inventory management systems to maximize the efficiency of the flow of products to our stores, enhance store efficiency and optimize store in-stock and overall investment in inventory.

Distribution. We operate distribution facilities in various locations throughout the world, with each location strategically located to support the operations in a particular country or region. In order to enhance our first-to-market distribution network, we also utilize the services of several off-site, third-party operated distribution centers that pick up products from our suppliers, repackage the products for each of our stores and ship those products to our stores by package carriers. Our ability to rapidly process incoming shipments of new release titles at our facilities and third-party facilities and deliver those shipments to all of our stores, either that day or by the next morning, enables us to meet peak demand and replenish stores. Inventory is shipped to each store at least twice a week, or daily, if necessary, in order to keep stores in supply of products. Our distribution facilities also typically support refurbishment

of used products to be redistributed to our stores.

We distribute products to our U.S. stores through a 410,000 square foot distribution center in Grapevine, Texas and a 260,000 square foot distribution center in Louisville, Kentucky. We currently use the center in Louisville, Kentucky to support our first-to-market distribution efforts, while our Grapevine, Texas facility supports efforts to replenish stores. The state-of-the-art facilities in both U.S. locations are designed to effectively control and minimize inventory levels. Technologically-advanced conveyor systems and flow-through racks control costs and

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improve speed of fulfillment in both facilities. The technology used in the distribution centers allows for high-volume receiving, distributions to stores and returns to vendors.

We distribute merchandise to our Canadian segment from two distribution centers in Brampton, Ontario. We have a distribution center near Brisbane, Australia which supports our Australian operations and a small distribution facility in New Zealand which supports the stores in New Zealand. European segment operations are supported by six regionally-located distribution centers in Milan, Italy; Memmingen, Germany; Arlov, Sweden; Valencia, Spain; Dublin, Ireland; and Paris, France. We continue to invest in state-of-the-art facilities in our distribution centers as the distribution volume, number of stores supported and returns on such investments permit.

Management Information Systems. Our proprietary inventory management systems and point-of-sale technology show daily sales and in-store stock by title by store. Our systems use this data to automatically generate replenishment shipments to each store from our distribution centers, enabling each store to carry a merchandise assortment uniquely tailored to its own sales mix and rate of sale. Our call lists and reservation system also provide our buying staff with information to determine order size and inventory management for store-by-store inventory allocation. We constantly review and edit our merchandise categories with the objective of ensuring that inventory is up-to-date and meets customer needs.

To support most of our operations, we use a large-scale, Intel-based computing environment with a state-of-the-art storage area network and a wired and wireless corporate network installed at our U.S. and regional headquarters, and a secure, virtual private network to access and provide services to computing assets located in our stores, distribution centers and satellite offices and to our mobile workforce. This strategy has proven to minimize initial outlay of capital while allowing for flexibility and growth as operations expand. To support certain of our international operations, we use a mid-range, scalable computing environment and a state-of-the-art storage area network. Computing assets and our mobile workforce around the globe access this environment via a secure, virtual private network. Regional communication links exist to each of our distribution centers and offices in international locations with connectivity to our U.S. data center as required by our international, distributed applications.

Our in-store point-of-sale system enables us to efficiently manage in-store transactions. This proprietary point-of-sale system has been enhanced to facilitate trade-in transactions, including automatic look-up of trade-in prices and printing of machine-readable bar codes to facilitate in-store restocking of used video games. In addition, our central database of all used video game products allows us to actively manage the pricing and product availability of our used video game products across our store base and reallocate our used video game products as necessary.

Field Management and Staff

Each of our stores employs, on average, one manager, one assistant manager and between two and ten sales associates, many of whom are part-time employees. Each store manager is responsible for managing their personnel and the economic performance of their store. We have cultivated a work environment that attracts employees who are actively interested in electronic games. We seek to hire and retain employees who know and enjoy working with our products so that they are better able to assist customers. To encourage them to sell the full range of our products and to maximize our profitability, we provide our employees with targeted incentive programs to drive overall sales and sales of higher margin products. In certain locations, we also provide certain employees with the opportunity to take home and try new video games, which enables them to better discuss those games with our customers. In addition, employees are casually dressed to encourage customer access and increase the game-oriented focus of the stores.

Our stores communicate with our corporate offices daily via e-mail. This e-mail allows for better tracking of trends in upcoming titles, competitor strategies and in-stock inventory positions. In addition, this communication allows title selection in each store to be continuously updated and tailored to reflect the tastes and buying patterns of the store s

local market. These communications also give field management access to relevant inventory levels and loss prevention information. We have invested in significant management training programs for our store managers and our district managers to enhance their business management skills. We also sponsor annual store managers conferences at which we operate an intense educational training program to provide our employees with

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information about the video game products that will be released by publishers in the holiday season. All video game software publishers are invited to attend the conferences.

GameStop's U.S. store operations are managed by a centrally-located senior vice president of stores, three vice presidents of stores and 31 regional store operations directors. The regions are further divided into districts, each with a district manager covering an average of 14 stores. In total, there are approximately 305 districts. Our international operations are managed by a senior executive, with stores in Europe managed by a senior vice president, two vice presidents and managing directors in each country and our stores in Australia and Canada each managed by a vice president. We also employ regional loss prevention managers who assist the stores in implementing security measures to prevent theft of our products.

Customer Service

Our store personnel provide value-added services to each customer, such as maintaining lists of regular customers and reserving new releases for customers with a down payment to ensure product availability. In addition, our store personnel readily provide product reviews to ensure customers are making informed purchasing decisions and inform customers of available resources, including *Game Informer*, to increase a customer's enjoyment of the product upon purchase.

Vendors

We purchase substantially all of our new products worldwide from approximately 75 manufacturers and software publishers and several distributors. Purchases from the top ten vendors accounted for approximately 85% of our new product purchases in fiscal 2009. Only Nintendo, Sony, Microsoft, Electronic Arts and Activision (which accounted for 23%, 17%, 12%, 12%, and 11%, respectively) individually accounted for more than 10% of our new product purchases during fiscal 2009. We have established price protections and return privileges with our primary vendors in order to reduce our risk of inventory obsolescence. In addition, we have few purchase contracts with trade vendors and generally conduct business on an order-by-order basis, a practice that is typical throughout the industry. We believe that maintaining and strengthening our long-term relationships with our vendors is essential to our operations and continued expansion. We believe that we have very good relationships with our vendors.

Competition

The electronic game industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. We compete with mass merchants and regional chains; computer product and consumer electronics stores; other video game and PC software specialty stores; toy retail chains; mail-order businesses; catalogs; direct sales by software publishers; and online retailers and game rental companies. In addition, video games are available for sale and rental from many video stores. Video game products are also distributed through other methods such as digital delivery. We also compete with sellers of used video game products. Additionally, we compete with other forms of entertainment activities, including movies, television, theater, sporting events, casual and mobile games and family entertainment centers.

In the U.S., we compete with Wal-Mart Stores, Inc. (Wal-Mart); Target Corporation (Target); Best Buy Co., Inc. (Best Buy); Movie Gallery, Inc. (Movie Gallery); and Blockbuster, Inc. (Blockbuster). Competitors in Europe include Game Group plc (Game Group) and its subsidiaries, which operate in the United Kingdom, Ireland, Scandinavia, France, Spain and Portugal, and Media Markt and Carrefour, which operate throughout Europe, and other regional hypermarket chains. Competitors in Canada include Wal-Mart, Best Buy and its subsidiary Future Shop. In Australia, competitors include Game Group, K-Mart, Target and JB HiFi stores.

Seasonality

Our business, like that of many retailers, is seasonal, with the major portion of our sales and operating profit realized during the fourth fiscal quarter, which includes the holiday selling season. During fiscal 2009, we generated approximately 39% of our sales and approximately 55% of our operating earnings during the fourth quarter. During fiscal 2008, we generated approximately 40% of our sales and approximately 56% of our operating earnings during the fourth quarter.

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Trademarks

We have a number of trademarks and servicemarks, including GameStop, Game Informer, EB Games, Electronics Boutique and Power to the Players, which have been registered by us with the United States Patent and Trademark Office. For many of our trademarks and servicemarks, including Micromania, we also have registered or have registrations pending with the trademark authorities throughout the world. We maintain a policy of pursuing registration of our principal marks and opposing any infringement of our marks.

Employees

We have approximately 17,000 full-time salaried and hourly employees and between 28,000 and 42,000 part-time hourly employees worldwide, depending on the time of year. Fluctuation in the number of part-time hourly employees is due to the seasonality of our business. We believe that our relationship with our employees is excellent. Some of our international employees are covered by collective bargaining agreements, while none of our U.S. employees are represented by a labor union or are members of a collective bargaining unit.

Available Information

We make available on our corporate Web site (www.gamestopcorp.com), under Investor Relations SEC Filings, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material with the Securities and Exchange Commission (SEC). You may read and copy this information or obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a Web site that contains reports, proxy statements and other information about issuers, like GameStop, who file electronically with the SEC. The address of that site is <http://www.sec.gov>. In addition to copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, the Company's Code of Standards, Ethics and Conduct is available on our Web site under Investor Relations Corporate Governance and is available to our stockholders in print, free of charge, upon written request to the Company's Investor Relations Department at GameStop Corp., 625 Westport Parkway, Grapevine, Texas 76051.

Item 1A. Risk Factors

An investment in our Company involves a high degree of risk. You should carefully consider the risks below, together with the other information contained in this report, before you make an investment decision with respect to our Company. The risks described below are not the only ones facing our Company. Additional risks not presently known to us, or that we consider immaterial, may also impair our business operations. Any of the following risks could materially adversely affect our business, operating results or financial condition, and could cause a decline in the trading price of our common stock and the value of your investment.

Risks Related to Our Business

We depend upon our key personnel and they would be difficult to replace.

Our success depends upon our ability to attract, motivate and retain key management for our stores and skilled merchandising, marketing, financial and administrative personnel at our headquarters. We depend upon the continued services of our key executive officers, Daniel A. DeMatteo, our Chief Executive Officer; R. Richard Fontaine, our Executive Chairman of the Board; J. Paul Raines, our Chief Operating Officer; and Tony D. Bartel, our Executive

Vice President of Merchandising and Marketing. The loss of services of any of our key personnel could have a negative impact on our business.

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We depend upon the timely delivery of products.

We depend on major hardware manufacturers, primarily Sony, Nintendo and Microsoft, to deliver new and existing video game platforms on a timely basis and in anticipated quantities. In addition, we depend on software publishers to introduce new and updated software titles. Any material delay in the introduction or delivery, or limited allocations, of hardware platforms or software titles could result in reduced sales in one or more fiscal quarters.

We depend upon third parties to develop products and software.

Our business depends upon the continued development of new and enhanced video game platforms, PC hardware and video game and PC entertainment software. Our business could suffer due to the failure of manufacturers to develop new or enhanced video game platforms, a decline in the continued technological development and use of multimedia PCs, or the failure of software publishers to develop popular game and entertainment titles for current or future generation video game systems or PC hardware.

Our ability to obtain favorable terms from our suppliers may impact our financial results.

Our financial results depend significantly upon the business terms we can obtain from our suppliers, including competitive prices, unsold product return policies, advertising and market development allowances, freight charges and payment terms. We purchase substantially all of our products directly from manufacturers, software publishers and, in some cases, distributors. Our largest vendors worldwide are Nintendo, Sony, Microsoft, Electronic Arts and Activision, which accounted for 23%, 17%, 12%, 12% and 11%, respectively, of our new product purchases in fiscal 2009. If our suppliers do not provide us with favorable business terms, we may not be able to offer products to our customers at competitive prices.

If our vendors fail to provide marketing and merchandising support at historical levels, our sales and earnings could be negatively impacted.

The manufacturers of video game hardware and software and PC entertainment software have typically provided retailers with significant marketing and merchandising support for their products. As part of this support, we receive cooperative advertising and market development payments from these vendors. These cooperative advertising and market development payments enable us to actively promote and merchandise the products we sell and drive sales at our stores and on our Web site. We cannot assure you that vendors will continue to provide this support at historical levels. If they fail to do so, our sales and earnings could be negatively impacted.

The electronic game industry is cyclical, which could cause significant fluctuation in our earnings.

The electronic game industry has been cyclical in nature in response to the introduction and maturation of new technology. Following the introduction of new video game platforms, sales of these platforms and related software and accessories generally increase due to initial demand, while sales of older platforms and related products generally decrease as customers migrate toward the new platforms. New video game platforms have historically been introduced approximately every five years. If video game platform manufacturers fail to develop new hardware platforms, our sales of video game products could decline.

Pressure from our competitors may force us to reduce our prices or increase spending, which could decrease our profitability.

The electronic game industry is intensely competitive and subject to rapid changes in consumer preferences and frequent new product introductions. We compete with mass merchants and regional chains, including Wal-Mart and

Target; computer product and consumer electronics stores, including Best Buy; other U.S. and international video game and PC software specialty stores located in malls and other locations, such as Game Group, Carrefour and Media Markt; toy retail chains; mail-order businesses; catalogs; direct sales by software publishers; and online retailers and game rental companies. In addition, video games are available for sale and rental from many video stores, such as Movie Gallery and Blockbuster. Video game products and content may also be distributed through methods such as digital distribution and other methods which may emerge in the future. We also compete with an

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increasing number of sellers of used video game products. Some of our competitors in the electronic game industry have longer operating histories and may have greater financial resources than we do. Additionally, we compete with other forms of entertainment activities, including movies, television, theater, sporting events, casual and mobile games and family entertainment centers. If we lose customers to our competitors, or if we reduce our prices or increase our spending to maintain our customers, we may be less profitable.

International events could delay or prevent the delivery of products to our suppliers.

Our suppliers rely on foreign sources, primarily in Asia, to manufacture a portion of the products we purchase from them. As a result, any event causing a disruption of imports, including the imposition of import restrictions or trade restrictions in the form of tariffs or quotas, could increase the cost and reduce the supply of products available to us, which could lower our sales and profitability.

Our international operations expose us to numerous risks.

We have international retail operations in Australia, Canada and Europe. Because release schedules for hardware and software introduction in these markets often differ from release schedules in the United States, the timing of increases and decreases in foreign sales may differ from the timing of increases and decreases in domestic sales. We are also subject to a number of other factors that may affect our current or future international operations. These include:

- economic downturns;
- currency exchange rate fluctuations;
- international incidents;
- government instability; and
- competitors entering our current and potential markets.

There may be possible changes in our global tax rate.

As a result of our operations in many foreign countries, our global tax rate is derived from a combination of applicable tax rates in the various jurisdictions in which we operate. Depending upon the sources of our income, any agreements we may have with taxing authorities in various jurisdictions and the tax filing positions we take in various jurisdictions, our overall tax rate may be higher than other companies or higher than our tax rates have been in the past. We base our estimate of an annual effective tax rate at any given point in time on a calculated mix of the tax rates applicable to our Company and to estimates of the amount of income to be derived in any given jurisdiction. A change in the mix of our business from year to year and from country to country, changes in rules related to accounting for income taxes, changes in tax laws in any of the multiple jurisdictions in which we operate or adverse outcomes from the tax audits that regularly are in process in any jurisdiction in which we operate could result in an unfavorable change in our overall tax rate, which could have a material adverse effect on our business and results of our operations.

If we are unable to renew or enter into new leases on favorable terms, our revenue growth may decline.

All of our retail stores are located in leased premises. If the cost of leasing existing stores increases, we cannot assure you that we will be able to maintain our existing store locations as leases expire. In addition, we may not be able to enter into new leases on favorable terms or at all, or we may not be able to locate suitable alternative sites or

additional sites for new store expansion in a timely manner. Our revenues and earnings may decline if we fail to maintain existing store locations, enter into new leases, locate alternative sites or find additional sites for new store expansion.

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Restrictions on our ability to take trade-ins of and sell used video game products could negatively affect our financial condition and results of operations.

Our financial results depend on our ability to take trade-ins of, and sell, used video game products within our stores. Actions by manufacturers or publishers of video game products or governmental authorities to limit our ability to take trade-ins or sell used video game products could have a negative impact on our sales and earnings.

If we fail to keep pace with changing industry technology, we will be at a competitive disadvantage.

The interactive entertainment industry is characterized by swiftly changing technology, evolving industry standards, frequent new and enhanced product introductions and product obsolescence. These characteristics require us to respond quickly to technological changes and to understand their impact on our customers' preferences. If we fail to keep pace with these changes, our business may suffer.

Technological advances in the delivery and types of video games and PC entertainment software, as well as changes in consumer behavior related to these new technologies, could lower our sales.

While it is currently only possible to download a limited amount of video game content to the next generation video game systems, at some point in the future this technology may become more prevalent. If advances in technology continue to expand our customers' ability to access the current format of video games, PC entertainment software and incremental content for their games, as well as new types of browser and casual games through these and other sources, our customers may no longer choose to purchase video games or PC entertainment software in our stores. As a result, sales and earnings could decline. While the Company is currently pursuing various strategies to integrate these new delivery methods and competing content into the Company's business model, we can provide no assurances that they will be successful or profitable.

An adverse trend in sales during the holiday selling season could impact our financial results.

Our business, like that of many retailers, is seasonal, with the major portion of our sales and operating profit realized during the fourth fiscal quarter, which includes the holiday selling season. During fiscal 2009, we generated approximately 39% of our sales and approximately 55% of our operating earnings during the fourth quarter. Any adverse trend in sales during the holiday selling season could lower our results of operations for the fourth quarter and the entire fiscal year.

Our results of operations may fluctuate from quarter to quarter, which could affect our business, financial condition and results of operations.

Our results of operations may fluctuate from quarter to quarter depending upon several factors, some of which are beyond our control. These factors include:

- the timing and allocations of new product releases;
- the timing of new store openings;
- shifts in the timing of certain promotions; and
- changes in foreign currency exchange rates.

These and other factors could affect our business, financial condition and results of operations, and this makes the prediction of our financial results on a quarterly basis difficult. Also, it is possible that our quarterly financial results may be below the expectations of public market analysts.

Failure to effectively manage our new store openings could lower our sales and profitability.

Our growth strategy is largely dependent upon opening new stores and operating them profitably. We opened 388 stores in fiscal 2009 and expect to open approximately 400 new stores in fiscal 2010. Our ability to open new

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stores and operate them profitably depends upon a number of factors, some of which may be beyond our control. These factors include:

the ability to identify new store locations, negotiate suitable leases and build out the stores in a timely and cost efficient manner;

the ability to hire and train skilled associates;

the ability to integrate new stores into our existing operations; and

the ability to increase sales at new store locations.

Our growth will also depend on our ability to process increased merchandise volume resulting from new store openings through our inventory management systems and distribution facilities in a timely manner. If we fail to manage new store openings in a timely and cost efficient manner, our growth may decrease.

If our management information systems fail to perform or are inadequate, our ability to manage our business could be disrupted.

We rely on computerized inventory and management systems to coordinate and manage the activities in our distribution centers, as well as to communicate distribution information to the off-site, third-party operated distribution centers with which we work. The third-party distribution centers pick up products from our suppliers, repackage the products for each of our stores and ship those products to our stores by package carriers. We use inventory replenishment systems to track sales and inventory. Our ability to rapidly process incoming shipments of new release titles and deliver them to all of our stores, either that day or by the next morning, enables us to meet peak demand and replenish stores at least twice a week, to keep our stores in stock at optimum levels and to move inventory efficiently. If our inventory or management information systems fail to adequately perform these functions, our business could be adversely affected. In addition, if operations in any of our distribution centers were to shut down or be disrupted for a prolonged period of time or if these centers were unable to accommodate the continued store growth in a particular region, our business could suffer.

We may engage in acquisitions which could negatively impact our business if we fail to successfully complete and integrate them.

To enhance our efforts to grow and compete, we may engage in acquisitions. Our plans to pursue future acquisitions are subject to our ability to identify potential acquisition candidates and negotiate favorable terms for these acquisitions. Accordingly, we cannot assure you that future acquisitions will be completed. In addition, to facilitate future acquisitions, we may take actions that could dilute the equity interests of our stockholders, increase our debt or cause us to assume contingent liabilities, all of which may have a detrimental effect on the price of our common stock. Finally, if any acquisitions are not successfully integrated with our business, our ongoing operations could be adversely affected.

Litigation and litigation results could negatively impact our future financial condition and results of operations.

In the ordinary course of our business, the Company is, from time to time, subject to various litigation and legal proceedings. In the future, the costs or results of such legal proceedings, individually or in the aggregate, could have a negative impact on the Company's results of operations or financial condition.

Legislative actions may cause our general and administrative expenses or income tax expense to increase and impact our future financial condition and results of operations.

In order to comply with laws adopted by the U.S. government or other regulatory bodies, we may be required to increase our expenditures and hire additional personnel and additional outside legal, accounting and advisory services, all of which may cause our general and administrative costs or income tax expenses to increase. Changes in the accounting rules could materially increase the expenses that we report under U.S. generally accepted accounting principles (GAAP) and adversely affect our operating results.

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Risks Relating to Our Indebtedness

To service our indebtedness, we will require a significant amount of cash, the availability of which depends on many factors beyond our control.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. These factors include:

our reliance on suppliers and vendors for sufficient quantities of their products and new product releases and our ability to obtain favorable terms from these suppliers and vendors;

economic conditions affecting the electronic game industry, the retail industry and the banking and financial services industry;

the highly competitive environment in the electronic game industry and the resulting pressure from our competitors potentially forcing us to reduce our prices or increase spending;

our ability to open and operate new stores;

our ability to attract and retain qualified personnel; and

our dependence upon software publishers to develop popular game and entertainment titles for video game systems and PCs.

If our financial condition or operating results materially deteriorate, our relations with our creditors, including holders of our senior notes, the lenders under our senior credit facility and our suppliers, may be materially and adversely impacted.

We have significant debt that could adversely impact cash availability for growth and operations and may increase our vulnerability to general adverse economic and industry conditions.

As of January 30, 2010, we had approximately \$447 million of indebtedness. Our debt service obligations with respect to this indebtedness could have an adverse impact on our earnings and cash flows for as long as the indebtedness is outstanding.

Our indebtedness could have important consequences, including the following:

our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;

we may use a portion of our cash flow from operations to make debt service payments on the senior notes and our senior credit facility, which will reduce the funds available to us for other purposes such as potential acquisitions and capital expenditures;

we may have a higher level of indebtedness than some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and

we may be more vulnerable to general economic downturns and adverse developments in our business.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness, including the senior notes. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our senior credit facility and the indenture governing the senior notes restrict our ability to dispose of assets and use the proceeds from such dispositions. We may not be able to consummate those dispositions, dispose of our assets at prices that we believe are fair or use the proceeds from asset sales to make payments on the notes and these proceeds may not be adequate to meet any debt service obligations then due.

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Because of our floating rate credit facility, we may be adversely affected by interest rate changes.

Our financial position may be affected by fluctuations in interest rates, as our senior credit facility is subject to floating interest rates.

Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. If we were to borrow against our senior credit facility, a significant increase in interest rates could have an adverse effect on our financial position and results of operations.

Our operations are substantially restricted by the indenture governing the senior notes and the terms of our senior credit facility.

The indenture for the senior notes imposes, and the terms of any future debt may impose, significant operating and financial restrictions on us. These restrictions, among other things, limit the ability of the issuers of the senior notes and of GameStop's restricted subsidiaries to:

incur, assume or permit to exist additional indebtedness or guaranty obligations;

incur liens or agree to negative pledges in other agreements;

engage in sale and leaseback transactions;

make loans and investments;

declare dividends, make payments or redeem or repurchase capital stock;

engage in mergers, acquisitions and other business combinations;

prepay, redeem or purchase certain indebtedness;

amend or otherwise alter the terms of our organizational documents and our indebtedness, including the senior notes;

sell assets; and

engage in transactions with affiliates.

We cannot assure you that these covenants will not adversely affect our ability to finance our future operations or capital needs or to pursue available business opportunities.

The senior credit facility contains various restrictive covenants prohibiting us, in certain circumstances, from, among other things, prepaying, redeeming or purchasing certain indebtedness.

Despite current anticipated indebtedness levels and restrictive covenants, we may incur additional indebtedness in the future.

Despite our current level of indebtedness, we may be able to incur substantial additional indebtedness in the future, including additional secured indebtedness. Although the terms of the indenture governing the senior notes and our

senior credit facility restrict the issuers of the senior notes and GameStop's restricted subsidiaries from incurring additional indebtedness, these restrictions are subject to important exceptions and qualifications. If we incur additional indebtedness, the risks that we now face as a result of our leverage could intensify.

Item 1B. *Unresolved Staff Comments*

None.

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All of our stores are leased. Store leases typically provide for an initial lease term of three to ten years, plus renewal options. This arrangement gives us the flexibility to pursue extension or relocation opportunities that arise from changing market conditions. We believe that, as current leases expire, we will be able to obtain either renewals at present locations or leases for equivalent locations in the same area.

The terms of the store leases for the 6,450 leased stores open as of January 30, 2010 expire as follows:

| Lease Terms to Expire During | Number of Stores |
|--|-------------------------|
| (12 Months Ending on or About January 31) | |
| Expired and in negotiations | 24 |
| 2011 | 1,156 |
| 2012 | 984 |
| 2013 | 1,098 |
| 2014 | 1,549 |
| 2015 and later | 1,639 |
| | 6,450 |

At January 30, 2010, the Company owned or leased office and distribution facilities, with lease expiration dates ranging from 2010 to 2019 and an average remaining lease life of approximately four years, in the following locations:

| Location | Square Footage | Owned or Leased | Use |
|---------------------------------|-----------------------|------------------------|---------------------------------|
| <u>United States</u> | | | |
| Grapevine, Texas, USA | 510,000 | Owned | Distribution and administration |
| Grapevine, Texas, USA | 65,000 | Owned | Manufacturing and distribution |
| Louisville, Kentucky, USA | 260,000 | Leased | Distribution |
| Minneapolis, Minnesota, USA | 11,700 | Leased | Administration |
| West Chester, Pennsylvania, USA | 6,100 | Leased | Administration |
| <u>Canada</u> | | | |
| Brampton, Ontario, Canada | 119,000 | Owned | Distribution and administration |
| Brampton, Ontario, Canada | 59,000 | Leased | Distribution and administration |
| <u>Australia</u> | | | |
| Pinkenba, Queensland, Australia | 70,000 | Owned | Distribution |
| Auckland, New Zealand | 13,000 | Leased | Distribution |
| <u>Europe</u> | | | |
| Arlov, Sweden | 80,000 | Owned | Distribution and administration |
| Milan, Italy | 120,000 | Owned | Distribution and administration |
| Memmingen, Germany | 67,000 | Owned | Distribution and administration |
| Valencia, Spain | 22,000 | Leased | Distribution |

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| | | | |
|--------------------------|--------|--------|---------------------------------|
| Valencia, Spain | 15,000 | Leased | Administration |
| Dublin, Ireland | 15,000 | Leased | Distribution and administration |
| Paris, France | 54,000 | Leased | Distribution |
| Sophia Antipolis, France | 16,300 | Leased | Administration |

Table of Contents**Item 3. *Legal Proceedings***

On February 14, 2005, and as amended, Steve Strickland, as personal representative of the Estate of Arnold Strickland, deceased, Henry Mealer, as personal representative of the Estate of Ace Mealer, deceased, and Willie Crump, as personal representative of the Estate of James Crump, deceased, filed a wrongful death lawsuit against GameStop, Sony, Take-Two Interactive, Rock Star Games and Wal-Mart (collectively, the Defendants) and Devin Moore, alleging that Defendants' actions in designing, manufacturing, marketing and supplying Defendant Moore with violent video games were negligent and contributed to Defendant Moore killing Arnold Strickland, Ace Mealer and James Crump. Moore was found guilty of capital murder in a criminal trial and was sentenced to death in August 2005.

Plaintiffs' counsel named an expert who plaintiffs indicated would testify that violent video games were a substantial factor in causing the murders. The testimony of plaintiffs' psychologist expert was heard by the Court on October 30, 2008, and the motion to exclude that testimony was argued on December 12, 2008. On July 30, 2009, the trial court entered its Order granting summary judgment for all defendants, dismissing the case with prejudice on the grounds that plaintiffs' expert's testimony did not satisfy the Frye standard for expert admissibility. Subsequent to the entry of the Order, plaintiffs filed a notice of appeal. The Company does not believe there is sufficient information to estimate the amount of the possible loss, if any, resulting from the lawsuit if the plaintiffs' appeal is successful.

In the ordinary course of the Company's business, the Company is, from time to time, subject to various other legal proceedings, including matters involving wage and hour employee class actions. The Company may enter into discussions regarding settlement of these and other types of lawsuits, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company's shareholders. Management does not believe that any such other legal proceedings or settlements, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or liquidity.

Item 4. *Reserved***PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*****Price Range of Common Stock**

The Company's Class A common stock is traded on the NYSE under the symbol GME. The Company's Class B common stock was traded on the NYSE under the symbol GME.B until February 7, 2007 when, immediately following approval by a majority of the Class B common stockholders in a Special Meeting of the Company's Class B common stockholders, all outstanding Class B common shares were converted into Class A common shares on a one-for-one basis.

The following table sets forth, for the periods indicated, the high and low sales prices (as adjusted for the Stock Split) of the Class A common stock on the NYSE Composite Tape:

| | Fiscal 2009 | |
|----------------|--------------------|------------|
| | High | Low |
| Fourth Quarter | \$ 26.05 | \$ 19.42 |

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| | | |
|----------------|----------|----------|
| Third Quarter | \$ 28.62 | \$ 22.04 |
| Second Quarter | \$ 30.29 | \$ 20.02 |
| First Quarter | \$ 32.82 | \$ 21.81 |

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| | Fiscal 2008 | |
|----------------|--------------------|------------|
| | High | Low |
| Fourth Quarter | \$ 28.23 | \$ 16.91 |
| Third Quarter | \$ 47.69 | \$ 24.09 |
| Second Quarter | \$ 56.00 | \$ 37.62 |
| First Quarter | \$ 59.13 | \$ 40.78 |

Approximate Number of Holders of Common Equity

As of March 5, 2010, there were approximately 1,456 record holders of the Company's Class A common stock, par value \$.001 per share.

Dividends

The Company has never declared or paid any dividends on its common stock. We may consider in the future the advisability of paying dividends. However, our payment of dividends is and will continue to be restricted by or subject to, among other limitations, applicable provisions of federal and state laws, our earnings and various business considerations, including our financial condition, results of operations, cash flow, the level of our capital expenditures, our future business prospects, our status as a holding company and such other matters that our Board of Directors deems relevant. In addition, the terms of the senior credit facility and the terms of the indenture governing the senior notes each restrict our ability to pay dividends. See "Liquidity and Capital Resources" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K.

Issuer Purchases of Equity Securities

Purchases by the Company of its equity securities during the fourth quarter of the fiscal year ended January 30, 2010 were as follows:

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) (In thousands of dollars) |
|---|---|---|---|---|
| November 1 through November 28, 2009 | | \$ | | \$ |
| November 29 through January 2, 2010 | | \$ | | \$ |
| January 3 through January 30, 2010 | 6,114,500 | \$ 20.12 | 6,114,500 | \$ 177,005 |

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| | | | | |
|-------|-----------|----|-------|-----------|
| Total | 6,114,500 | \$ | 20.12 | 6,114,500 |
|-------|-----------|----|-------|-----------|