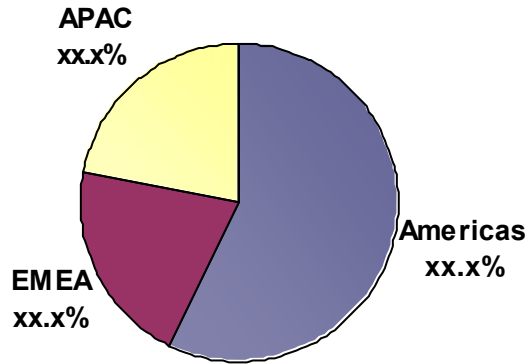


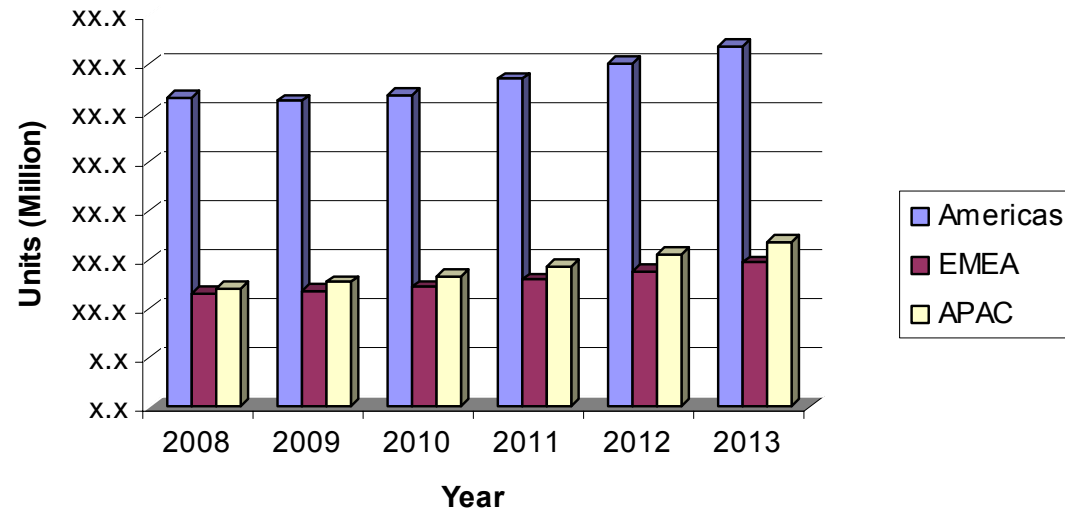
Market Forecasts by Region

Video Game Consoles Market : Split by Region (World), 2008



Source: Frost & Sullivan

Video Game Consoles Market : Unit Shipment Forecasts by Region (World), 2008-2013



Base year: 2008 Source: Frost & Sullivan

Video game console units were largely deployed in the Americas region, with the bulk of sales attributed to the United States. This region is expected to experience marginal declining growth in 2009, but will nonetheless grow at a CAGR of x.x percent over the forecast period due to next-generation console penetration; we expect higher unit deployments in Latin America. Driven by consistently growing sales in Japan, the Asia Pacific (APAC) region represented nearly xx percent market share. This region is expected to grow at a CAGR of x.x percent. The Europe-Middle East-Africa (EMEA) region is expected to grow at a CAGR of x.x percent over the forecast period.

Geographical Analysis

The Americas market is the largest for all the console makers and will continue to be so for the forecast period until 2013. The high population density and rapid uptake of technology in countries such as Japan and Korea, and to a lesser extent in Singapore and Hong Kong, see a disproportionately high level of console sales compared to the rest of the world. Console sales are also fairly high in Western Europe and are growing considerably in the emerging markets of Eastern Europe, Latin America, and other areas in Asia.

There are, however, definite patterns concerning where each gaming console sells around the world. While the PS2 has sold very well in the North American, Japanese, and Western European markets since its introduction in 2000, as it crests over its product life cycle apex, it is expected to continue being a top seller in emerging markets, but will drop off in sales in the more established markets.

The PS3 is dominant in Japan and Korea, and as of June 2008, has begun to outsell the Xbox 360 in Europe. It is also steadily increasing its market share in all other regions across the globe, including in the North American market. The Xbox 360 still sells more than the PS3 in North America and the relative size of the US market in comparison to the global market has meant that the aggregate global sales of the Xbox 360 still beats the PS3 in total sales.

The Wii however has been popular across multiple regions. The additional ability to use the Wii to access videos and download them will enable in driving its penetration further.

Competitive Analysis

Gaming consoles are increasingly conforming to next-generation consumer needs such as high-definition and online gaming and downloads of new content.

Despite being a seventh generation product and the highest selling gaming console, the Nintendo Wii system does not offer HD quality graphics. The PS2 is a sixth generation video gaming system and has been selling globally since 2000. The PS2 includes a DVD player and displays content in standard definition. The PS2 is expected to experience a decline in penetration over the next few years and then be discontinued.

Both the PS3 and XBox 360 employ high bit-rate graphics and can display content in 1080p HD quality. The PS3 also contains an internal Blu-Ray disc player; an HD-DVD player was initially available for the XBox 360 as an add-on device, but has been discontinued since HD DVD's official demise. Microsoft has chosen not to replace the previous HD-DVD player with a Blu-Ray player. However we expect that the Xbox will include some sort of HD capability in the future.

Through a Blu-Ray player with every PS3 unit, Sony not only has ensured its own market leadership in the Blu-Ray player category, but it has also been highly instrumental in establishing Blu-Ray supremacy among high-definition formats.

Game consoles are increasingly becoming convergence devices for the home, as they can allow consumers to download and access video over the Internet. All three console vendors now allow their consumers to register with various partner content providers and get access to thousands of videos.

Competitive Analysis (Contd.)

We anticipate that the compound annual growth rate (CAGR) for the market will be strong for the seventh generation boxes, but the overall market CAGR is expected to be affected by the slow demise of the PS2 and its shrinking sales forecasts, which will act as an anchor on the total market projections and skew the CAGR forecasts for the next two to three years. Further, the global recession is expected to impact consumer spending over the next 24 months or so and thereby affect sales of these products worldwide.

Frost & Sullivan expects that even as the PS2 sold more than xx million units in 2007, it sold less than x million units in 2008 and will continue to drop in total sales precipitously through 2010-2011, when we expect that it will be discontinued by Sony. The CAGR projections should then rebound significantly higher, to x percent, in 2012. PS3 and Xbox 360 and any potential eighth generation systems will contend for the HD gaming market.

With rapidly growing HDTV sales worldwide, it is expected that consumers with HDTVs will insist on the graphical and quality features of HD-quality gaming consoles. This trend is expected to significantly bump PS3 and Xbox 360 sales in the next few years.

Further, both the PS3 and Xbox 360 are Internet-enabled, which allows consumers to play multi-player games through their consoles with other similarly connected gamers. Microsoft has recently enabled consumers to use this Internet connectivity feature to download TV shows and movies through the Xbox 360 console. Microsoft has also established a partnership with NetFlix and Amazon.com to allow Xbox 360 owners to use it as a set-top box that interfaces with the NetFlix and Amazon.com online video catalogue, through which consumers may stream TV shows and movies. Sony offers 5900 movies and TV episodes as part of its Video Delivery Service.

Nintendo Wii announced the possible launch of similar services in 2009 through partnerships with movie studios and content aggregators, other than its own proprietary platform.

Competitive Analysis (Contd.)

In late 2008, both Sony and Microsoft dropped the pricing of their consoles to attract gamers away from the Nintendo Wii, to gain relative market share; to prepare for the anticipated Christmas sales rush; and to prolong the life cycles of their products. This strategy, along with the release of highly anticipated game titles and incremental improvements to consoles, can significantly drive revenues and change the sales line-up in particular markets. For example, when Microsoft released an upgraded version of the XBox 360 in Japan coinciding with the release of the game “Infinite Undiscovery” in early September 2008, sales shot from less than x,xxx consoles a week in the first week of the month to over xx,xxx units sold in the second week.

Pricing will continue to be an important factor in driving game consoles sales. Sony is also putting significant efforts in to launching a low-cost version of the product. This market has considerable barriers to entry with a high concentration of established market leaders who’ve built their positioning over more than a decade. However, the growing gaming community worldwide - as well as the use of the console as a converged home device - is driving electronic manufacturers to increase research and development and create lower-cost options in the market.

Newer vendors, such as Zeebo, have built their strategies around competitive pricing, backed by Qualcomm. Other cellular handset vendors are also targeting this market, by creating handsets capable of replacing dedicated gaming handhelds, such as Sony’s PSP and Nintendo’s DS. However, no vendor has yet been able to create an ecosystem of high quality content - particularly video - to be available to consumers using gaming consoles. There also is wide industry speculation that Apple will add to its diverse content capabilities - the iTunes content repository, iPod and iPhone devices, and Apple TV - to build a gaming console that can also act as a converged consumer home device platform.

Market Share Analysis (2008)

Nintendo has been the de facto market leader with its Wii console. In 2008, its aggressive efforts toward creating software content for the Wii enabled it to capture a significant market share of xx.x% globally.

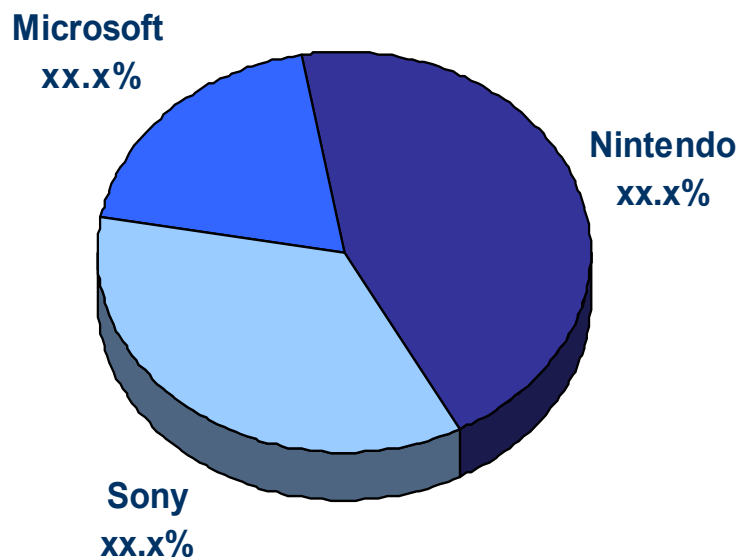
Nintendo's sales of its handheld DS have been consistently strong over the last two years, and the vendor has successfully managed to create a similarly strong base for the Wii as well.

Sony experienced a decline in sales of the PS2 in 2008 bringing down its market share to xx.x% globally.

Although the PS3 is quickly gaining ground, declining sales of the PS2 is expected to impact Sony's overall market positioning in 2009 and 2010.

Microsoft, with its flagship Xbox 360 product, has established a successful partnership channel with gaming software developers as well as video content providers. Microsoft experienced a growth in its unit deployments in 2008 to xx.x million. The company had xx.x% market share.

Video Game Consoles Market : Market Share by Units (World), 2008



Source: Frost & Sullivan

Conclusion

Market Summary

1

Video game console market expected to grow at a CAGR of x.x percent from 2008 to 2013.

2

Shrinking market share of PS2 units, impact of recession on consumer spending and maturation of developed markets such as U.S., Japan and Western Europe is expected to slow down the rate of growth from 2009 to 2011.

3

Over xx million video game consoles are expected to be deployed in 2009 out of which over xx million are expected to include HD support.