

Protecting the Video Game Industry's Value Creation and Growth



**Michael D. Gallagher - President and CEO
Entertainment Software Association (ESA)**

Game Industry Roundtable

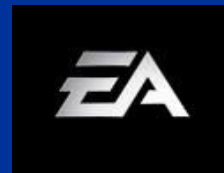
Perkins Coie, LLP

April 24, 2008



The Entertainment Software Association (ESA)

- ESA is the U.S. association representing publishers of computer and video games
- Our members include some of the biggest names in entertainment, consumer electronics, and technology





The Entertainment Software Industry

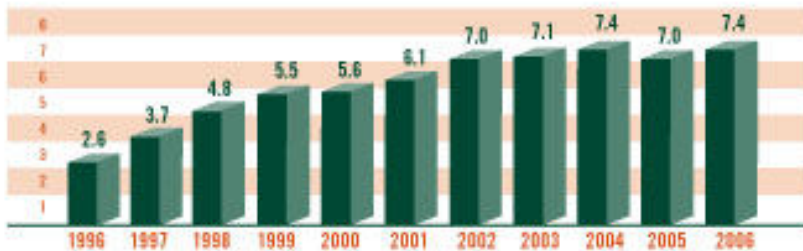
- \$31.6 billion in global revenue in 2006, projected to grow to \$48.8 billion by 2011
- Typical video game company generates approximately 40% total revenue from worldwide exports
- Video games fuse movies, music, literature—all while actors, writers, directors and animators migrate between artistic mediums



Industry Sales

WHAT'S THE BOTTOM LINE? HISTORICAL SALES INFORMATION

U.S. COMPUTER AND VIDEO GAME DOLLAR SALES GROWTH DOLLARS IN BILLIONS



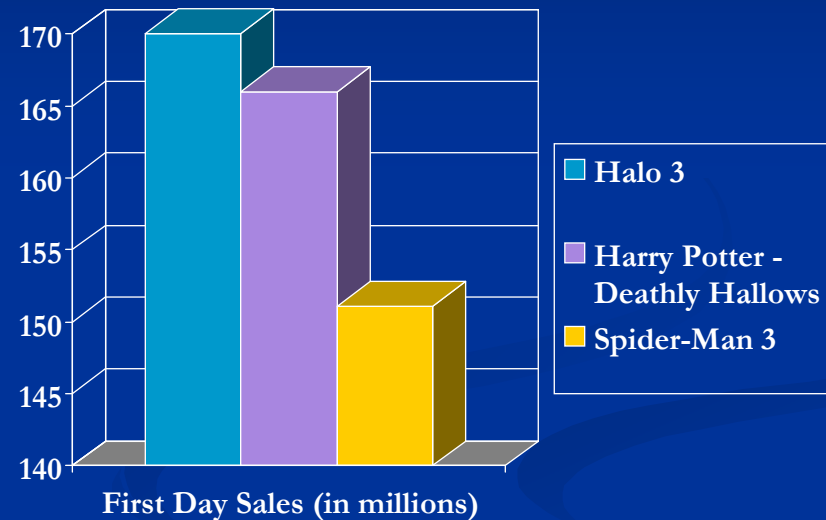
Source: The NPD Group / Point-of-Sale Information

- Industry growth for 2008 is up 27% over last year, which was record-breaking
- Sales were up 43% year over year from 2006 to 2007, totaling more than \$18.5 billion
- 2007 US sales of video game software and hardware. Since 1996, industry revenue growth has tripled



Hits-Driven Industry

- *Halo 3* generated more revenue in its first 24 hours than:
 - *Harry Potter and the Deathly Hallows* did in its first day; **and more than,**
 - *Spider-Man 3*'s entire opening weekend

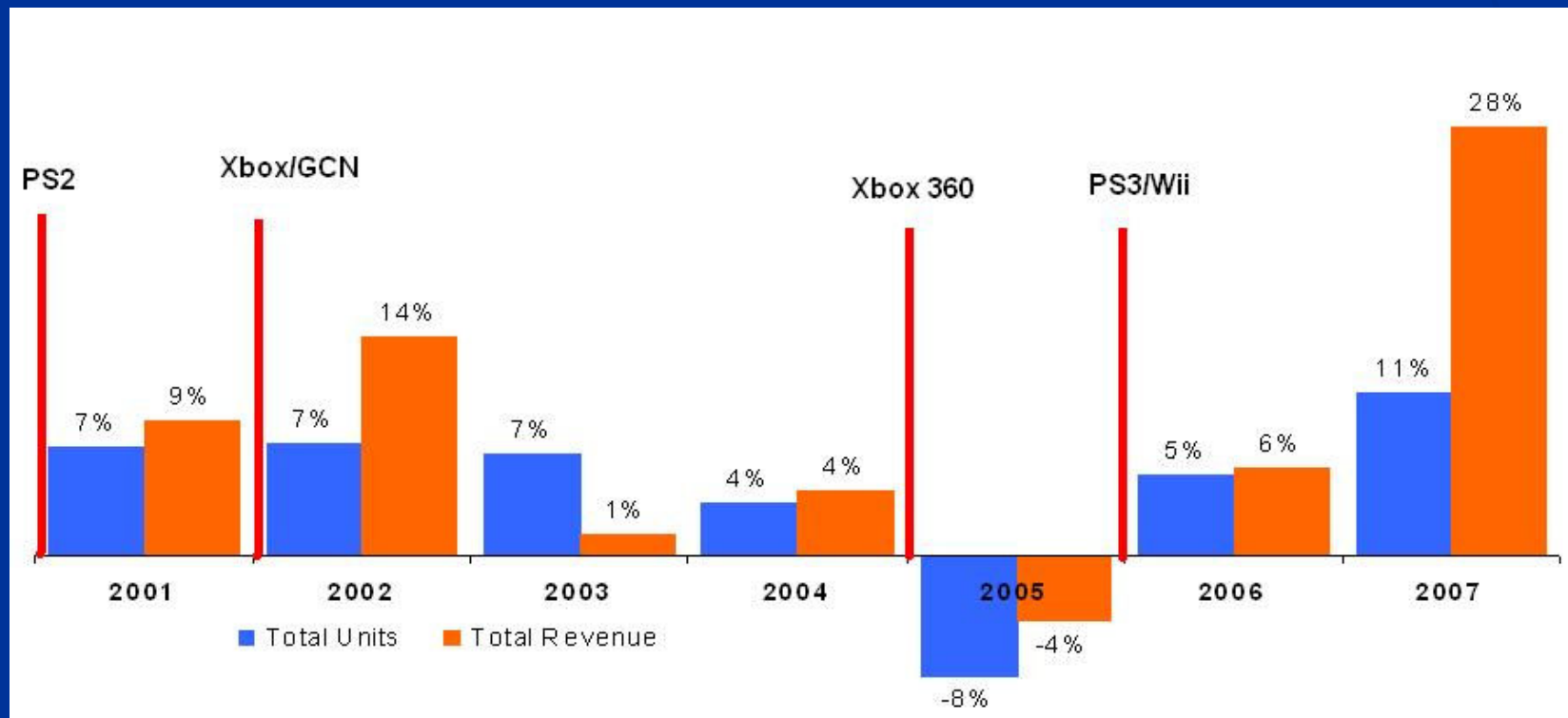


Source: CNET News, "Microsoft: 'Halo 3' nets biggest day in entertainment history," Daniel Terdiman, 9/26/07.



Software (VG and PC) Growth Following Hardware Launches

Software	2001	2002	2003	2004	2005	2006	2007
Total Units	7%	7%	7%	4%	-8%	5%	11%
Total Revenue	9%	14%	1%	4%	-4%	6%	28%





Industry Mergers

- Activision/Vivendi Merger*
 - \$18.9 billion deal, creating world's largest independent video game publisher
- EA/Take Two Hostile Takeover**
 - \$2B Offer--\$26.00/share
 - Federal Trade Commission Could Review
 - Take-Two Shareholder Meeting



*SOURCE: Business Week, 12/2/07

** Newsweek, 3/31/08



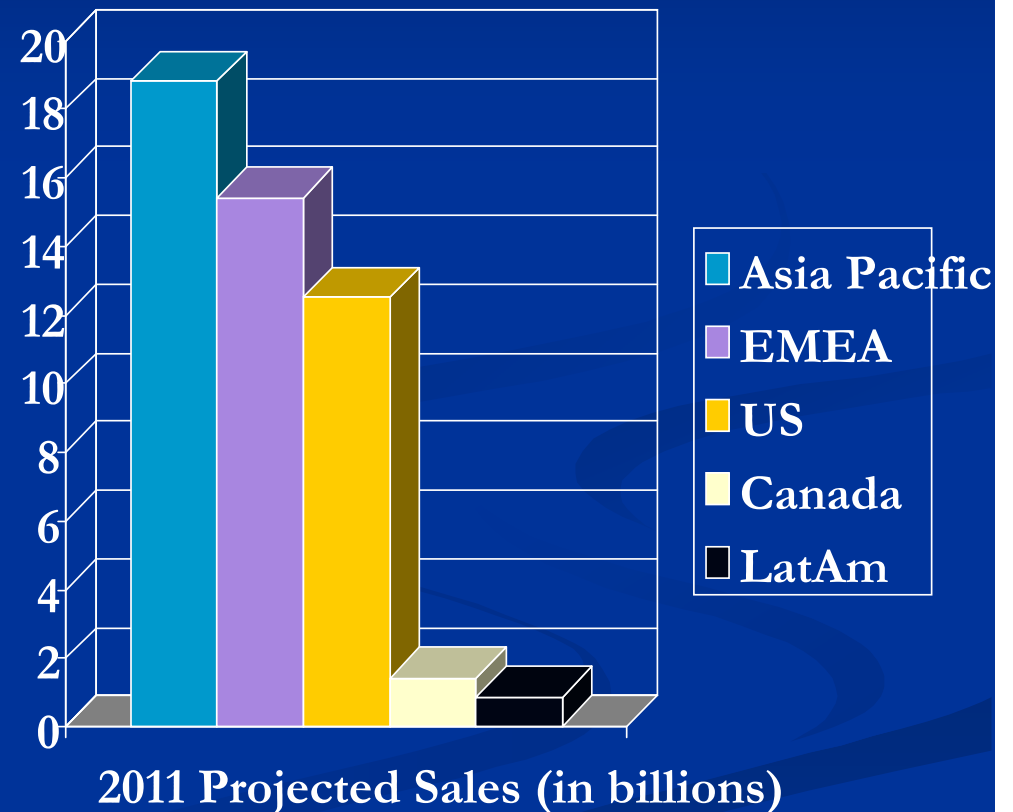
Economic Impact of Games

- The annual growth rate of the US video game industry exceeded 17.0% from 2003-2006. During the same years, real growth for the US economy as a whole was below 4.0%
- Industry exceeds average growth rate of the US economy by 4:1 ratio
- Value added to US GDP was \$3.8 billion in 2006
- 80,000 employees (direct and indirect) with \$92,368 average compensation per direct industry employee, totaling \$2.2 billion
- 4.4% annual video game industry direct employment growth rate



Breaking Down the Globe

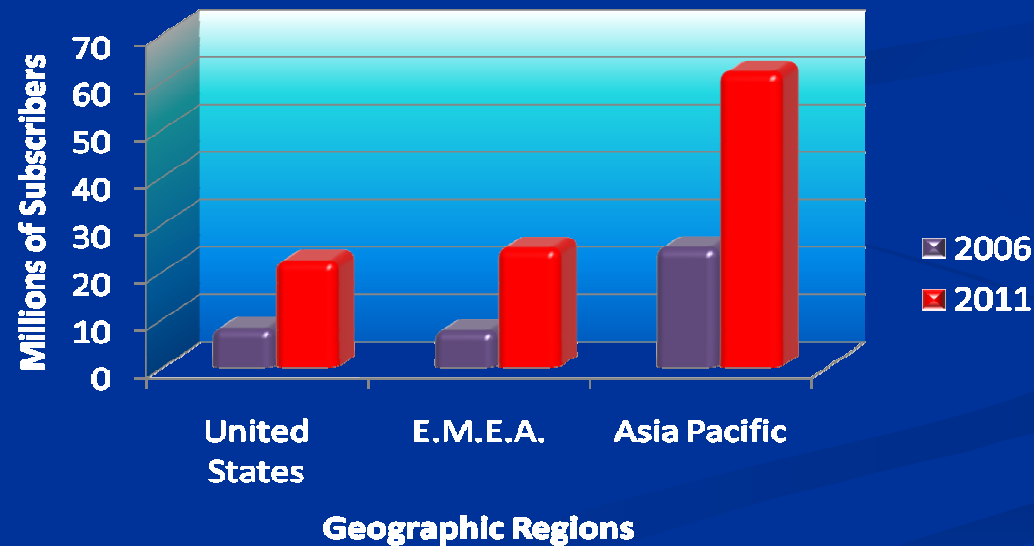
- The video game market in the US, EMEA, Asia Pacific, Latin America, and Canada will increase from \$31.6 billion in 2006 to \$48.9 billion in 2011, a 9.1% compound annual rate





Tapping Broadband Growth: Video Games Online - Subscribers

- Regional growth in number of subscribers
 - United States: 8 million in 2006 and will grow to 22.2 million by 2011
 - Europe, Middle East, Africa: 7.5 million in 2006 and will grow to 24.9 million by 2011
 - Asia Pacific: 25 million in 2006 and will grow to 62 million by 2011



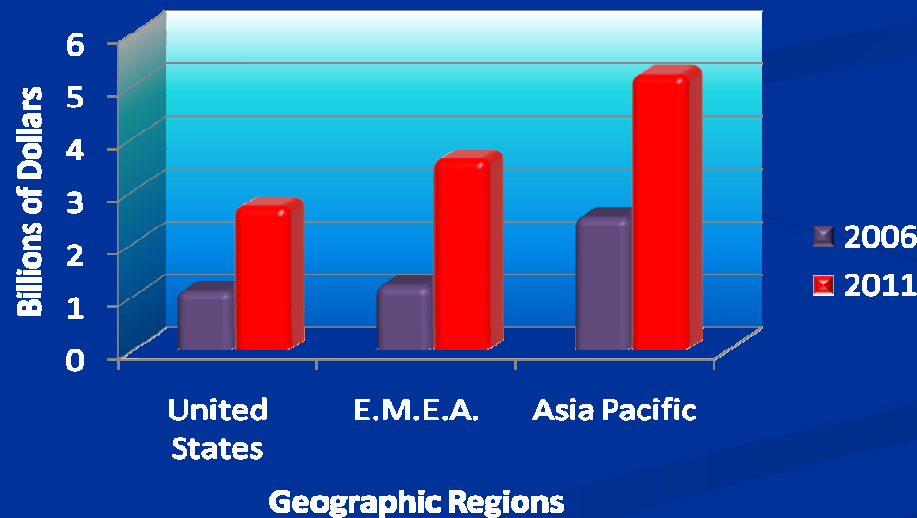
Note: 2006 figures are preliminary

Chart based upon data from PricewaterhouseCoopers' Global Entertainment & Media Outlook: 2007-2011



Tapping Broadband Growth: Video Games Online - Spending

- Regional growth in consumer spending outlays
 - United States: \$1.1 billion in 2006 and will grow to \$2.7 billion by 2011
 - Europe, Middle East, Africa: \$1.2 billion in 2006 and will grow to \$3.6 billion by 2011
 - Asia Pacific: \$2.5 billion in 2006 and will grow to \$5.2 billion by 2011



Note: 2006 figures are preliminary

Chart based upon data from PricewaterhouseCoopers' Global Entertainment and Media Outlook: 2007-2011